

GENETIC TECHNOLOGIES LTD  
Form 20-F/A  
November 25, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 20-F/A**

**o                   REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

**x                   ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended June 30, 2011**

**OR**

**o                   TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

**o                   SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR  
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report . . . . .

**For the transition period from                   to**

Commission file number 0-51504

**GENETIC TECHNOLOGIES LIMITED**  
(Exact name of Registrant as specified in its charter)

**N/A**  
(Translation of Registrant's name into English)

**AUSTRALIA**  
(Jurisdiction of incorporation or organization)

**60-66 Hanover Street, Fitzroy, Victoria, 3065, Australia**

**Telephone: 011 61 3 8412 7000; Facsimile: 011 61 3 8412 7040**  
(Address of principal executive offices)

**Thomas G. Howitt**

**Telephone: 011 61 3 8412 7050; Facsimile: 011 61 3 8412 7040**

**Email: tom.howitt@gtglabs.com**

**60-66 Hanover Street, Fitzroy, Victoria, 3065, Australia**  
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act. **None**

Securities registered or to be registered pursuant to Section 12(g) of the Act.

**American Depositary Shares each representing 30 Ordinary Shares  
and evidenced by American Depositary Receipts**  
(Title of each Class)

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Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act. **None**

Number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

404,605,152 Ordinary Shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Note: Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued  
by the International Accounting Standards Board

Other

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If  Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes  No

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**EXPLANATORY NOTE**

Genetic Technologies Limited (the Company) is filing this Form 20-F/A (the Amendment) to its Annual Report on Form 20-F (the Annual Report) for the year ended June 30, 2011, previously filed with the Securities and Exchange Commission (the SEC) on November 21, 2011 (the Original Filing), to replace the audit report in the Original Filing with a new audit report in prescribed form. The remainder of the consolidated financial statements contained in the Original Filing are unchanged.

Except for the consolidated financial statements and auditor's report, no other information included in the Annual Report as originally filed is being repeated in this Amendment, and this Amendment should be read together with the Annual Report as originally filed, except for the consolidated financial statements and auditor's report. Cross references within this Amendment to items other than those in Part III are references to those items in the Original Filing. This Amendment does not otherwise update the disclosures set forth in the Annual Report for the year ended June 30, 2011, as originally filed, and does not otherwise reflect events occurring after the original filing of the Annual Report on November 21, 2011.

Exhibits 12.01, 12.02, 13.01 and 13.02 are being included in this Amendment and have been dated as of the date of this filing but are otherwise unchanged.

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**PART III**

**Item 17. Financial Statements**

The Company has responded to Item 18 in lieu of responding to this Item.

**Item 18. Financial Statements**

**GENETIC TECHNOLOGIES LIMITED**  
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**Item 19. Exhibits**

The following documents are filed as exhibits to this Annual Report on Form 20-F:

1.1 Constitution of the Registrant. +

2.1 Deposit Agreement, dated as of January 14, 2002, by and among Genetic Technologies Limited, The Bank of New York Mellon, as Depository, and the Owners and Holders of American Depositary Receipts (such agreement is incorporated herein by reference to the

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Registration Statement on Form F-6 relating to the ADSs (File No. 333-14270) filed with the Commission on January 14, 2002).

2.2. The total indebtedness authorized under any instrument relating to long term debt of the Company does not exceed 10% of our total consolidated assets. Any instrument relating to indebtedness will be supplied to the Commission upon its request.



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4(b)(i) Lease over premises in Fitzroy, Victoria, Australia with an effective date of November 4, 2010.

4(b)(ii) Lease over premises in Charlotte, North Carolina, USA with an effective date of August 17, 2010.

12.01 Section 302 Certification

12.02 Section 302 Certification

13.01 Section 1350 Certification

13.02 Section 1350 Certification

23.1 Consent of Cape Leveque Securities Pty Ltd.

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+ Previously filed with the Company's Registration Statement on Form 20-F (File No. 0-51504) filed with the Commission on December 21, 2010 and incorporated herein by reference.

Previsouly filed with the Company's Registration Statement on Form 20-F (File No. 0-51504) filed with the Commission on November 21, 2011 and incorporated herein by reference.

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**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F/A and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

GENETIC TECHNOLOGIES LIMITED

Dated: November 25, 2011

By:

/s/ Dr. Paul D.R. MacLeman  
Name: Dr. Paul D.R. MacLeman  
Title: Chief Executive Officer

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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of Genetic Technologies Limited

In our opinion, the accompanying consolidated balance sheet and the related consolidated statement of comprehensive income, consolidated statement of changes in stockholders' equity, and consolidated statement of cash flow present fairly, in all material respects, the financial position of Genetic Technologies Limited and its subsidiaries at June 30, 2011 and June 30, 2010, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2011 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audit of the consolidated financial statements of Genetic Technologies Limited and its subsidiaries was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Company has included parent entity only information in the notes to the financial statements. Such parent entity only information is presented for purposes of additional analysis and is not a requirement of the consolidated financial statements presented in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

/s/ PricewaterhouseCoopers

Melbourne, Victoria, Australia

November 25, 2011

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For the year ended June 30

	Notes	2011 \$	Consolidated 2010 \$	2009 \$
<b>Revenue from continuing operations</b>				
Genetic testing services		4,594,960	4,915,528	4,599,286
Less: cost of sales	4	(2,034,916)	(2,722,975)	(2,760,359)
Gross profit from continuing operations		2,560,044	2,192,553	1,838,927
Other revenue	5	13,680,741	3,739,747	5,391,714
Selling and marketing expenses	6	(3,018,947)	(2,679,979)	(2,765,060)
General and administrative expenses	6	(3,696,165)	(3,196,488)	(4,282,275)
Licensing, patent and legal costs	6	(4,097,323)	(3,923,102)	(4,017,721)
Laboratory and research and development costs	6	(4,380,866)	(6,258,871)	(6,116,450)
Finance costs		(81,934)	(100,422)	(89,499)
<b>Operating profit / (loss) before income tax expense</b>		<b>965,550</b>	<b>(10,226,562)</b>	<b>(10,040,364)</b>
Non-operating income and expenses	7	(85,771)	425,239	1,407,829
<b>Profit / (loss) from continuing operations before income tax expense</b>		<b>879,779</b>	<b>(9,801,323)</b>	<b>(8,632,535)</b>
Net profit from discontinued operation	8	21,562	446,114	774,214
<b>Profit / (loss) before income tax expense</b>		<b>901,341</b>	<b>(9,355,209)</b>	<b>(7,858,321)</b>
Income tax expense				
<b>Profit / (loss) for the year</b>		<b>901,341</b>	<b>(9,355,209)</b>	<b>(7,858,321)</b>
<b>Other comprehensive income / (loss)</b>				
Realized gain on sale of available-for-sale investments transferred from reserve			(170,000)	
Unrealized gain on available-for-sale investments				170,000
Exchange gains / (losses) on translation of controlled foreign operations	22	(85,079)	(8,623)	(13,408)
Exchange gains / (losses) on translation of non-controlled foreign operations	24	(11,585)	3,404	6,133
<b>Other comprehensive income / (loss) for the year, net of tax</b>		<b>(96,664)</b>	<b>(175,219)</b>	<b>162,725</b>
<b>Total comprehensive profit / (loss) for the year</b>		<b>804,677</b>	<b>(9,530,428)</b>	<b>(7,695,596)</b>
<b>Profit / (loss) for the year is attributable to:</b>				
Owners of Genetic Technologies Limited		910,002	(9,343,766)	(7,841,073)
Non-controlling interests		(8,661)	(11,443)	(17,248)
<b>Total profit / (loss) for the year</b>		<b>901,341</b>	<b>(9,355,209)</b>	<b>(7,858,321)</b>
<b>Total comprehensive profit / (loss) for the year is attributable to:</b>				
Owners of Genetic Technologies Limited		824,923	(9,522,389)	(7,684,481)
Non-controlling interests		(20,246)	(8,039)	(11,115)
<b>Total comprehensive profit / (loss) for the year</b>		<b>804,677</b>	<b>(9,530,428)</b>	<b>(7,695,596)</b>
<b>Earnings per share attributable to owners of the Company:</b>				
Basic earnings per share (cents per share)	9	0.22	(2.46)	(2.10)
Diluted earnings per share (cents per share)	9	0.22	(2.46)	(2.10)

*The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.*



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As at June 30

	Notes	2011 \$	Consolidated 2010 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	11	5,104,667	3,306,311
Trade and other receivables	12	674,369	754,657
Prepayments and other assets	13	473,659	369,535
Performance bond and deposits	14	2,649	71,658
<b>Total current assets</b>		<b>6,255,344</b>	<b>4,502,161</b>
<b>Non-current assets</b>			
Property, plant and equipment	15	947,500	1,977,826
Intangible assets and goodwill	16	1,719,510	1,799,585
<b>Total non-current assets</b>		<b>2,667,010</b>	<b>3,777,411</b>
<b>Total assets</b>		<b>8,922,354</b>	<b>8,279,572</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	17	1,115,028	1,195,673
Interest-bearing liabilities	18	67,878	382,640
Deferred revenue	19	163,546	194,441
Provisions	20	679,177	706,189
<b>Total current liabilities</b>		<b>2,025,629</b>	<b>2,478,943</b>
<b>Non-current liabilities</b>			
Provisions	20	82,730	82,933
<b>Total non-current liabilities</b>		<b>82,730</b>	<b>82,933</b>
<b>Total liabilities</b>		<b>2,108,359</b>	<b>2,561,876</b>
<b>Net assets</b>		<b>6,813,995</b>	<b>5,717,696</b>
<b>EQUITY</b>			
Contributed equity	21	72,378,105	72,378,105
Reserves	22	1,697,914	1,529,142
Accumulated losses	23	(67,464,026)	(68,374,028)
Parent entity interest		6,611,993	5,533,219
Minority interests	24	202,002	184,477
<b>Total equity</b>		<b>6,813,995</b>	<b>5,717,696</b>

*The above consolidated balance sheet should be read in conjunction with the accompanying notes.*

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For the year ended June 30

Consolidated	Attributable to Members of Genetic Technologies Limited					Total equity \$
	Contributed equity \$	Reserves \$	Accumulated losses \$	Parent interests \$	Minority interests \$	
<b>Balance at June 30, 2009</b>	<b>71,285,663</b>	<b>1,701,899</b>	<b>(59,030,262)</b>	<b>13,957,300</b>	<b>154,745</b>	<b>14,112,045</b>
<b>Total comprehensive loss</b>		(178,623)	(9,343,766)	(9,522,389)	(8,039)	(9,530,428)
<b>Transactions with owners in their capacity as owners</b>						
Contributions of equity	1,092,442			1,092,442		1,092,442
Share-based payments		5,866		5,866		5,866
Share of issued capital					37,771	37,771
	1,092,442	5,866		1,098,308	37,771	1,136,079
<b>Balance at June 30, 2010</b>	<b>72,378,105</b>	<b>1,529,142</b>	<b>(68,374,028)</b>	<b>5,533,219</b>	<b>184,477</b>	<b>5,717,696</b>
<b>Total comprehensive income / (loss)</b>		(85,079)	910,002	824,923	(20,246)	804,677
<b>Transactions with owners in their capacity as owners</b>						
Share-based payments		253,851		253,851		253,851
Share of issued capital					37,771	37,771
		253,851		253,851	37,771	291,622
<b>Balance at June 30, 2011</b>	<b>72,378,105</b>	<b>1,697,914</b>	<b>(67,464,026)</b>	<b>6,611,993</b>	<b>202,002</b>	<b>6,813,995</b>

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

Table of Contents**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended June 30

	Notes	2011 \$	Consolidated 2010 \$	2009 \$
<b>Cash flows from / (used in) operating activities</b>				
Receipts from customers		18,009,739	9,265,671	8,445,978
Payments to suppliers and employees		(15,910,103)	(14,150,281)	(15,216,132)
Interest received		200,023	216,549	585,776
Interest paid		(81,934)	(42,128)	(39,267)
Other receipts				469,430
Refund of performance bond				68,917
Net cash flows from / (used in) operating activities in continuing operations		2,217,725	(4,710,189)	(5,685,298)
Net cash flows from operating activities in discontinued operations		15,554	407,309	761,807
<b>Net cash flows from / (used in) operating activities</b>	11	<b>2,233,279</b>	<b>(4,302,880)</b>	<b>(4,923,491)</b>
<b>Cash flows from / (used in) investing activities</b>				
Proceeds from the sale of plant and equipment		144,708	4,977	338,269
Purchases of plant and equipment		(139,678)	(144,796)	(213,300)
Proceeds from the sale of available-for-sale investments			295,195	
Purchase of assets associated with BREVAGen™ breast cancer risk test			(952,480)	
Purchase of non-coding patents			(242,379)	
Investment in Frozen Puppies Dot Com Pty. Ltd.				(469,730)
Costs incurred on acquisition of subsidiary				(8,430)
<b>Net cash flows from / (used in) investing activities</b>		<b>5,030</b>	<b>(1,039,483)</b>	<b>(353,191)</b>
<b>Cash flows from / (used in) financing activities</b>				
Repayment of hire purchase principal		(314,762)	(225,407)	(192,591)
Net proceeds from the issue of shares			1,011,650	
<b>Net cash flows from / (used in) financing activities</b>		<b>(314,762)</b>	<b>786,243</b>	<b>(192,591)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>1,923,547</b>	<b>(4,556,120)</b>	<b>(5,469,273)</b>
Cash and cash equivalents at beginning of year		3,306,311	7,826,902	13,370,772
Net foreign exchange difference		(125,191)	35,529	(74,597)
<b>Cash and cash equivalents at end of year</b>	11	<b>5,104,667</b>	<b>3,306,311</b>	<b>7,826,902</b>

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.*



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**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended June 30, 2011

**1. CORPORATE INFORMATION**

The Financial Report of Genetic Technologies Limited (the Company) for the year ended June 30, 2011 was authorised for issue in accordance with a resolution of the Directors dated August 24, 2011. Genetic Technologies Limited is incorporated in Australia and is a company limited by shares.

