

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@gtg.com.au

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**

Title of each class	Name of each exchange on which registered
---------------------	---

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 Class)

(Title of Class)

Table of Contents

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None
(Title of Class)

Indicate the 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.

362,389,899 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:

Edgar Filing: GENETIC TECHNOLOGIES LTD - Form 20-F

U.S. GAAP

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

Other

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

Table of Contents

TABLE OF CONTENTS

<u>INTRODUCTION</u>		1
<u>FORWARD-LOOKING STATEMENTS</u>		1
<u>ENFORCEMENT OF LIABILITIES AND SERVICE OF PROCESS</u>		1
<u>ITEM 1.</u>	<u>IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</u>	2
<u>ITEM 1.A</u>	<u>DIRECTORS AND SENIOR MANAGEMENT</u>	2
<u>ITEM 1.B</u>	<u>ADVISERS</u>	3
<u>ITEM 1.C</u>	<u>AUDITORS</u>	3
<u>ITEM 2.</u>	<u>OFFER STATISTICS AND EXPECTED TIMETABLE</u>	3
<u>ITEM 3.</u>	<u>KEY INFORMATION</u>	3
<u>ITEM 3.A</u>	<u>SELECTED FINANCIAL DATA</u>	3
<u>ITEM 3.B</u>	<u>CAPITALIZATION AND INDEBTEDNESS</u>	5
<u>ITEM 3.C</u>	<u>REASONS FOR THE OFFER AND USE OF PROCEEDS</u>	5
<u>ITEM 3.D</u>	<u>RISK FACTORS</u>	6
<u>ITEM 4.</u>	<u>INFORMATION ON THE COMPANY</u>	13
<u>ITEM 4.A</u>	<u>HISTORY AND DEVELOPMENT OF THE COMPANY</u>	13
<u>ITEM 4.B</u>	<u>BUSINESS OVERVIEW</u>	15
<u>ITEM 4.C</u>	<u>ORGANIZATIONAL STRUCTURE</u>	38
<u>ITEM 4.D</u>	<u>PROPERTY, PLANT AND EQUIPMENT</u>	38
<u>ITEM 5.</u>	<u>OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	38
<u>ITEM 5.A</u>	<u>OPERATING RESULTS</u>	39
<u>ITEM 5.B</u>	<u>LIQUIDITY AND CAPITAL RESOURCES</u>	49
<u>ITEM 5.C</u>	<u>RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.</u>	51
<u>ITEM 5.D</u>	<u>TREND INFORMATION</u>	51
<u>ITEM 5.E</u>	<u>OFF-BALANCE SHEET ARRANGEMENTS</u>	52
<u>ITEM 5.F</u>	<u>INFORMATION ABOUT CONTRACTUAL OBLIGATIONS</u>	52
<u>ITEM 6.</u>	<u>DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	52

Table of Contents

<u>ITEM 6.B</u>	<u>COMPENSATION</u>	55
<u>ITEM 6.C</u>	<u>BOARD PRACTICES</u>	59
<u>ITEM 6.D</u>	<u>EMPLOYEES</u>	61
<u>ITEM 6.E</u>	<u>SHARE OWNERSHIP</u>	62
<u>ITEM 7.</u>	<u>MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>	62
<u>ITEM 7.A</u>	<u>MAJOR SHAREHOLDERS</u>	62
<u>ITEM 7.B</u>	<u>RELATED PARTY TRANSACTIONS</u>	62
<u>ITEM 7.C</u>	<u>INTERESTS OF EXPERTS AND COUNSEL</u>	62
<u>ITEM 8.</u>	<u>FINANCIAL INFORMATION</u>	63
<u>ITEM 8.A</u>	<u>CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION</u>	63
<u>ITEM 8.B</u>	<u>LITIGATION AND OTHER LEGAL PROCEEDINGS</u>	63
<u>ITEM 8.C</u>	<u>DIVIDENDS</u>	63
<u>ITEM 8.D</u>	<u>SIGNIFICANT CHANGES TO FINANCIAL INFORMATION</u>	63
<u>ITEM 8.E</u>	<u>SIGNIFICANT OTHER CHANGES</u>	64
<u>ITEM 9.</u>	<u>THE OFFER AND LISTING</u>	65
<u>ITEM 9.A</u>	<u>OFFER AND LISTING DETAILS</u>	65
<u>ITEM 9.B</u>	<u>PLAN OF DISTRIBUTION</u>	66
<u>ITEM 9.C</u>	<u>MARKETS</u>	66
<u>ITEM 9.D</u>	<u>SELLING SHAREHOLDERS</u>	67
<u>ITEM 9.E</u>	<u>DILUTION</u>	67
<u>ITEM 9.F</u>	<u>EXPENSES OF THE ISSUE</u>	67
<u>ITEM 10.</u>	<u>ADDITIONAL INFORMATION</u>	67
<u>ITEM 10.A</u>	<u>SHARE CAPITAL</u>	67
<u>ITEM 10.B</u>	<u>OUR CONSTITUTION</u>	68
<u>ITEM 10.C</u>	<u>MATERIAL CONTRACTS</u>	69
<u>ITEM 10.D</u>	<u>EXCHANGE CONTROLS AND OTHER LIMITATIONS AFFECTING SECURITY HOLDERS</u>	69
<u>ITEM 10.E</u>	<u>TAXATION</u>	70

Table of Contents

<u>ITEM 10.F</u>	<u>DIVIDENDS AND PAYING AGENTS</u>	76
<u>ITEM 10.G</u>	<u>STATEMENT BY EXPERTS</u>	76
<u>ITEM 10.H</u>	<u>DOCUMENTS ON DISPLAY</u>	76
<u>ITEM 10.I</u>	<u>SUBSIDIARY INFORMATION</u>	76
<u>ITEM 11.</u>	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	77
<u>ITEM 12.</u>	<u>DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	77
<u>ITEM 12.A</u>	<u>DEBT SECURITIES</u>	77
<u>ITEM 12.B</u>	<u>WARRANTS AND RIGHTS</u>	77
<u>ITEM 12.C</u>	<u>OTHER SECURITIES</u>	77
<u>ITEM 12.D</u>	<u>AMERICAN DEPOSITARY SHARES</u>	77
<u>ITEM 13.</u>	<u>DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	78
<u>ITEM 14.</u>	<u>MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	78
<u>ITEM 15.</u>	<u>CONTROLS AND PROCEDURES</u>	78
<u>ITEM 15.A</u>	<u>DISCLOSURE CONTROLS AND PROCEDURES</u>	78
<u>ITEM 15.B</u>	<u>MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING</u>	79
<u>ITEM 15.C</u>	<u>ATTESTATION REPORT OF THE REGISTERED PUBLIC ACCOUNTING FIRM</u>	79
<u>ITEM 15.D</u>	<u>CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING</u>	80
<u>ITEM 16.A</u>	<u>AUDIT COMMITTEE FINANCIAL EXPERT</u>	80
<u>ITEM 16.B</u>	<u>CODE OF ETHICS</u>	80
<u>ITEM 16.C</u>	<u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	81
<u>ITEM 16D.</u>	<u>EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</u>	81
<u>ITEM 16E.</u>	<u>PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</u>	81
<u>ITEM 17.</u>	<u>FINANCIAL STATEMENTS</u>	81
<u>ITEM 18.</u>	<u>FINANCIAL STATEMENTS</u>	81
<u>ITEM 19.</u>	<u>EXHIBITS</u>	82

Table of Contents

INTRODUCTION

In this Annual Report, the Company, Genetic Technologies, we, us and our refer to Genetic Technologies Limited and its consolidated subsidiaries.

Our consolidated financial statements are set out on pages F1 to F42 of this Annual Report (refer to Item 18 Financial Statements).

References to the ADSs are to our ADSs described in Item 12.D, American Depositary Shares, and references to the Ordinary Shares are to our Ordinary Shares described in Item 10.A, Share Capital.

Our fiscal year ends on June 30, and references in this Annual Report to any specific fiscal year are to the twelve month period ended on June 30 of such year.

FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements that involve risks and uncertainties. We use words such as anticipates, believes, plans, expects, future, intends and similar expressions to identify such forward-looking statements. This Annual Report also contains forward-looking statements attributed to certain third parties relating to their estimates regarding the growth of Genetic Technologies and related service markets and spending. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this Annual Report. Our actual results could differ materially from those anticipated in these forward-looking statements for many reasons, including the risks faced by us described below under the caption Risk Factors and elsewhere in this Annual Report.

Although we believe that the expectations reflected in such forward-looking statements are reasonable at this time, we can give no assurance that such expectations will prove to be correct. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Important factors that could cause actual results to differ materially from our expectations are contained in cautionary statements in this Annual Report including, without limitation, in conjunction with the forward-looking statements included in this Annual Report and specifically under Item 3.D, Risk Factors.

All subsequent written and oral forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements.

ENFORCEMENT OF LIABILITIES AND SERVICE OF PROCESS

Edgar Filing: GENETIC TECHNOLOGIES LTD - Form 20-F

We are incorporated under the laws of Western Australia, in the Commonwealth of Australia. All of our directors and executive officers, and any experts named in this Annual Report, reside outside the U.S. Substantially all of our assets, our directors' and executive officers' assets and such experts' assets are located outside the U.S. As a result, it may not be possible for investors to affect service of process within the U.S. upon us or our directors, executive officers or such experts, or to enforce against them or us in U.S. courts, judgments obtained in U.S. courts based upon the civil liability provisions of the federal securities laws of the U.S. In addition, we have been advised by our Australian solicitors that there is doubt that the courts of Australia will enforce against us, our directors, executive officers and experts named herein, judgments obtained in the U.S. based upon the civil liability provisions of the federal securities laws of the U.S. or will enter judgments in original actions brought in Australian courts based upon the federal securities laws of the U.S.

Table of Contents**PART I****Item 1. Identity of Directors, Senior Management and Advisers****Item 1.A Directors and Senior Management**

The Directors of the Company as of the date of this Annual Report are as follows:

Name	Position/Function	Business Address
Fred Bart	Chairman	60-66 Hanover Street Fitzroy Victoria 3065 Australia
Sidney C. Hack	Non-Executive Director	60-66 Hanover Street Fitzroy Victoria 3065 Australia
Huw D. Jones	Non-Executive Director	60-66 Hanover Street Fitzroy Victoria 3065 Australia

The members of Senior Management of the Company as of the date of this Annual Report are as follows:

Name	Position/Function	Business Address
Thomas G. Howitt	Chief Financial Officer and Company Secretary	60-66 Hanover Street Fitzroy Victoria 3065 Australia
Ross Barrow (note)	Chief Operating Officer	60-66 Hanover Street Fitzroy Victoria 3065 Australia
W. Ian Smith	Business Development Manager - DNA Profiling	60-66 Hanover Street Fitzroy Victoria 3065 Australia
Jonathan S. Whitty (note)	Business Development Manager - Medical Diagnostics	60-66 Hanover Street Fitzroy Victoria 3065 Australia

Edgar Filing: GENETIC TECHNOLOGIES LTD - Form 20-F

M. Luisa Ashdown	General Manager - Licensing	60-66 Hanover Street Fitzroy Victoria 3065 Australia
Catherine M. Barclay	General Manager - Human Resources	60-66 Hanover Street Fitzroy Victoria 3065 Australia

Note: Both Ross Barrow and Jonathan Whitty had tendered their resignations as of the date of this Annual Report.

Table of Contents**Item 1.B Advisers**

Our principal bankers, accountants and legal advisers are as follows:

Name of Adviser	Function	Business Address
Ernst & Young	Auditors	8 Exhibition Street Melbourne Victoria 3000 Australia
St. George Bank Limited	Bankers - Australia	530 Collins Street Melbourne Victoria 3000 Australia
KeyBank National Association	Bankers - USA	1130 Haxton Drive Fort Collins Colorado 80525 USA
Baker & McKenzie	General Counsel	525 Collins Street Melbourne Victoria 3000 Australia
Hamilton, DeSanctis & Cha	Licensing Attorneys	225 Union Boulevard, Suite 305 Lakewood Colorado 80228 USA
Sheridan Ross PC	Patent Attorneys	1560 Broadway, Suite 1200 Denver Colorado 80202-5141 USA
Greenberg Traurig, LLP	U.S. Securities Counsel	200 Park Avenue New York New York 10166 USA

Item 1.C Auditors

The auditors of the Company's financial statements for the years ended June 30, 2008, 2007, 2006, 2005 and 2004 were Ernst & Young, whose address is 8 Exhibition Street, Melbourne, Victoria, 3000, Australia. Ernst & Young is the Company's current independent registered public accounting firm, an appointment ratified at the Annual General Meeting held on November 28, 2003.

Item 2. Offer Statistics And Expected Timetable

Not applicable.

Item 3. Key Information

Item 3.A Selected Financial Data

The following selected financial data for the four years ended June 30, 2008 is derived from the audited consolidated financial statements of Genetic Technologies Limited, prepared in accordance with International Financial Reporting Standards (IFRS), which became effective for our company as of our fiscal year ended June 30, 2006. Under IFRS 1, *First-time Adoption of International Financial Reporting Standards*, or IFRS 1, a company adopting IFRS for the first time is required to adopt accounting policies that comply with IFRS and related interpretations that are in effect at the reporting date of its first annual financial statements prepared in accordance with IFRS, in our case June 30, 2006. IFRS 1 also requires that those policies be applied as of the date of transition to IFRS, in our case July 1, 2004, and consistently throughout all periods presented in the first annual financial statements prepared in accordance with IFRS. However, the Company was not required to recast its financial statements prior to July 1, 2004 in accordance with IFRS, and is therefore unable to provide the selected data for the year ended June 30, 2004 prepared in accordance with IFRS. Accordingly, U.S. GAAP selected data for the 2004 financial year has been removed. Our consolidated financial statements appearing in this report comply with both the IFRS as issued by International Accounting Standards Board and Australian equivalents to International Financial Reporting Standards, or A-IFRS.

Table of Contents

The balance sheet data as of June 30, 2008 and 2007 and the income statement data for fiscal years 2008, 2007 and 2006 are derived from our audited consolidated financial statements included in this annual report. Balance sheet data as of June 30, 2006 and 2005 and income statement data for the 2005 and 2004 financial years are derived from our audited consolidated financial statements which are not included in this Annual Report. The data should be read in conjunction with the consolidated financial statements, related notes and other financial information included herein.

All amounts are stated in Australian dollars as of June 30 as noted.

GENETIC TECHNOLOGIES LIMITED**CONSOLIDATED INCOME STATEMENTS
FOR 2008, 2007, 2006 AND 2005**

	Year ended June 30, 2008 AUD	Year ended June 30, 2007 AUD	Year ended June 30, 2006 AUD	Year ended June 30, 2005 AUD
Revenue from operations	15,702,336	14,978,819	10,048,703	9,607,237
Other income	276,606	340,486	708,411	782,714
Employee benefits expenses	(6,568,966)	(5,556,644)	(5,432,506)	(4,853,853)
Amortization and depreciation expenses	(4,755,155)	(4,602,992)	(4,817,277)	(4,411,685)
Impairment losses and other write-downs	(2,378,000)	(1,306,960)	(97,500)	
Genetic testing expenses	(1,599,644)	(1,989,098)	(2,008,546)	(1,752,495)
Contract research and trial expenses	(1,267,748)	(1,247,775)	(1,345,916)	(873,501)
Royalties, license fees and commissions paid	(889,520)	(580,122)	(177,283)	(921,548)
Legal and patent fees	(873,854)	(748,605)	(1,440,929)	(4,555,642)
Administration expenses	(839,226)	(901,380)	(910,776)	(1,068,232)
Rent and outgoings	(533,644)	(535,045)	(511,050)	(495,749)
Net foreign exchange losses	(254,954)	(317,317)		(186,222)
Marketing and promotion expenses	(221,644)	(437,087)	(502,353)	(504,974)
Withholding tax	(94,524)	(264,391)	(90,500)	(258,243)
Finance costs	(66,763)	(90,929)	(112,082)	(69,965)
Other expenses	(1,086,938)	(1,086,662)	(1,218,519)	(1,211,777)
Loss before income tax	(5,451,638)	(4,345,702)	(7,908,123)	(10,773,935)
Income tax expense				
Loss for the year	(5,451,638)	(4,345,702)	(7,908,123)	(10,773,935)
Net loss / (profit) attributable to minority interests	5,549	17,159	(10,650)	(46,292)
Net loss attributable to equity holders of Genetic Technologies Limited	(5,446,089)	(4,328,543)	(7,918,773)	(10,820,227)
Loss per share (cents per share)				
Basic and diluted net loss per ordinary share	(1.5)	(1.2)	(2.2)	(3.4)
Weighted-average shares outstanding	362,389,899	362,389,899	362,386,940	315,264,068

Table of Contents**GENETIC TECHNOLOGIES LIMITED****CONSOLIDATED BALANCE SHEET DATA
FOR 2008, 2007, 2006 AND 2005**

	Year ended June 30, 2008 AUD	Year ended June 30, 2007 AUD	Year ended June 30, 2006 AUD	Year ended June 30, 2005 AUD
Assets				
Current assets	15,893,852	14,600,846	13,960,666	19,693,325
Non-current assets	8,200,726	14,848,181	19,756,241	23,805,732
Total assets	24,094,578	29,449,027	33,716,907	43,499,057
Liabilities				
Current liabilities	(3,047,002)	(3,248,763)	(2,946,212)	(4,871,674)
Non-current liabilities	(262,503)	(97,455)	(528,556)	(944,144)
Total liabilities	(3,309,505)	(3,346,218)	(3,474,768)	(5,815,818)
Net assets	20,785,073	26,102,809	30,242,139	37,683,239
Shareholders equity				
Contributed equity	70,243,996	70,243,996	70,243,996	70,235,396
Reserves	1,588,804	1,456,895	1,237,524	779,101
Accumulated losses	(51,189,189)	(45,743,100)	(41,414,557)	(33,495,784)
Minority interests	141,462	145,018	175,176	164,526
Total shareholders equity	20,785,073	26,102,809	30,242,139	37,683,239

Exchange rates

The following table sets forth, for the periods and dates indicated, certain information concerning the noon buying rate in New York City for Australian dollars expressed in U.S. dollars per \$1.00 as certified for customs purposes by the Federal Reserve Bank of New York.

Period ended	At period end	Average rate	High	Low
Yearly data				
June 2004	0.6952	0.7132	0.8005	0.6345
June 2005	0.7618	0.7564	0.7792	0.7498
June 2006	0.7423	0.7475	0.7781	0.7056
June 2007	0.8491	0.7899	0.8491	0.7407

Edgar Filing: GENETIC TECHNOLOGIES LTD - Form 20-F

June 2008	0.9562	0.8965	0.9644	0.7672
-----------	--------	--------	--------	--------

Monthly data

June 2008	0.9562	0.9511	0.9610	0.9342
July 2008	0.9415	0.9620	0.9797	0.9415
August 2008	0.8563	0.8815	0.9317	0.8553
September 2008	0.8211	0.8168	0.8441	0.7831
October 2008	0.6574	0.6870	0.7937	0.6073
November 2008	0.6546	0.6591	0.7005	0.6191
December 2008 (note)	0.6985	0.6636	0.6985	0.6343

Note: Data for December 2008 covers the period up to December 18, 2008.

Item 3.B Capitalization and Indebtedness

Not applicable.

Item 3.C Reasons for the Offer and Use of Proceeds

Not applicable.

Table of Contents

Item 3.D Risk Factors

Before you purchase our ADSs, you should be aware that there are risks, including those described below. You should consider carefully these risk factors together with all of the other information contained elsewhere in this Annual Report before you decide to purchase our ADSs.

Risks Related to Us

Our stock price is volatile and can fluctuate significantly based on events not in our control and general industry conditions. As a result, the value of your investment may decline significantly.

The biotechnology sector can be particularly vulnerable to abrupt changes in investor sentiment. Stock prices of companies in the biotechnology industry, including ours, can swing dramatically, with little relationship to operating performance. Our stock price may be affected by a number of factors including, but not limited to:

- product development events;
- the outcome of litigation;
- decisions relating to intellectual property rights;
- the entrance of competitive products or technologies into our market;
- new medical discoveries;
- the establishment of strategic partnerships and alliances;
- changes in reimbursement policies or other practices related to the pharmaceutical industry; or

- other industry and market changes or trends.

Since our listing on the Australian Securities Exchange in August 2000, the price of our Ordinary Shares has ranged from a low of \$0.038 to a high of \$1.05 per share. Further fluctuations are likely to occur due to events not within our control and general market conditions affecting the biotechnology sector or the stock market generally. The most significant such event of which we have knowledge took place in August 2003 after a television report in Australia on our company was broadcast. During that week, the price of our shares increased from \$0.58 to \$0.87 on a volume of 26,000,000 shares traded, which was exceptionally high for us. The share price subsequently retreated.

In addition, low trading volume may increase the volatility of the price of our ADSs. Trading volume in our Ordinary Shares on other markets has not been historically high, and the trading volume of our ADSs on the NASDAQ Global Market has typically also been low. Further, because each of our ADSs represents 30 of our Ordinary Shares, trading volume in our ADSs is lower than that for our Ordinary Shares. A thin trading market could cause the price of our ADSs to fluctuate significantly more than the stock market as a whole. For example, trades involving a relatively small number of our ADSs may have a greater impact on the trading price for our ADSs than would be the case if the trading volume were higher.

The following chart graphically illustrates the fluctuation in the price of our shares (in Australian dollars) over the last five years:

Table of Contents

The fact that we do not expect to pay cash dividends may lead to decreased prices for our stock.

We have never paid a cash dividend on our Ordinary Shares and we do not anticipate paying a cash dividend in the foreseeable future. We intend to retain future cash earnings, if any, for reinvestment in the development and expansion of our business. Whether we pay cash dividends in the future will be at the discretion of our Board of directors and may be dependent on our financial condition, results of operations, capital requirements and any other factors our Board of directors decides is relevant. As a result, an investor may only recognize an economic gain on an investment in our stock from an appreciation in the price of our stock.

You may have difficulty in effecting service of legal process and enforcing judgments against us and our Management.

We are a public company limited by shares, registered and operating under the Australian *Corporations Act 2001*. All of our directors and officers named in this Annual Report reside outside the U.S. Substantially all, or a substantial portion of, the assets of those persons are also located outside the U.S. As a result, it may not be possible to affect service on such persons in the U.S. or to enforce, in foreign courts, judgments against such persons obtained in U.S. courts and predicated on the civil liability provisions of the federal securities laws of the U.S. Furthermore, substantially all of our directly-owned assets are located outside the U.S., and, as such, any judgment obtained in the U.S. against us may not be collectible within the U.S. There is doubt as to the enforceability in the Commonwealth of Australia, in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon federal or state securities laws of the U.S., especially in the case of enforcement of judgments of U.S. courts where the defendant has not been properly served in Australia.

Because we are not necessarily required to provide you with the same information as an issuer of securities based in the United States, you may not be afforded the same protection or information you would have if you had invested in a public corporation based in the United States.

We are exempt from certain provisions of the Securities Exchange Act of 1934, as amended, commonly referred to as the Exchange Act, that are applicable to U.S. public companies, including (i) the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q or current reports on Form 8-K; (ii) the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act; and (iii) the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time. The exempt provisions would be available to you if you had invested in a U.S. corporation.

However, in line with the Australian Securities Exchange regulations, we will disclose our semi-annual results, which, in accordance with Australian auditing standards, are required to have a limited review semi-annually and be fully audited annually. The information, which may have an effect on the stock price on the Australian Securities Exchange, will also be disclosed immediately in the public media and to the Australian Securities Exchange. Other relevant information pertaining to our Company will also be disclosed in line with the Australian Securities Exchange regulations and information dissemination requirements for listed companies. We will provide our semi-annual results and other material information that we make public in Australia in the U.S. under the cover of an SEC Form 6-K. Nevertheless, you may not be afforded the same protection or information, which would be made available to you, were you investing in a United States public corporation because the requirements of a Form 10-Q and Form 8-K are not applicable to us.

If a public market does not develop for our ADSs, your ability to resell your ADSs could be negatively affected because there would be limited buyers for your interests.

Historically, there was virtually no trading in our ADSs through the pink sheets after the establishment of our Level I ADR Program. However, subsequent to the Level II listing of our ADSs on the NASDAQ Global Market on September 2, 2005, the trading volumes of our ADSs have increased. An active trading market for the ADSs, however, may not be maintained in the future. If an active trading market is not maintained, the liquidity and trading prices of the ADSs could be negatively affected.

In certain circumstances, holders of ADRs may have limited rights relative to holders of Ordinary Shares.

The rights of holders of ADSs with respect to the voting of Ordinary Shares and the right to receive certain distributions may be limited in certain respects by the deposit agreement entered into by us and The Bank of New York. For example, although ADS holders are entitled under the deposit agreement, subject to any applicable provisions of Australian law and of our Constitution, to instruct the depository as to the exercise of the voting rights pertaining to the Ordinary Shares represented by the American Depositary Shares, and the depository has agreed that it will try, as far as practical, to vote the Ordinary Shares so represented in accordance with such instructions, ADS holders may not receive notices sent by the depository in time to ensure that the depository will vote the Ordinary Shares. This means that the holders of ADRs may not be able to exercise their right to vote. In addition, under the deposit agreement, the depository has the right to restrict distributions to holders of the ADSs in the event that it is unlawful or impractical to make such distributions. We have no obligation to take any action to permit distributions to holders of our American Depositary Receipts, or ADRs. As a result, holders of ADRs may not receive distributions made by us.

Table of Contents

Our Company has a history of losses and we expect to continue to incur costs.

The business which is now known as Genetic Technologies Limited was founded in 1989. We have incurred operating losses in every year of our existence. We incurred net losses of \$10,820,227 for the year ended June 30, 2005, net losses of \$7,918,773 for the year ended June 30, 2006, net losses of \$4,328,543 for year ended June 30, 2007 and net losses of \$5,446,089 for year ended June 30, 2008. As of June 30, 2008, we have accumulated losses of \$51,189,189. The extent of future losses and the time required to achieve profitability remains uncertain.

Risks Related to our Industry

Our sales cycle is typically lengthy.

The sales cycle for our testing products and license generation is typically lengthy. As a result, we may expend substantial funds and management effort with no assurance of successfully selling our products or services or granting new licenses. Our ability to obtain customers for our genetic testing services depends significantly on the perception that our services can help accelerate efforts in genomics. The sales cycle is typically lengthy. Our sales effort requires the effective demonstration of the benefits of our services to, and significant training of, many different departments within a potential customer. In addition, we sometimes are required to negotiate agreements containing terms unique to each customer. With respect to license generation, it is common for negotiations with licensees to take many months before a license is eventually granted. Our business could also be adversely affected if we expend money without any return.

If our competitors develop more effective products, the results from our operations and financial condition could be affected.

We are subject to limited competition from biotechnology and diagnostic companies, academic and research institutions and government or other publicly-funded agencies that are pursuing products and services that are substantially similar to our genetic testing services, or which otherwise address the needs of our customers and potential customers. Our competitors in the testing market include private and public sector enterprises located in Australia and elsewhere. Many of the organizations competing with us have greater experience in the areas of finance, research and development, manufacturing, marketing, sales, distribution, technical and regulatory matters than we do. In addition, many current and potential competitors have greater name recognition and more extensive collaborative relationships. However, because of our patents, we have virtually no competition in the licensing area.

Our competitive position in the testing area is based upon our ability to:

- create and maintain scientifically-advanced technology and offer proprietary products and services;
- attract and retain qualified personnel;

- obtain patent or other protection for our products and services;
- obtain required government approvals and other accreditations on a timely basis; and
- successfully market our services.

If we are not successful in meeting these goals, our business could be adversely affected. Similarly, our competitors may succeed in developing technologies, products or services that are more effective than any that we are developing or that would render our technology and services obsolete, noncompetitive or uneconomical.

For a full discussion of competition see Item 4.B, Competition .

We rely heavily upon our patents and proprietary technology and any future claims that our patents are invalid could seriously affect our licensing business and adversely affect our revenues and our financial condition.

We rely upon our portfolio of patent rights, patent applications and exclusive licenses to patents and patent applications relating to genetic technologies. We expect to aggressively patent and protect our proprietary technologies. However, we cannot be certain that any additional patents will be issued to us as a result of our domestic or foreign patent applications or that any of our patents will withstand challenges by others. Patents issued to, or licensed by, us may be infringed or third parties may independently develop either the same or similar technologies. Similarly, our patents may not provide us with meaningful protection from competitors, including those who may pursue patents which may prevent, limit or interfere with our products or will require licensing and the payment of significant fees or royalties by us to such third parties in order to enable us to conduct our business. We may sue or be sued by third parties regarding our patents and other intellectual property rights. These suits are often costly and would divert valuable funds and technical resources from our operations and cause distraction to Management.

Table of Contents

We have important relationships with external parties over whom we have limited control.

