

Appendix 4E

Preliminary final report for the year ended 30 June 2011

Name of entity:

Avexa Limited

ABN:

53 108 150 750

Results for announcement to the market

	\$A'000
Revenue from ordinary activities:	Decrease of 2.4% to 1,655
Loss from ordinary activities after tax attributable to members:	Decrease of 89.4% to (4,402)
Net loss for the year attributable to members:	Decrease of 89.4% to (4,402)
Dividends	
It is not proposed to pay dividends.	
There are no dividend or distribution reinvestment plans in operation and there have been no dividend or distribution payments during the financial year ended 30 June 2011.	
No explanation considered necessary to explain any of the above other than as provided within this report.	

Commentary on results for the year and Significant Information

Principal activities

The principal activity of the Company during the course of the financial year was the research and development, for commercialisation, of anti-infective pharmaceutical programs and projects. The Company is incorporated and domiciled in Australia, and with a registered office and principal place of business located at 576 Swan Street, Richmond, VIC 3121.

Review and results of operations

The Company reported a net loss of \$4.4 million for the 2011 financial year; this was 89.4% less than the \$41.5 million loss of 2010.

Net cash expended through operating activities for the 2011 financial year was \$5.2 million, a 69.4% reduction on the \$16.8 million spent in the prior year.

Key matters impacting the result for Avexa this year were:

- Spent \$2.7 million on investment activities including a strategic investment in Allied Healthcare Group. The investment in Allied Healthcare Group represents a 16.9% shareholding in the Allied Healthcare Group which was valued at \$7.2 million based on the market closing price on 13 July 2011 being the first day after the shares were issued and listed.
- Entered into a license agreement with Valevia Pharmaceuticals GmbH. Under the terms and conditions of the agreement Valevia will fund all future development of the Company's preclinical antibacterial drug program and the Company is entitled to receive up to US\$65 million plus royalties upon significant clinical development and commercial milestones for the lead program.
- Substantial progress has been made towards gaining approval for ATC. The full results of the Phase 2b/3 clinical trial of ATC (AVX-301), which was previously terminated early, were fully analysed, collated and discussed at a review meeting with the US FDA. At the same time, an accelerated clinical study was researched, designed and discussed. This single confirmatory study is smaller, faster, simpler, and low risk. With the strength of the AVX-301 study results combined with the accrued data package generated over the last few years, Avexa has been able to agree upon an easier, clear and fast route to approval of ATC for patients with resistance to currently used HIV drugs.
- Entered into a license agreement with Shanghai Institute of Organic Chemistry (SIOC) to develop the Company's earlier HIV inhibitor series.
- Continued to progress the HIV integrase project towards preclinical studies.
- Held cash assets of \$16.4 million and listed investments of \$9.0 million at 30 June 2011

For a fuller description of the Company's activities in the 2011 financial year please refer to the attached Directors' report and financial statements.

Actions subsequent to year end

On 06 July 2011 Avexa announced that it has engaged PharmaVentures Limited to advise and assist in seeking a licensing partner for apricitabine (ATC), its late-stage, novel treatment for HIV infection. The engagement will utilise PharmaVentures' global transactional expertise in the healthcare and investment business sectors.

On 14 July 2011 Avexa announced that it held 96 million ordinary shares in the newly merged Allied Healthcare Group. Allied Healthcare Group is the result of the June 2011 merger between BioMD (previously ASX:BOD) and Allied Medical Ltd. This represents a 16.9% shareholding in the company valued at \$7.2 million based on the market closing price on 13 July 2011.

In the period since the beginning of the financial year to the date of this report Avexa realised gains of \$0.5 million from short term investments.

Other than the above, in the interval between the end of the financial year and the date of this report no item, transaction or event of a material and unusual nature has arisen that is likely, in the opinion of the directors' of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Statement of financial performance (Income statement)
For the year ended 30 June 2011

	Note	Current period - \$A'000	Previous corresponding period - \$A'000
Licence fee and royalty income		-	-
Other income from ordinary activities		1,655	1,696
Total revenue from ordinary activities	1(a)	1,655	1,696
Contract research and development costs	1(b)	(1,091)	(6,848)
Employee expenses		(1,566)	(4,318)
Share-based payment expense		(113)	(453)
Depreciation & loss on disposal of equipment	1(b)	(223)	(237)
Impairment of marketing licence	1(b)	-	(25,762)
Merger proposal costs		-	-
Occupancy		(1,139)	(1,794)
Consulting		(583)	(293)
Professional costs		(658)	(379)
Travel and accommodation		(352)	(496)
Raw materials and consumables used		(13)	(547)
Asset management expenses		(66)	(247)
Insurance		(149)	(195)
Corporate administration		(239)	(382)
Intellectual property		(312)	(671)
Other expenses from ordinary activities	1(b)	(205)	(562)
Profit / (loss) from ordinary activities before related income tax expense		(5,054)	(41,488)
Income tax benefit		652	-
Net profit / (loss)		(4,402)	(41,488)
Net profit attributable to outside equity interests		-	-
Total changes in equity from non-owner related transactions attributable to members of the Company		(4,402)	(41,488)
Basic earnings per share (ordinary shares)	14	(0.5)	(5.4)
Diluted earnings per share (ordinary shares)	14	(0.5)	(5.4)