The Company's ordinary shares are publicly traded on the Australian Securities Exchange under the symbol GTG and, via Level II American Depositary Receipts, on the NASDAQ Capital Market under the ticker GENE.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of preparation**

This general purpose Financial Report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

*Compliance with IFRS*

The Financial Report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

*Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the measurement of the available-for-sale investments at fair value.

*Critical accounting estimates*

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are critical to the financial statements, are disclosed in Note 3.

**(b) New accounting standards and interpretations**

In respect of the year ended June 30, 2011, the Group has assessed all new accounting standards mandatory for adoption during the current year, noting no new standards which would have a material affect on the disclosure in these financial statements. There has been no affect on the profit and loss or the financial position of the Group. Certain new accounting standards and interpretations have been published that are not mandatory for June 30, 2011 reporting periods.

The Group's and the parent entity's assessment of the impact of these new standards and interpretations (and their equivalent IASB standards) is set out below.

- *AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*

*(effective from January 1, 2013)*

*AASB 9 Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until January 1, 2013 but is available for early adoption. When adopted, the standard will affect the Group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments will therefore have to be recognized directly in profit or loss. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from *AASB 139 Financial Instruments: Recognition and Measurement* and have not been changed. The Group has not yet decided when to adopt AASB 9.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**(b) New accounting standards and interpretations (cont.)**

- *Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from January 1, 2011)*

In December 2009, the AASB issued a revised *AASB 124 Related Party Disclosures*. It is effective for accounting periods beginning on or after January 1, 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the amended standard from July 1, 2011. When the amendments are applied, the Group will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognized in the financial statements.

- *AASB 2009-14 Amendments to Australian Interpretation Prepayments of a Minimum Funding Requirement (effective from January 1, 2011)*

In December 2009, the AASB made an amendment to Interpretation 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognize an asset for a prepayment of contributions made to cover minimum funding requirements. The Group does not make any such prepayments. The amendment is therefore not expected to have any impact on the Group's financial statements. The Group intends to apply the amendment from July 1, 2011.

- *AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from July 1, 2013)*

On June 30, 2010, the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Genetic Technologies Limited is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the entity.

- *AASB 2010-6 Amendments to Australian Accounting Standards Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after July 1, 2011)*

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Amendments made to *AASB 7 Financial Instruments: Disclosures* in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will particularly affect entities that sell, factor, securitize, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact on the Group's disclosures. The Group intends to apply the amendment from July 1, 2011.

- *AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (effective from January 1, 2012)*

In December 2010, the AASB amended *AASB 112 Income Taxes* to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. *AASB 112* requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The Group will apply the amendment from July 1, 2012 and is evaluating the impact of the amendment.

- *AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective January 1, 2013)*

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

*AASB 10* replaces all of the guidance on control and consolidation in *AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. While the Group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**(b) New accounting standards and interpretations (cont.)**

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. As the Group is not party to any joint arrangements, this standard will not have any impact on its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments.

AASB 127 is renamed *Separate Financial Statements* and is now a standard dealing solely with separate financial statements. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a partial disposal concept. The Group is still assessing the impact of these amendments.

The Group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending June 30, 2014.

- *AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective January 1, 2013)*

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending June 30, 2014.

- *AASB 2011-9 Amendments to Australian Accounting Standards Presentation of Items of Other Comprehensive Income (effective July 1, 2012)*

In September 2011, the AASB made an amendment to *AASB 101 Presentation of Financial Statements* which requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The group intends to adopt the new standard from July 1, 2012.

(c) **Basis of consolidation**

The consolidated financial statements comprise the financial statements of Genetic Technologies Limited and its subsidiaries (collectively the Group). The financial statements of subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealized profits arising from intra-group transactions, have been eliminated in full. Unrealized losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Genetic Technologies Limited has control. Minority interests represent the interests not held by the Group in Gtech International Resources Limited, ImmunAid Pty. Ltd. and AgGenomics Pty. Ltd. (refer Note 31).

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**(d) Foreign currency translation**

Both the functional and presentation currency of Genetic Technologies Limited and its Australian subsidiaries is the Australian dollar (AUD). Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities which are denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate ruling at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates ruling at the date when the fair value was determined.

The functional currencies of the Company's five overseas subsidiaries are as follows:

GenTech International Resources Limited Canadian dollars (CAD)

Genetic Technologies (Beijing) Limited Chinese yuan (CNY)

GeneType AG Swiss francs (CHF)

GeneType Corporation United States dollars (USD)

Phenogen Sciences Inc. United States dollars (USD)

As at the reporting date, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Genetic Technologies Limited at the rate of exchange ruling at the balance sheet date and the statement of comprehensive income is translated at the weighted average exchange rates for the period. The exchange differences arising on the retranslation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the statement of comprehensive income.

**(e) Fair value estimation**

The fair value of financial instruments that are not traded in an active market (for example, non-listed equity securities classified as available-for-sale investments) is determined using valuation techniques, including the last price at which shares were issued to third parties,

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where amounts are reliably measured. The Group uses various methods and makes assumptions that are based on market conditions existing at each balance date. Information including quoted market prices and details of recent capital raisings is used to determine fair value for these remaining financial instruments. In cases where fair value cannot be reliably determined, available-for-sale investments are measured at approximate market value.

The carrying values less impairment provisions of trade receivables are assumed to approximate their fair values due to their short-term nature.

### **(f) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Chief Executive Officer.

### **(g) Earnings per share**

Basic EPS is calculated as the net profit attributable to members divided by the weighted average number of ordinary shares.

### **(h) Parent entity financial information**

The financial information for the parent entity, Genetic Technologies Limited, as disclosed in Note 33, has been prepared on the same basis as the consolidated financial statements, except as set out below:

#### *Investments in, and loans to, subsidiaries*

Investments in subsidiaries are accounted for at cost in the financial statements of Genetic Technologies Limited. Loans to subsidiaries are written down to their recoverable value as at balance date.

#### *Financial guarantees*

As at balance date, the parent entity had agreed to fund by way of loan all of the operating expenses of ImmunAid Pty. Ltd. (a subsidiary) up to, and including, September 30, 2011 and that it would not seek repayment of the loan during that period.





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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**(i) Revenue recognition**

Revenues are recognized to the extent that it is probable that the economic benefits will flow to the entity and the revenues can be reliably measured. Revenues are recognized at the fair value of the consideration received or receivable net of the amounts of Goods and Services Tax (GST). The following specific recognition criteria must also be met before revenue is recognized:

*License fees received*

License fee income is recorded on the execution of a binding agreement where the Group has no future obligations, income is fixed and determinable, and collection is reasonably assured. The Group does not grant refunds to its customers. Refer also to Note 2(z).

*Rendering of services*

Revenues from the rendering of services are recognized when the services are provided and the fee for the services provided is recoverable. Service arrangements are of short duration (in most cases less than three months).

*Royalties and annuities received*

The Company licenses the use of its patented genetic technologies. Royalties and annuities arising from these licenses are recognized when earned in accordance with the substance of the agreement, in cases where no future performance is required by the Company and collection is reasonably assured.

*Interest received*

Revenue is recognized as the interest accrues using the effective interest method. Interest charged on loans to related parties is charged on commercial and arm's-length terms and conditions.

*Research and development grants received*

The Company receives non-refundable non-Government grants that assist it to fund specific research and development projects. These grants generally provide for the reimbursement of approved costs incurred as defined in the various agreements.

**(j) Share-based payment transactions**

The Group provides benefits to Group employees in the form of share-based payment transactions, whereby employees render services and receive rights over shares ( equity-settled transactions ). There is currently an Employee Option Plan in place to provide these benefits to executives and employees and the cost of these transactions is measured by reference to the fair value at the date they are granted.

The fair value of options granted is determined by Cape Leveque Securities Pty. Ltd., an independent valuer, using a Black-Scholes option pricing model. Cape Leveque Securities Pty. Ltd. has consented to having its name included in this Report.

In valuing equity-settled transactions, no account is taken of any non-market performance conditions. The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the relevant vesting conditions are fulfilled, ending on the date that the relevant employees become fully entitled to the award ( vesting date ).

The cumulative expense recognized for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired; and (ii) the number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best information available at balance date.

No expense is recognized for any awards that do not ultimately vest. Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where appropriate, the dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The Company's policy is to treat the share options of terminated employees as forfeitures.

**(k) Finance costs**

Finance costs are recognized as an expense when incurred.



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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**(I) Income tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax assets are recognized for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax balances attributable to amounts recognized directly in equity are also recognized directly in equity.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

*Tax consolidation legislation*

Genetic Technologies Limited and its wholly-owned Australian-resident subsidiaries have implemented the tax consolidation legislation. The head entity, Genetic Technologies Limited, and the subsidiaries in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Genetic Technologies Limited also recognizes the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from subsidiaries in the tax consolidated group.

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Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognized as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in Note 10. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreements are recognized as a contribution to (or distribution from) wholly-owned tax subsidiaries.

### **(m) Withholding tax**

The Group generates revenues from the granting of licenses to parties resident in overseas countries. Such revenues may, in certain circumstances, be subject to the deduction of local withholding tax.

### **(n) Other taxes**

Revenues, expenses and assets are recognized net of the amount of Goods and Services Tax (GST) except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**(o) Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above. Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and six months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

**(p) Trade and other receivables**

Trade receivables, which are non-interest bearing and generally have terms of between 30 to 90 days, are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that a receivable is impaired. Such evidence includes an assessment of the debtor's ability and willingness to pay the amount due. The amount of the allowance/impairment loss is measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors. Details regarding interest rate and credit risk of current receivables are disclosed in Note 34.

**(q) Inventories**

Inventories principally comprise laboratory and other supplies and are valued at the lower of cost and net realizable value. Inventory costs are recognized as the purchase price of items from suppliers plus freight inwards and any applicable landing charges. Costs are assigned on the basis of weighted average costs.

**(r) Restricted security deposits**

Restricted security deposits include cash deposits held as security for the performance of certain contractual obligations.

**(s) Investments and other financial assets**

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All investments are initially recognized at cost, being the fair value of the consideration given plus directly attributable transaction costs. After initial recognition, investments in subsidiaries are carried at cost, less any impairment disclosed in the separate financial statements of Genetic Technologies Limited. Other investments, which are classified as available-for-sale, are measured at fair value if this can reliably be determined or at cost where fair value cannot be reliably determined. Gains or losses on available-for-sale investments are recognized as a separate component of equity until the investment is sold, or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of comprehensive income.