We have relationships with a number of academic consultants who are not employed by us. Accordingly, we have limited control over their activities and can expect only limited amounts of their time to be dedicated to our activities. These persons may have consulting, employment or advisory arrangements with other entities that may conflict with or compete with their obligations to us. Our consultants typically sign agreements that provide for confidentiality of our proprietary information and results of studies. However, in connection with every relationship, we may not be able to maintain the confidentiality of our technology, the dissemination of which could hurt our competitive position and results of operations. To the extent that our scientific consultants develop inventions or processes independently that may be applicable to our proposed products, disputes may arise as to the ownership of the proprietary rights to such information, and we may not win those disputes.

If we are unable to protect our proprietary assets, we may not be able to commercialize products or services.

Our commercial success will largely depend on our ability to obtain patent protection for many aspects of our business, including the products, methods and services we develop. Patents issued to us may not provide us with substantial protection or be commercially beneficial to us. The issuance of a patent is not conclusive as to its validity or its enforceability. In addition, our patent applications or those we have licensed, may not result in issued patents. If our patent applications do not result in issued patents, our competitors may obtain rights to commercialize our discoveries which could harm our competitive position. We also may apply for patent protection on novel genetic variations in known genes and their uses, as well as novel uses for previously identified genetic variations discovered by third parties. In the latter cases, we may need a license from the holder of the patent with respect to such genetic variations in order to make, use or sell any related products. We may not be able to acquire such licenses on terms acceptable to us, if at all.

Certain parties are attempting to rapidly identify and characterize genes and genetic variations through the use of sequencing and other technologies. To the extent that any patents are issued to other parties on such partial or full-length genes or genetic variations or uses for such genes or genetic variations, the risk increases that the sale of products or services developed by us or our collaborators may give rise to claims of patent infringement against us. Others may have filed and, in the future, are likely to file patent applications covering many genetic variations and their uses. Any such patent applications may have priority over our patent applications and could further require us to obtain rights to previously issued patents covering genetic variations. Any license that we may require under any such patent may not be made available to us on commercially acceptable terms, if at all.

We may be sued for infringing on the intellectual property rights of others. We could also become involved in interference proceedings in the United States Patent and Trademark Office to determine the relative priority of our patents or patent applications and those of the other parties involved in the interference proceeding. Intellectual property proceedings are costly, and could affect our results of operations. These proceedings can also divert the attention of managerial and technical personnel. If we do not prevail in any intellectual property proceeding, in addition to any damages we might have to pay, we could be required to stop the infringing activity, or obtain a license to or design around the intellectual property in question. In interference proceedings, our patent rights could be invalidated and the scope of our patents could be limited. If we are unable to obtain licenses to intellectual property rights that we need to conduct our business, or are unable to design around any third party patent, we may be unable to sell some of our products, which will result in reduced revenue.

We have in the past and may possibly in the future become a party to litigation involving patents and intellectual property rights. We have previously commenced litigation against a number of parties to protect our rights pertaining to our intellectual property. We may in the future receive claims of infringement of intellectual property rights from other parties. If we do not prevail in any future legal proceedings, we may be

required to pay significant monetary damages. In addition, we could also be enjoined from use of certain processes or prevented from selling certain configurations of our products or services that were found to be within the scope of the patent claims. In the event we did not prevail in any future proceeding, we would either have to obtain licenses from the other party, avoid certain product configurations or modify some of our products, services and processes to design around the patents. Licenses could be costly or unavailable on commercially reasonable terms. Designing around patents or focusing efforts on different configurations could be time consuming, and we may have to remove some of our products or services from the market while we were completing redesigns. Accordingly, if we are unable to settle future intellectual property disputes through licensing or similar arrangements, or if any such future disputes are determined adversely to us, our ability to market and sell our products and services could be harmed. This would in turn reduce demands for our services and harm our financial condition and results of operations.

In addition, in order to protect or enforce our patent rights or to protect our ability to operate our business, we may need to initiate other patent litigation against third parties. These lawsuits could be expensive, take significant time, and could divert Management's attention from other business concerns. These lawsuits could result in the invalidation or limitation in the scope of our patents or forfeiture of the rights associated with our patents. We may not prevail in any such proceedings and a court may find damages or award other remedies in favor of our opposing party in any of these suits. During the course of any future proceedings, there may be public announcements of the results of hearings, motions and other interim proceedings or developments in the litigation. Securities analysts or investors may perceive these announcements to be negative, which could cause the market price of our stock to decline.

Table of Contents

We may be subject to professional liability suits and our insurance may not be sufficient to cover damages. If this occurs, our business and financial condition may be adversely affected.

Our business exposes us to potential liability risks that are inherent in the testing, manufacturing, marketing and sale of genetic tests. The use of our products and product candidates, whether for clinical trials or commercial sale, may expose us to professional liability claims and possible adverse publicity. We may be subject to claims resulting from incorrect results of analysis of genetic variations or other screening tests performed using our services. Litigation of such claims could be costly. We could expend significant funds during any litigation proceeding brought against us. Further, if a court were to require us to pay damages to a plaintiff, the amount of such damages could significantly harm our financial condition. Although we have public and products liability insurance coverage under broadform liability and professional indemnity policies, for an aggregate amount of \$60,000,000, the level or breadth of our coverage may not be adequate to fully cover potential liability claims. To date we have not been subject to any claims, or ultimately liability, in excess of the amount of our coverage. In addition, we may not be able to obtain additional professional liability coverage in the future at an acceptable cost. A successful claim or series of claims brought against us in excess of our insurance coverage and the effect of professional liability litigation upon the reputation and marketability of our technology and products, together with the diversion of the attention of key personnel, could negatively affect our business.

We use potentially hazardous materials, chemicals and patient samples in our business and any disputes relating to improper handling, storage or disposal of these materials could be time consuming and costly.

Our research and development, production and service activities involve the controlled use of hazardous laboratory materials and chemicals, including small quantities of acid and alcohol, and patient tissue and blood samples. We do not knowingly deal with infectious samples. We, our collaborators and service providers are subject to stringent Australian federal, state and local laws and regulations governing occupational health and safety standards, including those governing the use, storage, handling and disposal of these materials and certain waste products. However, we could be liable for accidental contamination or discharge or any resultant injury from hazardous materials, and conveyance, processing, and storage of and data on patient samples. If we, our collaborators or service providers fail to comply with applicable laws or regulations, we could be required to pay penalties or be held liable for any damages that result and this liability could exceed our financial resources. Further, future changes to environmental health and safety laws could cause us to incur additional expense or restrict our operations. We have never had a reportable injury through the date of this Annual Report.

In addition, our collaborators and service providers may be working with these types of hazardous materials, including hazardous chemicals, in connection with our collaborations. In the event of a lawsuit or investigation, we could be held responsible for any injury caused to persons or property by exposure to, or release of, these patient samples that may contain viruses and hazardous materials. The cost of this liability could exceed our resources. While we maintain broadform liability insurance coverage for these risks, in the amount of up to \$40,000,000, the level or breadth of our coverage may not be adequate to fully cover potential liability claims. To date, we have not been subject to claims, or ultimately liability, in excess of the amount of our coverage. Our broadform insurance coverage also covers us against losses arising from an interruption of our business activities as a result of the mishandling of such materials. We also maintain workers' compensation insurance, which is mandatory in Australia, covering all of our workers in the event of injury.

We depend on the collaborative efforts of our academic and corporate partners for research, development and commercialization of some of our products. A breach by our partners of their obligations, or the termination of the relationship, could deprive us of valuable resources and require additional investment of time and money.

Our strategy for research, development and commercialization of some of our products involves entering into various arrangements with academic and corporate partners and others. As a result, our strategy depends, in part, upon the success of these outside parties in performing their responsibilities. Our collaborators may also be our competitors. We cannot control the amount and timing of resources that our collaborators devote to performing their contractual obligations and we have no certainty that these parties will perform their obligations as expected or that any revenue will be derived from these arrangements.

If our collaborators breach or terminate their agreement with us or otherwise fail to conduct their collaborative activities in a timely manner, the development or commercialization of the product candidate or research program under such collaborative arrangement may be delayed. If that is the case, we may be required to undertake unforeseen additional responsibilities or to devote unforeseen additional funds or other resources to such development or commercialization, or such development or commercialization could be terminated. The termination or cancellation of collaborative arrangements could adversely affect our financial condition, intellectual property position and general operations. In addition, disagreements between collaborators and us could lead to delays in the collaborative research, development, or commercialization of certain products or could require or result in formal legal process or arbitration for resolution. These consequences could be time-consuming and expensive and could have material adverse effects on us.

Other than our contractual rights under our license agreements, we may be limited in our ability to convince our licensees to fulfill their obligations. If our licensees fail to act promptly and effectively, or if a dispute arises, it could have a material adverse effect on our results of operations and the price of our Ordinary Shares and ADSs.

Table of Contents

We rely upon scientific, technical and clinical data supplied by academic and corporate collaborators, licensors, licensees, independent contractors and others in the evaluation and development of potential therapeutic methods. There may be errors or omissions in this data that would materially adversely affect the development of these methods.

We may seek additional collaborative arrangements to develop and commercialize our products in the future. We may not be able to negotiate acceptable collaborative arrangements in the future and, if negotiated, we have no certainty that they will be on favorable terms or will be successful. In addition, our collaborative partners may pursue alternative technologies independently or in collaboration with others as a means of developing treatments for the diseases targeted by their collaborative programs with us. If any of these events occurs, the progress of the Company could be adversely affected and our results of operations and financial condition could suffer.

Problems associated with international business operations could affect our ability to license our technology and our results of operations.

We seek to license our intellectual property on a global scale, including eventually in countries that are considered to provide significantly less protection to intellectual property than the United States and Australia. In addition, a number of other risks are inherent in international transactions and commerce, including political and economic instability, foreign currency exchange fluctuations and changes in tax laws.

Government regulation of genetic research or testing may adversely affect the demand for our services and impair our business and operations.

Apart from accreditation requirements, we are generally not subject to regulation. Federal, state and local governments, however, may adopt regulations relating to the conduct of genetic research and genetic testing. These regulations could limit or restrict genetic research activities as well as genetic testing for research or clinical purposes. In addition, if state and local regulations are adopted, these regulations may be inconsistent with, or in conflict with, regulations adopted by other state or local governments. Regulations relating to genetic research activities could adversely affect our ability to conduct our research and development activities. Regulations restricting genetic testing could adversely affect our ability to market and sell our services. Accordingly, any regulations of this nature could increase the costs of our operations or restrict our ability to conduct our testing business and might adversely affect our operations and financial condition.

In Australia, there is no law that prohibits the performing of a paternity test by using just a sample obtained from a father and child. In May 2003, the Australian Law Reform Commission (ALRC) released its report into Human Genetic Testing in Australia. In relation to paternity testing, it made various recommendations, the most significant of which was that the testing of a child without the knowledge or consent of both parents should be made illegal. In December 2005, the Australian Government formally responded to the ALRC report. Although it accepted most of the report's recommendations, it did not accept its recommendation that it should be illegal to test a child without the knowledge or consent of both parents. Instead, it recommended that the body that formally accredits laboratories, National Association of Testing Authorities (NATA) should review its accreditation requirements for DNA parentage testing to ensure that laboratories meet the highest technical and ethical standards, particularly in relation to consent to testing, protecting the integrity of genetic samples, and providing information about counselling. As of December 2008, it is not clear what NATA has done in relation to the Government's recommendation.

Edgar Filing: GENETIC TECHNOLOGIES LTD - Form 20-F

In November 2008, the Federal Government released a discussion paper on non-consensual genetic testing which it proposes to make illegal. The purpose of this paper is to obtain feedback from the public and industry on this issue prior to formulating legislation in this area. In the area of paternity testing, the paper discusses the issue of consent but makes no recommendation as to what the required consent for taking a sample from a child would be. For example, does this require the consent of both parents or just one? If the testing of a sample eventually requires the consent of both parents, then this will have a negative impact on our revenue as father/child testing is a substantial and growing market.

Responses to the discussion paper must be submitted by the end of January 2009. It is not known how long the Government will take to consider these submissions nor its timeframe to draft and then pass any proposed legislation. If passed, this legislation will immediately become law in the Australian Capital Territory and the Northern Territory. All other States would then be required to pass mirror legislation but are under no obligation to do so. It is not clear how long it would take the States to pass this legislation.

We rely on the services of individuals who possess special skills and experience.

Much of the future success of the Company depends on the continued service and availability of skilled personnel, including members of its senior executive team, and those in technical, marketing and staff positions. While we are actively recruiting new employees with such skills and experience to reduce our reliance on these individuals, skilled personnel, with specific experience in the biotechnology industry, are in high demand and competition for their talents is intense.

Table of Contents

Ethical and other concerns surrounding the use of genetic information may reduce the demand for our services.

Public opinion regarding ethical issues related to the confidentiality and appropriate use of genetic testing results may influence governmental authorities to call for limits on, or regulation of the use of, genetic testing. In addition, such authorities could prohibit testing for genetic predisposition to certain conditions, particularly for those that have no known cure. Furthermore, adverse publicity or public opinion relating to genetic research and testing, even in the absence of any governmental regulation, could reduce the potential markets for our services, which could materially and adversely affect our revenues.

Although we are a leader in the field of genetics in Australia, we do not undertake any activities in the contentious areas of cloning, stem cell research or other gene-altering areas. As such, many of the ethical issues that may be relevant to other participants in the genetics industry are not applicable to us.

Licensing

The patenting of genes and issues surrounding access to genetic knowledge are the subjects of extensive and ongoing public debate in many countries. By way of example, the Australian Law Reform Commission conducted two inquiries into the social uses of genetic information. The patents we hold over uses of non-coding DNA have a broad scope and these have also been the subject of debate and some criticism in the media. A risk we may face is that individuals or organisations in any of the countries in which these patents have issued could potentially take legal action to seek their amendment, revocation or invalidation.

Furthermore, any time that we initiate legal action against parties that infringe our patents we face a risk that the infringer will defend itself through a counter-claim of patent invalidity. Subsequent legal action could potentially overturn, invalidate or limit the scope of our patents.

Under the relevant Patent Act in most, if not all, of the countries in which our non-coding patents have issued, the relevant judicial system has rights to impose compulsory licensing. The relevant governments typically hold march-in rights by which they may unilaterally choose to exploit the technology. To the extent that the Company's non-coding technology is used in the conduct of genetic research, we also face risks, uncertainty and controversy over the licensing of our technology to those conducting research. Whether or not researchers should be exempted from obligations to take licenses to the relevant patents was the subject of another government inquiry being conducted by the Australian Council for Intellectual Property who recommended the creation of a research exemption.

Genetic testing

There is a risk that a moratorium on genetic testing by the Australian Institute of Sport may impact on the commercialization of our sports performance genetic test for the elite competitor market in Australia. However, this moratorium should not impact our ability to distribute this test throughout the rest of the world. There is also a view held by some elements of the medical and academic communities that the marketing of some of our cancer predisposition tests is done solely with a commercial objective in mind. In essence, some parties have indicated that, in their view, the risk of inheriting certain types of cancer is too low to warrant the marketing of genetic testing services to the wider cancer

community where such promotion may increase anxiety unnecessarily. Guidelines laid down by the Australian National Health Medical Research Council also prevent us from promoting our testing in a manner which may cause any unnecessary alarm .

In recent years, health care payors as well as federal and state governments have focused on containing or reducing health care costs. We cannot predict the effect that any of these initiatives may have on our business. In particular, gene-based therapeutics, if successfully developed and commercialized, are likely to be costly compared to currently available drug therapies. Health care cost containment initiatives focused either on gene-based therapeutics or on genetic testing could result in the growth in the clinical market for genetic testing being curtailed or slowed. In addition, health care cost containment initiatives could also cause pharmaceutical companies to reduce research and development spending. In either case, our business and our operating results could be adversely affected. Further, genetic testing in clinical settings is often billed to third-party payors, including private insurers and governmental organizations. If our current and future clinical products and services are not considered cost-effective by these payors, reimbursement may not be available to users of our services. In this event, potential customers would be much less likely to use our services and our business and operating results could be harmed.

Table of Contents

ITEM 4. INFORMATION ON THE COMPANY

Item 4.A History and Development of the Company

We were incorporated under the laws of Western Australia on January 5, 1987 as Concord Mining N.L. On August 13, 1991, we changed our name to Consolidated Victorian Gold Mines N.L. On December 2, 1991, we changed our name to Consolidated Victorian Mines N.L. On March 15, 1995, we changed our name to Duketon Goldfields N.L.

On October 15, 1999, the type of company was changed from a No Liability Company to a company limited by shares. On August 29, 2000, we changed our name to Genetic Technologies Limited, which is our current name. We were originally incorporated as a mining company and gradually phased out our mining activities and became a biotechnology company with the acquisition of GeneType AG in August 2000. Our Australian Company Number (ACN) is 009 212 328. Our Australian Business Number (ABN) is 17 009 212 328. We operate pursuant to our constitution, the Australian *Corporations Act 2001*, the Australian Securities Exchange Listing Rules, the Marketplace Rules of NASDAQ and, where applicable, local legislation.

Our registered office, headquarters, laboratory and business activities are all located at 60-66 Hanover Street, Fitzroy, Victoria, 3065 Australia. Our telephone number is +61 3 8412 7000. Our website address is www.gtg.com.au. Information on our website and websites linked to it does not constitute part of this Annual Report.

On August 29, 2000, we acquired 100% of GeneType AG, including all of its valuable patents, and we changed our focus exclusively to the area of biotechnology. We also changed our name to Genetic Technologies Limited to better reflect our new business. In September 2000, our listing was duly transferred from the mining board of the ASX to the industrial board and our shares were thereafter classified under the industry group Health and Biotechnology, completing our transformation from a mining and resources company into a biotechnology company. During 2001, we also acquired 10% of the issued and outstanding shares in Cytomation Inc., based in Fort Collins, Colorado. At that time, Cytomation was a leader in the manufacture and sales of flow cytometers and cell sorters. Also, in December 2001, we acquired an initial shareholding of less than 1% in the issued capital of XY, Inc., a company also based in Fort Collins. In July 2001, we acquired the business of DNA-ID Labs in Perth, Western Australia, as part of our strategy of expanding our paternity testing business in Australia. In March 2002, we formed AgGenomics Pty. Ltd., based in Melbourne, in order to expand our genetic testing services into the field of plant genetics. In May 2003, we acquired the fixed assets of the business Genetic Science Services in Melbourne, in order to further expand into the field of genetic testing. In May 2007, we sold all of our shares in XY, Inc. The total proceeds received from the sale were \$332,709 which resulted in a loss on sale of \$33,307. In July 2008, we acquired all of the issued shares of Frozen Puppies Dot Com Pty. Ltd. based in Calga, New South Wales, which is Australia's leading provider of canine reproductive services.

Since the acquisition of GeneType AG, the directors have disposed of all remaining mining interests so that our activities now focus solely on emerging opportunities in the field of biotechnology. Our current activities in biotechnology primarily concentrate on three clearly defined areas of activity which are covered under Item 4.B Business Overview.

Table of Contents

In early calendar year 2002, we commenced the process of out-licensing our non-coding patents, announcing several early successes. Since then, we have granted commercial licenses to a total of 38 licensees and 6 research licenses to the following parties, which are listed in reverse chronological order of their effective dates:

Commercial licensees

38. Millennium Pharmaceuticals Inc., **USA**
37. GeneDx (Bio Reference Laboratories Inc.), **USA**
36. General Electric Company, **USA**
35. Prometheus Laboratories Inc. **USA**
34. Kimball Genetics Inc., **USA**
33. BioSearch Technologies Inc., **USA**
32. Syngenta Crop Protection AG, **Switzerland**
31. Monsanto Company (swine genetics), **USA**
30. Thermo Fisher Scientific Inc., **USA**
29. Monsanto Company (plant genetics) **USA**
28. Sciona Inc., **USA**
27. Genosense Diagnostics GmbH, **Austria**
26. Innogenetics NV, **Belgium**
25. Bovigen LLC, **USA**
24. Optigen LLC, **USA**
23. Applera Corporation, **USA**
- 19 - 22. Four agriculture groups, **New Zealand**
18. Australian Genome Research Facility Limited, **Australia**
17. Bionomics Limited, **Australia**
16. C.Y. O Connor ERADE Village Foundation, **Australia**
15. ViaLactia Biosciences Limited, **New Zealand**
14. MetaMorphix Inc., **USA**
13. Genzyme Corporation, **USA**
12. Ovita Limited, **New Zealand**
11. Laboratory Corporation of America Holdings, **USA**
10. TM Biosciences Corporation, **Canada**
9. Quest Diagnostics Inc., **USA**
8. Orchid Biosciences Inc., **USA**
7. ARUP, **USA**
6. Biotage AB, **Sweden**
5. Myriad Genetics Inc., **USA**
4. Perlegen Sciences Inc., **USA**
3. Nanogen Inc., **USA**
2. Sequenom Inc., **USA**
1. Genetic Solutions Pty. Ltd., **Australia**

Research licensees

6. Texas A&M University (Merlogen Inc.), **USA**
5. Colorado State University, **USA**
4. University of Technology Sydney, **Australia**
3. King's College, London, **England**
2. University of Sydney, **Australia**
1. University of Utah, **USA**

It is a priority for the Company to continue to identify additional parties who would benefit from taking a license to the Company's non-coding patents. We are now pursuing negotiations with a number of companies and organizations in USA and Europe that would benefit from taking a license to our non-coding patents or from collaborations with our service testing business.

In order to increase the rate at which these licenses can be secured, the licensing team at the Company's headquarters in Melbourne, Australia has been expanded in recent years by the appointment of additional staff to accelerate the preparation of dossiers on potential licensees. Internationally, independent licensing contractors were engaged to represent the Company on the ground in our major markets.

Table of Contents

Item 4.B Business Overview

We are a biotechnology company, now pursuing commercial opportunities in three main areas of activity:

- (i) out-licensing our non-coding patents globally;
- (ii) expanding our genetic service testing business in the Asia-Pacific Region; and
- (iii) supporting certain late-stage research projects in which we are already involved.

Industry Background

The Human Genome Project announced (in April 2003) the completion of the first draft of the entire sequence of the human genome. The biotechnology industry is now working to build upon the vast amount of knowledge generated by that program in order to develop a better understanding of the genetic basis of human health and disease. Increasingly, genetics is being shown to play a key role in the diagnosis and treatment of many diseases in humans, as well as diseases in animals and plants. Our growing understanding of genetics is now providing new information for understanding such predisposing or causative factors in many of these diseases.

Prior to the Human Genome Project, the successful mapping of the Mouse Genome (published in December 2002) permitted, for the first time, a detailed comparison of human genes and mouse genes. One of the key findings that has arisen from this work is the significant role that non-coding DNA plays in controlling gene function in both human genes and mouse genes. For some scientists, but not for our company, these findings - of the great significance of non-coding DNA to gene function - were new, significant and totally unexpected.

A major focus in science is now the identification and analysis of genetic variations and disease-associated genes within the genome. These genetic variations, or polymorphisms, in the DNA sequences vary between individuals. The most common genetic variations are Single Nucleotide Polymorphisms, or SNPs, which are merely a difference in a single nucleotide. The first draft of the human genome identified over 1.4 million SNPs that can be useful as positional signposts for disease-associated DNA sequences in a gene or as markers to map genes along a chromosome. A significant number of these SNPs (perhaps more than 97%) are now known to be non-coding.

Genomics

A genome is an organism's complete set of DNA and the study of that DNA is called genomics. Genomes vary in size, with bacteria displaying the smallest known genome at 600,000 DNA base pairs, while human and mouse genomes have over 3 billion. The DNA of the human genome is organized into 24 distinct chromosomes that contain from 50 million to 250 million base pairs on each chromosome. The DNA on each chromosome contains genes that are specific sequences that encode proteins that actually perform the work within a cell and also make up the cell itself. Surprisingly, only about 2% to 5% of the human genome is organized into coding DNA, with the remainder being considered to be non-coding DNA. Our patent portfolio is centered on proprietary methods for utilizing the valuable information contained within these non-coding regions.

Genetic Variability

Almost 99.9% of an individual's genome is identical to that of every other individual's genome. However, even slight variations in sequence can drastically change how a gene functions. Variations can lead to harmless changes, such as blue eyes instead of brown, or to major diseases such as cancer, cystic fibrosis, or cardiovascular disease. Genetic variations can also be responsible for many of the differences in the ways individuals respond to drug therapies. As a result of this knowledge, routine analysis of SNPs and other genetic variations is expected to play an increasingly important role in the discovery and development of new drugs, as well as in a variety of diagnostic therapeutic and other medical and life science applications. Industry sources estimate there are millions of genetic variations in the human genome, creating demand for products and technologies that can quickly and accurately detect and analyze these variations. It is thought that the medicine of the future will be dispensed to a patient based on his or her own specific DNA variations. This type of personalized medicine will require sophisticated genetic tests to determine the genetic composition of an individual, and it is now recognized that such genetic make-up depends not only on the form of the coding DNA, but also the form of the associated non-coding DNA.

Table of Contents

Genetic Tests

Most genes come in many different forms, called alleles. One or more allele may be associated with a particular disease state. Genetic testing involves the direct examination of an individual's DNA for a DNA marker associated with the allele of interest. The determination of the particular alleles an individual has within his or her DNA is called genotyping.

The most commonly tested marker of a particular allele is a SNP. As much as 98% of the human genome is considered to be non-coding DNA, the majority of the identified 1.4 million SNPs are also located in non-coding regions of DNA. We believe that a license to our proprietary methods of analyzing non-coding regions of DNA will be absolutely necessary for many of the genetic tests of the future. Similarly, tests for genetic abnormalities or mutations may involve not just individual SNPs, but also groups of SNPs or even larger sequences of DNA, and such abnormal sequences - large or small - may be located either in the coding region alone, or in the non-coding region alone, or in both the coding and non-coding regions of the gene (or genes) under examination. Clearly, the variations within genes that may be responsible for a disease are now known to be much more complicated than was previously understood, and the role of non-coding DNA is now being found to be highly relevant in a growing number of diseases. This similarly applies to genetic disorders in animals and in plants. Accordingly, more and more genetic testing will in future look not only at coding variations, but also at the non-coding variations within a particular gene.

Our Patent Portfolio

The acquisition of GeneType AG gave our company ownership rights to a potentially significant portfolio of issued patents. The major families of patents in the portfolio include:

- (a) Intron Sequence Analysis;
- (b) Genomic Mapping;
- (c) Electrophoresis Standards;
- (d) Ancestral Haplotypes;
- (e) Sports Performance;

- (f) Immunotherapeutics;
- (g) Antiparasitics; and
- (h) Fetal Cell Recovery.

(a) **The Intron Sequence Analysis patents** - allow for the detection of specific motifs within the genetic material in the non-coding regions of DNA which have been shown may be linked to certain alleles or haplotypes within the coding region of the gene. In other words, whereas most geneticists previously looked at the genetic information located within the coding region alone, our inventions have provided a means of also looking at additional useful information which is located within the non-coding part of the gene, and which is now known to also be important in influencing gene function and, in particular, protein production. The method is useful, for example, in the determination of tissue typing for transplantation in order to test for possible likely acceptance or rejection of bone marrow or tissue grafts. The method is also useful in the detection of genetic changes or mutations in the non-coding region of certain genes associated with a higher incidence of certain genetic diseases, such as cystic fibrosis, susceptibility to breast cancer, multiple sclerosis, Alzheimer's Disease, etc. It is also now known that more than 100 human diseases are associated with genetic changes in the non-coding part of a particular gene and which are linked to the function of the coding part of that gene. Similar applications also exist in animals and plants. Several important markers in livestock, for example, have been shown to be located in the non-coding part of the DNA and also linked to particular coding function - for example, marbling or tenderness. It has also been shown that variations in the non-coding DNA of plants can influence their function, including the color of flowers and the timing of germination and growth.

(b) **The Genomic Mapping patents** - describe methods for analyzing genetic material collected from various selected populations to identify and locate genes and markers of interest, by identifying highly polymorphic sites throughout the genome and particular haplotypes associated with such sites, all based on a reading of sequence information in both the coding and the non-coding portions of the genome.

(c) **The Electrophoresis Standards patents** - describe a method for identifying band positions in an electrophoretic separation by also including a control, which serves as an internal standard.

(d) **The Ancestral Haplotypes patents** - describe a method for determining ancestral haplotypes using haplospecific geometric elements within the major histocompatibility complex multi-gene cluster and methods of genetic analysis involving the amplification of complimentary duplicons. These patents were acquired from the C.Y. O Connor ERADE Village Foundation in Western Australia.

Table of Contents

(e) **The Sports Performance patents** - describe a method that enables aspects of athletic performance to be predicted based on detection of various forms of the alpha actinin 3 (ACTN3) gene.

(f) **The Immunotherapeutics patents** - describe various methods aimed at improving the efficacy of cancer therapy and treatment of HIV-AIDS and form the basis of the ImmunAid project.

(g) **The Antiparasitic patents** - describe means to identify and to control a variety of species of parasites. The patent applications describe the use of modern genetic technologies to identify cellular targets for two novel classes of chemicals which can be used to control the major parasitic worms of sheep and cattle. These nematodes are responsible for extensive economic losses to the sheep and cattle industries and are rapidly developing resistance to the existing chemicals. The novel classes of chemical described in these patents offer a safe and highly effective alternative.

