GENETIC TECHNOLOGIES LTD
Form 20-F/A
November 25, 2011
Table of Contents

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)

Table of Contents

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.

o Yes x 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.

o Yes x 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.

x Yes o 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 o	Accelerated filer o	Non-accelerated filer x

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

U.S. GAAP o	International Financial Reporting Standards as issued by the International Accounting Standards Board x	Other o

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.

o Item 17 o 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).

o Yes x 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.

o Yes o No

Table of Contents

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.

Table of Contents

TABLE OF CONTENTS

Table of Contents

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

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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 Depositary, and the Owners and Holders of American Depositary Receipts (such agreement is incorporated herein by reference to the

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.

Table of Contents

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.

+ 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.

Table of Contents

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

Table of Contents

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

Table of Contents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30

	Notes	2011 $	Consolidated 2010 $	2009 $
Revenue from continuing operations				
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)
Operating profit / (loss) before income tax expense		**965,550**	(10,226,562)	(10,040,364)
Non-operating income and expenses	7	**(85,771)**	425,239	1,407,829
Profit / (loss) from continuing operations before income tax expense		**879,779**	(9,801,323)	(8,632,535)
Net profit from discontinued operation	8	**21,562**	446,114	774,214
Profit / (loss) before income tax expense		**901,341**	(9,355,209)	(7,858,321)
Income tax expense				
Profit / (loss) for the year		**901,341**	(9,355,209)	(7,858,321)
Other comprehensive income / (loss)				
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
Other comprehensive income / (loss) for the year, net of tax		**(96,664)**	(175,219)	162,725
Total comprehensive profit / (loss) for the year		**804,677**	(9,530,428)	(7,695,596)
Profit / (loss) for the year is attributable to:				
Owners of Genetic Technologies Limited		**910,002**	(9,343,766)	(7,841,073)
Non-controlling interests		**(8,661)**	(11,443)	(17,248)
Total profit / (loss) for the year		**901,341**	(9,355,209)	(7,858,321)
Total comprehensive profit / (loss) for the year is attributable to:				
Owners of Genetic Technologies Limited		**824,923**	(9,522,389)	(7,684,481)
Non-controlling interests		**(20,246)**	(8,039)	(11,115)
Total comprehensive profit / (loss) for the year		**804,677**	(9,530,428)	(7,695,596)
Earnings per share attributable to owners of the Company:				
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.

F2

Table of Contents

CONSOLIDATED BALANCE SHEET

As at June 30

	Notes	Consolidated 2011 $	2010 $
ASSETS			
Current assets			
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
Total current assets		**6,255,344**	4,502,161
Non-current assets			
Property, plant and equipment	15	**947,500**	1,977,826
Intangible assets and goodwill	16	**1,719,510**	1,799,585
Total non-current assets		**2,667,010**	3,777,411
Total assets		**8,922,354**	8,279,572
LIABILITIES			
Current liabilities			
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
Total current liabilities		**2,025,629**	2,478,943
Non-current liabilities			
Provisions	20	**82,730**	82,933
Total non-current liabilities		**82,730**	82,933
Total liabilities		**2,108,359**	2,561,876
Net assets		**6,813,995**	5,717,696
EQUITY			
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
Total equity		**6,813,995**	5,717,696

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

Table of Contents

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30

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

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 $
Cash flows from / (used in) operating activities				
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
Net cash flows from / (used in) operating activities	11	**2,233,279**	(4,302,880)	(4,923,491)
Cash flows from / (used in) investing activities				
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 BREVAGenTM 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)
Net cash flows from / (used in) investing activities		**5,030**	(1,039,483)	(353,191)
Cash flows from / (used in) financing activities				
Repayment of hire purchase principal		**(314,762)**	(225,407)	(192,591)
Net proceeds from the issue of shares			1,011,650	
Net cash flows from / (used in) financing activities		**(314,762)**	786,243	(192,591)
Net increase / (decrease) in cash and cash equivalents		**1,923,547**	(4,556,120)	(5,469,273)
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)
Cash and cash equivalents at end of year	11	**5,104,667**	3,306,311	7,826,902

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

Table of Contents

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.

Table of Contents

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)*

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.

Table of Contents

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).

Table of Contents

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:

Gtech 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, 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.

F9

Table of Contents

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.

Table of Contents

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(l) 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 realised 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.

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.

Table of Contents

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

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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

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.

Table of Contents

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

		Consolidated	
	2011	2010	2009
	$	$	$
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

Revenue from reproductive services	**66,054**	890,030	782,803
Less: cost of sales	**(44,492)**	(443,916)	(8,589)
Total net profit from discontinued operation	**21,562**	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:

	2011 **$**	**2010** **$**	**2009** **$**
Profit / (loss) for the year attributable to the owners of the Company	**910,002**	(9,343,766)	(7,841,073)
Weighted average number of ordinary shares	**404,605,152**	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

		Consolidated	
	2011	**2010**	**2009**
	$	**$**	**$**
Reconciliation of income tax expense to prima facie tax payable			
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			
Income tax expense			
Current tax			
Deferred tax			
Aggregate income tax expense			
Deferred tax assets			
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			
Tax losses			
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.

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(l). 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

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

Total cash and cash equivalents	**5,104,667**	3,306,311	7,826,902

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

Table of Contents

11. CASH AND CASH EQUIVALENTS (cont.)

	Consolidated 2011 $	2010 $	2009 $
Financing facilities available			
As at June 30, 2011, the following financing facilities had been negotiated and were available:			
Total facilities			
Hire purchase facility	**2,500,000**	2,500,000	2,500,000
Credit cards	**145,000**	147,000	147,000
Facilities used as at reporting date			
Hire purchase facility (refer note below)	**(67,878)**	(382,640)	(373,444)
Credit cards	**(18,786)**	(29,123)	(22,958)
Facilities unused as at reporting date			
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)

	Consolidated 2011 $	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

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

Table of Contents

14. PERFORMANCE BOND AND DEPOSITS (CURRENT)

	Consolidated	
	2011 $	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
Reconciliation of property, plant and equipment		
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)	**727,555**
Computer equipment	61,619	86,109	(4,668)	(47,265)	**95,795**
Office equipment	44,203	45,480	(16,292)	(7,531)	**65,860**
Equipment under hire purchase	295,533		(103,693)	(147,522)	**44,318**
Leasehold improvements	29,483	6,512	(7,981)	(14,042)	**13,972**
Totals	1,977,826	369,809	(592,576)	(807,559)	**947,500**

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

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

Total net patents	**370,849**	448,424
Other intangible assets		
Assets associated with BREVAGenTM breast cancer risk test, at cost	**1,033,273**	1,033,273
Total net other intangible assets	**1,033,273**	1,033,273
Goodwill		
Goodwill, at cost	**358,012**	1,625,115
Less: accumulated amortization	**(42,624)**	(42,624)
Less: impairment losses		(1,264,603)