### *Available-for-sale investments*

Available-for-sale investments consist of investments in ordinary shares which have no fixed maturity date or coupon rate. After initial recognition, available-for-sale securities are measured at fair value with gains or losses being recognized as a separate component of equity until such time as the investment is either derecognized or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is recognized in profit or loss. The fair values of investments that are actively traded in organized financial markets are determined by reference to the quoted market bid prices applicable as at the close of business on the balance sheet date.

The fair value of unlisted available-for-sale investments has been estimated using valuation techniques based on assumptions that are not supported by observable market prices or rates. Management believes the estimated fair values (where reliably measured) resulting from the valuation techniques and recorded in the balance sheet are reasonable and the most appropriate at the balance sheet date. Any related changes in fair values are directly recorded in equity. Available-for-sale investments are measured at approximate market value, where fair value cannot be reliably determined.

### **(t) Property, plant and equipment**

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on either a straight-line or diminishing value basis over the estimated useful life of the respective asset as follows:

Laboratory / veterinary equipment 3 to 5 years

Computer equipment 2 to 5 years

Office equipment 2 to 5 years

Equipment under hire purchase 3 years

Leasehold improvements lease term, being between 4 and 10 years

Costs relating to day-to-day servicing of any item of property, plant and equipment, which may include the cost of small parts, are recognized in profit or loss as incurred. The cost of replacing larger parts of some items of property, plant and equipment are capitalized when incurred and depreciated over the period until their next scheduled replacement.





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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**(u) Intangible assets**

*Patents*

Patents held by the Group are used in the licensing, testing and research areas and are carried at cost and amortized on a straight-line basis over their useful lives, being from 5 to 10 years. External costs incurred in filing and protecting patent applications, for which no future benefit is reasonably assured, are expensed as incurred.

*Research and development costs*

Costs relating to research and development activities are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognized only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. To date, all development costs have been expensed as incurred as their recoverability cannot be regarded as assured.

**(v) Goodwill**

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following its initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized.

Goodwill is reviewed for impairment at each reporting date, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and is not larger than an operating segment in accordance with *IFRS 8 (AASB 8) Operating Segments*.

**(w) Impairment of assets (other than goodwill)**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value-in-use cannot be estimated to be close to its fair value. In such cases, the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to operations are recognized in those expense categories consistent with the function of the impaired asset unless the asset is carried at its revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If so, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless it reverses a decrement previously charged to equity, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**(x) Trade and other payables**

Trade payables and other payables are carried at amortized cost and represent future liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade payables and other payables generally have terms of between 30 and 60 days.

**(y) Leases and hire purchase agreements**

Finance leases and hire purchase agreements, which transfer to the Group substantially all the risks and benefits incidental to ownership of the financed item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease and hire purchase payments are apportioned between finance charges and a reduction of the associated liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as an expense in profit or loss. Capitalized leased assets and assets under hire purchase are depreciated over the shorter of the estimated useful life of the asset or the term of the agreement. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

**(z) Deferred revenue**

*License revenues and annuities*

License revenues received in respect of future accounting periods are deferred until the Company has fulfilled its obligations under the terms of the agreement. Where deferred revenue relates to a license agreement with a specific term but the Company has no future performance obligations, the revenue is recognized on a straight-line accruals basis over the term in accordance with the substance of the agreements. Where revenue has been deferred because the Company has future performance obligations, revenue is recognized as the Company's performance obligations are satisfied.

Where a licence agreement provides for the payment of regular annuities to the Company and the licensee has the right to terminate the agreement prior to the payment of those annuities with no penalty, the Company does not recognize revenue until such time as the associated cash payments are received, as it is not considered probable that the benefits of the transaction will flow to the Company until the cash collection is made. Where such annuities are paid in advance, the revenue is allocated on a pro-rata basis with the balance being reflected in the balance

sheet as a deferred revenue liability.

*Genetic testing and reproductive services revenues*

The Company operates facilities which provide genetic testing and reproductive services. The Company recognizes revenue from the provision of these services when the services have been completed. Fees received in advance of the testing process or reproductive service are deferred until such time as the Company completes its performance obligations.

*Grant revenues*

Grants are recognized when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

**(aa) Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**(ab) Employee benefits**

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave. Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Expenses for non-accumulating sick leave are recognized when the leave is taken during the year and are measured at rates paid or payable.

In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used. Employee benefits expenses and revenues arising in respect of wages and salaries, non-monetary benefits, annual leave, long service leave and other leave benefits and other types of employee benefits are recognized against profits on a net basis in their respective categories.

**(ac) Contributed equity**

Issued and paid up capital is recognized at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognized directly in equity as a deduction, net of tax, of the share proceeds received.

The Company has a share-based payment option plan under which options to subscribe for the Company's shares have been granted to certain executives and other employees (refer Note 28).

**(ad) Reclassifications**

Certain reclassifications have been made in the financial statements to ensure that prior year comparatives conform to current year presentations.

**(ae) Business combinations**

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The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

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**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.

**(a) Critical accounting estimates and assumptions**

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of certain assets and liabilities within the next annual reporting period are set out below.

*Impairment of intangible assets and goodwill*

The Group determines whether intangible assets with indefinite useful lives, including goodwill, are impaired on at least a bi-annual basis, in accordance with the accounting policies stated in Notes 2(v) and 2(w). This process requires an estimation to be made of the recoverable amount of the cash-generating units to which the respective assets are allocated.

*Income and withholding taxes*

The Group is subject to income and withholding taxes in both Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income and withholding taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current, deferred and withholding tax provisions in the period in which such determination is made (refer Notes 2(l), 2(m) and 2(n)).

In addition, the Group has considered the recognition of deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same subsidiary against which the unused tax losses can be utilized. However, utilisation of the tax losses also depends on the ability of the entity to satisfy certain tests at the time the losses are recouped.

*Share-based payments transactions*



The Group measures the cost of equity-settled transactions with employees by reference to the value of the equity instruments at the date on which they are granted. The fair value is determined by an independent valuer using a Black-Scholes options pricing model.

*Useful lives of assets*

The estimation of the useful lives of assets has been based on historical experience as well as lease terms (for leased equipment) and patent terms (for patents). In addition, the condition of the assets is assessed at least annually and considered against the remaining useful life and adjustments to useful lives are made when considered necessary.

**(b) Critical judgements in applying the entity's accounting policies**

*Research and development costs*

An intangible asset arising from development expenditure on an internal project is recognized only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

To date, all development costs have been expensed as incurred as their recoverability cannot be regarded as assured. In addition to the costs incurred by the Company's research and development group, costs of clinical and other trials are also included. The costs of research and development are expensed in full in the period in which they are incurred. The Group will only capitalize its development expenses when the specific milestones are met and when the Group is able to demonstrate that future economic benefits are probable.

Table of Contents**4. COST OF SALES**

	2011	Consolidated	2009
	\$	2010	\$
		\$	
Inventories used	860,078	982,481	880,592
Direct labor costs	782,875	1,054,569	1,137,485
Depreciation expense	252,090	450,234	565,109
Inventories written off	139,873	235,691	177,173
Total cost of sales	2,034,916	2,722,975	2,760,359

**5. OTHER REVENUE**

License fees received	12,315,060	2,058,303	3,693,866
Royalties and annuities received	1,365,681	1,681,444	1,697,848
Total other revenue	13,680,741	3,739,747	5,391,717

**6. OTHER EXPENSES**

Amortization of intangible assets	77,575	2,821,002	2,947,337
Depreciation of fixed assets	287,205	435,094	475,550
Employee benefits expenses	5,435,053	5,945,605	6,439,549
Net impairment of plant and equipment	268,264	493,061	
Net impairment of other assets	741	1,293,472	318,025

**7. NON-OPERATING INCOME AND EXPENSES**

Interest received	200,023	211,431	589,594
Net gain / (loss) on disposal of plant and equipment	(217,737)	(6,904)	100,811
Net foreign exchange gains / (losses)	(68,057)	10,517	68,007
Net profit on disposal of available-for-sale investments		210,195	
Grants received and related income			338,724
Net gain on disposal of joint venture interest			185,000
Reversal of provision of rehabilitation expenses and other revenue			125,693
Total non-operating income and expenses	(85,771)	425,239	1,241,329

**8. NET PROFIT FROM DISCONTINUED OPERATION**

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Revenue from reproductive services	<b>66,054</b>	890,030	782,803
Less: cost of sales	<b>(44,492)</b>	(443,916)	(8,589)
Total net profit from discontinued operation	<b>21,562</b>	446,114	774,214

During the 2010 financial year, the Company's reproductive services business was terminated following a decision to realign the business and to focus on the provision of animal genetic tests, rather than the services that were acquired as part of the acquisition of the Frozen Puppies business in 2008. As a result, Frozen Puppies Dot Com Pty. Ltd. was deregistered on June 1, 2011.

**9. PROFIT / (LOSS) PER SHARE**

The following reflects the income and share data used in the calculations of basic and diluted profit / (loss) per share:

	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Profit / (loss) for the year attributable to the owners of the Company	<b>910,002</b>	(9,343,766)	(7,841,073)
Weighted average number of ordinary shares	<b>404,605,152</b>	380,965,204	373,906,149

None of the 19,650,000 (2010: 3,300,000) options outstanding as at the reporting date are considered to be dilutive for the purposes of calculating diluted earnings per share and have therefore been excluded from the weighted average number of shares.

Table of Contents**9. PROFIT / (LOSS) PER SHARE (cont.)**

Earnings per share attributable to owners of the Company from continuing operations is \$0.21, \$(2.57) and \$(2.30) for the years ending June 30, 2011, 2010 and 2009, respectively. Earnings per share attributable to owners of the Company from discontinued operations is \$0.01, \$0.11 and \$0.20 for the years ending June 30, 2011, 2010 and 2009, respectively.

**10. INCOME TAX**

	2011 \$	Consolidated 2010 \$	2009 \$
<b>Reconciliation of income tax expense to prima facie tax payable</b>			
Profit / (loss) before income tax expense	901,341	(9,355,209)	(7,858,321)
Tax at the Australian tax rate of 30% (2010: 30%)	270,402	(2,806,563)	(2,357,496)
Tax effect amounts which are not deductible / (taxable) in calculating taxable income			
Net impairment losses and other write-downs	80,701	535,960	
Share-based payments expense / (credit)	76,155	1,760	(13,049)
Research and development expenses	(312,438)	(445,951)	(300,000)
Withholding tax expense	18,000	19,165	26,886
Other non-deductible items	2,930	3,330	3,559
	135,750	(2,692,299)	(2,640,100)
Tax effect of adjustments relating to temporary differences			
Amortization and depreciation expenses	185,061	1,111,899	1,196,399
Net movements in provisions	(8,164)	386,783	(7,579)
Settlement proceeds from Applera Corporation	(157,911)	(183,426)	(614,162)
Other			(117,256)
Tax losses utilized	(154,736)		
Tax losses not recognized		1,377,043	2,182,698
Income tax expense			
<b>Income tax expense</b>			
Current tax			
Deferred tax			
Aggregate income tax expense			
<b>Deferred tax assets</b>			
Deferred revenue	49,064	58,332	68,702
Applera settlement	581,510	739,421	922,847
Intangible assets	515,853	927,311	562,004
Doubtful debts	17,010	30,750	33,900
Provisions	228,572	236,737	187,678
Total deferred tax assets	1,392,009	1,992,551	2,365,776
Deferred tax assets on temporary differences not brought to account	(1,392,009)	(1,992,551)	(2,365,776)
Total net deferred tax assets			
<b>Tax losses</b>			
Unused tax losses for which no deferred tax asset has been recognized	31,690,991	32,206,778	26,291,400
Potential tax benefit @ 30%	9,507,297	9,662,033	7,887,420

Subject to the Group continuing to meet relevant statutory tests, the tax losses are available for offset against future taxable income.

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Table of Contents**10. INCOME TAX (cont.)**

As at balance date, there are unconfirmed tax losses with a benefit of approximately \$9,507,297 (2010: \$9,662,033; 2009: \$7,887,420) that have not been recognized as a deferred tax asset to the Group. These unrecognized deferred tax assets will only be obtained if:

- (a) The Group companies derive future assessable income of a nature and amount sufficient to enable the benefits to be realized;
- (b) The Group companies continue to comply with the conditions for deductibility imposed by the law; and
- (c) No changes in tax legislation adversely affect the Group companies from realizing the benefit.