(h) **The Fetal Cell Recovery patents** - the older patents describe a novel and safe method for the isolation and collection of fetal cells from the peripheral blood of a pregnant woman, utilizing various HLA or other markers plus flow cytometry - all without any invasive procedure that might endanger the mother or the child. Together with more recent patents, these form the basis of the intellectual property associated with the RareCollect project.

The many issued, allowed and pending patents claimed by GeneType AG, and which are now owned by our Company, distinguish us from competitors by giving us the legal right to claim ownership of proprietary methods and compositions for analysis of DNA using information contained within non-coding regions and for isolation of fetal cells. The methods and compositions for analysis of DNA may be used to identify a particular form of a gene or to map the location of a disease-associated gene along a chromosome.

In total, we own 8 issued patents and 11 patent applications in the United States. Reflecting our international business strategy, we have also sought and been granted foreign patents by many other major industrialized nations, corresponding to each of the major patents already issued in the United States.

Generally, United States patents filed with the United States Patent Office prior to June 8, 1995 have a term of 17 years from the date of issuance, and 20 years from the application filing date or earlier claimed priority date in the case of patents issued from applications filed on or after June 8, 1995. For applications filed after May 29, 2000, the term is 20 years from the date of filing. A minimum term of 17 years is assured, provided the applicant causes no delays during prosecution. Patents in most other countries have a term of 20 years from the date of filing the patent application. Our issued United States patents will begin to expire in 2009. We intend to continue to file patent applications as we develop new products, technologies and patentable enhancements. Prosecution practices have been implemented to avoid any applicant delays that could compromise the 17-year minimum term. There can be no guarantee that such procedures will prevent the loss of a potential patent term. This is particularly true in the short-term as the patent rules implementing the most recent patent term changes are largely new and untested.

Complex legal and factual determinations and evolving law make patent protection uncertain. As a result, we cannot be certain that patents will be issued from any of our pending patent applications or from applications licensed to us or that any issued patents will have sufficient breadth to offer meaningful protection. In addition, our issued patents may be successfully challenged, invalidated, circumvented or rendered unenforceable so that our patent rights would not create an effective competitive barrier. Moreover, the laws of some countries may not protect our proprietary rights to the same extent as do the United States patent laws.

In addition to patent protection, we rely on trade secret protection of our intellectual property. We attempt to protect our trade secrets by entering into confidentiality agreements with third parties, employees and consultants. Our employees and consultants are required to sign agreements to assign to us their interests in discoveries, inventions, patents, trademarks and copyrights arising from their work for us. They are also required to maintain the confidentiality of our intellectual property, and refrain from unfair competition with us during their employment and for a certain period of time after their employment with us, which includes solicitation of our employees and customers. We cannot be certain these agreements will not be breached or invalidated. In addition, third parties may independently discover or invent competing technologies or reverse engineer our trade secrets or other technologies.

In the future, we may become involved in lawsuits in which third parties file claims asserting that our technologies or products infringe on their intellectual property. We cannot predict whether third parties will assert such claims against us or against the licensors of technologies licensed to us, or our licensees, or whether those claims will hurt our business. We may be forced to defend against such claims, whether they are with or without merit or whether they are resolved in favor of or against our licensors or us and may face costly litigation and diversion of Management's attention and resources. As a result of such disputes, we may have to develop costly non-infringing technologies or enter into licensing agreements. These agreements may oblige us to accept costly terms, which could seriously limit the ability to conduct our operations and affect adversely our financial condition.

Table of Contents

In addition, we may become involved in lawsuits in which third parties file claims asserting that one or more of our patents are invalid. We cannot predict whether third parties will assert such claims against us or against the licensees of such patents, or whether those claims will have an adverse impact on our business. We may be forced to defend against such claims, whether they are with or without merit or whether they are resolved in favor of or against our licensees or us and may face costly litigation and diversion of Management's attention. During the period from February 2001 through March 31, 2002, we had in place a patent insurance policy, placed with GE Reinsurance Corporation through Dexta Corporation Limited, their managing general agents in Australia. Although the policy was not renewed on its expiry, since we had advised Dexta of 13 companies prior to March 31, 2002 as potential infringers, a significant portion of our expenses incurred to date relating to the prosecution of our claims have been covered by the policy.

Of those 13 so identified, we have secured licenses with six, relinquished our claims against four and commenced proceedings against Applera, Covance and Nuvello. The suits against Covance and Nuvello were subsequently settled. On December 12, 2005, we announced the final settlement of our patent dispute with Applera Corporation, further to a settlement conference held in San Francisco, California. The parties had executed a number of binding agreements, including a final Settlement Agreement plus license agreements and a supply agreement and, subsequently, they jointly applied to Northern California District Court requesting that all claims and counterclaims in the legal action be dismissed forthwith. The total value of the consideration receivable by us is approximately \$15 million, payable partly in cash and partly in kind, including agreements supplying the Company with certain Applera equipment, reagents and intellectual property rights. Recognition of in-kind consideration as revenue is subject to us meeting certain revenue recognition criteria including, but not limited to, the measurement of fair value at the time of receipt.

Our Patents

Our current patent portfolio is described below. Numbers refers to either provisional, application, publication or patent number.

	Country / region	Numbers	Granted	Pending
INTRON SEQUENCE ANALYSIS				
Intron sequence analysis method for detection of adjacent and remote locus alleles as haplotypes Earliest priority August 25, 1989	Australia	AU654111	•	
		AU672519	•	
	Austria	AT144797	•	
	Belgium	EP414469	•	
	Canada	CA2023888	•	
	Denmark	DK414469	•	
	Europe	EP414469	•	
	France	EP414469	•	
	Germany	DE69029018	•	
		DD299319	•	
	Great Britain	EP414469	•	
	Greece	GR3022410	•	
	Hong Kong	HK1008053	•	
	Israel	IL95467	•	
	Italy	EP414469	•	
	Japan	JP3206812	•	
	Liechtenstein	EP414469	•	
Luxemburg	EP414469	•		
Netherlands	EP414469	•		

Edgar Filing: GENETIC TECHNOLOGIES LTD - Form 20-F

New Zealand	NZ235051	•
Singapore	SG47747	•
South Africa	ZA9006765	•
Spain	ES2095859	•
Sweden	EP414469	•
Switzerland	EP414469	•
United States	US5192659	•
	US5612179	•
	US5789568	•

Table of Contents

	Country / region	Numbers	Granted	Pending
GENOMIC MAPPING				
Genomic mapping method by direct haplotyping using intron sequence analysis				
Earliest priority July 11, 1990	Australia	AU647806	•	
	Austria	AT185377	•	
	Belgium	EP570371	•	
	Canada	CA2087042	•	
	Denmark	DK570371	•	
	Europe	EP570371	•	
	France	EP570371	•	
	Germany	DE69131691	•	
	Great Britain	EP570371	•	
	Ireland	IE912426	•	
	Israel	IL98793	•	
	Italy	EP570371	•	
	Japan	JP3409796	•	
	Luxemburg	EP570371	•	
	Netherlands	EP570371	•	
	New Zealand	NZ238926	•	
	South Africa	ZA9105422	•	
	Sweden	EP570371	•	
	Switzerland	EP570371	•	
	United States	US5851762	•	
ELECTROPHORESIS STANDARDS				
Internal standard for electrophoretic separations				
Earliest priority July 11, 1990	Austria	AT159589	•	
	Europe	EP466479	•	
	France	EP466479	•	
	Germany	DE69127999	•	
	Great Britain	EP466479	•	
	Japan	JP4232850	•	
	Sweden	EP466479	•	
	United States	US5096557	•	
ANCESTRAL HAPLOTYPES				
Genetic analysis				
Earliest priority November 1, 1991	Europe	EP660877	•	
	France	EP660877	•	
	Germany	DE69232726	•	
	Great Britain	EP660877	•	
Method for determining ancestral haplotypes using haplospecific geometric elements within the major histocompatibility complex multigene cluster				
Earliest priority November 1, 1991	United States	US6383747	•	
Methods of genetic analysis involving the amplification of complementary duplicons				
Earliest priority February 16, 2005	Australia	AU2006214800		•
	Canada	CA2597947		•
	Europe	EP06704883		•
	Japan	JP2007555425		•
	United States	US11/816522		•

Table of Contents

	Country / region	Numbers	Granted	Pending
SPORTS PERFORMANCE				
ACTN3 genotype screen for athletic performance	Australia	AU2003258390	•	
Earliest priority September 16, 2002	Canada	CA2499084		•
	China	CN1732270		•
	Europe	EP1546403		•
	India	599/KOLNP/2005	•	
	Japan	JP2005538710	•	
	New Zealand	NZ538890	•	
	Russia	RU2005111236		•
	South Korea	KR20050053670		•
	United States	US2006121478		•
IMMUNOTHERAPEUTICS				
A retroviral immunotherapy	Australia	AU2003200583	•	
Earliest priority August 18, 2000	New Zealand	NZ524280	•	
	Singapore	SG95523	•	
	South Africa	ZA200301694	•	
	Brazil	BR0113354		•
	Canada	CA2431954		•
	China	CN1469746		•
	Europe	EP1311267		•
	United States	US20030228320		•
Cancer therapy	Singapore	SG105902	•	
Earliest priority February 14, 2002	South Africa	ZA200407142	•	
	Australia	AU2003203051	•	
	Brazil	BR0307661		•
	Canada	CA2476366		•
	China	CN1646155		•
	Europe	EP1482970		•
	Japan	JP2005523277		•
	New Zealand	NZ554840		•
	United States	US2005180971		•
Strategy for retroviral immunotherapy	Singapore	SG105903	•	
Earliest priority February 20, 2002	South Africa	ZA200407143	•	
	Brazil	BR0307868		•
	Canada	CA2476956		•
	China	CN1646156		•
	China	CN200710199719		•
	Europe	EP1482971		•
	Japan	JP2005526729		•
	New Zealand	NZ554839		•
Method of therapy	Singapore	SG121609	•	
Earliest priority October 24, 2003	Australia	AU2004283322		•
	Canada	CA2543490		•
	China	CN1898569		•
	Europe	EP1692516		•
	Israel	IL175141		•
	Japan	JP2007509078		•
	Mexico	PA/a/2006/004522		•

New Zealand	NZ546873	•
United States	US2007202119	•

Table of Contents

	Country / region	Numbers	Granted	Pending
IMMUNOTHERAPEUTICS (cont.)				
Therapeutic strategy for treating autoimmune and degenerative diseases				
Earliest priority September 8, 2004	Australia	AU2005282218		•
	Canada	CA2579353		•
	Europe	EP1805510		•
	Japan	JP2007530544		•
	New Zealand	NZ553720		•
	Singapore	SG130540		•
	United States	US11/574911		•
ANTIPARASITICS				
Compounds, composition and methods for controlling invertebrate pests				
Earliest priority November 15, 2006	World	PCT/AU2007/001762		•
Invertebrate control agents, compositions and methods of use				
Earliest priority November 23, 2006	Australia	AU2007906474		•
FETAL CELL RECOVERY				
Fetal cell recovery method				
Earliest priority March 27, 1990	Australia	AU649027	•	
	Austria	AT194166	•	
	Belgium	EP521909	•	
	Canada	CA2059554	•	
	Denmark	DK521909	•	
	Europe	EP521909	•	
	France	EP521909	•	
	Germany	DE69132269	•	
	Great Britain	EP521909	•	
	Greece	GR3034487	•	
	Ireland	IE910996	•	
	Israel	IL97677	•	
	Italy	EP521909	•	
	Japan	JP2965699	•	
	Liechtenstein	EP521909	•	
	Luxemburg	EP521909	•	
	Netherlands	EP521909	•	
	New Zealand	NZ237589	•	
	Singapore	SG79188	•	
	South Africa	ZA9102317	•	
	Spain	ES2149760	•	
	Sweden	EP521909	•	
	Switzerland	EP521909	•	
	United States	US5447842	•	
		US5153117	•	
Maternal antibodies as fetal cell markers to identify and enrich fetal cells from maternal blood				
Earliest priority May 30, 2002	Singapore	SG108133	•	
	Australia	AU2003229397		•
	Canada	CA2492631		•
	Europe	EP1532453		•

Edgar Filing: GENETIC TECHNOLOGIES LTD - Form 20-F

Hong Kong	HK1075699	•
Japan	JP2005528616	•
New Zealand	NZ537328	•
United States	US2005287604	•

Table of Contents

	Country / region	Numbers	Granted	Pending
FETAL CELL RECOVERY				
Identification of fetal DNA and fetal cell markers in maternal plasma or serum				
	Australia	AU2004217872		•
Earliest priority March 5, 2003	United States	US20070134658		•
Methods of enriching fetal cells				
	Europe	EP06721493		•
Earliest priority May 11, 2005	Japan	JP2008510361		•
	United States	US11/914107		•
Isolation of fetal cells				
	United States	US61/029496		•
Earliest priority February 18, 2008				
Using cell size to enrich fetal cells				
	United States	US61/078230		•
Earliest priority July 3, 2008				

Out-licensing our Non-coding Patents Globally

The Company is currently commercializing and licensing its non-coding patents in the United States and elsewhere.

This strategy was initiated in late 2000, soon after GeneType AG and its patents were acquired by the Company. The first step in the process was to secure patent insurance, which we achieved in early 2001. This meant that if we were forced to take legal action against infringers, under that policy the cost would be largely covered by our underwriter. This policy has since expired.

Thereafter, we progressively made contact with many companies in the United States and elsewhere, bringing the patents to their attention and indicating how they might benefit from a license to the Company's non-coding patents. In late 2002, we hired a manager to manage the Australian end of the licensing effort and to establish a central database of all prospective licensees, globally.

The plan initially was to grant a limited number of licenses focusing primarily on the up-front fee component, and then to progressively build recurring annuity or royalty component of subsequent licenses. When we identified companies that seemed to be clearly infringing our patents, while also indicating they would not take a license, we put them on formal notice under our patent insurance policy. Overall, the strategy has unfolded as planned.

Our Licenses and Commercial Collaborations

The following section describes our existing commercial and research licenses, our collaborations and our collaborators. We announced our first license to the non-coding patents to the Australian livestock testing firm Genetic Solutions Pty. Ltd., in February 2002. Since then, we have formed several collaborations and granted a number of additional licenses.

Commercial Licenses and Collaborations:

Agriculture Victoria Services Pty. Ltd.: In February 2002, our subsidiary GeneType Pty. Ltd. entered into a joint venture agreement with Agriculture Victoria Services Pty. Ltd. (AVS) for the formation of the joint venture company AgGenomics Pty. Ltd., to operate a joint venture business in commercial plant genotyping and genomics services. Under the terms of the joint venture agreement, we hold 50.1% of the shares of the joint venture company. We have certain obligations under the joint venture agreement to loan money to the joint venture company, which is not expected to exceed \$500,000 at any given time. AVS is not required to provide further funding to the joint venture company. The agreement is terminable by a party in the event of a breach by the other party that is not timely cured or upon the occurrence of an adverse event to the company or to either shareholder. Adverse events are insolvency type events or discontinuation of business. In the event of termination the non-defaulting party can require liquidation of the company or purchase the other party's interest, as it chooses.

Sequenom License: Also in April 2002, we granted a license to bioinstrument maker Sequenom, Inc., who paid us a non-refundable license fee in cash and shares in return for a license to our non-coding analysis and mapping patents. The license can be terminated by either party upon any material breach of any term or condition by the other party which has not been timely cured after notice. We may also terminate the agreement in the event of the bankruptcy of the licensee or discontinuation of their business.

Table of Contents

Nanogen License: In April 2002 we granted a license to Nanogen, Inc, of San Diego, USA, who specializes in the development of biochip applications in genetics diagnostics. Nanogen paid us a non-refundable license fee and unlisted warrants in return for a license limited to genetic research and human diagnostics. Specifically, Nanogen receives no rights to the mapping patent nor any applications in animals or plants. Since the date of the initial license, the warrants became in the money and we exercised them, acquiring Nanogen shares which we disposed of in market transactions generating further income. The license can be terminated by either party upon any material breach of any term or condition of the agreement not timely cured. We also can terminate the agreement in the event the licensee becomes involved in insolvency proceedings or if it discontinues its business for any reason.

Perlegen License: In August 2002, we granted a license to US genome researcher, Perlegen Sciences, Inc., which paid a non-refundable combination of cash and securities for an exclusive license limited to a specialized field known as high resolution whole genome analysis. Either party can terminate the license agreement upon any material breach of any term or condition by the other party that is not timely cured after notice. We also have the right to terminate the agreement in the event of insolvency of the licensee or if it discontinues its business for any reason.

Myriad Licenses: In October 2002, we announced a licensing agreement with Myriad Genetics, Inc, under which we granted Myriad broad rights to utilize our non-coding patents, in return for which Myriad agreed to pay us a non-refundable license fee plus future fees on an annual basis in lieu of royalties, plus the rights to bring Myriad's predictive tests to Australia and New Zealand. These tests, which include genetic susceptibility tests for breast cancer, ovarian cancer, bowel cancer, melanoma and cardiac risk are now being offered by the Company in Australia and have resulted in the expansion of our existing genetic testing facilities in Melbourne. The license can be terminated by either party upon material breach by the other party that is not cured within 30 days of notice. We also may terminate if the licensee fails to make any payment required by the agreement. Under the second of two agreements, we are granted a license to use Myriad's diagnostic services in Australia and New Zealand in exchange for an annual fee. We are obligated to use reasonable efforts to commercialize the licensed diagnostic services in Australia and New Zealand. Under the terms of this agreement, we have been granted an option in exchange for upfront payments and a continuing royalty, to expand the license in respect of full sequence testing, which has not been exercised. The term of this agreement extends until 2012. Either party can terminate the agreement upon a material breach not timely cured after notice. In addition, Myriad can terminate if we fail to make any payment required under the agreement.

Pyrosequencing Licenses: In March 2003, we announced a cross-licensing agreement with Pyrosequencing AB, of Sweden (now known as Biotage AB). Pyrosequencing received a broad non-exclusive license to our non-coding DNA analysis and mapping patents but only when used in combination with Pyrosequencing's sequencing by synthesis reagents. In return, we received a non-refundable cash up front payment, plus royalties for the life of the non-coding patents, plus three state-of-the-art analytical instruments (Pyrosequencing systems), plus other IP rights and assays from Pyrosequencing. Either party can terminate the agreement upon material breach that is not timely cured by the other party after notice. In addition, either party can terminate the agreement if the other party becomes involved in insolvency proceedings, or if the other party discontinues its business for any reason.

ARUP License: In April 2003, we announced a license to Associated Regional & University Pathologists (ARUP) of Salt Lake City, Utah. ARUP is a laboratory system owned by the University of Utah, and the first service provider actually performing human genetic testing to take a license from the Company. The license was granted in return for a one-time non-refundable license issue fee. The license is terminable by a party upon material breach by the other party that is not timely cured after notice. In addition, we have the right to terminate if the licensee becomes involved in an insolvency or discontinues its business for any reason. In May, 2003, we had also granted the University of Utah a separate research license to show our support for their leading genetic research program into the non-coding regions of many genomes. This license is terminable upon material breach by the licensee not timely cured after notice.

Orchid License: In May 2003, we reached agreement with Orchid BioSciences Inc. of Princeton, New Jersey, USA. Under the terms of the agreement, we granted Orchid an irrevocable option to obtain a non-exclusive license to our non-coding analysis patents. We also granted Orchid a covenant not to sue. The license is terminable by a party for material breach that is not cured by the other party, by licensee upon 30 days written notice to us and by either party in the event of discontinuation of its business, an insolvency event or failure to pay amounts due and owing to the other.

Quest License: In August 2003, we granted a license to our non-coding analysis patents to Quest Diagnostics Inc., based in New Jersey, USA. The terms included a non-refundable signing fee plus ongoing annual payments in lieu of royalties from Quest for services provided by it in genetic laboratory testing in the United States, Canada and Mexico. In addition, the license is terminable by one party in the event of a material breach by the other party not cured after notice. Either party may also terminate the license in the event of an insolvency event affecting the other party or the discontinuation of business by the other party.

Table of Contents

ViaLactia License: In September 2003, we reached agreement with ViaLactia Biosciences (NZ) Limited of Auckland, New Zealand regarding the terms of a research and commercial license to the Company's non-coding patents. ViaLactia is a wholly-owned subsidiary of Fonterra, New Zealand's largest dairy cooperative. The license was formally concluded in December 2003. The purpose of the license is to permit ViaLactia to conduct internal research activities and development of applications of our technology in the dairy industry, including new applications concerning dairy cattle, pasture grasses, mice as models for dairy cattle and yeast and bacteria as applied to the dairy industry. The license is terminable by either party upon material default of the other party that is not timely cured, without other penalty.

TM Bioscience License: In December 2003, we granted a license to our non-coding analysis and mapping patents to TM Bioscience Corporation of Toronto, Canada. The terms provide for a signing fee plus ongoing annual payments as a non-refundable license fee and an annual royalty on licensed products. This was our first commercial license granted to a Canadian company. TM Bioscience is a leading provider of diagnostic kits for human genetic testing, exported globally. The agreement is terminable by a party upon material breach by the other party that is not timely cured, and may be terminated by us in the event of dissolution or sale of the business of the licensee.

LabCorp License: In February 2004, we granted a license to our non-coding patents to Laboratory Corporation of America Holdings (known as LabCorp), a leading provider of human diagnostic services in the U.S. and Canada. It also performs testing in Europe for other companies, including pharmaceutical companies, for regulatory compliance purposes. The consideration received for the license, which covers both the non-coding analysis and mapping patents, included a non-refundable signing fee plus annual license annuity payments for the life of the patents, through 2015. LabCorp also withdrew a declaratory action in respect of our patents which had been initiated in New Jersey. The license is terminable by either party upon material breach by the other party that is not timely cured. In addition, we are entitled to terminate the agreement in the event that the licensee intentionally and knowingly promotes the licensee's reference testing to third party clinical laboratories for the purpose of circumventing the need for such laboratories to license our patents. The licensee is entitled to terminate the agreement at any time upon 30 days prior written notice (without prejudice to its accrued obligations thereunder) and we can terminate in the event of an insolvency event involving the licensee or discontinuation of its business.

Ovita License: In June 2004, we entered into a license agreement with Ovita Limited of New Zealand, granting them a license to our non-coding patents to the extent required in order to commercialize genetic marker tests and pedigree tests and to conduct research and development activities for new applications of our technology in connection with testing of sheep and cattle. The agreement included the payment of an initial non-refundable research license fee, a non-refundable commercial license fee and a royalty on licensed products made using our patents, payable calculated on gross sales. The license is terminable by a party for material breach that is not cured by the other party, by licensee upon 30 days' written notice to us and by either party in the event of discontinuation of its business, an insolvency event or failure to pay amounts due and owing to the other.

C.Y. O Connor ERADE Village Foundation: In October 2003, we announced that we had signed heads of agreement to establish a broad strategic alliance with the C.Y. O Connor ERADE Village Foundation, a leader in biotechnology innovation based in Perth, Western Australia. Definitive documentation was concluded in June 2004. Under the terms of the agreement, we acquired all of the Foundation's patents and other intellectual property in the fields of genetics and genomics, including the Foundation's issued U.S. patent 6383747 and foreign equivalents. This extensive package of intellectual property has created additional opportunities for us in support of licensing and service testing. As part of the arrangement, the Foundation acquired a license to our non-coding patents for a fee, such that the net purchase price for us was settled by the issuance of a total of 16,666,667 of our Ordinary Shares to the Foundation based on a market value of \$0.39 per share. The transaction closed in June 2004. Under the arrangement, we support the ongoing genetics and genomics programs of the Foundation. Initially, five projects were selected for priority attention and we will provide \$4.5 million to the Foundation, spread over five years, to help fund such research and development of new intellectual property. On July 7, 2004, the Company supplied a letter of credit for \$450,000 for the term of the agreement. Under the agreements, we are the primary commercialization vehicle for all new inventions, patents, intellectual property and business opportunities arising at the Foundation in the field of genetics or genomics. We are also obligated to pay royalties to the Foundation on gross revenue derived from the Foundation IP. We may terminate the license following any breach of the license by the licensee, either party can terminate following a material breach that is not timely cured or following an insolvency event of the other party. As at June 30, 2008, a total amount of \$450,000 remained payable by the Company under the agreement.

Genzyme License: Effective as of September 17, 2004, we granted a license to our non-coding patents to Genzyme Corporation, based in Cambridge, Massachusetts, in order for the licensee to perform preclinical and human research and human genetic testing. The grant of the license was in exchange for a non-refundable license issue fee consisting of a cash component and an in-kind component. The in-kind component consisted of a license agreement in respect of patents owned by Johns Hopkins University and licensed by the licensee. In addition, Genzyme is obligated to pay to us license annuity fees in lieu of a royalty for each year of the term. Either party can terminate the agreement upon material breach not timely cured, in the event of insolvency of the licensee, or by the licensee at any time upon 30 days written notice to us.

Table of Contents

MetaMorphix Agreements: In September 2004, we executed two agreements with MetaMorphix, Inc., based in Maryland and specializing in the genetics and genomics of certain animal species, particularly cattle and dogs. Under the first such agreement, we granted a license to use our non-coding patents in order to commercialize applications of diagnostic assays for use in the livestock, aquaculture and companion animal industries. The licensee is obligated to pay us annually increasing license annuity fees in lieu of a royalty, as well as a non-refundable license issue fee. Either party can terminate the agreement upon a material breach not timely cured, or by us upon the licensee's discontinuation of its business for any reason. Under the second license, to which MMI Genomics, Inc. (a subsidiary of MetaMorphix) is also a party, we were granted a license to the licensor's patents and associated know-how in order to perform internal DNA-based diagnostic assays for use in our cattle and canine identity and parentage verification services. We have subsequently paid the licensor a non-refundable license fee. The licensor's obligations include ongoing support for the license and know-how. The agreement is terminable by either party upon material default by the other party that is not timely cured, or by the licensor in the event we discontinue our cattle and canine identity and parentage verification genotyping services business for any reason.

Bionomics License: Effective November 5, 2004, we entered into two agreements with Bionomics Limited, a public company based in Adelaide, South Australia. Under the first such agreement, we granted a non-exclusive, royalty-free license to Bionomics to use our non-coding patents in order to (i) perform research and development activities relating to and arising from the identification of genetic factors that may influence epilepsy and (ii) commercialize the results of those research and development activities including, without limitation, epilepsy diagnostic assays. Bionomics paid us a non-refundable license fee on signing. Either party can terminate the agreement upon a material breach not timely cured. Under the second agreement with Bionomics, we were granted a license to use certain intellectual property rights, including patent rights and associated know-how, relating to epilepsy gene discoveries and epilepsy diagnostic assays subject to minimum annual royalties. We paid Bionomics a non-refundable license fee. The agreement is terminable by either party upon material default by the other party that is not timely cured.

Australian Genome Research Facility License: Effective December 31, 2004, we granted a license to the non-coding patents to Australian Genome Research Facility Ltd. (AGRF) pursuant to which AGRF can use the patents on a non-exclusive basis for the purpose of performing genotyping services. The license requires an advance non-refundable license fee and an annual non-refundable annuity for the term of the license in lieu of a royalty, which continues until sooner terminated or the licensee no longer utilizes the patent. The agreement is terminable by mutual agreement, or by us in the event of a breach of a term or condition by the licensee or if it is subject to an insolvency event.

New Zealand Licenses: Effective June 30, 2005, we entered into a license agreement with four commercial parties in New Zealand: AgResearch Limited, The Horticulture and Food Research Institute of New Zealand Limited, New Zealand Forest Research Limited and Livestock Improvement Corporation Limited. Under the terms of the agreement, the parties were granted licenses to our non-coding patents in consideration for which they paid us a non-refundable license issue fee.

Applera Corporation Licenses: Effective December 8, 2005, we entered into various agreements with Applera Corporation of Norwalk, Connecticut as part of a settlement of a patent dispute. The binding agreements include a final Settlement Agreement plus license agreements and a supply agreement. The total consideration receivable by us was paid partly in cash and partly in kind - including agreements supplying the Company with certain Applera equipment, reagents and intellectual property rights. Recognition of in-kind consideration as revenue is subject to us meeting certain revenue recognition criteria including, but not limited to, the measurement of fair value at the time of receipt.

Optigen License: Effective May 23, 2006, we executed an agreement with Optigen, LLC of Ithaca, New York. Under the agreement, Genetic Technologies granted Optigen a non-exclusive license to our non-coding patents for applications in dogs, and Optigen granted the Company the exclusive right to offer and perform the complete range of Optigen genetic tests for diseases in dogs in the Asia-Pacific region. The addition of the Optigen tests substantially expanded the range of genetic tests offered by us to the canine industry in our region. The license granted by us to Optigen provides Optigen with access to our non-coding technology, covering all relevant genetic tests and research activities conducted by Optigen, in dogs.