Statement of changes in equity for the year ended 30 June 2011

	Issued capital \$'000	Accumulated losses \$'000	Fair Value Reserve	Total Equity \$'000
Opening balance as at 1 July 2010	182,523	(158,154)	-	24,369
Non-profit items recognised directly in equity: Equity settled share-based payment transactions	-	-	-	-
Non-profit items recognised directly in equity	-	-	-	-
Loss for the period	-	(4,402)	-	(4,402)
Total recognised income and expense for the period	-	(4,402)	-	(4,402)
Shares issued pursuant to placement	-	-	-	-
Fair Value Reserve	-	-	6,275	6,275
Equity settled share-based payment transactions	-	113	-	113
Equity-related transactions	-	113	6,275	6,388
Closing balance as at 30 June 2011	182,523	(162,443)	6,275	26,355

Statement of changes in equity for the year ended 30 June 2010

	Issued capital \$'000	Accumulated losses \$'000	Fair Value Reserve	Total Equity \$'000
Opening balance as at 1 July 2009	159,902	(117,119)	-	42,783
Non-profit items recognised directly in equity: Equity settled share-based payment transactions	-	453	-	453
Non-profit items recognised directly in equity	-	453	-	453
Loss for the period	-	(41,488)	-	(41,488)
Total recognised income and expense for the period	-	(41,488)	-	(41,488)
Shares issued pursuant to placement	8,001	-	-	8,001
Shares issued pursuant to share purchase plan	15,324	-	-	15,324
Transaction costs relating to share purchase plan and placement	(704)	-	-	(704)
Equity-related transactions	22,621	-	-	22,621
Closing balance as at 30 June 2010	182,523	(158,154)	-	24,369

Statement of financial position (Balance sheet)
As at 30 June 2011

	Note	Current period - \$A'000	Previous corresponding period - \$A'000
Current assets			
Cash assets	3	16,387	24,306
Receivables	4	936	341
Investments	7	1,210	-
Other	8	60	178
Total current assets		18,593	24,825
Non-current assets			
Investments	7	7,776	-
Intangibles	5	-	-
Property, plant and equipment	6	459	653
Total non-current assets		8,235	653
Total assets		26,828	25,478
Current liabilities			
Payables	9	257	693
Employee benefits	10	128	36
Other	11	35	123
Total current liabilities		420	852
Non-current liabilities			
Employee benefits	10	18	13
Other	11	35	244
Total non-current liabilities		53	257
Total liabilities		473	1,109
Net assets		26,355	24,369
Equity			
Issued capital	12	182,523	182,523
Fair Value Reserve	12	6,275	-
Accumulated losses	2	(162,443)	(158,154)
Total equity		26,355	24,369

Statement of cash flows
For the year ended 30 June 2011

	Note	Current period - \$A'000	Previous corresponding period - \$A'000
Cash flows from operating activities			
Cash receipts in the course of operations		388	619
Cash payments in the course of operations		(6,801)	(18,350)
Interest received		1,261	885
Net cash used in operating activities	24	(5,152)	(16,846)
Cash flows from investing activities			
Payments for property, plant and equipment		(29)	(158)
Payments for equity investments		(2,738)	-
Merger proposal costs (net of break fees received)		-	-
Net cash used in investing activities		(2,767)	(158)
Cash flows from financing activities			
Proceeds from issues of shares		-	23,325
Costs of raising share capital		-	(704)
Net cash provided by financing activities		-	22,621
Net (decrease) / increase in cash held		(7,919)	5,617
Cash at the beginning of the financial year		24,306	18,827
Effect of exchange rate fluctuations on cash held		-	(138)
Cash at the end of the financial year	23	16,387	24,306

Notes to the Statement of financial performance

1 Revenue and expenses from ordinary activities

(a) Revenues	Current period - \$A'000	Previous corresponding period - \$A'000
Interest income	1,185	995
Government grants	91	398
Lease income	379	303
Merger proposal break fees	-	-
Total revenue from ordinary activities	1,655	1,696