**Tax consolidation legislation**

Genetic Technologies Limited and its wholly-owned Australian subsidiaries implemented the tax consolidation legislation as from July 1, 2003. The accounting policy in relation to this legislation is set out in Note 2(1). The entities in the tax consolidated group have entered into a Tax Sharing Agreement which, in the opinion of the Directors, limits the joint and several liabilities of the wholly-owned entities in the case of a default by the head entity, Genetic Technologies Limited.

The entities have also entered into a Tax Funding Agreement under which the wholly-owned entities fully compensate Genetic Technologies Limited for any current tax payable assumed and are compensated by Genetic Technologies Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Genetic Technologies Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognized in the respective subsidiaries' financial statements. The amounts receivable or payable under the Tax Funding Agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year.

As at June 30, 2011, there are no unrecognized temporary differences associated with the Group's investments in subsidiaries, as the Group has no liability for additional taxation should unremitted earnings be remitted (2010: \$nil; 2009: \$nil).

**11. CASH AND CASH EQUIVALENTS**

	2011 \$	Consolidated 2010 \$	2009 \$
<b>Reconciliation of cash and cash equivalents</b>			
Cash at bank and on hand	<b>1,985,257</b>	1,773,152	3,076,902
Short-term deposits	<b>3,119,410</b>	1,533,159	4,750,000

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Total cash and cash equivalents	<b>5,104,667</b>	3,306,311	7,826,902
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Note: As at June 30, 2011, cash amounting to \$80,911 was held on deposit as security for the Group's hire purchase obligations (2010: \$418,733; 2009: \$301,432) (refer Note 27).

**Reconciliation of profit / (loss) for the year**

Reconciliation of profit / (loss) for the year after income tax to net cash flows used in operating activities is as follows:

Profit / (loss) for the year after income tax	<b>901,341</b>	(9,355,209)	(7,858,321)
<i>Adjust for non-cash items</i>			
Amortization and depreciation expenses	<b>616,870</b>	3,706,330	3,987,996
Share-based payments expense / (credit)	<b>253,851</b>	5,866	(43,497)
Net impairment losses and other write-downs	<b>269,005</b>	1,786,533	318,025
Net loss on disposal of plant and equipment	<b>217,737</b>	6,904	(100,811)
Net foreign exchange losses / (gains)	<b>68,057</b>	(10,517)	(68,007)
Net profit on disposal of available-for-sale investments		(210,195)	
Fair value of listed shares acquired			(85,000)
<i>Adjust for changes in assets and liabilities</i>			
(Increase) / decrease in trade and other receivables	<b>80,288</b>	1,074,582	(232,501)
(Increase) / decrease in prepayments / other assets	<b>(104,124)</b>	77,290	410,400
(Increase) / decrease in other financial assets	<b>69,009</b>	(71,458)	68,917
Increase / (decrease) in trade and other payables	<b>(80,645)</b>	(962,884)	372,145
Increase / (decrease) in deferred revenue	<b>(30,895)</b>	(34,567)	90,067
Increase / (decrease) in provisions	<b>(27,215)</b>	(315,555)	18,724
Net cash flows provided by / (used in) operating activities	<b>2,233,279</b>	(4,302,880)	(4,923,491)

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Table of Contents**11. CASH AND CASH EQUIVALENTS (cont.)**

	2011	Consolidated 2010	2009
	\$	\$	\$
<b>Financing facilities available</b>			
As at June 30, 2011, the following financing facilities had been negotiated and were available:			
<i>Total facilities</i>			
Hire purchase facility	2,500,000	2,500,000	2,500,000
Credit cards	145,000	147,000	147,000
<i>Facilities used as at reporting date</i>			
Hire purchase facility (refer note below)	(67,878)	(382,640)	(373,444)
Credit cards	(18,786)	(29,123)	(22,958)
<i>Facilities unused as at reporting date</i>			
Hire purchase facility	2,432,122	2,117,360	2,126,556
Credit cards	126,214	117,877	124,042

**Non-cash activities**

During the financial year, the Group acquired plant and equipment with an aggregate fair value of \$nil (2010: \$213,275; 2009: \$269,420) by means of hire purchase agreements.

**Hire purchase facility**

As at June 30, 2011, the Company had breached one of the covenants of the Master Asset Finance Facility which governs the hire purchase agreements. Subsequent to balance date, National Australia Bank Limited provided the Company with a letter waiving its right to take any further action in respect of the breach. As a result of the breach, however, all liabilities in respect of the hire purchase agreements as at June 30, 2011 have been classified as current liabilities in the balance sheet.

**12. TRADE AND OTHER RECEIVABLES (CURRENT)**

	2011	Consolidated 2010
	\$	\$
Trade receivables	718,070	833,243
Less: provision for doubtful debts	(56,700)	(102,500)
Net trade receivables	661,370	730,743
Other receivables	12,999	23,914
Total current net trade and other receivables	674,369	754,657



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Note: Trade and other receivables for the Group include amounts due in US dollars of USD 113,276 (2010: USD 119,677), European Euros of EUR 90,105 (2010: EUR 90,000), Chinese yuan of CNY nil (2010: CNY 56,259) and Swiss francs of CHF nil (2010: CHF 550).

Refer Note 34 for details of aging, interest rate and credit risks applicable to trade and other receivables for which, due to their short-term nature, their carrying value approximates their fair value.

### 13. PREPAYMENTS AND OTHER ASSETS (CURRENT)

Prepayments	<b>191,047</b>	113,568
Inventories at the lower of cost and net realizable value	<b>282,612</b>	255,967
Total current prepayments and other assets	<b>473,659</b>	369,535

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Table of Contents**14. PERFORMANCE BOND AND DEPOSITS (CURRENT)**

	2011 \$	Consolidated	2010 \$
Performance bond	2,449		71,235
Other deposits	200		423
Total current performance bond and deposits	2,649		71,658

**15. PROPERTY, PLANT AND EQUIPMENT**

Laboratory / veterinary equipment, at cost	4,301,671	5,800,013
Less: accumulated depreciation	(2,822,791)	(3,804,498)
Less: impairment loss	(751,325)	(448,527)
Net laboratory / veterinary equipment	727,555	1,546,988
Computer equipment, at cost	615,420	697,641
Less: accumulated depreciation	(519,625)	(636,022)
Net computer equipment	95,795	61,619
Office equipment, at cost	211,065	199,741
Less: accumulated depreciation	(145,205)	(144,925)
Less: impairment loss		(10,613)
Net office equipment	65,860	44,203
Equipment under hire purchase, at cost	1,282,389	2,017,271
Less: accumulated depreciation	(1,228,071)	(1,690,651)
Less: impairment loss	(10,000)	(31,087)
Net equipment under hire purchase	44,318	295,533
Leasehold improvements, at cost	108,212	114,665
Less: accumulated depreciation	(94,240)	(82,348)
Less: impairment loss		(2,834)
Net leasehold improvements	13,972	29,483
Total net property, plant and equipment	947,500	1,977,826
<b>Reconciliation of property, plant and equipment</b>		
Opening gross carrying amount	8,829,331	8,647,873
Add: additions purchased during the year	369,809	358,071
Less: disposals made during the year	(2,680,383)	(176,613)
Closing gross carrying amount	6,518,757	8,829,331
Opening accumulated depreciation	(6,851,505)	(5,637,848)
Add: disposals made during the year	2,087,807	164,732
Less: depreciation expense charged	(539,295)	(885,328)
Less: impairment losses	(268,264)	(493,061)
Closing accumulated depreciation	(5,571,257)	(6,851,505)
Total net property, plant and equipment	947,500	1,977,826

Table of Contents**15. PROPERTY, PLANT AND EQUIPMENT (cont.)****Reconciliation of movements in property, plant and equipment by asset category**

Asset category	Opening net carrying amount \$	Additions during year \$	Net disposals during year \$	Depreciation expense and impairment loss \$	Closing net carrying amount \$
Laboratory / veterinary equipment	1,546,988	231,708	(459,942)	(591,199)	<b>727,555</b>
Computer equipment	61,619	86,109	(4,668)	(47,265)	<b>95,795</b>
Office equipment	44,203	45,480	(16,292)	(7,531)	<b>65,860</b>
Equipment under hire purchase	295,533		(103,693)	(147,522)	<b>44,318</b>
Leasehold improvements	29,483	6,512	(7,981)	(14,042)	<b>13,972</b>
<b>Totals</b>	<b>1,977,826</b>	<b>369,809</b>	<b>(592,576)</b>	<b>(807,559)</b>	<b>947,500</b>

**Impairment loss**

The total plant and equipment impairment loss for the 2011 financial year was \$268,264 (2010: \$493,061). This loss comprised items of equipment acquired under the Supply Agreement with Applera Corporation (\$373,677) ( Applera ), offset by write-backs of items of equipment associated with the Company s reproductive services business (\$105,413).

The impairment charges relating to the equipment acquired under the Supply Agreement with Applera arose following an exchange of surplus laboratory equipment with an Australian-based subsidiary of Applera.

As at balance date, the Company believes that the carrying values of the remaining items of plant and equipment of \$947,500 is appropriate.

**16. INTANGIBLE ASSETS AND GOODWILL**

	2011 \$	Consolidated 2010 \$
<b>Patents</b>		
Patents, at cost	<b>36,538,523</b>	36,417,619
Less: accumulated amortization	<b>(32,639,674)</b>	(32,441,195)
Less: impairment losses	<b>(3,528,000)</b>	(3,528,000)

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Total net patents	<b>370,849</b>	448,424
<b>Other intangible assets</b>		
Assets associated with BREVA Gen™ breast cancer risk test, at cost	<b>1,033,273</b>	1,033,273
Total net other intangible assets	<b>1,033,273</b>	1,033,273
<b>Goodwill</b>		
Goodwill, at cost	<b>358,012</b>	1,625,115
Less: accumulated amortization	<b>(42,624)</b>	(42,624)
Less: impairment losses		(1,264,603)
Total net goodwill	<b>315,388</b>	317,888
Total net intangible assets and goodwill	<b>1,719,510</b>	1,799,585

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Table of Contents**16. INTANGIBLE ASSETS AND GOODWILL (cont.)**

	2011 \$	Consolidated	2010 \$
<b>Reconciliation of patents</b>			
Opening gross carrying amount	36,417,619		36,319,304
Add: additions purchased during the year (refer note)			242,379
Adjust for exchange rate movements	120,904		(144,064)
Closing gross carrying amount	36,538,523		36,417,619
Opening accumulated amortization and impairment losses	(35,969,195)		(33,292,255)
Add: amortization expense charged	(77,575)		(2,821,004)
Adjust for exchange rate movements	(120,904)		144,064
Closing accumulated amortization and impairment losses	(36,167,674)		(35,969,195)
Total net patents	370,849		448,424
<b>Reconciliation of other intangible assets</b>			
Opening gross carrying amount	1,033,273		
Add: acquisition of BREVAGen™ breast cancer risk test (refer note)			1,033,273
Total net other intangible assets	1,033,273		1,033,273
<b>Reconciliation of goodwill</b>			
Opening gross carrying amount	1,625,115		1,625,115
Less: goodwill written off	(1,267,103)		
Closing gross carrying amount	358,012		1,625,115
Opening accumulated amortization and impairment losses	(1,307,227)		(42,624)
Add: goodwill written off	1,264,603		
Less: impairment losses			(1,264,603)
Closing accumulated amortization and impairment losses	(42,624)		(1,307,227)
Total net goodwill	315,388		317,888

**Acquisition of BREVAGen™ breast cancer risk test**

On April 14, 2010, the Company acquired various intangible assets from California-based Perlegen Sciences Inc. ( Perlegen ), the majority of which relate to a proprietary genetic breast cancer risk test called BREVAGen™. The carrying value of the assets acquired from Perlegen, which also equates to cost, is dissected as follows:

Intangible assets related to the BREVAGen™ test	\$ 1,033,273
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Non-coding patents	242,379
Total value of assets acquired from Perlegen	1,275,652

In assessing the correct accounting treatment for the acquisition of the BREVA Gen™ assets, consideration was given to the factors for determining a business combination in accordance with IFRS 3R.