Bovigen License: Effective June 1, 2006, we granted a license to the non-coding patents to Bovigen, LLC of Harahan, Louisiana. Under the agreement, Bovigen will use the Company's non-coding technology to build its business of offering genetic tests to the American livestock industry to determine the presence or absence of certain desirable traits in individual cattle. The rights that we licensed to Bovigen were granted non-exclusively, and are limited to applications in cattle in the USA, Canada and South America. In consideration for granting the license, Bovigen paid us an up-front signing fee and will pay ongoing royalties on the future sales by Bovigen for the life of the non-coding patents.

Table of Contents

Innogenetics License: Effective June 30, 2006, we granted a license to the Company's non-coding patents to Innogenetics NV of Ghent, Belgium. Innogenetics is a significant supplier of genetic testing kits in Europe and is listed on the Belgium and German stock exchanges. In consideration for granting the license, Innogenetics paid us an up-front signing fee and will pay ongoing annuities for the life of the non-coding patents. The agreement is terminable by mutual agreement, or by us in the event of a breach of a term or condition by the licensee or if it is subject to an insolvency event.

GENOSENSE License: Effective December 1, 2006, we granted a license to the Company's non-coding patents to GENOSENSE Diagnostics GmbH, a leading anti-aging and preventive genetic diagnostics company based in Vienna, Austria. In consideration for granting the license, GENOSENSE paid us an up-front signing fee and will pay ongoing annuities for the life of the non-coding patents. The agreement is terminable by mutual agreement, or by us in the event of a breach of a term or condition by the licensee or if it is subject to an insolvency event.

Sciona License: Effective February 16, 2007, we granted a license to the Company's non-coding patents to Sciona, Inc. based in Boulder, Colorado. This license runs for nine years and is the first step in a progressive co-operation between us and Sciona in relation to the emerging lifestyle and life-extension markets. We received a signing fee plus annual payments from Sciona, increasing with time. We were also granted the right to market the Sciona range of products in the Asia-Pacific region, and to perform the relevant genetic tests at our laboratory in Melbourne. Sciona is a leading provider of personalised genetic tests which focus primarily on lifestyle and nutritional adjustments to enhance health and longevity. The agreement is terminable by mutual agreement, or by us in the event of a breach of a term or condition by the licensee or if it is subject to an insolvency event.

Monsanto Licenses: Effective June 20, 2007, we granted a license to the Company's non-coding patents to Monsanto Company, based in St. Louis, Missouri. As part of the license, which covers Monsanto's work in plants, Monsanto made an up-front cash payment which, under the terms of the license, cannot be disclosed. Effective August 22, 2007, we granted a second license to the Company's non-coding patents to Monsanto which, this time, covers its work in swine. In respect of this second license, Monsanto paid us a further up-front payment.

Thermo Fisher Scientific License: Effective June 29, 2007, we granted a license to the Company's non-coding patents to Thermo Fisher Scientific Inc., based in Waltham, Massachusetts. Thermo Fisher is the parent company of Athena Diagnostics, Inc, a genetic testing laboratory based in Worcester, Massachusetts, with whom we had been in discussions for some time. As part of the license, Thermo Fisher made an up-front cash payment which, under the terms of the license, cannot be disclosed.

Syngenta License: Effective September 28, 2007, we granted a license to the Company's non-coding patents to Syngenta Crop Protection AG, based in Basel, Switzerland. Syngenta is a large plant and seed company, active in more than 90 countries, with more than 19,000 employees. As part of the license, Syngenta made an up-front cash payment which,

under the terms of the license, cannot be disclosed.

BioSearch License: Effective September 30, 2007, we granted a license to the Company's non-coding patents to BioSearch Technologies Inc., based in Novato, California. As part of the license, pursuant to which BioSearch is permitted to distribute certain DNA structures, known as oligos or probes, to end users worldwide for research purposes only, BioSearch made an up-front cash payment which, under the terms of the license, cannot be disclosed.

Kimball License: Effective November 16, 2007, we granted a license to the Company's non-coding patents to Kimball Genetics Inc., based in Denver, Colorado. As part of the license, Kimball made an up-front cash payment which, under the terms of the license, cannot be disclosed.

Prometheus License: Effective December 23, 2007, we granted a license to the Company's non-coding patents to Prometheus Laboratories Inc., based in San Diego, California. As part of the license, Prometheus made an up-front cash payment which, under the terms of the license, cannot be disclosed.

GE Settlement and License: Effective January 14, 2008, we executed a Settlement and License Agreement with General Electric Company (and indirectly its subsidiary GE Healthcare Bio-Sciences Corp.), based in Piscataway, New Jersey. GE Healthcare is a unit of General Electric Company that employs more than 46,000 people and which, in 2006, generated revenues of USD 17 billion from serving healthcare professionals and their patients in more than 100 countries around the world. The agreement between the Company and GE Healthcare involves a settlement of all disputes between the parties and the granting of a license to GTG's non-coding patents. As part of the agreement, GE Healthcare made an up-front cash payment which, under the terms of the agreement, cannot be disclosed.

Table of Contents

GeneDx License: Effective October 1, 2008, we granted a license to the Company's non-coding patents to GeneDx, a subsidiary of Bio Reference Laboratories Inc., based in Gaithersburg, Maryland. The license granted permits GeneDx to perform PTEN testing until the patent expires in March 2010. As part of the license, GeneDx made an up-front cash payment which, under the terms of the agreement, cannot be disclosed.

Millennium License: Effective October 22, 2008, we granted a license to the Company's non-coding patents to Millennium Pharmaceuticals Inc., based in Cambridge, Massachusetts. As part of the license, Millennium made an up-front cash payment which, under the terms of the agreement, cannot be disclosed.

Research Licenses and Collaborations

University of Melbourne: On January 22, 2003, we entered into a collaborative research agreement with the University of Melbourne, Australia, concerning the so-called ARC Linkage Project : toward novel approaches for the control of parasitic nematodes via genomics/phenomics. This agreement sets forth the terms of the collaboration between GeneType Pty. Ltd. and the university for research under an Australian government Research Council Linkage Project. Under the terms of this agreement, GeneType Pty. Ltd. is obligated to use its best efforts to provide additional funds for the project to make up the projected shortfall as contemplated by the original proposal, over a term of three years.

University of Utah: On April 30, 2003, we granted a research license to the University of Utah, in Salt Lake City, Utah. This is a royalty-free license to permit the University to conduct research in exchange for a nominal fee.

Horticulture Australia Limited: On June 18, 2003, AgGenomics Pty. Ltd., a subsidiary of the Company, entered into a three-year Collaborative Research Agreement with Horticulture Australia Limited (HAL) to try and identify a genetic trait for day/night neutrality in strawberries which, if found, could lead to an extension of the cultivation season and consequently higher production. The research program, costing approximately \$2.1 million, is funded by HAL as to 45% and AgGenomics as to 55%. Any and all intellectual property generated from the project will be owned in the same proportions. This initial agreement was concluded in June 2006, following which it was agreed that it be extended for a period of a further three years at a total cost of \$2.1 million, to be funded 42.03% by HAL and 57.97% by AgGenomics. Once again, any and all intellectual property generated from the project will be owned in the same proportions.

University of Sydney License: In July 2003, we granted a research license to the University of Sydney, in Australia. We subsequently entered into a further agreement (dated September 4, 2003) with the University of Sydney pursuant to which we received the exclusive right to commercialize a new and potentially significant genetic invention made by a

professor in the Neurogenetics Research Unit and the University's Faculty of Medicine. This Australian invention is intended to permit an improved understanding of the genetic factors underlying superior athletic and sports performance, based on the presence or absence of the ACTN3 gene. Under the terms of this agreement, we made an upfront payment, agreed to pay a royalty on net sales of the invention by us and a fee on first grant of a patent for the invention or any patent rights in any country and a further payment of part of any consideration of whatever kind received by us under a license of the assigned intellectual property.

GENDIA Network: In November 2003, we announced that we had joined the GENDIA diagnostic genetic testing network as the sole GENDIA affiliated laboratory operating in Australia and New Zealand. GENDIA is a network of some 20 leading laboratories worldwide who work together and share with each other access to highly sophisticated genetic testing procedures. We are the sole GENDIA-affiliated laboratory in Australia and New Zealand.

King's College License: In December 2003, we granted a license to our non-coding patents to King's College, London, in the United Kingdom. Under the terms of the license, King's College will be able to apply the non-coding patents to its internal research programs. The license is terminable by either party upon any material breach not timely cured, without penalty. King's College is considered a leader in the field of researching the genetic basis of various psychiatric and psychological disorders, including schizophrenia, anxiety / depression and certain attention deficit disorders. Future commercial applications arising from research at King's College would require an additional commercial license from us. In March 2004, we initiated a joint research project in the United Kingdom to explore the functionality of certain non-coding DNA elements, initially with special focus on the genetics of breast cancer susceptibility and the genetics of certain neuro-psychiatric conditions, such as schizophrenia. The project was funded by us for a further period of six months, in an amount of GBP53,000 that was paid in two instalments. In May 2005, we extended the project for the period from June 1, 2005 to December 31, 2005 and agreed to fund the costs incurred by King's College during that period up to a maximum amount of GBP51,360. In February, 2006, the Company agreed to further extend its research agreement with King's College for the period from February 1, 2006 to August 31, 2006 and agreed to fund the costs incurred by King's College during that period up to a maximum amount of GBP63,700. This project has now been terminated.

Table of Contents

University of Technology, Sydney: Effective December 23, 2003, we granted a research license to the University of Technology, Sydney, to permit the University to conduct internal research activities to research, identify, map and develop tests for genetic markers and genes of interest. Either party has the right to terminate the agreement upon the occurrence of a material breach that is not timely cured, without other penalty.

Colorado State University: Effective May 14, 2004, we granted a research license to the Colorado State University. This is a royalty-free license to permit the University to conduct research in exchange for a nominal fee.

Texas A&M University: Effective February 7, 2007, we granted a research license to Merlogen LLC, a company associated with Texas A&M University. As part of the license, we received a nominal fee and received rights to use certain technologies in the field of animal genetics.

In addition to the above agreements, we continue to negotiate licensing terms to grant licenses to our non-coding patents to many companies, large and small, and also to government and private institutes, in many countries. To facilitate these negotiations, we have established a database of all prospective licensees, who we believe would benefit from a license to our non-coding patents.

Given the large number of potential licensees, the Company decided to expand its licensing program during 2006 by applying additional resources in this area. As a result, the licensing team at the Company's headquarters in Melbourne, Australia was expanded by the appointment of additional staff to accelerate the preparation of dossiers on potential licensees whilst, internationally, independent licensing contractors were engaged to represent the Company on the ground, in our major markets.

In an effort to stimulate the Company's licensing program, preliminary discussions have been held with a number of parties who specialize in the assertion of intellectual property in return for a share of the proceeds generated from any licenses that may subsequently be granted. As at the date of this Annual Report, no agreements have been entered into with any such parties.

Building the Genetic Testing Business

Background and History of the Paternity Testing Business

In the early 1990's, GeneType AG established a small service testing laboratory in Melbourne, Australia, initially to show-case its non-coding inventions, but also to generate revenue to help support and fund its ambitious research program in those early days. Following the acquisition of several other small DNA testing laboratories in Australia, GeneType AG consolidated the business such that the Company is now the largest provider of paternity and related testing services in Australia.

Edgar Filing: GENETIC TECHNOLOGIES LTD - Form 20-F

In August 2000, we acquired 100% of GeneType AG, including control over all its patents and its service testing business. Later, in July 2001, we acquired the paternity testing business of DNA-ID Labs, another small testing laboratory based in Perth, Western Australia. Overall, we acquired several small businesses, two based in Sydney, New South Wales, one based in Perth and one based in Melbourne, eventually making our service testing laboratory in Melbourne the leading non-Government genetic testing service provider in Australia. We now have extensive experience in providing DNA-based individuality testing for the resolution of disputed paternity, the determination of familial relationships for immigration purposes and for forensic analysis.

The most common type of DNA testing is paternity testing - where we determine the father of a given child. In order to perform this test we take a sample from the mother, alleged father and child. The test can also be performed without the mother's sample but this makes the analysis somewhat more complex and the price for the test increases accordingly.

Other types of tests we can offer include:

- Y chromosome testing - determines if two males come from the same paternal line, i.e. have a common father or grandfather.
- Mitochondrial DNA testing - determines if two people come from the same maternal line.
- Sibship testing - determines if people are full siblings, i.e. have the same mother and father.
- Maternity testing - determines the mother of a given child.
- DNA typing - reveals the DNA makeup of an individual.
- Grandparent analysis - determines the grandparents of a given child. This is mainly used when the father of a child is deceased and a will is being contested.
- Antenatal DNA testing - determines the father of an as-yet unborn child.
- Semen analysis - determines if semen is present on, for example, an article of clothing. If it is, we can DNA type this sample and compare it to a reference sample.

Table of Contents

We issue reports for the Family Court in Australia and provide similar services internationally for the Department of Immigration and Citizenship (DIAC). We are one of only two DNA testing laboratories in Australia recognized by DIAC to provide DNA tests for immigration purposes.

Over time, we have gained a reputation as a leading genetic testing laboratory, and progressively, we have started to receive specimens for testing from other countries, most of which are located in the Asia-Pacific region. In addition, we received requests to perform tests outside of human paternity, and this has caused us to consider and now plan a significant expansion of our testing services.

Expansion of Testing Services Beyond Paternity Testing

(1) **Plant Testing** - in March 2002, we formed a joint venture with the Victorian State Government's Department of Primary Industry, for the purpose of providing a high throughput genotyping service for plant testing - in order to help plant breeders identify the genes responsible for the detection of commercially relevant traits, such as resistance to disease, accelerated growth and the improvement of crop yields. A new company, AgGenomics Pty. Ltd., was formed, with us as the majority shareholder and the State agency as the minority partner. AgGenomics is located at the Victorian AgriBiosciences Centre at La Trobe University R&D Park in Melbourne, Victoria.

(2) **Molecular Diagnostic Testing** - the strategic alliance with Myriad Genetics Inc. delivered to the Company exclusive rights in Australia and New Zealand to perform DNA testing for susceptibility to a range of cancers. In April 2003, we established our cancer susceptibility testing facility. In June 2003, this facility was granted provisional accreditation by the National Association of Testing Authorities, Australia (NATA). This important area of testing continues to build momentum, with the addition of new equipment, new employees joining the Company and new technology becoming available exclusively to us, such that the Australian community now has access to some of the latest technologies available for genetic testing.

In November 2003, the Company joined the world-wide genetic testing network GENDIA as the sole reference laboratory for the network in Australia and New Zealand. GENDIA consists of more than 50 laboratories from around the world, each contributing expertise in their respective disciplines to create a network capable of providing more than 2,000 different genetic tests. This has provided the Company with the ability to offer comprehensive testing services to its customer base in the Asia-Pacific region as well as increasing our exposure to other markets.

In November 2004, the Company announced a strategic alliance with Australian biotechnology company Bionomics Limited for the commercialisation of the diagnostic genetic test for the condition Severe Myoclonic Epilepsy in Infancy. This test was the first to expand the Company's human molecular diagnostics focus beyond cancer susceptibility testing. In July 2006, we further cemented our position as Australia's leading independent provider of complex genetic testing services with NATA granting further accreditation of our Melbourne laboratory to provide a wide range of complex genetic tests. Genetic analysis for the predisposition and diagnosis of a wide range of disease states is increasingly being used by clinicians in standard medical practice. We committed to providing the gold standard in testing technology, with superior turn-around times and a substantially more cost efficient service. Attainment of the further accreditation by NATA in the area of complex gene sequencing testing services has enabled numerous government funded genetics services to begin utilising the Company's testing service to improve patient care.

For the financial year ended June 30, 2008, we generated revenue in the Molecular Diagnostic division of \$1.12 million, representing an increase of more than 21% over the previous financial year. Having established an excellent laboratory service with significant excess capacity, the Company announced in July 2008 that a commercial decision had been made to enforce the rights granted to it under an exclusive license from Myriad to perform diagnostic testing of the BRCA1 and BRCA2 genes in Australia and New Zealand. However, following the removal of five Directors from the Board at the Company's Annual General Meeting on November 19, 2008, the new Board undertook a formal review of the Company's decision to enforce its BRCA testing rights and subsequently resolved to immediately revert to its original decision to allow other laboratories in Australia to freely perform BRCA testing.

(3) Animal Testing - in May 2003, we acquired the assets of Genetic Science Services to expand the range of tests we can offer to include relevant genetic testing in animals - for example, progeny testing in horses, dogs, deer, sexing in birds, and animal disease identification and susceptibility testing for a range of animals, including exotic and zoo animals. This acquisition will also allow the Company to support research projects involving, for example, the Australian fur seal, and possibly the platypus and various frogs and reptiles.

Table of Contents

In addition to NATA accreditation for complex genetic analysis mentioned above, in 2006 GTG also received NATA accreditation for the provision of canine forensic analysis services. We are the only laboratory in Australia to receive such accreditation. This accreditation ensures that we will continue to be the laboratory of choice for all canine forensic analysis, especially where prosecutions are initiated for dog attacks. In the state of Victoria alone, there are in excess of 7,000 dog incidents reported annually. This accreditation, together with the recent announcement of a genetic test to determine the breed of dogs, places the Company in a strong position to provide genetic analysis services to local councils around Australia.

During 2008, the Company developed and launched:

- Dog Attack Pack, a forensic tool enabling local government officers to collect samples from dog attacks.
- BITSA , a breed identification test that uses DNA analysis to provide an accurate history of a dog s breed.

In July 2008, we acquired Frozen Puppies Dot Com Pty. Ltd., an Australian company specializing in canine reproductive services.

The Company has also made excellent progress into territories outside of Australia, developing strong relationships with breeders and associations in China, Japan and New Zealand. Staff have been employed to manage these territories and a purpose-built facility is being established on the outskirts of Beijing to support the Company s expansion into the Chinese market. This facility will become operational in the first quarter of calendar 2009.

(4) Forensic Testing - recognising the increasing use of DNA analysis in forensics and the demand this would place on existing government laboratories, in February 2004, the Company successfully gained forensics accreditation from the National Association of Testing Authorities, Australia (NATA). We were the first non-government laboratory in Australia to be awarded this accreditation. Since then, we have developed a highly efficient and technologically advanced forensics laboratory. This capability was substantially advanced by our recent non-coding licensing deal with Applera Corporation under which we secured equipment and supplies essential to conducting forensics analysis. Together with these resources and our experience in DNA analysis, the Company is becoming a major provider of DNA analysis services to the forensics community.

In April 2006, we announced that we had been awarded a contract to supply the New South Wales (NSW) Police Force with DNA analysis services. Under the contract, we provided services for an initial trial period of three months. Following this successful trial, we executed a three year contract with the NSW Police Force in January 2008 for DNA analysis services for their volume crime samples, such as burglary and motor vehicle theft. This contract represented a major breakthrough for the Company and was the first time in Australia that any Police Force had awarded a long-term contract to outsource the testing of their crime samples.

We believe that a significant opportunity exists for the Company to assist other policing authorities to expeditiously process DNA samples and is in discussions with a number of these parties. It is estimated that there is a substantial backlog of DNA samples currently waiting to be processed by police departments throughout Australia. This is in addition to the processing of DNA samples collected on an ongoing basis from crime scenes.

(5) Athletic Performance Testing - the Company acquired the commercial rights from the University of Sydney for a genetic test, known as the ACTN3 Sports Gene Test, which is capable of determining whether or not this gene is providing athletes with a genetic advantage for sprint-power performance. In September 2005, we announced the official launch of this test in Japan with its Japanese distribution partner, Sportsstyle, to an audience of over 100 sports specialists, including the President of the Japan Federation of Health and Sports. The launch of the ACTN3 SportsGene Test was widely reported in the Japanese press. All commercial ACTN3 SportsGene Tests from Japan are analysed at our laboratory in Melbourne. In conjunction with Sportsstyle, we have held meetings with influential sporting bodies looking to use the ACTN3 SportsGene Test as part of their training and assessment program. Further discussions are also being held with other parties around the world with a view to marketing and licensing this test in other jurisdictions.

On January 7, 2008, the Company appointed Colorado-based talent identification company EPIC Athletic Performance Inc. (EPIC) as a non-exclusive distributor of the ACTN3 SportsGene Test® product in the United States. It is anticipated that the Company will receive its first samples for testing from EPIC in early calendar 2009.

Table of Contents

Our Support for Four Significant Research Projects

We strongly support research and development. Indeed, Genetic Technologies had its foundation as a research company when it was established some 18 years ago. Since then, the Company has consistently pursued research and, following its Australian listing in 2000 when additional working capital became available, its research activities were significantly expanded.

We currently support four major research programs, details of which have been provided below. Some projects have arisen from new inventions made by the Company while some have been made by others who have approached the Company seeking collaboration and support for their activities.

By its very nature, research is unpredictable and involves a considerable element of risk. Such risks may relate to scientific concepts, the implementation of the science, the protection of any inventions made and the success or otherwise in persuading others to respect the intellectual property acquired or created by the Company.

Specifically, patents filed may not issue or may later be challenged by others. Even if patents issue, the methods described may, with time, be superseded by alternative methods which may prove to be commercially more attractive. Even if patents issue and the methods developed are successfully reduced to practice and can be shown to be commercially relevant, there is still no assurance that other parties will respect the patents or will take licenses to use the intellectual property. In such circumstances, it is possible that legal action will be necessary to enforce the Company's rights. Such action, in turn, raises a new series of risks including potentially significant legal costs and uncertain outcomes.

To the extent that delays are encountered in concluding the research projects, additional costs may be incurred. Further, the projected revenues from the projects may also be deferred, potentially impacting on the Company's liquidity. In such cases, the Company may seek to partner with outside parties, who will contribute to the costs of research in return for an interest in the project, or the Company may seek to raise additional working capital from the Market. In a worst case scenario, if the Company's research projects do not achieve their scientific objectives, the projects may well be closed down with no valuable intellectual property having been created.

(1) RareCollect®

RareCollect Pty. Ltd. was incorporated in March 2001 in Australia to develop and commercialize patents held by GeneType AG, a subsidiary of Genetic Technologies, relating to the recovery of fetal cells circulating in the peripheral blood of a pregnant woman. These patents, with an earliest priority date of March 27, 1990, have been granted or allowed in most countries where filed, including the United States, United Kingdom, France, Germany, Australia and Japan.

It has long been generally recognized that a simple, universally applicable, non-invasive means of obtaining fetal cells for prenatal diagnosis would represent a major advance over existing practice and would be widely adopted throughout the developed world.

Accordingly, the RareCollect® research is investigating non-invasive methods for the collection and isolation of fetal DNA at a purity and concentration suitable for clinical genetic testing. To this end, several innovative patent applications have recently been filed, as the methodology has undergone further substantial refinement in the laboratory. If successful, the commercial potential of the RareCollect® technique is considerable, with some 9 million live births occurring annually in the USA and Europe.

Approximately 0.65% of live births are affected by major chromosomal abnormalities including Trisomy 21 (Down's Syndrome, 0.12%). Prenatal screening for such disorders is now widely available in developed countries, but is neither standardized nor universal. Even the best prenatal screening regimens fail to detect 5% of Down's cases, and suffer from false positive rates of about 5%. When screening based on past obstetric history or advanced maternal age indicates an increased risk of fetal genetic defects, the pregnant woman is generally subjected to a further, invasive procedure - amniocentesis, CVS, or fetal blood sampling - in order to obtain fetal cells for definitive prenatal diagnosis. Such procedures are not without risk, resulting in miscarriage rates from 0.5% to 2.0% above the expected background rate, and can lead to congenital abnormalities when performed too early in gestation. Accordingly, these tests are not recommended and consequently, some 80% of Down's syndrome babies are currently born to women under 35 years of age.

Over the next decade, it is predicted that there will be an enormous increase in the number of genetic tests available to identify fetal characteristics. There will also be increased pressure to conduct those tests as soon as possible after conception.

The RareCollect® project aims to eliminate the current risks to a mother and her unborn baby associated with obtaining fetal cells for genetic testing by amniocentesis or chorionic villus sampling (CVS) during the second trimester of pregnancy. The project focuses on the development of novel and safe processes for isolating fetal DNA from the mother during the first trimester of pregnancy while avoiding the need to disturb the developing fetus unnecessarily.

Table of Contents

From its inception, the RareCollect® project has focused on the recovery and isolation of fetal cells from peripheral blood samples of pregnant women. Recently, the project abandoned this approach in favour of focusing solely on the recovery and isolation of fetal DNA from cervical mucus samples. During the past year, the project has made steady progress in optimizing the design and clinically evaluating a number of prototype collection devices to maximize the amount of fetal DNA collected from cervical mucus samples. Two provisional patent applications have been filed over this period.

Preliminary results indicate that proof of principle of sampling and isolation methods for cervical mucus are expected to be established in the first quarter of calendar 2009.

The key risk associated with this project is whether sufficient quantity of fetal DNA can be consistently collected and purified from cervical mucus to allow the application of standard genetic testing methods such as RT-PCR.

Markets and competition: There are some four million pregnancies per year in the United States alone. It is already the case that some form of antenatal screening is provided for most pregnancies in developed countries. The trend towards increasing numbers of women becoming pregnant later in life is resulting in an increasing risk of chromosomal aberrations in these pregnancies. Given the expense, inconvenience and inaccuracy of current screening strategies, and the risks associated with subsequent invasive diagnostic procedures, it seems probable that a reliable, accurate, non-invasive, and relatively inexpensive diagnostic test would be rapidly adopted and applied in all pregnancies early in the pregnancy which would substantially increase the current markets.

This conclusion has, of course, been reached by a number of other parties. There are currently several competing groups actively pursuing different methods for the isolation of fetal DNA from maternal blood. The most advanced group is Sequenom Inc. with its SEQuReDx product which is undergoing clinical trials and is forecast for release in the second quarter of calendar 2009.

Government regulation: The provision of clinical testing services and in vitro diagnostic medical devices is subject to extensive regulatory requirements in most developed countries. In the United States, the Centers for Medicare & Medicaid Services (CMS) regulates all laboratory testing (except research) performed on humans in the United States through the Clinical Laboratory Improvement Amendments (CLIA). The Food and Drug Administration (FDA) regulates clinical trials and medical devices. In Australia, the regulation of clinical trials and medical devices is performed by the Therapeutic Goods Administration (TGA). Accreditation of laboratories offering pathology services is granted by the Health Insurance Commission, based on a report of assessment by the National Association of Testing Authorities, Australia (NATA). In addition, in the State of Victoria, where the Company has its headquarters, accreditation may also be obtained from the Pathology Services Accreditation Board, again subject to favorable assessment by NATA.

(2) ImmunAid

Edgar Filing: GENETIC TECHNOLOGIES LTD - Form 20-F

ImmunAid Pty. Ltd. was established in March 2001 to develop and exploit the ImmunAid technology. Genetic Technologies currently owns 69.2% of ImmunAid with the balance of shares owned by private investors including the inventors of the ImmunAid technology.

The ImmunAid technology describes a method of leveraging a patient's immune system to potentially improve the efficacy of treatments for cancer, autoimmune and infectious diseases. The method builds on a discovery that the human immune system oscillates under chronic disease load. This oscillation has been observed across a range of cancer types and other chronic disease conditions (HIV, MS) and can be elucidated by serial measurements of acute phase inflammatory markers such as C-reactive protein (CRP) and other cytokines and antigen markers. The central hypothesis underlying ImmunAid is that timing the administration of treatment to a prescribed point on patient's immune oscillation will increase the efficacy of the treatment.

In 2008, a pilot study was completed at a major cancer clinic involving 12 late-stage melanoma patients. Whilst not definitive, the results of the pilot study are suggestive that timing of therapy is correlated to clinical outcomes. Discussions are in progress with this clinic on a further, definitive clinical study with both parties aiming to commence the study in mid calendar 2009.

Recently, expressions of interest have been sought from third parties regarding their potential participation in the ImmunAid project and, as of the end of calendar 2008, interest in the project has been expressed by several groups with discussions now at an early stage.

Table of Contents

(3) Pathogens Program

In March 2001, we entered into a Collaborative Research Agreement (CRA) with the University of Melbourne (Department of Veterinary Science) to conduct applied research on methods for the diagnosis and control of parasitic diseases in animals and humans. Two scientists were employed via the University and work commenced in mid-2001 under the direction of Associate Professor Robin Gasser. Prof. Gasser is the author of more than 120 papers in international peer-reviewed journals, mainly in classical and molecular parasitology.

A substantial portion of the costs associated with this project are paid for by interested third parties, including relevant industry bodies such as Meat and Livestock Australia (MLA) and the Australian Research Council (ARC). A summary of the project s development costs, outcomes and further plans is summarized below:

Project 1 (undertaken between April 2001 and March 2003) - *Cryptosporidium parvum*

Total estimated costs paid by the Company: \$400,000

Gasser *et al* developed a new, DNA-based test to identify and sub-type *Cryptosporidium* species and sub-species. Independent validation of sensitivity and specificity was conducted by Robin Gasser and Rachel Chalmers (PHLS *Cryptosporidium* Reference Unit, Swansea, UK) post our funding. Collectively, the Company and Gasser have transferred the test from gels to capillary instruments. Following a review of potential markets, GTG decided to terminate the project.