(b) Expenses		
Depreciation of Plant and equipment	(178)	(235)
Contract research and development (Note 1(c))	(1,091)	(6,848)
Impairment of Marketing Licence (Note 5)	-	(25,762)
Amounts transferred to/from provisions for:		
- Employee benefits	(97)	407
Other expenses:		
- Advertising and promotion	(99)	(233)
- Workplace administration	(41)	(92)
- Finance expenses	(5)	(157)
- Other expenses	(60)	(80)
Total Other expenses	(205)	(562)

(c) Research and Development (R&D)

Contract research and development expenditure	(1,091)	(6,848)
Direct research and development expenditure	(1,396)	(4,529)
Total R&D expenditure for the year	(2,487)	(11,377)

Notes to the Statements of changes in equity, financial position and cash flows

2 Accumulated losses

	Current period - \$A'000	Previous corresponding period - \$A'000
Accumulated losses at the beginning of the financial year	(158,154)	(117,119)
Net loss attributable to members	(4,402)	(41,488)
Net transfers from / (to) reserves	-	-
Net effect of changes in accounting policies	-	-
Share-based payment expense	113	453
Dividends and other equity distributions paid or payable	-	-
Accumulated losses at the end of the financial year	(162,443)	(158,154)

3 Cash assets

Cash at bank and on hand	235	374
Bank short term deposits	16,152	23,932
Cash assets	16,387	24,306

Interest on cash at bank is credited at prevailing market rates. The weighted average interest rate at reporting date was 5.9% (2010: 5.4%).

4 Receivables

Current

Other debtors	284	341
Income Tax Benefit	652	-
Total Receivables	936	341

5 Intangibles

Non-Current

North American marketing licence for apricitabine (ATC) – at cost	25,762	25,762
Less: Provision for impairment	(25,762)	(25,762)
	-	-
Intellectual property – at cost	12,000	12,000
Less: Accumulated amortisation	(12,000)	(12,000)
	-	-
Total intangibles	-	-

Following a General Meeting of shareholders in July 2010, the new directors of the Company initiated an independent review of the Company's assets including apricitabine (ATC), to which the impaired intangible asset relates. Should future decisions and actions in regard to ATC result in the directors of

the Company having the opinion that some value has been restored to this intangible asset, the existing provision for impairment may be reversed to the extent that the directors believe to be prudent and that value will be reflected in the Company's balance sheet.

6 Property, plant and equipment

	Current period - \$A'000	Previous corresponding period - \$A'000
Plant and equipment (at cost)	1,368	1,447
Less: Accumulated depreciation	(909)	(794)
Property, plant and equipment	459	653

7 Investments

Current		
Financial assets classified as held for trading	1,210	-
Non-current		
Financial assets classified as available for sale	7,776	-

8 Other assets

Prepayments	60	178
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9 Payables

Trade creditors and accruals	257	693
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10 Employee benefits

Current		
Employee benefits	128	36
Non-current		
Employee benefits	18	13

The discount rate adopted in the present value calculation of non-current employee entitlements is 6.0% (2010: 6.0%). The carrying value of employee entitlements approximates fair value.

11 Other liabilities

	Current period - \$A'000	Previous corresponding period - \$A'000
Current		
Onerous contracts provision	35	123
Non-current		
Onerous contracts provision	35	244

12 Issued Capital

Issued and paid up capital

	Number	Number
847,688,779 (2010: 847,688,779) ordinary shares, fully paid	847,688,779	847,688,779

Movements in issued capital during the year were as follows:

	\$'000	Number
Issued capital at the beginning of the financial year	182,523	847,688,779
Issue of shares pursuant to Rights Issue	-	-
Issue of shares pursuant to placement	-	-
Fair Value Reserve	6,275	-
Issued capital at the end of the financial year	188,798	847,688,779

Options to acquire ordinary shares

During the financial year 1,500,000 (2010: nil) options were issued to employees under the Avexa Employee Share Option Plan, 7,745,000 (2010: 3,390,000) options held by employees lapsed or were forfeited and nil (2010: nil) were exercised. Movements in options for the 2011 financial year comprise the following:

Options	Exercise Price	No of options at beginning of year	Options granted	Options lapsed / forfeited	Options exercised	No of options at end of year
Total employee options	Various	11,865,000	1,500,000	(7,745,000)	-	5,620,000
Shire options	\$0.704 #	4,000,000	-	-	-	4,000,000
Total options		15,865,000	1,500,000	(7,745,000)	-	9,620,000

Exercise price adjusted from 70.4 cents to 63.2 cents in accordance with ASX Listing Rule 6.22.