As the BREVA Gen™ assets were acquired in an arm's-length transaction and the forecast revenues from the sale of the BREVA Gen™ test demonstrate the likely use of the assets, there is no indication of impairment as at June 30, 2011. Certain royalties, representing a fixed percentage of future sales of the BREVA Gen™ test, will be payable by the Company to Perlegen and other parties.

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Table of Contents**17. TRADE AND OTHER PAYABLES (CURRENT)**

	2011	Consolidated	2010
	\$		\$
Trade payables	<b>653,046</b>		680,377
Other payables	<b>301,018</b>		228,899
Accrued expenses	<b>160,964</b>		286,397
<b>Total current trade and other payables</b>	<b>1,115,028</b>		1,195,673

Note: Trade payables and other payables for the Group include amounts due in US dollars of USD 217,168 (2010: USD 97,957), Chinese yuan of CNY 68,158 (2010: CNY 50,508), Canadian dollars of CAD 22,539 (2010: CAD 9,326), European euros of EUR 17,250 (2010: EUR 45,187), Swiss francs of CHF 3,290 (2010: CHF 3,190), New Zealand dollars of NZD 136 (2010: NZD 39) and Pounds Sterling of GBP nil (2010: GBP 3,729).

Refer Note 34 for details of contractual maturity and management of interest rate, foreign exchange and liquidity risks applicable to trade and other payables for which, due to their short-term nature, their carrying value approximates their fair value.

**18. INTEREST-BEARING LIABILITIES (CURRENT)**

Hire purchase liability (Notes 27 and 34)	<b>67,878</b>	382,640
<b>Total current interest-bearing liabilities</b>	<b>67,878</b>	382,640

Note: The carrying values of the hire purchase liabilities approximate their fair values. As at June 30, 2011, the Company had breached one of the covenants of the Master Asset Finance Facility which governs the hire purchase agreements. Subsequent to balance date, National Australia Bank Limited provided the Company with a letter waiving its right to take any further action in respect of the breach. As a result of the breach, however, all liabilities in respect of the hire purchase agreements as at June 30, 2011 have been classified as current liabilities in the balance sheet.

**19. DEFERRED REVENUE (CURRENT)**

Genetic testing fees received in advance	<b>159,001</b>	192,841
Reproductive service fees received in advance	<b>4,545</b>	1,600
<b>Total current deferred revenue</b>	<b>163,546</b>	194,441

**20. PROVISIONS (CURRENT AND NON-CURRENT)**

<b>Current provisions</b>		
Annual leave	<b>417,603</b>	442,108
Long service leave	<b>261,574</b>	264,081
Total current provisions	<b>679,177</b>	706,189
<b>Non-current provisions</b>		
Long service leave	<b>82,730</b>	82,933
Total non-current provisions	<b>82,730</b>	82,933
Total provisions	<b>761,907</b>	789,122
<b>Reconciliation of annual leave provision</b>		
Balance at the beginning of the financial year	<b>442,108</b>	396,198
Add: obligation accrued during the year	<b>403,929</b>	383,883
Less: utilized during the year	<b>(428,434)</b>	(337,973)
Balance at the end of the financial year (note)	<b>417,603</b>	442,108

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Table of Contents**20. PROVISIONS (CURRENT) (cont.)**

	2011 \$	Consolidated	2010 \$
<b>Reconciliation of long service leave provision</b>			
Balance at the beginning of the financial year	347,014		338,133
Add: obligation accrued during the year	60,342		54,401
Less: utilized during the year	(63,052)		(45,520)
Balance at the end of the financial year (note)	344,304		347,014
<b>Reconciliation of withholding tax</b>			
Balance at the beginning of the financial year			370,346
Add: obligation accrued during the year			
Less: reversal of provision			(370,346)
Balance at the end of the financial year			

Note: The current provisions for annual leave and long service leave include a total amount of \$417,603 (2010: \$442,475) in respect of obligations which, based on historical evidence, the Company estimates will be settled more than 12 months from balance date.

**21. CONTRIBUTED EQUITY**

<b>Issued and paid-up capital</b>		
Fully paid ordinary shares	72,378,105	72,378,105
Total contributed equity	72,378,105	72,378,105

	Shares	\$
<b>Movements in shares on issue</b>		
<i>Year ended June 30, 2011</i>		
Balance at the beginning of the financial year	404,605,152	72,378,105
Add: shares issued during the year		
Balance at the end of the financial year	404,605,152	72,378,105
<i>Year ended June 30, 2010</i>		
Balance at the beginning of the financial year	374,644,801	71,285,663
Add: shares issued during the year for cash (net of associated costs)	27,940,530	1,011,650
Add: shares issued during the year other than for cash	2,019,821	80,792
Balance at the end of the financial year	404,605,152	72,378,105

**Terms and conditions of contributed equity**

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

**Capital management**

When managing capital, Management's objective is to ensure that the Group continues as a going concern as well as to maintain optimal returns for shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

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Table of Contents**22. RESERVES**

	2011	Consolidated	2010
	\$		\$
Foreign currency translation	(155,040)		(69,961)
Share-based payments	1,852,954		1,599,103
Net unrealized gains reserve			
<b>Total reserves</b>	<b>1,697,914</b>		<b>1,529,142</b>
<b>Reconciliation of foreign currency translation reserve</b>			
Balance at the beginning of the financial year	(69,961)		(61,338)
Add: net currency translation loss	(85,079)		(8,623)
Balance at the end of the financial year	(155,040)		(69,961)
<b>Reconciliation of share-based payments reserve</b>			
Balance at the beginning of the financial year	1,599,103		1,593,237
Add: share-based payments expense	253,851		5,866
Balance at the end of the financial year	1,852,954		1,599,103
<b>Reconciliation of net unrealized gains reserve</b>			
Balance at the beginning of the financial year			170,000
Less: reversal of reserve			(170,000)
Balance at the end of the financial year			

**Nature and purpose of reserves***Foreign currency translation reserve*

This reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

*Share-based payments reserve*

This reserve is used to record the value of share-based payments provided to employees and others providing similar services as part of their remuneration.

*Net unrealized gains reserve*

This reserve is used to record movements in the fair value of available-for-sale investments.

**23. ACCUMULATED LOSSES**

	<b>2011</b>	<b>Consolidated</b>	<b>2010</b>
	<b>\$</b>		<b>\$</b>
Balance at the beginning of the financial year	<b>(68,374,028)</b>		(59,030,262)
Add: net profit / (loss) attributable to members of Genetic Technologies Limited	<b>910,002</b>		(9,343,766)
Balance at the end of the financial year	<b>(67,464,026)</b>		(68,374,028)

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Table of Contents**24. MINORITY INTERESTS**

	2011 \$	Consolidated	2010 \$
<b>Reconciliation of minority interests in subsidiaries</b>			
Balance at the beginning of the financial year	184,477		154,745
Add: movements during the year			
Less: share of operating losses	(8,661)		(11,443)
Less: share of movement in reserves	(11,585)		3,404
Net loss attributable to minority interests	(20,246)		(8,039)
Add: share of issued capital	37,771		37,771
Balance at the end of the financial year	202,002		184,477

**25. OPTIONS**

As at June 30, 2011, the following options over ordinary shares in the Company were outstanding.

	2011		Weighted ave. exercise price	2010		Weighted ave. exercise price
Unlisted employee options (refer below)	19,650,000	\$	0.11	3,300,000	\$	0.33

On November 30, 2001, the Directors of the Company established a Staff Share Plan. On November 19, 2008, the shareholders of the Company approved the introduction of a new Employee Option Plan. Under the terms of the respective Plans, the Directors of the Company may grant options over ordinary shares in Genetic Technologies Limited to executives, consultants and employees of the Group. The options, which are granted at nil cost, are not transferable and are not quoted on ASX. As at June 30, 2011, there were 6 executives and 23 employees who held options that had been granted under the Plans. Options granted under the Plans carry no rights to dividends and no voting rights. The movements in the number of options granted under the Plans are as follows:

	2011		Weighted ave. exercise price	2010		Weighted ave. exercise price
Balance at the beginning of the financial year	3,300,000	\$	0.33	4,400,000	\$	0.34
Add: options granted during the year	17,300,000	\$	0.09			
Less: options forfeited during the year	(200,000)	\$	0.22	(600,000)	\$	0.26
Less: options expired during the year	(750,000)	\$	0.48	(500,000)	\$	0.52
Balance at the end of the financial year	19,650,000	\$	0.11	3,300,000	\$	0.33
Exercisable at the end of the financial year	2,650,000	\$	0.28	2,825,000	\$	0.34

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No funds were raised from the exercise of options granted under the Staff Share Plan during the year ended June 30, 2011 (2010: \$nil). The numbers of options outstanding as at June 30, 2011 by ASX code, including the respective dates of expiry and exercise prices, are tabled below. Refer Note 28 for further information. The options tabled below are not listed on ASX.

Option description	2011	Weighted ave. exercise price	2010	Weighted ave. exercise price
GTGAA (expiring 6 September 2010)			750,000	\$ 0.48
GTGAD (expiring 12 August 2011)	250,000	\$ 0.43	250,000	\$ 0.43
GTGAE (expiring 12 August 2011)	250,000	\$ 0.53	250,000	\$ 0.53
GTGAH (expiring 31 May 2012)	150,000	\$ 0.40	150,000	\$ 0.40
GTGAI (expiring 8 May 2015)	12,000,000	\$ 0.045		
GTGAK (expiring 30 September 2015)	500,000	\$ 0.045		
GTGAW (expiring 31 March 2016)	4,500,000	\$ 0.19		
GTGAW (expiring 31 May 2012)	300,000	\$ 0.19		
GTGAY (expiring 23 October 2012)	1,700,000	\$ 0.22	1,900,000	\$ 0.22
Balance at the end of the financial year	19,650,000	\$ 0.11	3,300,000	\$ 0.33

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Table of Contents**26. SEGMENT INFORMATION****Identification of reportable segments**

The Group has identified three reportable segments based on the similarity of the products produced and sold and/or the services provided, as these represent the sources of the Group's major risks and have the greatest effect on the rates of return. The separate groups of products and services are then divided into operating businesses, the performances of which are reported to the Chief Executive Officer, the Senior Leadership Team and the Board of Directors on a monthly basis. The segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The Group also separately reports the corporate headquarter function to clearly identify costs associated with that function. The corporate function is not considered to be an operating or reportable segment. The Group's three operating segments can be described as follows:

*Operations* involves the provision of a range of genetic testing services.

*Licensing* involves the out-licensing of the Group's non-coding technology.

*Research* involves the undertaking of a range of research and development projects in the field of genetics and related areas.

The *Corporate* disclosures below include all revenues, costs, assets and liabilities associated with the headquarter function.

**Business segments**

Segment		Revenues and income		Totals	Profit / (loss) after tax
		Sales	Other		
		\$	\$	\$	\$
Operations (continuing)	2011	4,594,960		4,594,960	(4,017,757)
	2010	4,915,528		4,915,528	(5,166,294)
Licensing	2011		13,680,741	13,680,741	9,583,419
	2010		3,739,747	3,739,747	(186,856)
Research	2011				(1,041,461)
	2010				(1,576,503)
Sub-total	2011	4,594,960	13,680,741	18,275,701	4,524,201
	2010	4,915,528	3,739,747	8,655,275	(6,929,653)
Corporate	2011		(85,771)	(85,771)	(3,644,422)
	2010		425,239	425,239	(2,871,670)
Totals	2011	4,594,960	13,594,970	18,189,930	879,779
	2010	4,915,528	4,164,986	9,080,514	(9,801,323)

Amortization                      Impairment                      Purchases of

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Segment		Assets \$	Liabilities \$	/depreciation \$	losses/write downs \$	equipment \$
Operations (continuing)	<b>2011</b>	<b>2,946,818</b>	<b>(1,035,198)</b>	<b>(469,383)</b>	<b>(269,005)</b>	<b>341,549</b>
	2010	3,885,395	(1,646,160)	(783,826)	(1,786,533)	345,801
Licensing	<b>2011</b>	<b>557,866</b>	<b>(189,704)</b>	<b>(29,960)</b>		<b>1,545</b>
	2010	674,373	(274,602)	(2,771,907)		6,477
Research	<b>2011</b>	<b>79,781</b>	<b>(42,517)</b>	<b>(87,799)</b>		
	2010	165,523	(81,442)	(111,412)		
Sub-total	<b>2011</b>	<b>3,584,465</b>	<b>(1,267,419)</b>	<b>(587,142)</b>	<b>(269,005)</b>	<b>343,094</b>
	2010	4,725,291	(2,002,204)	(3,667,145)	(1,786,533)	352,278
Corporate	<b>2011</b>	<b>5,337,889</b>	<b>(840,940)</b>	<b>(29,728)</b>		<b>26,715</b>
	2010	3,554,281	(559,672)	(39,185)		5,793
Totals	<b>2011</b>	<b>8,922,354</b>	<b>(2,108,359)</b>	<b>(616,870)</b>	<b>(269,005)</b>	<b>369,809</b>
	2010	8,279,572	(2,561,876)	(3,706,330)	(1,786,533)	358,071

Notes: *Other revenues and income - corporate* includes interest received of \$200,023 (2010: \$211,431).