Project 2 - Novel methods for the control of the major worm parasites of sheep and cattle including *Haemonchus contortus*, *Trichostrongylus vitrinus* and *Ostertagia ostertagi*.

The project s objective is to discover and develop novel compounds for the control of nematodes (principally *Haemonchus contortus* - the barber s pole worm) in sheep. Parasites that affect livestock are a major cause of disease globally and the financial losses they cause are substantial. Infestation of sheep and cattle with parasites is estimated to cost Australian producers approximately \$1 billion annually. To make matters worse, these parasites have grown resistant to the drugs that are commonly used to treat them. Left unattended, parasitic worms infest the gut of livestock, reducing their growth and leading to lower productivity and quality of wool. Farmers typically control parasitic worms by drenching, but the efficacy of current treatments is becoming progressively less due to the development of resistance. This trend is likely to get worse, so there is a major global drive to develop novel means to control parasites.

This project is a collection of collaborative research projects involving Genetic Technologies Limited and:

- Professor Robin Gasser's group in the Department of Veterinary Science, University of Melbourne;
- Associate Professor Adam McClusky's group in the Department of Chemistry, University of Newcastle;
- Meat and Livestock Australia (MLA).

Professor Gasser's group is working on target identification by investigating the genome of parasites, target validation, assay development and compound screening. Professor McClusky's group is working on synthesis of compounds directed against the targets identified by Professor Gasser's group.

Funding is provided by two ARC Linkage grants supplemented by direct and in-kind contributions from the Company and MLA. The Company's total cash commitment under ARC Linkage Project LP0667795 is \$250,000 per year for three years ending June 30, 2009. The Company has a further commitment under ARC Linkage Project LP0882285 of \$90,000 per year for the three years ending December 2010. Project IP ownership is split between the Company (as to 75%) and MLA (as to 25%).

During 2008, it became apparent that the methods previously used to screen compounds synthesized by the University of Newcastle were flawed. Consequently, an industry standard larvae development assay (LDA) was designed and implemented by the University of Melbourne. All compounds previously synthesized either have been or are planned to be re-screened with the LDA. Initial results from the re-screening have identified two lead compounds exhibiting highly promising nematocidal performance.

It is anticipated that a number of major livestock pharmaceutical companies will be invited to evaluate these two lead compounds during calendar 2009.

Table of Contents

(4) Sponsored Research Agreement with C.Y. O Connor (previously reported as Genomic Matching Technique)

In June 2004, we entered into a series of agreements with the C.Y. O Connor ERADE Village Foundation, incorporating the Immunogenetics Research Foundation and the Institute of Molecular Genetics and Immunology (CYO and the Foundation) under which (i) we acquired CYO's entire patent estate in the field of genetics and genomics, known collectively as the Genomic Matching Technique (GMT) (ii) we granted a license to CYO to utilize our non-coding patents, and (iii) we agreed to provide research funding to the Foundation for a period of five years ending June 2009 to develop novel, high-value genetic tests for commercialization by GTG.

The program was formed upon the acquisition by the Company of all the genetics and genomics intellectual property generated by the Foundation, which showed promise in a number of important areas, including improved tissue typing and transplantation techniques in human bone marrow transplantation, plus an extensive range of new opportunities in the field of human genetics and animal genetics, including cattle, horses, dogs and fish. The Company has certain rights to any and all intellectual property generated by the Foundation as part of the agreement between the parties.

It is becoming increasingly apparent that the traditional genetic tests which have been developed to diagnose individuals susceptible to diseases, or identify plants or animals that have desirable characteristics, provide limited information. As such, the Company is working closely with the Foundation to develop a novel approach designed to overcome these shortcomings. The GMT developed by CYO, is an effective, yet relatively simple, method for identifying genetic differences between individuals. A large number of GMT clusters have now been identified which are being associated with genes that may be implicated with diseases.

One such potential disease association has been discovered with Age-related Macular Degeneration (AMD), an inflammatory disease of the eye which often results in blindness in the aged. A proportion of patients diagnosed with the milder form of the disease develop to the more-advanced form which results in blindness. GMT may be used to effectively identify those susceptible to disease progression, enabling early intervention with therapy. This approach can potentially delay the onset of the disease, or reduce its severity. A study was undertaken during 2006/07 by the Company into the utility of the application of GMT to AMD. Upon completion of this study, the Company decided to terminate its support of this project.

In the area of tissue and marrow transplantation, CYO and independent laboratories have shown that transplant recipients who were matched to donors using the traditional immune markers and by GMT had a substantially increased chance of long term survival compared with patients matched for the immune markers alone. This data demonstrates that the GMT is revealing information about the haplotype of the individuals as it applies to transplantation that is over and above that provided by traditional immunological typing. This principle can be extended to a range of similar disorders.

CYO is currently in the process of investigating various applications of the GMT technology as they relate to immune-related diseases, including autoimmune diseases. These include the early identification of people who are susceptible to disorders such as Type I diabetes, multiple sclerosis, lupus and rheumatoid arthritis, thereby increasing their lifespan and quality of life by delaying the onset of disease, reducing the severity of disease or potentially eliminating the disease altogether. Research is also being undertaken by CYO investigating whether this principle can be extended to diseases outside the immune system, including diseases and desirable traits of plants and animals. The tests are rapid, inexpensive, can be performed on standard equipment and provide more information than regular genetic tests.

Impairment of patents

During 2007, in conjunction with work performed by an independent valuation expert, an impairment charge of \$1,150,000 was calculated by Management and recorded against the carrying value of the patents that were originally acquired from the Foundation. The recoverable amount of the patents was based on value-in-use calculations. The estimated risk adjusted cashflows were discounted by the risk free rate of 6.5%. The 2007 financial year was the first year in which an indicator of impairment had arisen, requiring an assessment of the recoverable amount of the patents. During 2008, following a further review of the carrying value of the CYO patents, a second impairment charge of \$2,378,000 was made.

The impairment loss for 2008 resulted from a lack of progress with the research related to the commercialisation of certain applications of the technology covered by these patents.

Following a detailed scientific review of the work that had been undertaken in respect of one of the applications of the underlying technology, it was decided during the 2008 financial year to terminate that aspect of the program. Whilst work continues in respect of the use of the technology in relation to other related areas, the lack of progress made as at balance date in relation to GMT and AMD gave rise to an impairment charge of \$2,378,000 during the year ended June 30, 2008.

Table of Contents

Given that the Company's previous attempts to commercialize the technology associated with the patents have, so far, not delivered the anticipated revenues, the Company believes that it is appropriate to base its assessment of the carrying value of the underlying patents as at June 30, 2008 around a further product based on the technology which has already been successfully completed and from the sale of which revenues have already been generated. Accordingly, the carrying value of the underlying patents as at June 30, 2008 has been based on the anticipated net cash flows that the Company believes will be generated from the future sales of this product.

The cashflow forecasts associated with the impairment assessment of the patents have been projected to 2012, being the first year in which the respective patents will expire, using the Company's estimated weighted average cost of capital and conservative projections of anticipated sales volumes over the next four years. Further, given the competitive advantage afforded to the Company in respect of this product, a termination value has also been included to reflect that sales of the product are expected to continue beyond the date of the patent expiry. The forecasts and associated recoverable amount has been determined by Management taking into account the sales that have been generated to date and the considerable interest arising from pre-launch market analysis.

As the Sponsored Research Agreement approaches its termination in June 2009, preliminary discussions have commenced between CYO and the Company about a possible ongoing association in the areas of plant and cattle genetics.

Competition

Licensing

Our licensing business principally covers two families of non-coding patents. As we are the sole owners of these patents there is, by definition, no direct competition in this activity. However, to some degree, there are alternate technologies in the market place which can be used to perform genetic analysis and genomic mapping and so in this regard we do face indirect competition and a potential risk of technological obsolescence. A risk of patent invalidation always exists with the possibility of the discovery of previously unknown prior art as well as patent re-examination. We are currently in legal proceedings with respect to a Nullity Action in the German Patent Court regarding the equivalent to US Patent No. 5,612,179 and we have recently become aware of a Request for Re-examination of US Patent No. 5,612,179. Apart from these risks, the inevitable expiry of our non-coding family of patents in 2010 and 2015 remains, at which time our ability to generate future license revenues from these particular patents will cease. It is anticipated that, over time, however, licensing of additional patents filed by the Company in other areas of genetics and our other research projects may replace revenues currently generated from the licensing of these non-coding patents.

Genetic testing - paternity

The size of the Australian DNA paternity testing market can only be estimated, as the tests fall outside of the Australian public health (Medicare) regime and hence no central records are kept. Our best estimate is that the total size of the market is about 5,000 to 6,000 tests per year which, if correct, would give the Company approximately a 50 percent total market share. There are presently a number of other laboratories that offer these tests in Australia, all of which are NATA accredited.

Edgar Filing: GENETIC TECHNOLOGIES LTD - Form 20-F

Sonic and Healthscope are the two largest pathology companies in Australia. Throughout Australia, Healthscope refers exclusively to DNALabs. In Victoria, New South Wales and Western Australia, Sonic refer exclusively to their own laboratories. The Australian market for paternity testing is now saturated and, since the entry of two of the three major pathology companies in the later part of 2003, our ability to generate growing revenues from this market has reduced. As of December 2008, our market share appears to have stabilized and is now trending up. A brief outline of each competitor in this area is listed below.

DNALabs: This is our largest competitor and is a wholly-owned subsidiary of Sydney IVF. It obtains paternity testing referrals exclusively from Symbion Health (formerly Mayne Health) which has the largest share of the Australian pathology market.

Sonic Health Care: A division of Sonic, the second largest pathology provider in Australia. The laboratory is Sydney-based and was established by the ex-head of DNALabs. Once accreditation was granted in July 2003, the referrals which the Company had previously received from Sonic ceased.

Healthscope (formerly Gribbles): The third largest pathology provider in Australia, which entered the paternity testing market in late 2003. Since entry into the market, they aggressively discounted prices in order to obtain market share. This strategy proved unsuccessful and, in November 2007, they exited the paternity market. All of their work is now referred to a newly-established laboratory called DNA Queensland.

Victorian Institute of Forensic Medicine: This is the Coroner's laboratory in Victoria. We know from their annual report that for the last five years their workload has been relatively static at 150 cases per annum.

John Tonge Centre: This is the Coroner's laboratory in Queensland. It is NATA accredited but does not offer the test commercially.

Table of Contents

Medvet Science: This laboratory is based in South Australia and its major shareholder is the State Government. Prior to the entry of Gribbles, it had a monopoly in South Australia and also controls the market in the Northern Territory and Tasmania.

DNA Solutions: This company was established in the late 1990 s and sells its services over the internet. The majority of their business is generated via the web and they have sites in various countries.

DNA-Bioscience: An internet based company which commenced trading in May 2005.

Genetic testing - diagnostics

As the sole licensee in Australia and New Zealand for the genetic test for the predisposition for familial breast cancer, we do not have any commercial competitors in this area. However, the test is provided by the pathology departments of certain public hospitals. They are not true competitors in that the numbers of such tests that can be performed is restricted due to limited Government funding. Further, the hospitals use strict patient selection criteria such that only the top 10% of highest risk patients are tested.

Genetic testing - forensics

Forensic DNA testing is defined to include DNA tests, the results of which can be relied upon as evidence in a court of law. To meet the strict standards of court evidence, forensic testing can only be conducted through NATA accredited laboratories that have been approved for such work. We are the first non-government owned, NATA accredited forensics laboratory in Australia. At the moment, virtually all forensic testing is conducted through state government owned laboratories. These laboratories have substantial backlogs and do not generally undertake private DNA forensic tests. As such, we are one of a few accredited laboratory currently providing forensic testing services to the public. To resolve the backlog problem, various state governments have already suggested that they plan to investigate the possibility of outsourcing the testing of forensic samples to the private sector. In January 2008, the Company announced that it had been awarded a three year contract to supply New South Wales Police with DNA analysis services.

Genetic testing - animals

GTG offers a DNA testing service across a number of animal species, particularly with respect to establishing an animal s pedigree and parentage. This test is common across animal species and is not proprietary. Accordingly, any laboratory that can provide a DNA parentage / pedigree test is able to enter this market.

Edgar Filing: GENETIC TECHNOLOGIES LTD - Form 20-F

GTG has also developed a large portfolio of genetic tests for the canine area. Currently, GTG is the only provider of canine DNA services for the growing pedigree dog market in China.

Queensland University currently offers testing across animal species but particularly horses, where it is currently the preferred laboratory for stud book recording. Queensland University also provides a DNA service testing for dogs and cattle. Genetic Solutions Pty. Ltd. is currently offering a range of genetic tests for the cattle industry. Genetic Solutions is a smaller laboratory which has also indicated that it may extend its testing services to sheep.

AgResearch is a research laboratory in New Zealand used by Ovita, a company specializing in providing sheep herd management systems that includes a genetic breeding scoring system. Ovita has indicated that it would like to expand its services into the cattle industry.

Some major pathology companies in Australia already have vet pathology businesses and almost all have expertise in human DNA profiling. We expect that they will enter the animal testing market in the medium term. Currently, the major canine pathology company in Australia has a relationship with GTG whereby it sends all of its canine genetic testing to GTG.

Table of Contents

Genetic testing - plants

There are no material levels of commercial DNA service tests conducted in Australia for plants, other than commissioned research conducted by public authorities (such as universities and CSIRO) or by commercial organisations that internally conduct DNA tests as part of the ordinary course of their operations. In recognition of this, we established AgGenomics Pty. Ltd., a joint venture between Genetic Technologies and the Victorian State Government. The joint venture is controlled by Genetic Technologies (owning 50.1%). The commercial goal of AgGenomics is to offer the following services to plant breeders and researchers:

- High throughput extraction of plasmid DNA and genomic DNA;
- High throughput DNA sequencing;
- High throughput genotyping; and
- SNP discovery and analysis.

AgGenomics has focused on the commercial species of greatest value to the Australian economy and also species where the most substantial funding has been invested, including wheat, barley, canola, cotton, vegetable brassicas (e.g. cabbage, cauliflower, brussel sprouts and broccoli) and wine grapes. To date, AgGenomics has completed a number of commercial projects on behalf of some of these industries.

In Australia, we have two major competitors. The first is Southern Cross University, which specializes in tropical fruits and rice but, as they are highly specialized and do not match AgGenomics' testing capacity, they are not seen as a major threat. The second, South Australian Research & Development Institute (SARDI), is seen as our major threat as in the next few years there is a reasonable expectation that they will have the capacity to match AgGenomics. In addition to this, their expertise in plants is similar to ours.

Whilst we have few domestic competitors, our major commercial threat comes from offshore laboratories based in the United States, England and Korea which have a higher throughput than AgGenomics and enjoy greater economies of scale, thereby reducing their costs. To date, a few large Australian plant sequencing contracts have been lost offshore in cases where the client simply requires the return of the genetic data and does not require our expertise in its interpretation.

Genetic testing - sports performance

Edgar Filing: GENETIC TECHNOLOGIES LTD - Form 20-F

The Company has been granted patents in India, Japan, Australia and New Zealand over genotyping of the ACTN3 gene for athletic performance. Patents are pending in the United States, Europe, China, Canada, Russia and South Korea. Recently, ACTN3 has been offered by the United States based lifestyle genetics company 23andMe Inc., as part of its overall product involving the analysis of more than 500,000 genetic variations. While the ACTN3 SportsGene Test provides an indication of an individual's predisposition to sports/power sport performance as opposed to endurance sport performance, there are a range of other tests, genetic and non genetic that may also indicate a predisposition to particular sporting performance. None of these, however, specifically relate to a genetic test on the ACTN3 gene which, scientifically, has shown a very high correlation to sports performance.

Research

RareCollect Project

Sequenom, Inc. (NASDAQ: SQNM) is developing a non-invasive prenatal diagnostic platform based on analysis of cell-free fetal nucleic acid obtained from maternal blood samples. The Sequenom platform, SEQuereDx, is being developed as a primary screening tool for Trisomy 21 (also known as Down's Syndrome) as well as a broader menu of diagnostic tests. It is currently unknown how the diagnostic performance of SEQuereDx will compare to RareCollect although the Company believes that RareCollect will have utility much earlier in the first trimester of pregnancy than SEQuereDx. The Company further believes that the sample collection and pre-processing aspects of RareCollect are generic and therefore potentially highly complementary to SEQuereDx.

According to a press release in September 2008, Sequenom is expecting to launch their Trisomy 21 diagnostic test on SEQuereDx in the first half of calendar 2009.

Pathogens Program

Several groups are known to be developing novel anthelmintic compounds for application to commercial ruminants such as sheep. These groups include Novartis, Schering-Plough, Eli Lilly, Bayer, Merck and Pfizer. The status of these development programs is currently unknown to the Company.

Table of Contents

Environmental Regulations

The Company's operations are subject to environmental regulations under Australian State legislation. In particular, the Company is subject to the requirements of the Environment Protection Act 1993. A license has been obtained under this Act to produce listed waste.

As of June 30, 2008, the Company held a 14.66% (2007: 16.36%) direct equity interest in the North Laverton Joint Venture with Regis Resources Limited (Regis) which has continuing minimal expenditure requirements as prescribed by the Western Australian Mines Department in respect of its prospecting and exploration licenses and mining leases owned by the joint venture. By agreement with the joint venture partner, the Company is not contributing any funding towards the project, as these costs are met by its joint venture partner. As of June 30, 2008, the Company had recorded a provision for \$94,987 in respect of its share of the estimated rehabilitation costs associated with the North Laverton project. The amount of the provision was based on calculations provided to the Company by Regis as project manager. On August 27, 2008, the Company sold its entire interest in the joint venture to Regis and, as part of this sale, has been fully indemnified by Regis against any future rehabilitation liabilities which may arise from the exploration activities of the joint venture undertaken up until the date of sale. This indemnification will enable the Company, during the year ending June 30, 2009, to fully reverse the provision of \$94,987 in respect of such liabilities which had been recorded in the Company's balance sheet as of June 30, 2008.

Item 4.C Organizational Structure

The table below shows the corporate structure of Genetic Technologies and its subsidiaries as of the date of this Annual Report:

Note: Frozen Puppies Dot Com Pty. Ltd. was acquired on July 22, 2008, i.e. after balance date and its results have therefore not been included in the financial statements as of June 30, 2008 - refer Note 39 in the attached financial statements.

Genetic Technologies is the holding company of the group and is listed on the Australian Securities Exchange, under the code GTG and, via its ADRs, on the NASDAQ Global Market, under the ticker symbol GENE.

Item 4.D Property, Plant and Equipment

GeneType Pty. Ltd., a wholly-owned subsidiary of the Company, rents the offices and laboratory premises located at 60-66 Hanover Street, Fitzroy, Victoria, Australia from Bankberg Pty. Ltd., a company associated with former Director, Dr. Mervyn Jacobson. The lease expires on June 30, 2011, with an option for renewal for another 10 years, at a current annual cost of approximately \$440,000.

Item 5. Operating and Financial Review and Prospects

You should read the following discussion and analysis in conjunction with Item 3 Selected Financial Data and our financial statements, the notes to the financial statements and other financial information appearing elsewhere in this Annual Report. In addition to historical information, the following discussion and other parts of this Annual Report contain forward-looking statements that reflect our plans, estimates, intentions, expectations and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. See the Risk Factors section of Item 3 and other forward-looking statements in this Annual Report for a discussion of some, but not all, factors that could cause or contribute to such differences.

Table of Contents

Item 5.A Operating Results

Overview

Our Formation

GeneType AG was incorporated in Zug, Switzerland on February 13, 1989 to exploit the commercialization of the hypothesis that the non-coding region of the human HLA gene complex of chromosome 6 is a valuable and highly ordered reservoir of useful genetic information, largely overlooked by the rest of the world.

Genetic Technologies Limited was incorporated on January 5, 1987 as Concord Mining NL in Western Australia. On August 13, 1991, we changed our name to Consolidated Victorian Gold Mines NL to better reflect the operations of the Company at the time. On December 2, 1991, we again changed our name to Consolidated Victorian Mines NL. On March 5, 1995, we again changed our name to Duketon Goldfields NL. On October 15, 1995, we changed our status from a No Liability company to a company limited by shares and the name became Duketon Goldfields Limited. On August 29, 2000, we changed our name to Genetic Technologies Limited, which is the current name of the Company.

On August 29, 2000, Duketon Goldfields Limited received shareholder approval to change its activities from a mining company to a biotechnology and genetics company on the acquisition of all the issued capital of GeneType AG of Switzerland. Following the acquisition of GeneType AG, the new combination has been engaged in the researching, developing and commercialization of genetic concepts primarily related to our intron sequence patents and genomic mapping patents. We are also the largest accredited paternity testing laboratory in Australia which GeneType has been operating since 1990. Over the past five years, the Company has granted licenses to its patents and expects to derive revenue from further licensing of its patents. Prior to the merger with GeneType AG, the mining exploration activities had ceased and were being progressively disposed of by August 2000. The company was basically an investment shell and following the completion of the merger the old shareholders of GeneType AG were in control of the company which formed the basis for treating the acquisition of GeneType AG as a reverse acquisition.

Development Stage Enterprise

Until 2002, we were a development stage enterprise. We had been developing our technology that resulted in the granting of seven families of patents in the USA which we have now actively started to commercialize and enforce. Since inception up to June 30, 2008, we have incurred \$51,189,189 in accumulated operating losses. Our losses have resulted principally from costs incurred in research and development and from general and administrative costs associated with our operations. Refer to the Consolidated Statements of Operations in our attached financial statements.

The research and development costs incurred prior to August 2000 were funded by shareholders of GeneType AG. On completion of the merger of Duketon Goldfields Limited and GeneType AG in August 2000, to form Genetic Technologies Limited, existing funds of approximately \$6 million within Genetic Technologies Limited were applied towards research and development and general and administrative expenses

associated with our operations. The Company also sold its investment in Cytomation Inc. of Fort Collins, Colorado in November 2001 for approximately \$6 million. The funds realized from this sale were applied towards research and development and general and administrative expenses associated with our operations. The Company has completed several placements of shares, including one in August 2003, and there have been other amounts raised from the exercise of unlisted options. We have primarily depended on these sources of funds to meet our financing needs. However, we now license our non-coding technology and provide a series of genetic tests, both of which generate revenue to fund our expenses.

The extent to which we continue to incur losses will depend on the quantum of license fees received from the licensing of our patents, the amount of annuities and royalties we receive from past licenses, and the number of genetic tests we conduct. We may not be able to license our technology successfully or ever achieve or sustain profitability.

Where We Derive our Revenues

Our major source of revenues up to June 30, 2002 were grants received from the Australian Government under the START Program licensing, fees from licensing the non-coding patents, DNA paternity testing services income in Australia and interest income from our cash on deposit and other cash equivalents.

Since commencing our licensing program during the year ended June 30, 2002, the Company has been successful in securing licenses for its technology from a total of 38 commercial licensees and 6 research licensees (see Item 4A. for a complete list). We have also received proceeds from the disposal of some of our remaining non-core mining assets which were held for resale in Australia and Canada during the year ended June 30, 2003 and from the sales of various shares in other companies which we formerly held. None of this income is recurring.

Table of Contents

Fiscal Year

As an Australian company, our fiscal, or financial, year ends on June 30 each year. We produce audited consolidated accounts at the end of June each year and provide reviewed six-monthly accounts at the end of December each year, both of which are prepared under Australian Accounting Standards which include Australian equivalents to International Financial Reporting Standards (AIFRS) and International Financial Reporting Standards (IFRS).

Recent Accounting Pronouncements

In respect of the year ended June 30, 2008, Genetic Technologies and its subsidiaries (collectively, the Group) has adopted *IFRS 7 Financial Instruments; Disclosures*, together with all consequential amendments which became applicable on January 1, 2007. The adoption of this standard has only affected the disclosure in the financial statements which are attached as part of this Annual Report. There has been no affect on profit and loss or the financial position of the Group.

Certain International Financial Reporting Standards and interpretations have been issued or amended that are not mandatory for the June 30, 2008 reporting period. The assessment of the impact of these standards and interpretations which are considered to be of relevance to the Group and the parent entity is set out below.

- *Revised International Accounting Standard 23: Borrowing Costs*

IAS 23 (Revised) is applicable to annual reporting periods beginning on or after January 1, 2009. These amendments to IAS 23 require that all borrowing costs associated with a qualifying asset be capitalized. The Group has not determined the extent of the impact this amendment will have on the financial statements of the Group.

- *Revised International Accounting Standard 1: Presentation of Financial Statements*

IAS 1 (Revised) is applicable to annual reporting periods beginning on or after January 1, 2009. This Standard introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements. These amendments are only expected to affect the presentation of the Group s Financial Report and will not have a direct impact on the measurement and recognition of amounts disclosed in the Financial Report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.

- *Revised IFRS 2: Share-based Payments: Vesting Conditions and Cancellations*

IFRS 2 (Revised) is applicable to annual reporting periods beginning on or after January 1, 2009. The amendments clarify the definition of vesting conditions, introducing the term non-vesting conditions for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The Group has share-based payment arrangements that may be affected by these amendments. However, the Group has not yet determined the extent of the impact, if any.

- *Improvements to IFRSs*

Certain improvements to IFRS that are applicable to annual reporting periods beginning on or after January 1, 2009 except for amendments to IFRS 5, which are effective from July 1, 2009. The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part I deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact. The Group has not yet determined the extent of the impact of the amendments, if any.

- *Revised IFRS 3: Business Combinations*

IFRS 3 (Revised) is applicable to annual reporting periods beginning on or after July 1, 2009. The revised standard introduces a number of amendments to the accounting for business combinations, including: requiring acquisition costs to be expensed immediately; the fair value measurement of contingent consideration to be recognised in the balance sheet at acquisition date with subsequent changes reflected in the income statement; it provides further guidance on determining the fair value of certain assets and liabilities; as well as other changes. The majority of these changes will apply prospectively.

As this standard will mainly only impact business combinations entered into after July 1, 2009, the Group has not yet fully assessed the impact of this standard, including which of the available accounting policy options it will adopt.

The Group has entered into a business combination during the financial year ended June 30, 2009. However, the Group has not yet assessed the impact of early adoption, including which accounting policy to adopt.

Table of Contents

- *Revised International Accounting Standards 27: Consolidated and Separate Financial Statements*

IAS 27 (Revised) is applicable to annual reporting periods beginning on or after July 1, 2009. Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction. If the Group changes its ownership interest in existing subsidiaries in future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or loss in the Group's income statement.

These are the only changes which are expected to be of relevance to the Group.

Critical Accounting Policies

(a) Basis of preparation

The financial statements which are attached as part of this Annual Report form part of a general purpose Financial Report has been prepared in accordance with International Financial Reporting Standards (IFRS) and other authoritative pronouncements of the International Accounting Standards Board (IASB).

Compliance with IFRS

The Financial Report complies with both IFRS, as issued by the International Accounting Standards Board, and the Australian Accounting Standards, as issued by the Australian Accounting Standards Board.

The consolidated entity changed its accounting policies on July 1, 2005 to comply with IFRS. The transition to IFRS is accounted for in accordance with *IFRS 1: First-Time Adoption of International Financial Reporting Standards* (IFRS 1), with July 1, 2004 as the date of transition.

Historical cost convention

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

Significant 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 significant to the financial statements, are disclosed in Note 3.

(b) 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 unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised 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.

(c) 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 income statement.

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.

Table of Contents

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

Gtech International Resources Limited Canadian dollars (CAD)

GeneType AG Swiss francs (CHF)

GeneType Corporation 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 income statements are 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 recognised in equity relating to that particular foreign operation is recognised in the income statement.

(d) 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 assets) 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 a variety of 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. Available-for-sale investments are measured at approximate market value, where fair value cannot be reliably determined. The carrying value less impairment provision of trade receivables are assumed to approximate their fair values due to their short-term nature.

(e) Segment reporting

An *operating segment* is a component of the Group:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);
- whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and

- for which discrete financial information is available.

The Group elected to early adopt *IFRS 8: Segment Reporting* as from July 1, 2006.

(f) Revenue recognition

Revenues are recognised 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 recognised 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 recognised:

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, there is no specific term clause, and collection is reasonably assured. The Group does not grant refunds to its customers. Refer also to Note 2(y).

Rendering of services

Revenues from the rendering of services are recognised when the services are provided and the fee for the services 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 recognised 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 recognised 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 grants that assist the Company to fund specific research and development projects. These grants generally provide for the reimbursement of approved costs incurred as defined in the various agreements. Government grants are recorded as other income when they become receivable, i.e. when key milestones set within each agreement are achieved and accepted by all parties to the grant, no performance obligation remains and collectibility is reasonably assured.

Table of Contents

(g) Share-based payment transactions

The Group provides benefits to employees of the Group in the form of share-based payment transactions, whereby employees render services and receive rights over shares (equity-settled transactions). There is currently a Staff Share Plan in place to provide these benefits to senior executives, consultants and employees. The cost of these equity-settled transactions is measured by reference to the fair value at the date they are granted. The fair value is determined by an external valuer using a Black-Scholes option pricing model.