13 Net tangible assets per ordinary security

	Current period - \$A'000	Previous corresponding period - \$A'000
Net tangible assets	26,355	24,369
Issued share capital at reporting date	Shares 847,688,779	Shares 847,688,779
Net tangible assets per ordinary security	3.1 cents	2.9 cents

14 Earnings per security (EPS)

	Current period - \$A'000	Previous corresponding period - \$A'000
a) Earnings reconciliation		
Net loss:		
Basic earnings	(4,402)	(41,488)
Diluted earnings	(4,402)	(41,488)
b) Weighted average number of shares	Number	Number
Number for basic earnings per share:		
Ordinary shares	847,688,799	768,674,455
Ordinary shares - after applying adjustment factor under AASB 133 for the discounted issue price which applied for the April 2009 Rights Issue .	-	-
Number for diluted earnings per share:		
Ordinary shares	847,688,799	768,674,455
Effect of share options on issue	9,177,088	18,880,328
	<u>856,865,867</u>	<u>787,554,783</u>

15 Returns to shareholders

There have been no returns to shareholders during the financial year.

16 Control gained over entities having material effect

There are no entities having material effect over which the Company gained control during or subsequent to the financial year ended 30 June 2011.

17 Loss of control of entities having material effect

There are no entities over which the Company lost control during or subsequent to the financial year ended 30 June 2011.

18 Material interests in entities which are not controlled entities

There were no material interests in entities other than controlled entities held at any time during or subsequent to the financial year ended 30 June 2011.

19 Non-cash financing and investing activities

There have been no non-cash financing and investing transactions during the 2011 financial year which have had a material effect on assets and liabilities of the Company.

20 Segment reporting

The Company comprises a single business segment (anti-infective research and development). Although the Company's clinical trials were conducted in a number of countries there was no income derived from these activities, as such activities were controlled from Australia. Although the Group has established overseas subsidiaries in the US and UK and incorporated a new subsidiary during the financial year, the operations of these entities were immaterial. No segment reporting has therefore been prepared.

21 Factors affecting the results in the future

On 06 July 2011 Avexa announced that it has engaged PharmaVentures Limited to advise and assist in seeking an out-licensing partner for apricitabine (ATC), its late-stage, novel treatment for HIV infection. The engagement will utilise PharmaVentures' global transactional expertise in the healthcare and investment business sectors.

On 14 July 2011 Avexa announced that it held 96 million ordinary shares in the newly merged Allied Healthcare Group. Allied Healthcare Group is the result of the June 2011 merger between BioMD (previously ASX:BOD) and Allied Medical Ltd. This represents a 16.9% shareholding in the company valued at \$7.2 million based on the market closing price on 13 July 2011.

Other than the above, in the interval between the end of the financial year and the date of this report no item, transaction or event of a material and unusual nature has arisen that is likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

22 Franking credits available

There are no franking credits available at reporting date.

23 Reconciliation of cash

Reconciliation of cash at the end of the financial year (as shown in the statement of cash flows) to the related items in the accounts is shown in the following table.

	Current period - \$A'000	Previous corresponding period - \$A'000
Cash on hand and at bank	235	374
Bank short term deposits	16,152	23,932
	16,387	24,306

24 Reconciliation of loss from ordinary activities after related income tax to net cash used in operating activities

	Current period - \$A'000	Previous corresponding period - \$A'000
Loss from ordinary activities after income tax	(4,402)	(41,488)
Add / (less) non-cash items:		
- Depreciation and loss on disposal of equipment	223	237
- Share-based payment expense	113	453
- Merger proposal costs (net of break fees)	-	-
- Impairment of marketing licence	-	25,762
- Foreign exchange losses	-	138
- Investment loss on revaluation	28	-
Change in assets and liabilities:		
- Increase / (decrease) in Employee benefits	97	(407)
- (Increase) / decrease in Receivables	(595)	(63)
- (Increase) / decrease in Other assets	117	-
- Increase / (decrease) in Deferred Income	-	(82)
- Increase / (decrease) in Payables	(434)	(1,763)
- Increase / (decrease) in Other liabilities	(299)	367
Net cash used in operating activities	(5,152)	(16,846)

25 Compliance statement

This report has been prepared in accordance with Australian Accounting Standards Australian Accounting Standards (including the Australian Accounting Interpretations).

This report is based on accounts which have been audited. The unqualified audit report by the auditor is attached.

Sign here:



Date: 30 August 2011

Company Secretary

Print name: Lee Mitchell