*Expenses - corporate* includes employee benefits expenses of \$1,808,821 (2010: \$1,649,169).

*Assets - corporate* includes cash of \$5,104,667 (2010: \$3,306,311).

*Liabilities - corporate* includes trade and other payables of \$627,608 (2010: \$373,043) and provisions of \$213,334 (2010: \$173,607).

There were no intersegment sales.



Table of Contents**26. SEGMENT INFORMATION (cont.)****Geographic information**

*Australia* is the home country of the parent entity and the location of the Company's genetic testing and licensing operations.

*USA* is the home of Phenogen Sciences Inc. and GeneType Corporation.

*China* is the home of Genetic Technologies (Beijing) Limited.

*Canada* is the home of Gtech International Resources Limited.

*Switzerland* is the home of GeneType AG.

**Geographic segments**

Segment		Revenues and income		Totals	Profit / (loss) after tax
		Sales	Other		
		\$	\$	\$	\$
Australia	<b>2011</b>	<b>4,591,389</b>	<b>13,583,021</b>	<b>18,174,410</b>	<b>2,473,786</b>
	2010	4,834,035	4,164,896	8,998,931	(9,511,225)
USA	<b>2011</b>		<b>66,595</b>	<b>66,595</b>	<b>(1,412,164)</b>
	2010				(118,429)
China	<b>2011</b>	<b>3,571</b>	<b>(54,646)</b>	<b>(51,075)</b>	<b>(132,774)</b>
	2010	81,493	90	81,583	(105,068)
Canada	<b>2011</b>				<b>(35,819)</b>
	2010				(47,325)
Switzerland	<b>2011</b>				<b>(13,250)</b>
	2010				(19,276)
Totals	<b>2011</b>	<b>4,594,960</b>	<b>13,594,970</b>	<b>18,189,930</b>	<b>879,779</b>
	2010	4,915,528	4,164,986	9,080,514	(9,801,323)

Segment		Assets	Liabilities	Amortization /depreciation	Impairment losses /write downs	Purchases of equipment
Australia	<b>2011</b>	<b>8,420,967</b>	<b>352,832</b>	<b>(596,416)</b>	<b>(263,099)</b>	<b>303,526</b>
	2010	7,795,180	(1,759,575)	(3,686,873)	(1,786,533)	339,793
USA	<b>2011</b>	<b>187,807</b>	<b>(2,005,722)</b>	<b>(10,575)</b>		<b>66,283</b>
	2010		(407,148)			
China	<b>2011</b>	<b>271</b>	<b>(323,256)</b>	<b>(9,879)</b>	<b>(5,906)</b>	
	2010	105,420	(294,230)	(19,457)		18,278
Canada	<b>2011</b>	<b>302,968</b>	<b>(21,775)</b>			
	2010	375,305	(10,383)			
Switzerland	<b>2011</b>	<b>10,341</b>	<b>(110,438)</b>			

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	2010	3,667	(90,540)			
Totals	<b>2011</b>	<b>8,922,354</b>	<b>(2,108,359)</b>	<b>(616,870)</b>	<b>(269,005)</b>	<b>369,809</b>
	2010	8,279,572	(2,561,876)	(3,706,330)	(1,786,533)	358,071

Included in the above figures are the following intersegment balances and transactions:

	2011	Consolidated	2010
	\$		\$
Loan payable (USA) and loan receivable (Australia)	<b>1,851,870</b>		407,148
Loan payable (China) and loan receivable (Australia)	<b>633</b>		633
Loan payable (Switzerland) and loan receivable (Australia)	<b>106,170</b>		87,109
Accounts payable (China) and accounts receivable (Australia)	<b>312,689</b>		276,135
Foreign exchange gain (USA) and foreign exchange loss (Australia)	<b>67,041</b>		
Cost of sales (China) and sales (Australia)	<b>389</b>		6,702
Management fees paid (China) and management fees received (Australia)	<b>19</b>		331

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Table of Contents**26. SEGMENT INFORMATION (cont.)****Segment products and locations**

The three principal business segments of the Group are operations, licensing and research. The principal geographic segment is Australia, with the Company's headquarters being located in Melbourne in the State of Victoria.

**Segment accounting policies**

Segment information is prepared in conformity with the accounting policies of the entity and Accounting Standard *IFRS 8 (AASB 8) Operating Segments* which was adopted by the Company in 2009. As a result, the primary reporting segments now reflect more closely the information that Management uses to make decisions about operating matters. Interest received and finance costs are allocated under the heading *Corporate* as they are not part of the core operations of any other segment.

**Major customers**

The Group has a number of major customers to which it provides both products and services. During the year ended June 30, 2011, there were two customers from whom the Group generated revenues representing more than 10% of the total consolidated revenue from operations. During the year ended June 30, 2010, there were no such customers.

**27. COMMITMENTS AND CONTINGENCIES**

On January 14, 2005, the Company executed a Master Asset Finance Agreement with National Australia Bank Limited in respect of a \$2,500,000 asset finance facility (the Facility). Each of the Company's Australian-resident subsidiaries has provided a guarantee to the Company in respect of the Facility. Refer Note 18 in respect of a breach of the Facility's terms.

	2011	Consolidated	2010
	\$		\$
<b>Hire purchase expenditure commitments</b>			
Minimum hire purchase payments			
- not later than one year	<b>53,008</b>		259,597
- later than one year but not later than five years	<b>17,981</b>		152,954
- later than five years			

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Total minimum hire purchase payments	<b>70,989</b>	412,551
Less: future finance charges	<b>(3,111)</b>	(29,911)
Present value of hire purchase payments	<b>67,878</b>	382,640

Aggregate expenditure commitments comprise:

Current liability (Note 18)	<b>67,878</b>	382,640
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**Operating lease expenditure commitments**

Minimum operating lease payments		
- not later than one year	<b>354,192</b>	459,193
- later than one year but not later than five years	<b>432,051</b>	723,103
- later than five years		
Total minimum operating lease payments	<b>786,243</b>	1,182,296

As at June 30, 2011, the above operating leases related to the following premises that are currently occupied by the Group:

Location	Landlord	Use	Date of expiry of lease	Minimum payments
60-66 Hanover Street Fitzroy, Victoria 3065 Australia	Crude Pty. Ltd.	Office and laboratory	September 30, 2013	\$ 746,496
9115 Harris Corners Parkway, Suite 320 Charlotte, North Carolina 28269 USA	New Boston Harris Corners LLC	Office	October 31, 2012	\$ 39,747
			Total	\$ 786,243

Apart from the above, there were no other commitments or contingencies as at June 30, 2011.

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**28. EMPLOYEE BENEFITS**

**Employee options**

On November 30, 2001, the Directors of the Company established a Staff Share Plan. On November 19, 2008, the shareholders of the Company approved the introduction of a new Employee Option Plan. Under the terms of the respective Plans, the Directors may, at their discretion, grant options over the ordinary shares in the Genetic Technologies Limited to executives, consultants, employees, and formerly Non-Executive Directors, of the Group (refer Notes 25 and 29).

On July 8, 2010, a total of 12,000,000 options over ordinary shares in the Company were granted, at no cost, to members of the Company's Senior Leadership Team. Each option, which entitles the holder to acquire one ordinary share at a cost of \$0.045, will expire on May 8, 2015, unless exercised before that date. On February 3, 2011, a further 500,000 similar options were granted.

On May 26, 2011, a total of 4,800,000 options over ordinary shares in the Company were granted, at no cost, to a number of employees, including those employed by its subsidiary, Phenogen Sciences Inc. Each option, which entitles the holder to acquire one ordinary share at a cost of \$0.19, will expire no later than March 31, 2016, unless exercised before that date.

The majority of above options granted during the 2011 financial year vest in three equal tranches after 12 months, 24 months and 36 months from the date of grant, respectively. As at June 30, 2011, there were 6 executives and 23 employees who held options that had been granted under the Plans. There were no options granted during the year ended June 30, 2010.

**Superannuation commitments**

The Group does not have any defined benefit funds. The Group makes statutory contributions to various superannuation funds on behalf of all employees at a rate of 9% per annum, in addition to making other superannuation contributions as part of salary packaging arrangements with staff. All contributions are expensed when incurred. Contributions made by the Group of up to 9% per annum of employees' wages and salaries are legally enforceable in Australia.

**29. RELATED PARTY DISCLOSURES**

**Ultimate parent**

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Genetic Technologies Limited is the ultimate Australian parent company. As at the date of this Report, no shareholder controls more than 50% of the issued capital of the Company.

### Transactions within the Group

During the year ended June 30, 2011, various transactions within the Group occurred, as listed below. All amounts were charged on commercial, arm's-length terms and at commercial rates.

- AgGenomics Pty. Ltd., a subsidiary, paid interest to the Company amounting to \$12,523 (2010: \$12,302) in respect of an outstanding loan between the parties.
- ImmunAid Pty. Ltd., a subsidiary, paid management fees to the Company amounting to \$22,500 (2010: \$45,000).
- Genetic Technologies (Beijing) Limited (GTBL), a subsidiary, paid management fees to Genetic Technologies Corporation Pty. Ltd. (GTC) of \$19 (2010: \$331). GTBL also purchased testing services from GTC at a cost of \$389 (2010: \$6,702).

### Other related party transactions

During the year ended June 30, 2011, the Company and GeneType Pty. Ltd., a subsidiary, collectively paid a total of \$84,583 (2010: \$579,806) to Bankberg Pty. Ltd. (Bankberg), a company associated with a former Director and majority shareholder of the Company, Dr. Mervyn Jacobson, for rent and its share of body corporate expenses in respect of the office and laboratory premises in Fitzroy, Victoria that are leased by the Group. On August 20, 2010, Bankberg Pty. Ltd. sold the Fitzroy premises to an unrelated third party (refer Note 27).

During the year ended June 30, 2011, the Company paid a total of \$50,000 (2010: \$50,000) to Dr. Jacobson in respect of an administrative allowance associated with his role as the Company's Vice President Global Licensing and Intellectual Property. Also during the year, Genetic Technologies Limited paid a total of \$924,679 (2010: \$238,100) to Transmedia Inc., another company associated with Dr. Jacobson, in respect of commissions paid in relation to licensing services provided to the Company and reimbursement of associated travel expenses of \$152,033 (2010: \$153,151). During the 2011 financial year, Dr. Jacobson also served as Chief Executive Officer of ImmunAid Pty. Ltd., a subsidiary. He received no compensation in respect of this role.

All transactions with Key Management Personnel have been entered into under terms and conditions no more favourable than those which the entity would have adopted if dealing at arm's length. Please refer below for a description of transactions with Key Management Personnel.

Table of Contents**29. RELATED PARTY DISCLOSURES (cont.)****Details of Key Management Personnel***Directors*

Sidney C. Hack (*Non-Executive Chairman*)  
Tommaso Bonvino (*Non-Executive*)  
Dr. Malcolm R. Brandon (*Non-Executive*)  
Huw D. Jones (*Non-Executive*)

*Executives*

Dr. Paul D.R. MacLeman (*Chief Executive Officer*)  
Thomas G. Howitt (*Chief Financial Officer and Company Secretary*)  
Alison J. Mew (*Chief Operating Officer*)  
Lewis J. Stuart (*General Manager US operations*)  
Gregory J. McPherson (*VP Sales and Marketing*)  
Dr. David J. Sparling (*VP Legal and Corporate Development*)

Notes: Mr. Stuart was appointed as General Manager of Phenogen Sciences Inc., the Company's wholly-owned US subsidiary, on July 5, 2010.