In valuing equity-settled transactions, no account is taken of any performance conditions. The cost of equity-settled transactions is recognised, 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 recognised 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 recognised for any awards that do not ultimately vest. Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. Where appropriate, the dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(h) 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 recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised 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 recognised directly in equity are also recognised directly in equity.

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 recognises 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 recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in Note 7. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreements are recognised as a contribution to (or distribution from) wholly-owned tax subsidiaries.

Table of Contents

(i) **Cash and cash equivalents**

Cash and short-term deposits 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 three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

(j) **Trade and other receivables**

Trade receivables, which are non-interest bearing and generally have terms of between 30 to 90 days, are recognised 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. No impairment charge has been recognised as an expense for the current year. Details regarding interest rate and credit risk of current receivables are disclosed in Note 37.

(k) **Consumables**

Consumables principally comprise laboratory and other supplies and are valued at the lower of cost and net realizable value. Consumable costs are recognised 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.

(l) **Restricted security deposits**

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

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

All investments are initially recognised 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 recognised 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 income statement.

Available-for-sale investments

Available-for-sale investments consist of investments in ordinary shares which have no fixed maturity date or coupon rate. The fair value of the 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.

(n) 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 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 recognised 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

(o) **Intangible assets**

Patents

Patents held by the Group are used in the licensing, testing and research areas and are carried at cost and amortised 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 costs

Costs relating to research activities are expensed as incurred.

(p) **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 amortised but 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 recognised.

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 Operating Segments*.

(q) **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 recognised 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 recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised 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 recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, 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.

(r) Trade and other payables

Trade payables and other payables are carried at amortised 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.

Table of Contents

(s) **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 recognised on a straight-line accruals basis over the term in accordance with 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. Costs incurred relating to this future revenue are also deferred.

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 recognise 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 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 revenues

The Company operates testing laboratories which provide genetic testing services. The Company recognises revenue from the provision of testing services when the testing services have been completed. Fees received in advance of the testing process are deferred until such time as the Company completes its performance obligations.

Grant revenues

Government grants are recognised 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 recognised 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 income statement over the expected useful life of the relevant asset by equal annual instalments.

(t) **Provisions**

Provisions are recognised 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 recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement 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 recognised as a finance cost.

Comparison of the year ended June 30, 2008 to the year ended June 30, 2007

License revenues

Our total license revenue generated for the 2008 financial year was \$10,825,267, a decrease of 5% on the previous year. The majority of this revenue was generated from new licenses granted to a number of companies including Syngenta Crop Protection AG, Monsanto Company, GE Healthcare Bio-Sciences Corp., Biosearch Technologies Inc. and Prometheus Laboratories Inc. As with the 2007 financial year, we continued to receive income from the Applera settlement (\$1,057,135), in the form of equipment and reagent credits, representing a decrease of \$84,951 on the previous year. Included in the total license revenues is royalty and annuity income of \$921,076, which fell by \$1,737,919, or 65%, during 2008 as we had received a major payment. License revenues form part of the Australian geographic segment.

Service testing revenues

Our service testing income rose 26% on the 2007 financial year, an increase of \$799,561. Breast cancer testing (up \$227,574), forensics testing (up \$549,479) and canine disease testing and profiling (up \$196,104) contributed significantly to the increase, though falls in livestock testing (down \$163,574) reduced the overall increase. However we can see promising increases in the number of tests conducted in future periods. We expect this progress to continue as additional marketing initiatives continue to be introduced. The income we earned from paternity testing remained stable, which we had anticipated as more competitors enter the market, however we are satisfied that we are able to maintain our market position, despite fierce price cutting in some areas. We have since secured further considerable work in the area of forensics and are working with political lobbyists to tender for work that certain Australian State Governments are now seeking to outsource. Service testing revenues form part of the Australian geographic segment.

Table of Contents

Grant income

Grant income effectively fell by \$136,488 in a year on year comparison which was due largely to a delay in receipt of the income due under the Export Market Development Grant which the Company hopes to receive during 2009. Grant income forms part of the Australian geographic segment.

Interest income

Interest income increased by \$431,319, or 88%, over the 2007 financial year due to sharp increases in the deposit interest rates applicable to the Company's cash balances during the 2008 year and the fact that a significant proportion of the Company's cash assets were transferred from accounts in the United States, where interest rates were typically lower, to the accounts in Australia, where interest rates were typically higher.

Employee benefits expenses

Total employee benefits expenses for 2008 increased by \$1,012,322, or 18%. Apart from increases due to general inflation, this increase was attributable to increases in salaries and wages (\$682,243) as a result of additional staff being employed to expand the Company's business and Directors' fees (\$127,586) as a result of additional Directors being added to the Board.

Impairment losses and other write-downs

Overall, impairment losses increased by \$1,071,040, or 82%, from the preceding 2007 financial year. During 2008, the Company recognized an impairment loss of \$2,378,000 in respect of certain patents obtained from the C.Y. O'Connor ERADE Village Foundation in 2004 due to delays and uncertainty surrounding the commercialization of the underlying technology.

Genetic testing expenses

Genetic testing expenses decreased by \$389,454, or 20%, during the 2008 financial year. This fall was due partly to the first-time recognition of consumables and improvements in laboratory practices which have resulted in overall efficiencies delivering reduced consumption of reagents.

Contract research and trial expenses

Contract research and trial expenses incurred during 2008 of \$1,267,748 remained in line with the previous year (\$1,247,775) as the Company's various research and development projects continued.

Royalties, license fees and commissions paid

Royalties, license fees and commissions paid increased by \$309,398, or 53%, during the 2008 financial year. This increase was due to the payment of commissions to licensing contractors in respect of new licenses granted by the Company during the year.

Legal and patent fees

Legal and patent fees increased by \$125,249, or 17%, during the 2008 financial year. This increase was due to fees associated with the acquisition of Frozen Puppies Dot Com Pty. Ltd., the lodging of new patent applications around the world and general growth of the business.

Administration expenses

Administration expenses decreased by \$62,154, or 7%, during the 2008 financial year due principally to lower audit fees offset by general inflationary increases in other administrative expenses.

Net foreign exchange losses

Net foreign exchange losses decreased by \$62,363, or 20%, during the 2008 financial year due principally to more favourable movements in the Australian / US dollar exchange rates than in the preceding 2007 year.

Marketing and promotion expenses

Marketing and promotion expenses decreased by \$215,443, or 49%, during the 2008 financial year. This fall was due to a focus on the use of in-house personnel to promote the Company's interests and the fact that a significant amount had been incurred by the Company during the previous financial year as part of its sponsorship of the International Congress on Human Genetics.

Table of Contents

Withholding tax

Withholding tax decreased by \$169,867, or 64%, during the 2008 financial year. This fall was due to two factors: firstly, a strengthening of the Australian dollar against the US dollar, being the currency in which most of the Company's licenses are denominated; and, secondly, changes to the Company's licensing documents that ensures that the majority of license fees generated from new licenses are received net of any associated withholding tax obligation.

Comparison of the year ended June 30, 2007 to the year ended June 30, 2006

License revenues

Our total license revenue generated for the 2007 financial year was \$11,337,079, representing a significant increase of 70% on the previous year. The majority of this revenue was generated from new licenses granted to a number of companies including Monsanto Company and Thermo Fisher Scientific Inc. As with the 2006 financial year, we continued to receive income from the Applera settlement (\$1,142,086), in the form of equipment and reagent credits, representing an increase of \$105,975 on the previous year. Included in the total license revenues is royalty and annuity income of \$2,658,995, which increased by \$1,098,094, or 70%, during 2007 as we had brought forward the receipt of a major annuity payment during the 2007 year which was not due to be received until 2008. License revenues form part of the Australian geographic segment.

Service testing revenues

Our service testing income rose 22% on the 2006 financial year, an increase of \$568,910. Breast cancer testing (up \$396,900) and canine disease testing and profiling (up \$642,265) contributed significantly to the increase, though falls in paternity testing (down \$218,556) reduced the overall increase. However, we can see promising increases in the number of tests conducted in future periods. We expect this progress to continue as additional marketing initiatives continue to be introduced. The income we earned on paternity testing fell as new competitors entered the marketplace, creating fierce price cutting in some areas. We have since secured additional in the area of forensics testing and have tendered for work that certain Australian State Governments are now seeking to outsource. Service testing revenues form part of the Australian geographic segment.

Grant income

Grant income effectively fell by \$255,181, or 45%, in a year on year comparison which was due largely to a delay in receipt of the income due under the Export Market Development Grant which the Company hopes to receive during 2009. Grant income forms part of the Australian geographic segment.

Interest income

Interest income decreased by \$316,108, or 39%, over the 2007 financial year due to falls in the deposit interest rates applicable to the Company's cash balances during the 2007 year.

Employee benefits expenses

Total employee benefits expenses for 2007 increased by \$124,138, or only 2%, which was due to general inflation.

Impairment losses and other write-downs

Overall, impairment losses increased by \$1,209,460, or 1,240%, from the preceding 2006 financial year due largely to the Company recognizing an impairment loss of \$1,150,000 in respect of certain patents obtained from the C.Y. O'Connor ERADE Village Foundation in 2004 due to delays and uncertainty surrounding the commercialization of the underlying technology.

Genetic testing expenses

Genetic testing expenses decreased by \$19,448, or only 1%, during the 2007 financial year. This modest fall was due to improvements in laboratory practices which have resulted in overall efficiencies delivering reduced consumption of reagents, offset by inevitable inflationary price increases.

Contract research and trial expenses

Contract research and trial expenses incurred during 2007 of \$1,247,775 fell by \$98,141, or 7%, due to the termination of the addictive states project that was formerly undertaken at King's College, London.

Royalties, license fees and commissions paid

Royalties, license fees and commissions paid increased by \$402,839, or 327%, during the 2007 financial year. This increase was due to the payment of commissions to licensing contractors in respect of new licenses granted by the Company during the year.

Table of Contents

Legal and patent fees

Legal and patent fees decreased by \$692,324, or 48%, during the 2007 financial year. This considerable fall was due primarily to a settlement of the legal dispute with Applera Corporation which had occurred during the previous financial year.

Administration expenses

Administration expenses incurred during 2007 of \$901,380 were in line with similar expenses incurred during the previous year of \$910,776.

Net foreign exchange losses

Net foreign exchange losses of \$317,317 were incurred during 2007 which compared unfavourably to the net foreign exchange gain of \$123,616 which was incurred during the preceding year. This movement was principally due to a significant movement in the Australian dollar / US dollar exchange rate during the year which moved from 0.7423 as of June 30, 2006 to 0.8491 as of June 30, 2007.

Marketing and promotion expenses

Marketing and promotion expenses decreased by \$65,266, or 13%, during the 2007 financial year. This fall was due to several factors including the termination of the Company's investor relations firm in the United States, a focus on the use of in-house personnel to promote the Company's interests and the fact that a significant amount had been incurred by the Company during the previous financial year as part of its sponsorship of the International Congress on Human Genetics.

Withholding tax

Withholding tax increased by \$173,891, or 192%, during the 2007 financial year. This increase was due to the execution of new licenses for which a withholding tax obligation may potentially arise in future.

Item 5.B Liquidity and Capital Resources

Summary

Our overall cash position depends on numerous factors, including the success of licensing our non-coding patents, the numbers of genetic tests processed by our laboratory, completion of our product research and development activities, ability to commercialize our products, market acceptance of our products and services and how we choose to commercially exploit our technology. We expect to devote additional capital resources to the expansion of our licensing program on a worldwide basis, continue our research and development programs with a view to commercializing our technology in our target markets, hire and train additional staff, expand our research and development activities and acquire or make investments in businesses that are complementary to our existing business. Each of these activities will inevitably involve the outflow of cash reserves.

During the years ended June 30, 2008, 2007 and 2006, we have incurred net losses of \$5,446,089, \$4,328,543 and \$7,918,773, respectively. We anticipate incurring additional costs over at least the next several years as we expand our research and development activities and conduct further trials of our technology. The extent to which we will incur losses in future years depends largely on the success of the licensing of our non-coding technologies and the expansion of our genetic testing business.

Since inception, our operations have been financed primarily from capital contributions by our stockholders, licensing and service testing revenues, grants, and interest earned on cash and cash equivalents.

During the years ended June 30, 2008 and 2007, the Company generated positive cash flows from operations of \$422,770 and \$2,579,246, respectively. We believe that our cash and cash equivalents of approximately \$12.9 million as of June 30, 2008, will provide us with sufficient capital to fund a base level of operations for the next two years as from that date. During this period, we expect to be able to continue to adequately fund our research and development activities, licensing program, product development and commercialization efforts and other operations. Further, as these activities continue to expand, we anticipate that the revenues generated should assist the Company to once again achieve a cash positive result from operations.

Our net cash provided by / (used in) operating activities was \$422,770, \$2,597,246 and \$(5,957,322) for the years ended June 30, 2008, 2007 and 2006, respectively. Importantly, as stated above, the Company generated positive cash flows from operations for the first time in 2007 and again in 2008. Cash used in operating activities for each period consisted primarily of losses incurred in operations reduced by depreciation and amortization expenses, exchange movements and unrealized profits and losses relating to investments. In approximate order of magnitude, cash outflows typically consist of staff-related costs, service testing expenses, general and administrative expenses, research and development costs and legal/patent fees.

Table of Contents

Our net cash provided by / (used in) investing activities was \$(47,399), \$94,010 and \$(155,247) for the years ended June 30, 2008, 2007 and 2006, respectively. Typically, cash used in investing activities related to the acquisition of laboratory equipment. During the 2005 financial year, the establishment of the equipment finance facility described below reduced cash outflows for that year and future years. In addition, the agreement reached with Applera Corporation in December 2005 has provided us with significant credits for laboratory equipment and reagents produced by that company.

Our net cash provided by / (used in) financing activities was \$(528,899), \$(502,505) and \$(450,892) for the years ended June 30, 2008, 2007 and 2006, respectively. These outflows related to the repayment of hire purchase principal in respect of various items of laboratory equipment.

Apart from the purchase of laboratory equipment of \$118,010 in 2008, \$158,699 in 2007 and \$159,716 in 2006, we had no material capital expenditures for the years ended June 30, 2008, 2007 and 2006.

On January 14, 2005, the Company executed a Master Asset Finance Agreement with National Australia Bank Limited in respect of a \$2.5 million asset hire purchase facility (the Facility). As at June 30, 2008, the Company had financed the acquisition of laboratory equipment under the Facility with a total value of \$1,966,312. It is expected that other purchases of laboratory equipment will be financed under this Facility in the future, to the extent that sufficient credit is available. The use of this Facility enables the Company to better match the cost of the equipment with the future revenues to be generated from it in a cost-effective manner and minimizes the outflow of valuable cash.

Future Cash Needs

We expect that operating expenses and, to a lesser extent, capital expenditures will be a material use of our cash resources in future. As of June 30, 2008, we had cash and cash equivalents totaling approximately \$12.9 million. We believe that this working capital is sufficient for our anticipated needs for the next two years as from that date. We do not have any lines of credit apart from the equipment finance facility with National Australia Bank Limited and a nominal credit card facility with St. George Bank Limited which, as of June 30, 2008, had available credit of \$145,000. We anticipate generating additional cash in future years from our licensing activities and the continued expansion of our service testing business.

Operating Leases

We are obligated under various operating leases for periods expiring through 2011. Payments under non-cancelable operating lease arrangements for office premises and laboratory facilities expire on various dates through June 30, 2011, resulting in the lease commitments over that period which are stated in the following table.

The following is a schedule of future minimum lease payments for operating leases that had initial or remaining non-cancellable lease terms in excess of one year as of June 30, 2008:

Year ending,

2009	\$	466,412
2010		477,715
2011		488,110
Total minimum lease payments	\$	1,432,237

Rent expense totaling \$501,239, \$445,384 and \$399,274 for the years ended June 30, 2008, 2007 and 2006, respectively, was paid to Bankberg Pty. Ltd., a company associated with former Director, Dr. Mervyn Jacobson.

Table of Contents

The following is a schedule of future minimum hire purchase payments for equipment finance that had initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2008:

Minimum hire purchase payments	
Year ending 2009	\$ 134,027
Year ending 2010	106,793
Year ending 2011	97,739
Total minimum hire purchase payments	
	\$ 338,559
Less: future finance charges	(40,360)
Aggregate hire purchase expenditure contracted for as at reporting date	
	\$ 298,199
Aggregate expenditure commitments comprise:	
Current liability	\$ 111,117
Non-current liability	187,082
Total expenditure commitments	\$ 298,199

Item 5.C Research and Development, Patents and Licenses, etc.

Our principal business is biotechnology, with the emphasis on genomics and genetics, the licensing of the non-coding patents, reduction to practice of our fetal cell patents and expansion of the related service testing business.

The following table details historic R&D expenditure by project. All projects are described at Item 4.B above.

	2008	2007	2006
	\$	\$	\$
RareCollect	\$ 775,662	\$ 1,081,101	\$ 1,193,098
ImmunAid	278,175	421,032	282,884
Pathogens	359,184	406,855	179,710
Genomic Matching Technique (note 1)	4,038,061	2,476,800	1,648,876
Addictive States (note 2)		52,113	253,250
Other general R&D	218,007	419,147	209,144
Total R&D expense	\$ 5,669,089	\$ 4,857,048	\$ 3,766,962
Other expenditure	15,761,491	14,807,959	14,898,275
Total expenditure	\$ 21,430,580	\$ 19,665,007	\$ 18,665,237
R&D as a % of total expenditure	26%	25%	20%

Notes: 1. The figure for 2008 of \$4,038,061 includes an impairment loss of \$2,378,000. The figure for 2007 of \$2,476,800 includes an impairment loss of \$1,150,000.

2. The addictive states project was terminated during the 2007 financial year.

Due to the nature of the Company's business, it is important that any intellectual property in the form of new discoveries be protected. The table described in Item 4.B hereinabove provides the status of all patent applications the Company has filed.

Item 5.D Trend Information

The Direction of Genetic Research

Following upon the original non-coding inventions made by GeneType AG and the publication and dissemination of this work in the early 1990's, research groups world-wide increasingly have sought to investigate and, if possible, establish non-coding associations in a great number of diseases which were hitherto unexplained.

Table of Contents

In 2002, Nature Publishing Group produced a summary of some 284 separate research projects which sought to establish non-coding associations in relation to either the cause or the outcome of many human diseases. Within that group, more than 100 human conditions have since been shown to be linked to non-coding genetic variations. In 1999, an international collaboration, known as the SNP Consortium was established to identify all single nucleotide polymorphisms (SNPs) of relevance to a complete understanding of human genetics. More recently, the international HapMap project was launched to identify relevant human haplotypes.

All of these projects depend significantly on the basic inventions owned by our Company. It remains our corporate objective to encourage all such research which we expect will, in time, lead to a great number of new commercial licensing opportunities for Genetic Technologies. Such opportunities are also not limited to human applications, given the recent expansion of interest in the genetics of animals, plants and lower forms of life, including parasites and many organisms that contribute to either disease or to recuperative environmental systems of our planet. Such research is likely to expand significantly in the coming years. Our ability to secure licensing agreements from these areas of research as they develop into commercial operations will determine the level of revenue in the future.

The Direction of Genetic Testing

Further to the completed first phase of the Human Genome Project in mid-2001, and then the Mouse Genome Project in December 2002, there is now a greatly improved general understanding of gene structure, gene function and gene expression. This is likely to lead to new genetic tests and new genetic treatments - perhaps even tailored to an individual's unique genetic code. DNA testing for forensic purposes has already been shown to be extremely reliable in matters of criminal justice, disputed paternity and family relationships. Genetic testing will also be increasingly relied upon to assist with disease diagnosis, and also in the improved assessment disease risk factors. In addition, genetic testing will be applied more and more to help identify specific animal and plant traits that are either desirable or undesirable, in order to help breeders better select their future seed stock. We believe the demand for an expansion of genetic testing will grow substantially in the coming years.

Item 5.E Off-balance sheet arrangements

Apart from our settlement arrangements with Aplera Corporation, pursuant to which we are entitled to draw down certain items of equipment and reagents (refer Note 29 of the attached financial statements for details), we have no off-balance sheet arrangements that have or are reasonably likely to have current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Item 5.F Information about Contractual Obligations

The table below shows the contractual obligations and commercial commitments as at June 30, 2008:

0-1 year	>1-<3 years	>3-<5 years	>5 years
----------	-------------	-------------	----------

Minimum research and development payments	\$	762,500	\$	490,000	\$		\$
Operating lease commitments	\$	466,412	\$	477,715	\$	488,110	\$
Hire purchase commitments	\$	134,027	\$	106,793	\$	97,739	\$

The Company's purchase obligations are in respect of its subcontracted research and development activities and equipment purchases.

Item 6. Directors, Senior Management and Employees

Item 6.A Directors and Senior Management

The Directors of the Company as of the date of this Annual Report are:

Fred Bart, (Chairman)

Mr. Bart, 54, has been involved in the textile industry for the last 25 years as well as being a significant investor in the resource and property sectors in Australia and overseas. He brings to the Company extensive commercial experience from his involvement in the manufacturing and textile industries. He is also Chairman of Electro Optic Systems Holdings Limited and Global Properties Limited and is a member of the Australian Institute of Company Directors. He was appointed to the Board on October 26, 1996 and also serves as a Director of the Company's Canadian-listed subsidiary, Gtech International Resources Limited, and as a member of the Company's Audit Committee.

Table of Contents

Sidney C. Hack, CPA (*Non-Executive*)

Mr. Hack, 70, is a Certified Practising Accountant and registered Company Auditor having recently retired after 30 years as a senior partner in a Melbourne-based Chartered Accounting Practice. He has extensive experience in company audits, finance and taxation. He was appointed to the Board on November 19, 2008, serves on the Company's Corporate Governance Committee and is Chairman of the Company's Audit Committee.

Huw D. Jones, BEng, MBA (*Non-Executive*)

Mr. Jones, 45, brings broad commercial experience from the healthcare and environmental services industries. He has been involved in the healthcare market for over 15 years and has held executive positions with leading corporations including Managing Director of Datex-Ohmeda, Australasia (now GE Healthcare, Australasia). Mr. Jones is currently CEO and Executive Director of Aeris Environmental Limited, an emerging environmental technology and services company, and co-owner of Nascor Pty. Ltd., a developer of specialist medical devices targeting the global neonatal and maternity markets. He was appointed to the Company's Board of Directors on November 19, 2008 and also serves on the Company's Audit Committee.

During the 2008 financial year, Mr. Henry Bosch AO, Mr. John Dawkins AO, Dr. Leanne Rowe AM, Mr. David Carruthers and Mr. Michael Ohanessian also served as Directors of the Company until their removal on November 19, 2008 at the Company's 2008 Annual General Meeting. During the 2008 year, Dr. Mervyn Jacobson also served as a Director of the Company until his resignation on December 12, 2008.

Senior Management

We have a professional team of qualified and experienced research and development scientists and technicians. The Company currently employs 74 people, of which seven have PhD qualifications.

As of the date of this Annual Report, we do not have a Chief Executive Officer following the removal of Mr. Michael Ohanessian on November 19, 2008. An international recruitment agent has since been appointed to conduct a global search in order to identify potential candidates who may subsequently be appointed to fill this vacancy.

The members of Senior Management, and a brief summary of their relevant experience, is as follows:

Thomas G. Howitt, BCom, ACA, FTIA, ACIS, AICPA (Chief Financial Officer and Company Secretary)

Mr. Howitt, 44, was appointed as the group's first full-time Chief Financial Officer in June 2004 and as Company Secretary in June 2005. During his 20-plus year career, he has served as CFO and Company Secretary for a number of companies, listed on both the ASX and foreign stock exchanges. His wide experience covers all facets of financial management and control across a variety of industries, including resources and technology (domestic and international), having been instrumental in the successful development, patenting and commercialisation of several innovative technologies. He has played key roles in the raising of bank debt and equity capital and the management of complex due diligence programs and has worked as a senior Taxation Consultant for Ernst & Young and in the investment banking industry. He also serves as President of the Company's Canadian-listed subsidiary, Gtech International Resources Limited.

Ross Barrow, BSc Hons, MBA (Chief Operating Officer)

Mr. Barrow, 46, joined Genetic Technologies as its Chief Operating Officer in April 2008. Prior to joining the Company, Mr. Barrow was Director, Technology and Melbourne Operations for Leica's Biosystems Division, a subsidiary of NYSE-listed Danaher Corporation. Prior to that, he was Chief Operating Officer and a Director of Vision BioSystems Limited, one of Australia's most successful, global biotechnology and medical device companies. Before Vision, Mr. Barrow spent 11 years with BHP Company Limited (now BHP Billiton) in a variety of roles managing major R&D and technology development programs. Mr. Barrow has extensive senior management experience in the clinical in-vitro diagnostics industry as well as broad experience in managing global business units and operations. As of the date of this Annual Report, Mr. Barrow had tendered his resignation.

W. Ian Smith, BEc (Business Development Manager - DNA Profiling)

Mr. Smith, 45, was appointed Business Development Manager - DNA Profiling in 2005 after six years as the Company's Financial Controller. Prior to joining the Company, he had an extensive career in corporate banking, having worked for National Australia Bank Corporate Banking Division and, later, as a domestic money market dealer. Subsequently, a move to Barclays Bank Australia Limited as Corporate Banking Manager saw him focus on new business development and management of medium-to-large corporate customers. Prior to joining Genetic Technologies, he was involved in the customer retention and acquisition of high net wealth individuals as a Manager of Corporate Banking for the State Bank of New South Wales. While at Genetic Technologies, he has overseen the merger and integration of a number of acquisitions.

Table of Contents

Jonathan S. Whitty, BSc, GradDip Genetic Counseling (*Business Development Manager - Medical Diagnostics*)

Mr. Whitty, 33, was appointed Business Development Manager - Medical Diagnostics in April 2007 after working in business development for the division since July 2004. He has previously worked for five years in Molecular Pathology at the Peter MacCallum Cancer Institute where, as coordinator of molecular testing for gastrointestinal disease, he gained extensive experience and technical knowledge in diagnostic laboratory operations. Subsequently trained in Genetic Counseling and employed by Genetic Health Services Victoria in the division of Rural & Regional services, he has broad experience in the social and ethical aspects of clinical genetics services. Having served as Secretary of the Human Genetics Society of Australasia - Victorian Branch from 2004 to 2006, and as a current member of the Hereditary Bowel Cancer Group in Victoria, he has in-depth knowledge of genetic testing policy in Australia. As of the date of this Annual Report, Mr. Whitty had tendered his resignation.

M. Luisa Ashdown, MSc (*General Manager - Licensing*)

Ms. Ashdown, 52, is a Senior Scientist and currently serves as the Company's General Manager - Licensing. She has extensive experience gained in over 20 years combined employment at Royal Women's Hospital and Royal Melbourne Hospital and at Genetic Technologies. Areas of expertise include molecular genetics, immunology, tissue typing, DNA profiling and now intellectual property management. After joining the Company in 1989, she was responsible for building the laboratory's capability and managing the DNA service testing including fulfilling government statutory regulatory requirements. In addition to Laboratory Manager, she was Research Project Manager, author on various company publications and a Director of several subsidiary companies. In addition to managing its licensing activities, she is currently actively contributing to the Company's business development and research activities.

Catherine M. Barclay, BA, PGDipHRM (*General Manager - Human Resources*)

Mrs. Barclay, 41, was appointed as General Manager - Human Resources in December 2007. During her 20 year career, she has served in a variety of management roles, including managing human resources, customer service and accounting support functions, in both Australia and New Zealand. Her experience covers all aspects of human resources including organizational development, employee and industrial relations, change management and development and implementation of human resources policies and processes. She has been responsible from a human resources perspective for acquisitions and divestitures and has played a key role in developing corporate HR strategy whilst working for AXA Asia Pacific Holdings Ltd.

Scientific Advisors

It is vital to the success of a company seeking to commercialize research, such as Genetic Technologies Limited, to have access to pre-eminent scientists to advise and critically review its research projects and the progress it makes over time. As such, in August 2003, we established an outstanding Scientific Advisory Committee, consisting of independent scientists with expertise and reputations for excellence in their respective fields of endeavor that complement the major projects being undertaken by the Company. However, due to external time commitments of the

members, we decided during 2007 to disband the formal Committee and, instead, avail ourselves of the services of each former Committee member on an as needs basis. We believe that this approach will provide all concerned with a more efficient use of everyone's available time.

Table of Contents**Item 6.B Compensation**

Details of the nature and amount of each major element of the compensation of each director of the Company and each of the named officers of the Company and its subsidiaries, for services in all capacities during the financial year ended June 30, 2008 are listed below. All figures are stated in Australian dollars (AUD).