	2011	Consolidated	2010
	\$		\$
<b>Remuneration of Key Management Personnel</b>			
Short-term employee benefits	1,474,137		1,057,476
Post-employment benefits	179,503		144,765
Share-based payments	181,502		28,257
Long-term benefits	8,753		6,187
Total remuneration of Key Management Personnel	1,843,895		1,236,685

**Optionholdings of Key Management Personnel****June 30, 2011**

Name of optionholder	Opening balance	Granted	Number of options		Closing balance	Vesting as at year end	
			Exercised	Lapsed		Exercisable	Not exercisable
<b>Executive</b>							
Dr. Paul D.R. MacLeman		3,600,000			3,600,000		3,600,000
Thomas G. Howitt	2,000,000	1,500,000		(750,000)	2,750,000	1,250,000	1,500,000
Alison J. Mew		1,500,000			1,500,000		1,500,000
Lewis J. Stuart		2,400,000			2,400,000		2,400,000
Gregory J. McPherson		1,500,000			1,500,000		1,500,000
Dr. David J. Sparling		1,500,000			1,500,000		1,500,000
Totals	2,000,000	12,000,000		(750,000)	13,250,000	1,250,000	12,000,000

Notes: Mr. Stuart became a member of Key Management Personnel during the year ended June 30, 2011.  
The heading Lapsed includes options which expired.

June 30, 2010

Name of optionholder	Opening balance	Granted	Number of options		Closing balance	Vesting as at year end	
			Exercised	Lapsed		Exercisable	Not exercisable
<b>Executive</b>							
Dr. Paul D.R. MacLeman							
Thomas G. Howitt	2,000,000				2,000,000	250,000	1,750,000
Alison J. Mew							
Gregory J. McPherson							
Dr. David J. Sparling							
Totals	2,000,000				2,000,000	250,000	1,750,000

Notes: Ms. Mew, Mr. McPherson and Dr. Sparling became members of Key Management Personnel during the year ended June 30, 2010.



Table of Contents**29. RELATED PARTY DISCLOSURES (cont.)****Shareholdings of Key Management Personnel****June 30, 2011**

Shares held in Genetic Technologies Limited	Opening balance	Number of shares		Acquired on exercise of options	Closing balance
		Bought	Sold		
<b>Director</b>					
Sidney C. Hack					
Tommaso Bonvino					
Dr. Malcolm R. Brandon					
Huw D. Jones		797,887			797,887
<b>Executive</b>					
Dr. Paul D.R. MacLeman					
Thomas G. Howitt					
Alison J. Mew					
Lewis J. Stuart					
Gregory J. McPherson					
Dr. David J. Sparling					
Totals		797,887			797,887

During the year ended June 30, 2010, no members of Key Management Personnel bought, sold or held a beneficial interest in any shares in the Company.

Notes: Mr. Stuart became a member of Key Management Personnel during the year ended June 30, 2011.

Ms. Mew, Mr. McPherson and Dr. Sparling became members of Key Management Personnel during the year ended June 30, 2010.

All equity transactions with Key Management Personnel, other than those arising from the exercise of options, have been entered into under terms and conditions no more favourable than those which the entity would have adopted if dealing at arm's length.

**30. AUDITORS REMUNERATION**

	2011	Consolidated	2010
	\$		\$
<b>Audit services</b>			
PricewaterhouseCoopers in respect of:			
Audit of the Company's Financial Report under the <i>Corporations Act 2001</i>	250,812		271,766
Other audit firms in respect of:			

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Audit of the Financial Reports of subsidiaries	<b>15,403</b>	17,013
Total remuneration in respect of audit services	<b>266,215</b>	288,779
<b>Non-audit services</b>		
PricewaterhouseCoopers in respect of:		
Accounting and other services		60,000
Other audit firms in respect of:		
Tax advice and compliance, accounting and other services	<b>14,388</b>	16,514
Total remuneration in respect of non-audit services	<b>14,388</b>	76,514
Total auditors remuneration	<b>280,603</b>	365,293

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Table of Contents**31. SUBSIDIARIES**

The following diagram is a depiction of the Group structure as at June 30, 2011.

Name of Group company	Incorporation details	Group interest (%)		Net carrying value (\$)	
		2011	2010	2011	2010
<i>Entities held directly by parent</i>					
GeneType Pty. Ltd.	September 5, 1990 Victoria, Australia	100%	100%	1	1
Genetic Technologies Corporation Pty. Ltd.	October 11, 1996 N.S.W., Australia	100%	100%	2	2
RareCollect Pty. Ltd.	March 7, 2001 N.S.W., Australia	100%	100%	10	10
GeneType AG	February 13, 1989 Zug, Switzerland	100%	100%	6,614	236
GeneType Corporation	December 18, 1989 California, U.S.A.	100%	100%		
Phenogen Sciences Inc.	June 28, 2010 Delaware, U.S.A.	100%	100%	11,006	
Gtech International Resources Limited	November 29, 1968 Yukon Territory, Canada	75.8%	75.8%	281,193	364,922
ImmunAid Pty. Ltd. (refer note below)		71.7%	71.7%	70	60

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	March 21, 2001 Victoria, Australia		
Frozen Puppies Dot Com Pty. Ltd. (refer note below)	February 15, 2006 N.S.W., Australia		100%
Total carrying value		<b>298,896</b>	365,231
<i>Entities held by other subsidiaries</i>			
AgGenomics Pty. Ltd.	February 15, 2002 Victoria, Australia	<b>50.1%</b>	50.1%
Genetic Technologies (Beijing) Limited	December 25, 2008 Beijing Municipality, China	<b>100%</b>	100%

Note: During the year ended June 30, 2011, Frozen Puppies Dot Com Pty. Ltd. was deregistered (refer Note 32).

Table of Contents**32. CHANGES IN THE COMPOSITION OF THE ENTITY****Deregistration of subsidiary**

During the year ended June 30, 2010, a decision was made by the Company to strategically realign its animal business and to focus on the provision of animal genetic tests, rather than the services that were acquired as part of the acquisition of the Frozen Puppies Dot Com business in 2008. As a result, during the 2010 financial year, several impairment charges were raised in relation to:

- certain inventories associated with the Company's reproductive services business, in the amount of \$6,232;
- certain items of plant and equipment associated with the reproductive services business, in the amount of \$115,413; and
- goodwill arising from the acquisition of Frozen Puppies Dot Com Pty. Ltd., in the amount of \$1,264,603.

Following the disposal of assets related to the reproductive services business during the 2011 financial year, Frozen Puppies Dot Com Pty. Ltd. was subsequently deregistered on June 1, 2011.

**33. PARENT ENTITY FINANCIAL INFORMATION****Summary financial information**

The financial statements for the parent entity, Genetic Technologies Limited, disclose the amounts set out in the following table.

	2011	Consolidated	2010
	\$		\$
<b>Balance sheet</b>			
Current assets	4,936,355		3,243,890
Total assets	8,878,935		7,856,620
Current liabilities	9,174,781		7,381,481
Total liabilities	9,275,259		7,609,844
Equity			
Contributed equity	72,378,105		72,378,105
Reserves			
Share-based payments	1,798,257		1,544,406

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Accumulated losses	(74,572,686)	(73,675,735)
	(396,324)	246,776
Loss for the year	(896,951)	(11,371,189)
Total comprehensive loss	(896,951)	(11,371,189)

Note: The current liabilities of Genetic Technologies Limited exceed its current assets as at June 30, 2011 due to the fact that the asset loans to, and investments in, its subsidiaries have been written down, whilst the loans from the subsidiaries to the parent entity as at that date have not.

### Guarantees entered into by the parent entity

As at balance date, the parent entity had agreed to fund by way of loan all of the operating expenses of ImmunAid Pty. Ltd. (a subsidiary) up to, and including, September 30, 2011 and that it would not seek repayment of the loan during that period.

### Related party information

As at June 30, 2011, \$33,113,037 (2010: \$30,793,956) was receivable by the Company from its various subsidiaries. As at the same date, an amount of \$7,672,892 (2010: \$5,626,740) was payable by the Company to its wholly-owned subsidiaries. All such loans are unsecured, generally interest free and there are no fixed terms of repayment.

### Financial risk management

In assessing the recoverability of intercompany receivables, Genetic Technologies Limited, the parent entity, raises a provision for diminution to ensure that the carrying amount of these receivables does not exceed the net tangible assets of the subsidiaries.

### Contingent liabilities and commitments of the parent entity

As at the date of this Report, the parent entity had no contingent liabilities or other commitments.

Table of Contents**34. FINANCIAL RISK MANAGEMENT**

The Group's activities expose it to a variety of financial risks such as market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of foreign exchange, interest rate and aging analysis for credit risk.

Risk management is managed by the Group's Risk Management Committee under guidance provided by the Board of Directors. The Committee identifies and evaluates financial risks in close cooperation with the Group's operating units. The Board, via its Audit Committee, provides guidance for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk.

The Group's principal financial instruments comprise cash at bank and on hand, short-term deposits and hire purchase liabilities. The Group has other financial assets and liabilities, such as trade receivables and payables, which arise directly from its operations.

The Group does not typically enter into derivative transactions, such as interest rate swaps or forward currency contracts. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are credit risk exposures, liquidity risk, interest rate risk and foreign currency risk. The policies for managing each of these risks are summarized below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2.

The Group holds the following financial instruments:

	Consolidated	
	2011	2010
	\$	\$
<b>Financial assets</b>		
Cash at bank / on hand	1,985,257	1,773,152
Short-term deposits	3,119,410	1,533,159
Trade and other receivables	674,369	754,657
Performance bond and deposits	2,649	71,658
Total financial assets	5,781,685	4,132,626
<b>Financial liabilities</b>		
Trade and other payables	1,115,028	1,195,673
Hire purchase liabilities	67,878	382,640
Total financial liabilities	1,182,906	1,578,313

**Credit risk**

The Group's credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. If there is no independent rating, the Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings. The compliance with credit limits by customers is regularly monitored by Management. Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk. The maximum exposures to credit risk as at June 30, 2011 in relation to each class of recognized financial assets is the carrying amount of those assets, as indicated in the balance sheet.

Financial assets included on the balance sheet that potentially subject the Group to concentration of credit risk consist principally of cash and cash equivalents and trade receivables. In accordance with the guidelines of the Group's Short Term Investment Policy, the Group minimizes this concentration of risk by placing its cash and cash equivalents with financial institutions that maintain superior credit ratings in order to limit the degree of credit exposure. For banks and financial institutions, only independently-rated parties with a minimum rating of A-1 are accepted. The Group has also established guidelines relative to credit ratings, diversification and maturities that seek to maintain safety and liquidity. The Group does not require collateral to provide credit to its customers, however, the majority of the Group's customers are large, reputable organizations and, as such, the risk of credit exposure is limited. The Group has not entered into any transactions that qualify as a financial derivative instrument.



Table of Contents**34. FINANCIAL RISK MANAGEMENT (cont.)****Credit risk (cont.)**

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. As at June 30, 2011, the balance of the Group's provision for doubtful debts was \$56,700 (2010: \$102,500), out of a total net receivables balance as at that date of \$674,369 (2010: \$754,657). For some trade receivables, the Group may also obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

Credit risk further arises in relation to financial guarantees given by the Group to certain parties in respect of obligations of its subsidiaries. Such guarantees are only provided in exceptional circumstances.

An analysis of the aging of trade and other receivables and trade and other payables is provided below:

	2011	Consolidated	2010
	\$		\$
<b>Net trade and other receivables</b>			
Current (less than 30 days)	616,550		578,417
31 days to 60 days	21,337		98,533
61 days to 90 days (note)	2,148		10,702
Greater than 90 days (note)	34,334		67,005
Total net trade and other receivables (Note 12)	674,369		754,657
<b>Net trade and other payables</b>			
Current (less than 30 days)	1,085,480		1,153,364
31 days to 60 days	28,866		42,309
61 days to 90 days			
Greater than 90 days	682		
Total net trade and other payables (Note 17)	1,115,028		1,195,673

Notes: Net trade and other receivables for the Group that are greater than 90 days include net amounts receivable from wholly-owned subsidiaries of \$2,096,631 (2010: \$2,351,077). The loans to and from these subsidiaries are interest free and there are no fixed terms of repayment.

A total of \$36,482 in net trade and other receivables greater than 60 days is past due, of which a total of \$21,213 had been received prior to the date of this Financial Report. The Company considers that the remaining \$15,269 is recoverable and not impaired.

**Market risk**

*Foreign currency risk*

The Group operates internationally and is exposed to foreign currency exchange risk, primarily with respect to the US dollar and Canadian dollar, through financial assets and liabilities. It is the Group's policy not to hedge these transactions as the exposure is considered to be minimal from a consolidated operations perspective. Further, as the Group incurs expenses payable in US dollars, the financial assets that are held in US dollars provide a natural hedge for the Group.

Foreign exchange risk arises from planned future commercial transactions and recognized assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group has a Foreign Exchange Management Policy which was developed to establish a formal framework and procedures for the efficient management of the financial risks that impact on Genetic Technologies Limited through its activities outside of Australia, predominantly in the United States. The policy governs the way in which the financial assets and liabilities of the Group that are denominated in foreign currencies are managed and any risks associated with that management are identified and addressed. Under the policy, which is updated on a regular basis as circumstances dictate, the Group generally retains in foreign currency only sufficient funds to meet the expected expenditures in that currency. Surplus funds, if any, are converted into Australian dollars as soon as practicable after receipt.

Table of Contents**34. FINANCIAL RISK MANAGEMENT (cont.)****Market risk (cont.)**

As at June 30, 2011, the Group held the following financial assets and liabilities that were denominated in foreign currencies:

Consolidated	Year	USD	CAD	EUR	GBP	CNY	NZD	CHF	SGD
<b>Financial assets</b>									
Cash at bank / on hand	<b>2011</b>	<b>437,717</b>	<b>313,637</b>	<b>34,191</b>	<b>1</b>	<b>1,854</b>	<b>1,240</b>	<b>6,626</b>	<b>154</b>
	2010	15,191	335,821	840	206	53,748	941	908	
Trade and other receivables	<b>2011</b>	<b>113,276</b>		<b>90,105</b>					
	2010	119,677		90,000		56,259		550	
Performance bond / deposit	<b>2011</b>								
	2010			50,000					
Total financial assets	<b>2011</b>	<b>550,993</b>	<b>313,637</b>	<b>124,296</b>	<b>1</b>	<b>1,854</b>	<b>1,240</b>	<b>6,626</b>	<b>154</b>
	2010	134,868	335,821	140,840	206	110,007	941	1,458	
<b>Financial liabilities</b>									
Trade and other payables	<b>2011</b>	<b>217,168</b>	<b>22,539</b>	<b>17,250</b>		<b>68,158</b>	<b>136</b>	<b>3,290</b>	
	2010	97,957	9,326	45,187	3,729	50,508	39	3,190	
Total financial liabilities	<b>2011</b>	<b>217,168</b>	<b>22,539</b>	<b>17,250</b>		<b>68,158</b>	<b>136</b>	<b>3,290</b>	
	2010	97,957	9,326	45,187	3,729	50,508	39	3,190	

Notes: **USD** United States dollars **CAD** Canadian dollars **EUR** European euros **CHF** Swiss francs

**GBP** Great Britain pounds **CNY** Chinese yuan **NZD** New Zealand dollars **SGD** Singapore dollars

During the year ended June 30, 2011, the Australian dollar / US dollar exchange rate increased by 25.0%, from 0.8480 at the beginning of the year to 1.0597 at the end of the year. During the same period, Australian dollar / Canadian dollar exchange rate increased by 15.2%, from 0.8982 at the beginning of the year to 1.0351 at the end of the year.

Based on the financial instruments held at June 30, 2011, had the Australian dollar weakened / strengthened by 10% against the US dollar with all other variables held constant, the Group's profit for the year would have been \$47,000 lower / \$58,000 higher (2010: loss \$4,000 lower / loss \$5,000 higher), mainly as a result of changes in the values of cash and cash equivalents which are denominated in US dollars, as detailed in the above tables.

Based on the financial instruments held at June 30, 2011, had the Australian dollar weakened / strengthened by 10% against the Canadian dollar with all other variables held constant, the Group's profit for the year would have been \$48,000 lower / \$34,000 higher (2010: loss \$33,000 lower / loss \$40,000 higher), due to changes in the values of cash and cash equivalents which are denominated in Canadian dollars, as detailed in the above tables.

*Interest rate risk*

The Group's main interest rate risk arises in relation to its short-term deposits with various financial institutions. If rates were to decrease, the Group may generate less interest revenue from such deposits. However, given the relatively short duration of such deposits, the associated risk is relatively minimal. The Group also has various hire purchase liabilities with fixed interest rates. While these rates do not vary once the contract has been executed, the Group may be subject to interest rate movements if it were to acquire additional assets via similar contracts in the future.

The Group has a Short Term Investment Policy which was developed to manage the Group's surplus cash and cash equivalents. In this context, the Group adopts a prudent approach that is tailored to cash forecasts rather than seeking high returns that may compromise access to funds as and when they are required. Under the policy, the Group deposits its surplus cash in a range of deposits / securities over different time frames and with different institutions in order to diversify its portfolio and minimize risk.

On a monthly basis, Management provides the Board with a detailed list of all cash and cash equivalents, showing the periods over which the cash has been deposited, the name and credit rating of the institution holding the deposit and the interest rate at which has been deposited. A comparison of interest rate movements from month to month and a variance to an 11am deposit rate is also provided.

At June 30, 2011, if interest rates had changed by +/- 50 basis points from the year-end rates, with all other variables held constant, the Group's profit for the year would have been \$22,000 lower / higher (2010: loss \$16,000 lower / higher), as a result of higher / lower interest income from cash and cash equivalents. Consolidated equity for the Group would have been \$22,000 higher / lower (2010: \$16,000 higher / lower) mainly as a result of an increase / decrease in the fair value of cash and cash equivalents.

Table of Contents**34. FINANCIAL RISK MANAGEMENT (cont.)****Market risk (cont.)**

The exposure to interest rate risks and the effective interest rates of financial assets and liabilities, both recognized and unrealized, for the Group is as follows:

Consolidated	Year	Floating rate \$	Fixed rate \$	Carrying amount \$	Weighted ave. effective rate %	Ave. maturity period days
<b>Financial assets</b>						
Cash at bank / on hand	<b>2011</b>	<b>1,985,257</b>		<b>1,985,257</b>	<b>1.56%</b>	<b>At call</b>
	2010	1,773,152		1,773,152	1.69%	At call
Short-term deposits	<b>2011</b>		<b>3,119,410</b>	<b>3,119,410</b>	<b>5.92%</b>	<b>92</b>
	2010		1,533,159	1,533,159	5.67%	92
Performance bond / deposits	<b>2011</b>		<b>2,649</b>	<b>2,649</b>		<b>At call</b>
	2010		71,658	71,658		At call
Totals	<b>2011</b>	<b>1,985,257</b>	<b>3,122,059</b>	<b>5,107,316</b>		
	2010	1,773,152	1,604,817	3,377,969		
<b>Financial liabilities</b>						
Hire purchase liabilities (Note 27)	<b>2011</b>		<b>70,989</b>	<b>67,878</b>	<b>6.30%</b>	<b>428</b>
	2010		412,551	382,640	8.64%	575
Totals	<b>2011</b>		<b>70,989</b>	<b>67,878</b>		
	2010		412,551	382,640		

Notes: All periods in respect of financial assets are for less than one year.

In respect of the hire purchase liabilities attributable to the Group, the interest rates are fixed for the terms of the facility, which is less than one year (\$50,130) and between one and five years (\$17,748).

**Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities, such as its hire purchase and credit card facilities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and, wherever possible, matching the maturity profiles of financial assets and liabilities. Due to the dynamic nature of the underlying businesses, Management aims to maintain flexibility in funding by keeping committed credit lines available. Surplus funds are generally only invested in instruments that are tradable in highly liquid markets.

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A balanced view of cash inflows and outflows affecting the Group is summarized in the table below:

Consolidated	Year	< 6 months \$	6 to 12 months \$	1 to 5 years \$	> 5 years \$	Totals \$
<b>Financial assets</b>						
Cash at bank / on hand	<b>2011</b>	<b>1,985,257</b>				<b>1,985,257</b>
	2010	1,773,152				1,773,152
Short-term deposits	<b>2011</b>	<b>3,119,410</b>				<b>3,119,410</b>
	2010	1,533,159				1,533,159
Trade and other receivables	<b>2011</b>	<b>674,369</b>				<b>674,369</b>
	2010	754,657				754,657
Performance bond and deposits	<b>2011</b>	<b>2,649</b>				<b>2,649</b>
	2010	71,658				71,658
Total financial assets	<b>2011</b>	<b>5,781,685</b>				<b>5,781,685</b>
	2010	4,132,626				4,132,626

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Table of Contents**34. FINANCIAL RISK MANAGEMENT (cont.)****Liquidity risk (cont.)**

Consolidated	Year	< 6 months \$	6 to 12 months \$	1 to 5 years \$	> 5 years \$	Totals \$
<b>Financial liabilities</b>						
Trade and other payables	<b>2011</b>	<b>1,115,028</b>				<b>1,115,028</b>
	2010	1,195,673				1,195,673
Hire purchase liabilities	<b>2011</b>	<b>26,306</b>	<b>26,702</b>	<b>17,981</b>		<b>70,989</b>
	2010	134,326	125,271	152,954		412,551
Total financial liabilities	<b>2011</b>	<b>1,141,334</b>	<b>26,702</b>	<b>17,981</b>		<b>1,186,017</b>
	2010	1,329,999	125,271	152,954		1,608,224
Net maturity	<b>2011</b>	<b>4,640,351</b>	<b>(26,702)</b>	<b>(17,981)</b>		<b>4,595,668</b>
	2010	2,802,627	(125,271)	(152,954)		2,524,402

The Group had access to the following undrawn borrowing facilities as at June 30, 2011:

	Facility limit \$	Amount used \$	Amount available \$
<i>Nature of facility</i>			
Master Asset Finance Facility	2,500,000	(67,878)	2,432,122
Credit card facilities	145,000	(18,786)	126,214

Note: The Master Asset Finance Facility may be drawn at any time, subject to compliance with applicable banking covenants, and is subject to annual review (refer Note 18 in respect of a breach of the terms of the Facility).

**Fair value measurements**

The following methods and assumptions are used to determine the fair values of financial assets and liabilities:

*Cash and cash equivalents:* the carrying amount approximates fair value due to their short term to maturity.

*Trade and other receivables:* the carrying amount approximates fair value.

*Consumables:* the carrying amount approximates fair value.

*Performance bond and deposits:* the carrying amount approximates fair value due to its short term to maturity.

*Unlisted shares:* the carrying amount has been written down to recoverable amount which approximates fair value.

*Trade and other payables:* the carrying amount approximates fair value.

*Accrued expenses:* the carrying amount approximates fair value.

*Hire purchase liabilities:* the carrying amount approximates fair value.

### **35. SUBSEQUENT EVENTS**

On July 27, 2011, the Company announced that it had issued by way of private placement a total of 60,000,000 ordinary shares in the Company to institutional and sophisticated investors in the USA and Australia. The placement, in which the shares were issued at a price of \$0.195 each, raised a total of \$11,700,000 in cash, before the payment of associated expenses of \$805,463. All of the shares were issued in accordance with ASX Listing Rule 7.1 and, as such, shareholder approval for the placement was not required. Proceeds from the placement will be used to fund acquisition growth in the molecular diagnostics field focusing on women's cancer and management, and to accelerate the roll-out of the Company's lead cancer risk test BREVAGen™ in the USA.

On October 3, 2011, Dr. Mervyn Cass was appointed as a Director of the Company.

Also on October 3, 2011, a total of 1,000,000 options over ordinary shares in the Company were granted to a senior employee. Each option, which was granted a nil cost, entitles the holder to acquire one ordinary share in the Company at a price of \$0.20 at any time up to, and including July 31, 2016, subject to first satisfying certain vesting restrictions.

On October 24, 2011, a total of 875,000 options over ordinary shares in the Company which had been previously been granted to former employees were forfeited.

Apart from these events, there have been no other significant events which have occurred after balance date.