Name and title of Directors	Year	Short-term Salary/fees \$	Other \$	Post-employment Superannuation \$	Long-term Long service leave \$	Share-based Options \$	Totals \$
Henry Bosch AO	2008	126,846				12,921	139,767
Non-Executive Chairman	2007	90,000				74,025	164,025
Fred Bart	2008	42,282		3,805			46,087
Non-Executive Director	2007	30,000		2,700			32,700
David Carruthers	2008	50,000		4,500			54,500
Non-Executive Director	2007			18,795			18,795
John S. Dawkins AO	2008	42,282		3,805		12,921	59,008
Non-Executive Director	2007	30,000		2,700		74,025	106,725
Dr. Mervyn Jacobson (note)	2008	138,461					138,461
Non-Executive Director	2007	300,000					300,000
Dr. Leanne Rowe AM (note)	2008			11,353			11,353
Non-Executive Director	2007						
Robert J. Edge (note)	2008						
Non-Executive Director	2007	11,414		1,027			12,441
Prof. Deon J. Venter (note)	2008						
Non-Executive Director	2007	17,500		399			17,899
Sub-totals for Directors	2008	399,871		23,463		25,842	449,176
	2007	478,914		25,621		148,050	652,585
Executives							
Michael B. Ohanessian (note)	2008	232,546	6,706	20,769	356	68,175	328,552
Chief Executive Officer	2007						
Thomas G. Howitt (note)	2008	200,000	35,000	21,150	8,284	30,759	295,193
Chief Financial Officer and Company Secretary	2007	190,000		17,100	3,881	35,050	246,031
Ross Barrow (note)	2008	54,006		4,860			58,866
Chief Operating Officer	2007						
Dr. Gary Cobon (note)	2008	66,047	82,500	74,619			223,166

Edgar Filing: GENETIC TECHNOLOGIES LTD - Form 20-F

Chief Scientific Officer	2007	93,741		80,659	877	50,512	225,789
Geoffrey E. Newing (note)	2008						
Fmr. Chief Operating Officer	2007	188,333	87,500	16,630			292,463
Ian N. Christensen (note)	2008						
Group General Manager - IP	2007	23,358		1,380			24,738
Sub-totals for Executives	2008	552,599	124,206	121,398	8,640	98,934	905,777
	2007	495,432	87,500	115,769	4,758	85,562	789,021
Total remuneration of	2008	952,470	124,206	144,861	8,640	124,776	1,354,953
Key Management Personnel	2007	974,346	87,500	141,390	4,758	233,612	1,441,606

Table of Contents

Notes: The Company and the Group had only four Executives, as defined, during the year ended June 30, 2008.

The column above entitled Other of \$124,206 (2007: \$87,500) comprises termination benefits of \$82,500 (2007: \$87,500), bonuses of \$35,000 (2007: \$nil) and motor vehicle allowances of \$6,706 (2007: \$nil).

Dr. Jacobson served as the Company's Chief Executive Officer from July 1, 2007 to September 24, 2007. He resigned as a Director of the Company on December 12, 2008.

Dr. Rowe was appointed as a Director of the Company on April 16, 2008.

Mr. Edge retired as a Director of the Company on November 17, 2006.

Prof. Venter resigned as a Director of the Company on August 23, 2006.

Mr. Ohanessian was appointed as a Director of the Company and its Chief Executive Officer on September 24, 2007. He was removed as a Director and its CEO on November 19, 2008.

Mr. Ohanessian received \$6,706 during the year ended June 30, 2008 in respect of a motor vehicle allowance.

Mr. Howitt received an STI payment of \$35,000 during the year ended June 30, 2008 in respect of the prior year.

Mr. Barrow was appointed as the Company's Chief Operating Officer on April 14, 2008.

Dr. Cobon resigned as the Company's Chief Scientific Officer on March 28, 2008.

Dr. Cobon received \$82,500 during the year ended June 30, 2008 in respect of a termination benefit.

Mr. Newing resigned as the Company's Chief Operating Officer on July 1, 2007.

Mr. Newing received \$87,500 during the year ended June 30, 2007 in respect of a termination benefit.

Mr. Christensen resigned as the Company's Group General Manager - IP on August 12, 2006.

Executive officers are those officers who were involved during the year in the strategic direction, general management or control of the business at a company or operating division level who received the five highest annualized compensation amounts. The remuneration paid to Executives is set with reference to prevailing market levels and comprises a fixed salary, various short term incentives (which are linked to agreed key performance indicators), and an option component. Options are granted to Executives in line with their respective levels of experience and responsibility.

Options

We introduced a Staff Share Plan on November 30, 2001. The Plan establishes the eligibility of our employees and those of any subsidiaries, and of consultants and independent contractors to a participating company who are declared by the Board to be eligible, to participate. Broadly speaking, the Plan permits us, at the discretion of the Board, to issue traditional options (with an exercise price). The Plan conforms with the IFSA Executive Share and Option Scheme Guidelines and, where participation is to be made available to staff who reside outside Australia, there may have to be modifications to the terms of grant to meet or better comply with local laws or practice.

On August 29, 2000, shareholders approved the grant of 3,000,000 options to Directors. Each option granted to Directors was exercisable into one Ordinary Share at any time on or before April 14, 2005 at a fixed price of \$0.45 per share. On August 12, 2003, Mr. Ian Dennis exercised 1,000,000 options at \$0.45 by paying \$450,000 and simultaneously sold the resulting 1,000,000 shares. The remaining 2,000,000 lapsed unexercised on April 14, 2005.

On November 30, 2001, under our Constitution, shareholders approved the creation of a Staff Share Plan (the Plan). Under the Plan, the Directors may at their discretion, grant options over our Ordinary Shares to Directors, executives and members of staff of the consolidated entity. The options, issued for nil consideration, are granted in accordance with guidelines established by the Directors. The options are generally issued for a term of up to six years. In accordance with the terms of the Plan, options generally vest on the basis of 25% per annum and can be exercised at any time after vesting prior to the date of their expiry. The options are not transferable and are not quoted on the ASX.

There are currently three executives, two consultants and 20 staff who have been granted options under the Plan. Options issued under the Plan carry no rights to dividends and no voting rights.

Table of Contents

Options issued under the Plan during the following financial years are as follows:

Year ended June 30, 2006:

Grant date	Expiry date	Number granted	Exercise price
August 12, 2005	August 12, 2011	1,450,000	\$ 0.43
August 12, 2005	August 12, 2011	1,000,000	\$ 0.53
November 23, 2005	November 23, 2011	1,000,000	\$ 0.56
January 17, 2006	January 17, 2012	400,000	\$ 0.45
June 22, 2006	February 1, 2012	750,000	\$ 0.46
June 22, 2006	May 31, 2012	700,000	\$ 0.40
	Total	5,300,000	

On August 12, 2005, we issued 750,000 options under the Plan to Geoff Newing, our Chief Operating Officer, and a further 250,000 options to Tom Howitt. These options are exercisable at \$0.53 and expire on August 12, 2011. On November 23, 2005, we issued 500,000 new options under the Plan to each of two Directors, Henry Bosch AO and John Dawkins AO. These options are exercisable at \$0.56 and expire on November 23, 2011. The remaining 3,300,000 options were issued to various employees. A total of 6,666,667 options were forfeited during the year ended June 30, 2006 and a further 2,630,000 options that had been issued under the Plan were cancelled.

Year ended June 30, 2007:

There were no options granted during the year ended June 30, 2007.

A total of 1,175,000 of the options issued under the Plan were forfeited during the year ended June 30, 2007 and a further 1,525,000 options were cancelled.

Year ended June 30, 2008:

Grant date	Expiry date	Number granted	Exercise price
September 24, 2007	September 24, 2012	3,650,602	\$ 0.17
October 23, 2007	October 23, 2012	3,500,000	\$ 0.22
June 30, 2008	June 30, 2013	1,000,000	\$ 0.13
	Total	8,150,602	

Edgar Filing: GENETIC TECHNOLOGIES LTD - Form 20-F

On September 24, 2007, we issued 3,650,602 options under the Plan to Michael Ohanessian, our former Chief Executive Officer. These options are exercisable at \$0.17 and expire on September 24, 2012. On October 23, 2007, we issued 3,500,000 new options under the Plan to a number of employees. These options are exercisable at \$0.22 and expire on October 23, 2012. The remaining 1,000,000 options were issued to Ross Barrow, our Chief Operating Officer. These options are exercisable at \$0.13 and expire on June 30, 2013. A total of 2,900,000 options were forfeited during the year ended June 30, 2008 and a further 6,052,500 options that had been issued under the Plan were cancelled.

As of the date of this Annual Report, there was a total of 11,175,602 options outstanding.

On August 2, 2001, the Company announced that it had entered into an agreement with GTH Capital of New York to pursue its listing on the National Association of Securities Dealers Automated Quotations (NASDAQ). This agreement was assigned by GTH Capital to GMCG, LLC, the successor of GTH Capital, on April 1, 2002. In accordance with the agreement, Genetic Technologies issued 150,000 shares to GTH Capital on October 10, 2001 and agreed to issue 900,000 options at an exercise price of \$0.70 to GTH Capital within three years, subject to it meeting certain performance criteria. On January 14, 2002, GTH were entitled to receive 540,000 of the options. During the year ended June 30, 2004, GMCG, LLC became entitled to a further 60,000 options. We have now issued to GMCG, LLC the 600,000 options that have met specific performance criteria. Subsequent to June 30, 2005, the parties agreed not to proceed with the issue of the 300,000 remaining options, notwithstanding the successful listing of the Company's Level II ADR's on NASDAQ on September 2, 2005, as certain performance criteria were not met by GMCG, LLC. The 600,000 options granted to GMCG, LLC lapsed on September 7, 2007.

On May 22, 2001, Gtech International Resources Limited, a controlled entity issued 130,000 directors options to Dr. Mervyn Jacobson at an exercise price of CAD0.38 which vested immediately. These options lapsed unexercised on May 22, 2006. On February 3, 2005, Fred Bart and Ian Dennis exercised a total of 158,500 options in Gtech International at an exercise price of CAD0.20 each. On August 26, 2005, 100,000 options in Gtech International were granted to each of Tom Howitt and Elizabeth Sy, both Directors of Gtech, at an exercise price of CAD0.45 each.

Table of Contents

On September 4, 2003, as part of the placement of 13,333,333 shares at \$0.75, we issued the subscriber with 6,666,667 options exercisable at \$1.00 on or before September 30, 2005. These options subsequently lapsed on September 30, 2005.

Options granted under the Staff Share Plan (the Plan) carry no rights to dividends and no voting rights. In accordance with the terms of the Plan, options granted prior to June 2007 generally vest on the basis of 25% per annum and can be exercised at any time after vesting to the date of their expiry. The options generally have an expiry date of six years from the date of grant. Options granted after July 2007, generally vest on the basis of 100% after three years from the date of grant and can be exercised at any time after vesting to the date of their expiry. These later options generally have an expiry date of five years from the date of grant.

During the years ended June 30, 2008, 2007 and 2006, the Company recorded a share-based payments expense in respect of the options granted of \$164,533, \$257,906 and \$431,875, respectively.

The following is additional information relating to the options granted under the Plan as of June 30, 2008:

Range of exercise prices	Number of options	Options outstanding		Remaining weighted average contractual life (years)	Options exercisable	
		Weighted average exercise price			Number of options	Weighted average exercise price
\$0.11 - \$0.20	4,650,602	\$	0.16	4.62		N/A
\$0.21 - \$0.30	2,800,000	\$	0.22	4.32		N/A
\$0.31 - \$0.40	625,000	\$	0.39	3.07	400,000	\$ 0.39
\$0.41 - \$0.50	2,650,000	\$	0.46	1.94	2,112,500	\$ 0.46
\$0.51 - \$0.60	450,000	\$	0.54	0.47	325,000	\$ 0.53
	11,175,602	\$	0.27	3.73	2,837,500	\$ 0.46

The following is additional information relating to the options granted under the Plan as of June 30, 2007:

Range of exercise prices	Number of options	Options outstanding		Remaining weighted average contractual life (years)	Options exercisable	
		Weighted average exercise price			Number of options	Weighted average exercise price
\$0.31 - \$0.40	875,000	\$	0.40	4.32	350,000	\$ 0.39
\$0.41 - \$0.50	4,652,500	\$	0.46	2.87	2,827,500	\$ 0.47
\$0.51 - \$0.60	3,950,000	\$	0.55	2.48	2,900,000	\$ 0.56
\$0.61 - \$0.70	2,500,000	\$	0.61	0.42	2,500,000	\$ 0.61
	11,977,500	\$	0.52	2.34	8,577,500	\$ 0.54

The following is additional information relating to the options granted under the Plan as of June 30, 2006:

Edgar Filing: GENETIC TECHNOLOGIES LTD - Form 20-F

Range of exercise prices	Number of options	Options outstanding		Remaining weighted average contractual life (years)	Options exercisable	
		Weighted average exercise price	Weighted average exercise price		Number of options	Weighted average exercise price
\$0.31 - \$0.40	875,000	\$	0.40	5.66	131,250	\$ 0.38
\$0.41 - \$0.50	7,152,500	\$	0.46	3.66	3,465,000	\$ 0.47
\$0.51 - \$0.60	4,150,000	\$	0.55	3.49	2,200,000	\$ 0.56
\$0.61 - \$0.70	2,500,000	\$	0.61	1.47	2,500,000	\$ 0.61
	14,677,500	\$	0.52	3.35	8,296,250	\$ 0.53

Table of Contents

The fair value for the options issued to employees was estimated at the date of grant using a Black-Scholes option-pricing model with the following weighted-average assumptions for June 30:

	2008	June 30, 2007	2006
Risk Free Interest Rate	5.99% to 6.50%	N/A	5.62%
Expected Dividend Yield		N/A	
Historic and Expected Volatility	75%	N/A	53%
Option Exercise Prices	\$0.17 to \$0.22	N/A	\$0.38 to \$0.61
Weighted Average Exercise Price	\$0.19	N/A	\$0.53
Expected Lives	3 to 5 years	N/A	5 years

No options were granted during the year ended June 30, 2007.

Indemnification and Insurance with Respect to Directors

We are obligated pursuant to an indemnity agreement, to indemnify the current Directors and executive officers and former Directors against all liabilities to third parties that may arise from their position as Directors or officers of the Company and our controlled entities, except where to do so would be prohibited by law. Under the terms of this agreement, we are obligated to meet the full amount of any such liabilities, including costs and expenses. In connection with the GeneType AG acquisition, Fred Bart and Ian Dennis provided counter-indemnities to us and to GeneType AG shareholders in respect of the existence of undisclosed liabilities as at May 15, 2000. These counter-indemnities lapsed on May 15, 2005.

In addition, we currently carry insurance in respect of Directors and officers liabilities for current and former Directors, Company Secretary and executive officers or employees.

Item 6.C Board Practices**The Board of Directors**

Under our Constitution, our Board of Directors is required to comprise at least three Directors. As of the date of this Annual Report, our Board comprised three Directors.

The role of the Board includes:

- (a) Reviewing and making recommendations in remuneration packages and policies applicable to directors, senior executives and consultants.
- (b) Nomination of external auditors and reviewing the adequacy of external audit arrangements.
- (c) Establishing the overall internal control framework over financial reporting, quality and integrity of personnel and investment appraisal. In establishing an appropriate framework, the board recognized that no cost effective internal control systems will preclude all errors and irregularities.
- (d) Establishing and maintaining appropriate ethical standards in dealings with business associates, suppliers, advisers and regulators, competitors, the community and other employees.
- (e) Identifying areas of significant business risk and implementing corrective action as soon as practicable after a risk is identified.
- (f) Nominating of audit and nomination and remuneration committee members.

Table of Contents

The Board meets to discuss business regularly throughout the year, with additional meetings being held when circumstances warrant. Included in the table below are details of the meetings of the Board and the committees of the Board that were held during the 2008 financial year.

	Directors meetings		Committees of the Board			
	Eligible	Attended	Eligible	Audit Attended	Corporate Governance Eligible Attended	
Henry Bosch AO	11	11	9	9	5	5
Michael B. Ohanessian (note)	8	8			3	3
Fred Bart	11	10				
David Carruthers	11	11	9	9		
John S. Dawkins AO	11	11	9	6	5	5
Dr. Mervyn Jacobson	11	10			5	4
Dr. Leanne Rowe AM (note)	2	2				

Notes: During the year ended June 30, 2008, a total of four Unanimous Consent Resolutions of the Directors were also passed.

Mr. Ohanessian was appointed as a Director of the Company on September 24, 2007.

Dr. Rowe was appointed as a Director of the Company on April 16, 2008.

In accordance with the Charter, the auditor attended three meetings of the Audit Committee at the request of the Committee.

Committees of the Board

The Board has established an Audit Committee which operates under a specific Charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the Group to the Audit Committee. The Audit Committee also provides the Board with assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit Committee are independent Non-Executive Directors.

Committee membership

As at the date of this Report, the Company had an Audit Committee and a Corporate Governance Committee of the Board of Directors (the latter being formerly known as the Nomination and Remuneration Committee).

The individuals who served as members of these Committees during the financial year were:

	Audit Committee Period served	Corporate Governance Committee Period served
Henry Bosch AO (note)	July 1, 2007 to June 30, 2008	July 1, 2007 to June 30, 2008
Michael B. Ohanessian	Not applicable	September 26, 2007 to June 30, 2008
Fred Bart	Not applicable	Not applicable
David Carruthers (note)	July 1, 2007 to June 30, 2008	Not applicable
John S. Dawkins AO	July 1, 2007 to June 30, 2008	July 1, 2007 to June 30, 2008
Dr. Mervyn Jacobson	Not applicable	July 1, 2007 to June 30, 2008
Dr. Leanne Rowe AM	Not applicable	Not applicable

Notes: Mr. Bosch served as the Chairman of the Corporate Governance Committee for the entire year ended June 30, 2008.

Mr. Carruthers served as the Chairman of the Audit Committee for the entire year ended June 30, 2008.

Table of Contents

As of the date of this Annual Report, the members of the Audit Committee were:

Sidney C. Hack (*Chairman*)

Fred Bart

Huw D. Jones

During the 2005 financial year, the Board established a Nomination and Remuneration Committee, which meets at least three times annually to ensure that the Board continues to operate within the established guidelines including selecting candidates for the position of Director. During the 2006 financial year, the role of the Committee was expanded to include matters related to the Company's Corporate Governance affairs and its name changed to the Corporate Governance Committee to reflect that additional role. The members of the Committee have the right to appoint an independent consultant to attend meetings of the Committee, as appropriate.

As of the date of this Annual Report, the members of the Corporate Governance Committee were:

Huw D. Jones (*Chairman*)

Sidney C. Hack

Compliance with NASDAQ Rules

NASDAQ listing rules require that we disclose the home country practices that we will follow in lieu of compliance with NASDAQ corporate governance rules. The following describes the home country practices and the related NASDAQ rule:

Majority of Independent Directors: We follow home country practice rather than NASDAQ's requirement in Marketplace Rule 4350(c)(1) that the majority of the Board of each issuer be comprised of independent directors as defined in Marketplace Rule 4200. As of the date of this Annual Report, our Board of Directors comprises of a majority of independent directors.

Compensation of Officers: We follow home country practice rather than NASDAQ's requirement in Marketplace Rule 4350(c)(3) that chief executive compensation be determined or recommended to the Board by the majority of

independent directors or a compensation committee of independent directors. Similarly, compensation of other officers is not determined or recommended to the Board by a majority of the independent directors or a compensation committee comprised solely of independent directors. These decisions are made by our corporate governance committee and it is not comprised of a majority of independent directors. The ASX does not have a requirement that each listed issuer have a remuneration committee or otherwise follow the procedures embodied in NASDAQ's Marketplace Rule. Furthermore, no law, rule or regulation of the ASIC has such a requirement nor does the applicable corporate law legislation. Such home country practices are not prohibited by the laws of Australia.

Nomination: We follow home country practice rather than NASDAQ's requirement in Marketplace Rule 4350(c)(4) that director nominees be selected or recommended by a majority of the independent directors or by a nominations committee (in our case, the Corporate Governance Committee) comprised of independent directors. These decisions are made by the nomination and remuneration committee and it is not comprised of a majority of independent directors. The ASX does not have a requirement that each listed issuer have a nominations committee or otherwise follow the procedures embodied in NASDAQ's Marketplace Rule. Furthermore, no law, rule or regulation of the ASIC has such a requirement nor does the applicable corporate law legislation. Accordingly, selections or recommendations of director nominees by a committee that is not comprised of a majority of directors that are not independent is not prohibited by the laws of Australia.

Quorum: We follow home country practice rather than NASDAQ's requirement in Marketplace Rule 4350(f) that each issuer provide for a quorum of at least 33 1/3 percent of the outstanding shares of the issuer's ordinary stock (voting stock). Pursuant to our Constitution we are currently required to have a quorum for a general meeting of three persons holding at least 10% of our Ordinary Shares. The practice followed by us is not prohibited by Australian law.

Item 6.D Employees

The Company currently employs 74 people, including executive Directors. The number of employees as at the end of each respective financial year ended June 30 are as follows:

2008	60
2007	54
2006	49

Table of Contents**Item 6.E Share Ownership**

The relevant interest of each director in the share capital of the Company as notified by the directors to the Australian Securities Exchange in accordance with section 205G(1) of the *Corporations Act 2001* as of December 18, 2008 is as follows:

Director	Ordinary shares	Percentage of Capital held
Fred Bart (note)	25,918,214	6.92%
Sidney C. Hack		N/A
Huw D. Jones		N/A

Notes: Mr. Bart also controls 88,500 ordinary shares in Gtech International Resources Limited.

As of the date of this Annual Report, no options over Ordinary Shares are held by the Directors.

Item 7. Major Shareholders and Related Party Transactions**Item 7.A Major Shareholders**

The table below sets forth the beneficial owners of 5% or more of our voting securities as of December 18, 2008:

Name	Number of Ordinary Shares held	Percentage of Capital held
Dr. Mervyn Jacobson	151,631,900(a)	40.47%
Mr. Fred Bart	25,918,214(b)	6.92%

(a) includes shares held by Mervyn Jacobson ApS and JGT ApS.

(b) shares registered in the name of Security & Equity Resources Limited.

The number of Ordinary Shares on issue in Genetic Technologies as of the date of this Annual Report was 374,644,801. The number of holders of Ordinary Shares in Genetic Technologies as of the date of this Annual Report was approximately 3,100.

Edgar Filing: GENETIC TECHNOLOGIES LTD - Form 20-F

The Company is not aware of any direct or indirect ownership or control of it by another corporation(s), by any foreign government or by any other natural or legal person(s) severally or jointly. Principal shareholders do not enjoy any special or different voting rights from those to which other holders of Ordinary Shares are entitled.

The Company does not know of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.

Item 7.B Related Party Transactions

During the year ended June 30, 2008:

- GeneType Pty. Ltd. paid a total of \$501,239 (2007: \$445,384) to Bankberg Pty. Ltd., a company associated with former Director Dr. Mervyn Jacobson, for rent in respect of the office and laboratory premises in Fitzroy, Victoria that are leased by the Group.
- The Company paid a total of \$79,936 (2007: \$nil) to Government Relations Australia Advisory Pty. Ltd., a company associated with former Director Mr. John Dawkins AO, in respect of consulting services provided to the Group.
- The Company paid a total of \$414,133 (2007: \$nil) to Transmedia Inc., a company associated with former Director Dr. Mervyn Jacobson, in respect of licensing services provided to the Group.
- Former Director Dr. Mervyn Jacobson acquired a total of 522 ordinary shares in ImmunAid Pty. Ltd., a subsidiary of the Company. As at June 30, 2008, Dr. Jacobson held a total of 522 ordinary shares in ImmunAid Pty. Ltd., representing approximately 4.0% of that company's total issued capital.

All transactions with directors are undertaken on normal commercial terms and conditions. All management fees were disclosed as general and administrative expenses in the respective years.

Item 7.C Interests of Experts and Counsel

Not applicable.

Table of Contents

Item 8. Financial Information

Item 8.A Consolidated Statements and Other Financial Information

The information included in Item 18 of this Annual Report is referred to and incorporated by reference into this Item 8.A.

Item 8.B Litigation and Other Legal Proceedings

Bioscentia Institut fur Medizinische Diagnostik GmbH

A nullification action was filed by Bioscentia Institut fur Medizinische Diagnostik GmbH of Ingelheim in the German Federal Patent Court in relation to German Patent No. 69029018.7, which had been assigned to the Company. Dr. Christof Keussen of Glawe Delfs Moll in Hamburg has been engaged by the Company to defend the action, supported by Mr. Robert Brunelli of Sheridan Ross PC, of Denver, Colorado.

Application for patent re-examination

It recently came to the attention of the Company that a Request for Re-examination of US Patent No. 5,612,179 had been filed with the United States Patent and Trademark Office on October 15, 2008 by the law firm of Foley & Lardner LLP, of Chicago, Illinois. The request relates to one independent claim contained in that patent. The law firm of Sheridan Ross PC, of Denver, Colorado, has now filed a first response on behalf of the Company.

We do not express an opinion as to the probable outcome of any of the pending or threatened litigation or disputes referred to above or to estimate the potential amount or range of any loss, but do not believe any amounts to be material to the Company.

With the exception of these proceedings, we are unaware of any material proceedings involving us.

Item 8.C Dividends

Until our businesses are profitable beyond our expected research and development needs, our Directors will not be able to recommend that any dividend be paid to our shareholders. Our Directors will not resolve a formal dividend policy until we generate profits. Our current intention is to reinvest our income in the continued development and operation of our business.

Item 8.D Significant Changes to Financial Information

Our consolidated financial statements are set out on pages F1 to F42 of this Annual Report (refer to Item 18 Financial Statements).

Adoption of IFRS

We previously filed our Annual Report with the SEC in a Form 20-F which included consolidated financial statements that were prepared in accordance with U.S. GAAP.

Following the publication of SEC Release 33-8879, *Acceptance From Foreign Private Issuers of Financial Statements Prepared in Accordance With International Financial Reporting Standards Without Reconciliation to U.S. GAAP*, we have decided to file our consolidated financial statements in this Form 20-F in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Table of Contents

An explanation of the significant differences between IFRS and U.S. GAAP that are relevant to our consolidated financial statements is presented below together with tabular reconciliations for the financial years ended June 30, 2007 and June 30, 2006 for consolidated net income and consolidated shareholders' equity previously reported in accordance with U.S. GAAP to the equivalent measures restated in accordance with IFRS.

	Note	Years ended June 30,	
		2007 AUD	2006 AUD
Income statement			
Net income / (loss) under U.S. GAAP		(1,788,506)	(5,378,359)
IFRS adjustments:			
Amortization of patent costs	(a)	(2,762,482)	(2,937,720)
Stock compensation expenses	(b)	222,445	385,306
Other	(d)		12,000
Income tax on IFRS adjustments			
Net IFRS adjustments		(2,540,037)	(2,540,414)
Net income / (loss) under IFRS		(4,328,543)	(7,918,773)
Shareholders' equity			
Shareholders' equity under U.S. GAAP		16,737,828	18,259,694
IFRS adjustments:			
Patent costs	(a)	8,550,553	11,313,035
Government loan	(c)	700,000	700,000
Other	(d)	(30,590)	(30,590)
Income tax on IFRS adjustments			
Shareholders' equity under IFRS		25,957,791	30,242,139

(a) **Capitalization of patent costs** - Under U.S. GAAP, the Company expensed patent costs as incurred whereas under IFRS the Company had capitalized these patent costs and amortized them over their useful life.

(b) **Stock compensation expenses** - Certain differences between IFRS 2 and FAS 123(R) arise in relation to the phasing of stock compensation expenses over each accounting period. The Company has recognized compensation expense on a straight line basis in accordance with FAS 123(R) and on a graded basis under IFRS 2. This difference resulted in differences in expense during the year.

(c) **Government loans** - Differences exist between IAS 20 and ARB 43 related to the accounting for government loans. Notwithstanding that the loan did not need to be recognized under IFRS, under U.S. GAAP, the Company determined it was still required to recognize the loan as a liability of the Company.

(d) **Other** - immaterial differences.

Item 8.E **Significant Other Changes**

On March 8, 2007, the Company announced that the Australian Securities and Investments Commission (ASIC) had sought information from the Company regarding certain past trading in its shares. The Company has cooperated fully with ASIC. The Company later clarified to the Market that, whilst the information being sought by ASIC did not relate to any suspected wrongdoing by the Company itself, it did relate to the activities of certain individuals who were Executives of the Company at the time. On December 12, 2008, a former Director of the Company, Dr. Mervyn Jacobson, was charged with 319 counts of market manipulation regarding his involvement in the trading of shares in Genetic Technologies between April 22, 2005 and November 2, 2006.

Table of Contents

Following the Company's decision to enforce its rights to perform testing of the BRCA 1 and BRCA2 genes in Australia and New Zealand, a Notice issued under section 155(1) of the Trade Practices Act has been received by the Company from the Australian Competition and Consumer Commission (ACCC). The ACCC has sought information from the Company in order to establish whether or not Genetic Technologies has contravened any section of the Act. The Company has cooperated fully with the ACCC's request. On November 24, 2008, the Company announced to the Market its intention to reverse its decision to enforce its BRCA testing rights. The ACCC was advised of this decision but, as at the date of this Annual Report, it is unknown how the ACCC will respond to the Company's change in direction.

On October 26, 2007, the Company received a letter from the Australian Taxation Office (ATO) regarding a Comprehensive review of the Company. In the letter, the ATO requested the Company to provide it with extensive documents in relation to its taxation affairs. The Company has complied fully with the ATO's request. On October 30, 2008, the Company received a further letter from the ATO advising that the ATO was proceeding to audit. As at the date of this Annual Report, the audit had not yet commenced.

On July 22, 2008, the Company acquired 100% of the issued capital of Frozen Puppies Dot Com Pty. Ltd. (FPDC), Australia's foremost provider of canine reproductive services. Under the terms of the Agreement between the Company and FPDC, Genetic Technologies acquired 100% of the issued share capital of FPDC in return for the issue to the FPDC shareholders of 12,254,902 ordinary shares in Genetic Technologies and the payment of \$153,160 in cash. In other terms of the acquisition, Genetic Technologies advanced \$346,840 in loan funds to FPDC to enable shareholder loans to be repaid and Employment Agreements were executed between the Company and the five principals of FPDC. Voluntary Restriction Agreements were also executed with all former FPDC shareholders. As a result, 80% of the 12,254,902 Genetic Technologies shares that were issued as part of the acquisition are subject to voluntary escrow and will be released from escrow in four equal tranches after the expiration of 6, 12, 18 and 24 months from the date of issue, respectively.

Since June 30, 2008, there has not been any matter or circumstance, other than as referred to elsewhere in this Annual Report, Note 39 of the attached Financial Statements or the notes thereto, that has arisen that has significantly affected, or may significantly affect our operations, results of those operations or the state of our affairs in future years.

Item 9. The Offer and Listing

Item 9.A Offer and Listing Details

The Company's Ordinary Shares were listed on the Australian Securities Exchange (the ASX) in July 1987 (under the name of Concord Mining NL). The following table sets forth, for the periods indicated, the highest and lowest market quotations for the Ordinary Shares reported on the Daily Official List of the ASX since that acquisition.

Financial Year	Period Covered	High	Low
(in \$0.00)			
Yearly data			
2004	Year ended June 30, 2004	0.87	0.34

Edgar Filing: GENETIC TECHNOLOGIES LTD - Form 20-F

2005	Year ended June 30, 2005	0.67	0.305
2006	Year ended June 30, 2006	0.595	0.315
2007	Year ended June 30, 2007	0.42	0.12
2008	Year ended June 30, 2008	0.26	0.09

Quarterly data

2007	Quarter ended September 30, 2006	0.37	0.33
	Quarter ended December 31, 2006	0.42	0.31
	Quarter ended March 31, 2007	0.35	0.14
	Quarter ended June 30, 2007	0.30	0.12
2008	Quarter ended September 30, 2007	0.185	0.13
	Quarter ended December 31, 2007	0.26	0.145
	Quarter ended March 31, 2008	0.175	0.10
	Quarter ended June 30, 2008	0.125	0.09

Monthly data

2008 and 2009	Month ended June 30, 2008	0.105	0.09
	Month ended July 31, 2008	0.097	0.084
	Month ended August 31, 2008	0.10	0.085
	Month ended September 30, 2008	0.09	0.06
	Month ended October 31, 2008	0.065	0.038
	Month ended November 30, 2008	0.084	0.045

Table of Contents

As of the date of this Annual Report, we had 374,644,801 Ordinary Shares on issue, without par value. See Item 10B Our Constitution for a detailed description of the rights attaching to our shares and Item 12D American Depositary Receipts for a description of the rights attaching to the American Depositary Shares.

The Company's securities are also listed on NASDAQ Global Market (under the ticker GENE) in the form of American Depositary Shares. Each American Depositary Share evidences thirty Ordinary Shares. Since listing on the NASDAQ Global Market on September 2, 2005, the ADRs have traded in a range from a low of USD0.35 to a high of USD13.85. The most recent sale of the ADRs occurred at a price of USD1.02.

Following the listing of the Company's ADRs in September 2005, our Ordinary Shares are registered under Section 12 of the Securities Exchange Act of 1934 and we file an Annual Report with the Securities and Exchange Commission on Form 20-F. As a foreign private issuer, we are not be subject to the proxy rules under Section 14 of the Securities Exchange Act of 1934, and our officers, Directors and principal stockholders are not be subject to the insider short-swing profit disclosure and recovery provisions of Section 16 of that Act.

Starting in January 14, 2002, the ADSs have traded in the USA over-the-counter market under the symbol GNTLY and dealers' prices for the ADSs have been quoted in the pink sheets published by the National Quotations Bureau, Inc. Commencing on September 2, 2005, our ADSs were listed on the NASDAQ Global Market under the ticker GENE.

The Company has registered one class of American Depositary Shares (ADSs) on Form F-6 pursuant to the U.S. Securities Act of 1933, as amended. One ADS represents thirty Ordinary Shares without par value. As of June 30, 2008, there were 201,720 ADSs outstanding.

The table below sets forth the high and low sales prices for the ADSs during the periods indicated:

Financial Year	Period Covered	High	Low
(in USD 0.00)			
Yearly data			
2004	Year ended June 30, 2004		
2005	Year ended June 30, 2005	13.85	8.00
2006	Year ended June 30, 2006	13.85	7.25
2007	Year ended June 30, 2007	10.00	3.50
2008	Year ended June 30, 2008	5.21	2.26
Quarterly data			
2007	Quarter ended September 30, 2006	9.00	6.50
	Quarter ended December 31, 2006	10.00	6.65
	Quarter ended March 31, 2007	8.15	3.75
	Quarter ended June 30, 2007	8.99	3.50
2008	Quarter ended September 30, 2007	4.29	3.55

Edgar Filing: GENETIC TECHNOLOGIES LTD - Form 20-F

	Quarter ended December 31, 2007	5.21	3.55
	Quarter ended March 31, 2008	4.50	3.03
	Quarter ended June 30, 2008	3.39	2.26
Monthly data			
2008 and 2009	Month ended June 30, 2008	3.18	2.26
	Month ended July 31, 2008	2.67	2.20
	Month ended August 31, 2008	2.55	1.80
	Month ended September 30, 2008	2.44	1.45
	Month ended October 31, 2008	1.69	0.70
	Month ended November 30, 2008	2.09	0.66

Item 9.B Plan of Distribution

Not applicable.

Item 9.C Markets

Effective September 2, 2005, our ADSs were listed on the NASDAQ Global Market under the ticker GENE . Our Ordinary Shares are listed and trade on the ASX under the code GTG .

Table of Contents

Item 9.D Selling Shareholders

Not applicable.

Item 9.E Dilution

Not applicable.

Item 9.F Expenses of the Issue

Not applicable.

Item 10. Additional Information

Item 10.A Share Capital

As of June 30, 2008, we had a total of 362,389,899 Ordinary Shares on issue. With the exception of 3,333,333 such Shares which were the subject of a voluntary escrow arrangement, all of these Ordinary Shares were listed on the Australian Securities Exchange and were freely tradable. As of the date of this Annual Report, we had a total of 374,644,801 Ordinary Shares on issue, of which a total of 13,137,255 such Shares which were the subject of a voluntary escrow arrangement.

Based on our review of shareholder records (based solely on the addresses), as of June 30, 2008 there are 48 U.S. resident shareholders of our Ordinary Shares holding 8,575,036 shares representing 2.3% of the total issued and outstanding Ordinary Shares. Our Ordinary Shares do not have a par value. These figures do not include any Ordinary Shares which may held by U.S. residents in the form of American Depositary Receipts (ADRs).

During the last four years, our capital has increased, in connection with acquisition transactions and the exercise of options. In 2001, we issued 9,754,080 Ordinary Shares to owners of shares of Cytomation Inc. resulting in a total of 257,793,804 Ordinary Shares being on issue as of June 30, 2001. On July 30, 2001, we acquired the business of DNA-Id Labs of Perth, Western Australia, by payment of consideration that included 94,340 Ordinary Shares, with further consideration being paid on August 1, 2002, following fulfillment of performance warranties. On September 4, 2000, our shares were transferred from the mining board of the ASX to the industrial board under the new symbol of GTG .

Between July 1, 2001 and June 30, 2003, we issued a total of 4,440,621 Ordinary Shares resulting from the exercise of vendor options, the exercise of options granted under the Staff Share Plan, a small placement for cash of 1,000,000 shares, two exchanges of our shares for shares in XY, Inc., and the issuance of shares in lieu of legal fees to our counsel, all of which resulted in 262,234,425 Ordinary Shares being outstanding as of June 30, 2003. Subsequently, on September 4, 2003, we completed a brokered private placement to professional Australian investors of 13,333,333 Ordinary Shares at \$0.75 each, raising \$10,000,000. As part of the placement, we also issued 6,666,667 options to the subscribers to the placement with an exercise price of \$1.00 on or before September 30, 2005.

On June 15, 2004, we issued 16,666,667 Ordinary Shares to the C.Y. O Connor ERADE Village Foundation, as consideration under our licensing agreement with that Foundation (see point 17). During the year ended June 30, 2005, we issued a further 65,561,338 Ordinary Shares resulting from the exercise of vendor options and a small number of options granted under the Staff Share Plan. During the year ended June 30, 2006, we issued a further 20,000 Ordinary Shares as consideration for the acquisition of certain intellectual property, all of which resulted in 362,389,899 Ordinary Shares being outstanding as of June 30, 2006. There were no shares issued during the years ended June 30, 2007 and

June 30, 2008.

On July 22, 2008, we issued 12,254,902 Ordinary Shares to the five former owners of Frozen Puppies Dot Com Pty. Ltd. in part consideration for the acquisition of that company by Genetic Technologies Limited (refer Note 39 of the attached financial statements). As a result, there is a total of 374,644,801 Ordinary Shares on issue as of the date of this Annual Report.

Table of Contents

As at June 30, 2008 and 2007, the following outstanding unlisted options, together with their respective ASX codes and expiry dates, were convertible into Ordinary Shares. The exercise prices are quoted in Australian dollars.

Option description	2008	Weighted ave. exercise price	2007	Weighted ave. exercise price
GTGAA (expiring 6 September 2010)	750,000	\$ 0.48	750,000	\$ 0.48
GTGAD (expiring 12 August 2011)	700,000	\$ 0.43	850,000	\$ 0.43
GTGAE (expiring 12 August 2011)	250,000	\$ 0.53	1,000,000	\$ 0.53
GTGAF (expiring 23 November 2011)			1,000,000	\$ 0.56
GTGAG (expiring 1 February 2012)			750,000	\$ 0.46
GTGAH (expiring 31 May 2012)	450,000	\$ 0.40	700,000	\$ 0.40
GTGAI (expiring 30 June 2013)	1,000,000	\$ 0.13		
GTGAI (expiring 30 November 2007)			1,750,000	\$ 0.56
GTGAK (expiring 11 June 2009)	200,000	\$ 0.45	200,000	\$ 0.45
GTGAM (expiring 30 November 2007)			2,500,000	\$ 0.61
GTGAO (expiring 30 November 2007)			802,500	\$ 0.49
GTGAQ (expiring 20 May 2009)	700,000	\$ 0.44	700,000	\$ 0.44
GTGAS (expiring 20 May 2009)	175,000	\$ 0.38	175,000	\$ 0.38
GTGAU (expiring 17 January 2012)			200,000	\$ 0.45
GTGAW (expiring 24 September 2012)	3,650,602	\$ 0.17		
GTGAY (expiring 23 October 2012)	2,800,000	\$ 0.22		
GTGAZ (expiring 27 February 2010)	200,000	\$ 0.56	200,000	\$ 0.56
GTGAZ (expiring 27 February 2010)	300,000	\$ 0.49	400,000	\$ 0.49
Balance at the end of the financial year	11,175,602	\$ 0.27	11,977,500	\$ 0.52

Item 10.B Our Constitution

At the Annual General Meeting of the Company held on November 23, 2005, the shareholders resolved to replace the existing Constitution with a revised version. A copy of the new Constitution has been posted on the Company's website: www.gtg.com.au. The principal changes which have been implemented in the new Constitution may be summarized as follows:

- **General changes** – general changes are proposed to make the Constitution consistent with best practice, update legal matters under the existing Constitution consistent with legislative and regulatory developments and to address certain content and language aspects.
- **ASX Listing Rules** – it provides that the Listing Rules prevail in the event of any inconsistency.
- **Shares** – it allows the Directors to issue shares subject to the Corporations Act and the Listing Rules.

- **Proportionate takeover power** the existing Constitution has a clause in it requiring shareholder approval to be obtained before any proportionate takeover is made. However, that clause is ineffective because it needs to have been renewed at least every three years in accordance with the requirements of the Corporations Act. The new Constitution does not include this clause on the basis that it offers no real benefit.
- **Unmarketable parcels** the new Constitution permits the Company to sell holdings of less than a marketable parcel in accordance with the procedural and timing requirements of the Listing Rules. This only applies if a shareholder has an opportunity to opt out of any proposed sale arrangement and does not do so.
- **Notice of shareholders meetings** the new Constitution enables notice of shareholders meetings to be given by electronic means.
- **Changes to general meetings** the new Constitution enables the Directors to change the venue for, and postpone or cancel a general meeting if such meeting is unnecessary, in the interests of shareholders, if the venue would be unreasonable or impractical, or for reasons of efficiency. This does not apply in the event of a meeting requisitioned by shareholders.
- **Quorum for shareholders meetings** a quorum of three shareholders represents a quorum for shareholders meetings, whether by way of being personally present, attorney, proxy or corporate representative.
- **Casting vote** the Chairman of a shareholders meeting does not have a casting vote.

Table of Contents

- **Number of Directors** it contemplates that the number of Directors need to be not less than three nor more than the number determined by the Directors which, until otherwise determined, is ten.
- **Share qualification** a Director need not hold any shares in the Company in order to be a Director.
- **Alternate directors** there are no provisions entitling the Directors to appoint alternate directors, on the basis that this is an outdated and undesirable approach.
- **Directors tenure of office** a Director must retire from office or seek re-election by no later than the third Annual General Meeting following his or her appointment or re-election or three years, whichever is longer (other than the Managing Director).
- **Vacation of office** the office of a Director is automatically vacated if the Director is an Executive Director under an employment agreement and that agreement terminates, unless the Board otherwise determines.
- **Powers of Directors** the Directors have a general power to manage the Company's business.
- **Meetings of Directors** the Directors may meet in person or by electronic means.
- **Quorum for Directors meetings** the quorum for Directors meetings is three, unless otherwise determined.
- **Casting vote** the Chairman has a casting vote at Directors meetings.
- **Indemnity** the new Constitution contains an updated indemnity clause in favour of the current and former Directors, Secretaries indemnifying them from liability consistent with the Corporations Act provisions and to the maximum extent permitted by law.

- **Insurance** the Company must maintain and pay insurance premiums with respect to its current and former Directors, Secretaries and other officers to the extent permitted by law.
- **Access** current and former Directors may access the financial and other records of the Company for the purposes of legal proceedings involving the person.

Item 10.C Material Contracts

Apart from the acquisition of Frozen Puppies Dot Com Pty. Ltd. on July 22, 2008 (refer Note 39 of the attached Financial Statements), there were no material contracts entered into during the two years preceding the date of this Annual Report which were outside the ordinary course of business. See also Item 4B Our Licenses and Commercial Collaborations .

Item 10.D Exchange Controls and Other Limitations Affecting Security Holders

Under existing Australian legislation, the Reserve Bank of Australia does not inhibit the import and export of funds, and, generally, no permission is required to be given to Genetic Technologies for the movement of funds in and out of Australia. However, payments to or from (or relating to) Iraq, its agencies or nationals, the government or a public authority of Libya, or certain Libyan undertakings, the authorities in the Federal Republic of Yugoslavia (Serbia and Montenegro) or their agencies, the Taliban (also referred to as the Islamic Emirate of Afghanistan), or the National Union for the Total Independence of Angola (also known as UNITA), its senior officials or the adult members of their immediate families, may not be made without the specific approval of the Reserve Bank of Australia.

Accordingly, at the present time, remittances of any dividends, interest or other payment by Genetic Technologies to non-resident holders of Genetic Technologies securities in the US are not, subject to the above, restricted by exchange controls or other limitations.

Table of Contents

Takeovers Act

There are no limitations, either under the laws of Australia or under the Company's Constitution, to the right of non-residents to hold or vote Genetic Technologies Ordinary Shares other than the Commonwealth Foreign Acquisitions and Takeovers Act 1975 (the Takeovers Act). The Takeovers Act may affect the right of non-Australian residents, including US residents, to hold Ordinary Shares but does not affect the right to vote, or any other rights associated with, any Ordinary Shares held in compliance with its provisions. Acquisitions of shares in Australian companies by foreign interests are subject to review and approval by the Treasurer of the Commonwealth of Australia under the Takeovers Act. The Takeovers Act applies to any acquisition of outstanding shares of an Australian company that exceeds, or results in a foreign person or persons controlling the voting power of more than a certain percentage of those shares. The thresholds are 15% where the shares are acquired by a foreign person, or group of associated foreign persons, or 40% in aggregate in the case of foreign persons who are not associated. Any proposed acquisition that would result in an individual foreign person (with associates) holding more than 15% must be notified to the Treasurer in advance of the acquisition. As of the date of this Annual Report, approximately 52.2% of the outstanding Ordinary Shares in the Company were held by shareholders whose registered addresses were located outside Australia. In addition to the Takeovers Act, there are statutory limitations in Australia on foreign ownership of certain businesses, such as banks and airlines, not relevant to the Company. However, there are no other statutory or regulatory provisions of Australian law or Australian Securities Exchange requirements that restrict foreign ownership or control of Genetic Technologies.

Corporations Act 2001

As applied to Genetic Technologies Limited, the *Corporations Act 2001* (the *Corporations Act 2001*) prohibits any legal person (including a corporation) from acquiring a relevant interest in Ordinary Shares if after the acquisition that person or any other person's voting power in Genetic Technologies Limited increases from 20% or below to more than 20%, or from a starting point that is above 20% and below 90%.

This prohibition is subject to a number of specific exceptions set out in section 611 of the *Corporations Act 2001* which must be strictly complied with to be applicable.

In general terms, a person is considered to have a relevant interest in a share in Genetic Technologies if that person is the holder of that share, has the power to exercise, or control the exercise of, a right to vote attached to that share, or has the power to dispose of, or to control the exercise of a power to dispose of that share.

It does not matter how remote the relevant interest is or how it arises. The concepts of power and control are given wide and extended meanings in this context in order to deem certain persons to hold a relevant interest. For example, each person who has voting power above 20% in a company or a managed investment scheme which in turn holds shares in Genetic Technologies is deemed to have a relevant interest in those Genetic Technologies shares. Certain situations (set out in section 609 of the *Corporations Act 2001*) which would otherwise constitute the holding of a relevant interest are excluded from the definition.

A person's voting power in Genetic Technologies Limited is that percentage of the total votes attached to Ordinary Shares in which that person and its associates (as defined in the *Corporations Act 2001*) holds a relevant interest.

Item 10.E Taxation

This summary of material tax consequences is based on the tax laws of the United States (including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions) and on the Australian tax law and practice as in effect on the date hereof. In addition, this summary is based on the income tax convention between the United States and Australia (the Treaty). The foregoing laws and legal authorities as well as the Treaty are subject to change (or changes in interpretation), possibly with retroactive effect. Finally, this summary is based in part upon the representations of our ADR Depositary and the assumption that each obligation in the Deposit Agreement and any related agreement will be performed in accordance with its terms.

The discussion does not address any aspects of U.S. taxation other than federal income taxation or any aspects of Australian taxation other than federal income taxation, stamp duty and goods and services tax. This discussion does not address all aspects of U.S. or Australian federal tax considerations that may be important to particular investors in light of their individual investment circumstances or investors subject to special tax regimes, like broker-dealers, insurance companies, banks or other financial institutions, tax-exempt organizations, regulated investment companies, real estate investment trusts or financial asset securitization investment trusts, persons who actually or constructively own 10% or more of our ADRs or Ordinary Shares, persons who hold ADRs or Ordinary Shares as part of a straddle, hedge, conversion or constructive sale transaction or other integrated transaction, persons who have elected mark-to-market accounting, U.S. holders whose functional currency is not the U.S. dollar, U.S. expatriates, investors liable for the alternative minimum tax, partnerships and other pass-through entities, or persons who acquired their ADRs or Ordinary Shares through the exercise of options or similar derivative securities or otherwise as compensation. Prospective investors are urged to consult their tax advisers regarding the U.S. and Australian federal, state and local tax consequences and any other tax consequences of owning and disposing of ADRs and shares.

Table of Contents

Australian Tax Consequences

In this section, we discuss Australian tax considerations that apply to non-Australian tax residents who are residents of the United States with respect to the ownership and disposal by the absolute beneficial owners of ADRs. This summary does not discuss any foreign or state tax considerations, other than stamp duty.

Nature of ADRs for Australian Taxation Purposes

ADRs held by a U.S. holder will be treated for Australian taxation purposes as being held under a bare trust for that holder. Consequently, the underlying Ordinary Shares will be regarded as owned by the ADR holder for Australian income tax and capital gains tax purposes. Dividends paid on the underlying Ordinary Shares will also be treated as dividends paid to the ADR holder, as the person beneficially entitled to those dividends. Therefore, in the following analysis, we discuss the tax consequences to non-Australian resident holders of Ordinary Shares which, for Australian taxation purposes, will be the same as to U.S. holders of ADRs.

Taxation of Dividends

Australia operates a dividend imputation system under which dividends may be declared to be franked to the extent of tax paid on company profits. Fully franked dividends are not subject to dividend withholding tax. Dividends payable by our company to non-Australian resident stockholders will be subject to dividend withholding tax, to the extent the dividends are unfranked. Dividend withholding tax will be imposed at 30%, unless a stockholder is a resident of a country with which Australia has a double taxation agreement. Under the provisions of the Treaty, the Australian tax withheld on unfranked dividends paid by us to which a resident of the United States is beneficially entitled is generally limited to 15% if the U.S. resident holds less than 10% of the voting rights of our company, unless the shares are effectively connected to a permanent establishment or fixed base in Australia through which the stockholder carries on business or provides independent personal services, respectively. Where the U.S. resident holds 10% or more of the voting rights of our company, the withholding tax rate is reduced to 5%.

Tax on Sales or other Dispositions of Shares - Capital Gains Tax

Non-Australian resident stockholders will not be subject to Australian capital gains tax on the gain made on a sale or other disposal of our shares, unless they, together with their associates, hold 10% or more of our issued capital at any time during the five years before the disposal of the shares. If a non-Australian resident stockholder did, together with his or her associates, own a 10% or more interest, that stockholder would be subject to Australian capital gains tax to the same extent as Australian resident stockholders. The Australian Taxation Office maintains the view that the Double Taxation Convention between the United States and Australia does not limit Australian capital gains tax. Australian capital gains tax applies to net capital gains charged at a taxpayer's marginal tax rate but, for certain stockholders, a discount of the capital gain may apply if the shares have been held for 12 months or more. For individuals, this discount is 50%. For superannuation funds, the discount is 33%. There is no discount for a company that derives a capital gain. Net capital gains are calculated after deducting capital losses, which may only be offset against such gains.

Tax on Sales or other Dispositions of Shares - Stockholders Holding Shares on Revenue Account

Some non-Australian resident stockholders may hold shares on revenue rather than on capital account, for example, share traders. These stockholders may have the gains made on the sale or other disposal of the shares included in their assessable income under the ordinary income provisions of the income tax law, if the gains are sourced in Australia. Non-Australian resident stockholders assessable under these ordinary income provisions in respect of gains made on shares held on revenue account would be assessed for those gains at the Australian tax rates for non-Australian residents, which start at a marginal rate of 29%. Some relief from the Australian income tax may be available to non-Australian resident stockholders under the Double Taxation Convention between the United States and Australia, for example, because the stockholder does not have a permanent establishment in Australia.

To the extent an amount would be included in a non-Australian resident stockholder's assessable income under both the capital gains tax provisions and the ordinary income provisions, the capital gain amount would generally be reduced, so that the stockholder would not be subject to double tax on any part of the income gain or capital gain.

Dual Residency

If a stockholder were a resident of both Australia and the United States under those countries' domestic taxation laws, that stockholder may be subject to tax as an Australian resident. If, however, the stockholder is determined to be a U.S. resident for the purposes of the Double Taxation Convention between the United States and Australia, the Australian tax would be subject to limitation by the Double Taxation Convention. Stockholders should obtain specialist taxation advice in these circumstances.

Stamp Duty

Any transfer of shares through trading on the Australian Securities Exchange, whether by Australian residents or foreign residents, is not subject to stamp duty within Australia.

Table of Contents

Australian Death Duty

Australia does not have estate or death duties. No capital gains tax liability is realized upon the inheritance of a deceased person's shares. The subsequent disposal of inherited shares by beneficiaries, may, however, give rise to a capital gains tax liability.

Goods and Services Tax

The issue or transfer of shares will not incur Australian goods and services tax and does not require a stockholder to register for Australian goods and services tax purposes.

United States Federal Income Taxation

As used below, a "U.S. holder" is a beneficial owner of an ADR that is, for U.S. federal income tax purposes, (i) a citizen or resident alien individual of the United States, (ii) a corporation (or an entity treated as a corporation) created or organized under the law of the United States, any State thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if (1) a court within the United States is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust, or (2) the trust has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a United States person. For purposes of this discussion, a "non-U.S. holder" is a beneficial owner of an ADR that is (i) a nonresident alien individual, (ii) a corporation (or an entity treated as a corporation) created or organized in or under the law of a country other than the United States or a political subdivision thereof or (iii) an estate or trust that is not a U.S. Holder. If a partnership (including for this purpose any entity treated as a partnership for U.S. federal tax purposes) is a beneficial owner of an ADR, the U.S. federal tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. A holder of an ADR that is a partnership and partners in that partnership should consult their own tax advisers regarding the U.S. federal income tax consequences of holding and disposing of ADRs.

We have not sought a ruling from the Internal Revenue Service ("IRS") or an opinion of counsel as to any U.S. federal income tax consequence described herein. The IRS may disagree with the description herein, and its determination may be upheld by a court.

GIVEN THE COMPLEXITY OF THE TAX LAWS AND BECAUSE THE TAX CONSEQUENCES TO ANY PARTICULAR INVESTOR MAY BE AFFECTED BY MATTERS NOT DISCUSSED HEREIN, PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF ADRs, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL AND NON-U.S. TAX LAWS, AS WELL AS U.S. FEDERAL TAX LAWS.

TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE IRS UNDER TREASURY CIRCULAR 230, WE INFORM YOU THAT (1) ANY DISCUSSION OF U.S. FEDERAL INCOME TAX ISSUES CONTAINED HEREIN (INCLUDING

ANY ATTACHMENTS), UNLESS OTHERWISE SPECIFICALLY STATED, WAS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, FOR THE PURPOSE OF AVOIDING PENALTIES UNDER THE UNITED STATES INTERNAL REVENUE CODE, AND (2) EACH U.S. HOLDER SHOULD SEEK ADVICE BASED UPON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

Nature of ADRs for U.S. Federal Income Tax Purposes

In general, for U.S. federal income tax purposes, a holder of an ADR will be treated as the owner of the underlying shares. Accordingly, except as specifically noted below, the tax consequences discussed below with respect to ADRs will be the same as for shares in the Company, and exchanges of shares for ADRs, and ADRs for shares, generally will not be subject to U.S. federal income tax.

Taxation of Dividends

U.S. holders. In general, subject to the passive foreign investment company rules discussed below, a distribution on an ADR will constitute a dividend for U.S. federal income tax purposes to the extent that it is made from our current or accumulated earnings and profits as determined under U.S. federal income tax principles. If a distribution exceeds our current and accumulated earnings and profits, it will be treated as a non-taxable reduction of basis to the extent of the U.S. holder's tax basis in the ADR on which it is paid, and to the extent it exceeds that basis it will be treated as capital gain. For purposes of this discussion, the term "dividend" means a distribution that constitutes a dividend for U.S. federal income tax purposes.

Table of Contents

The gross amount of any dividend on an ADR (which will include the amount of any Australian taxes withheld) generally will be subject to U.S. federal income tax as foreign source dividend income, and will not be eligible for the corporate dividends received deduction. The amount of a dividend paid in Australian dollars will be its value in U.S. dollars based on the prevailing spot market exchange rate in effect on the day the U.S. holder receives the dividend or, in the case of a dividend received in respect of an ADR, on the date the Depositary receives it, whether or not the dividend is converted into U.S. dollars. A U.S. holder will have a tax basis in any distributed Australian dollars equal to its U.S. dollar amount on the date of receipt, and any gain or loss realized on a subsequent conversion or other disposition of Australian dollars generally will be treated as U.S. source ordinary income or loss. If dividends paid in Australian dollars are converted into U.S. dollars on the date they are received by a U.S. holder, the U.S. holder generally should not be required to recognize foreign currency gain or loss in respect of the dividend income.

Subject to certain exceptions for short-term and hedged positions, a dividend that a non-corporate holder receives on an ADR in a taxable year beginning before January 1, 2011 will be subject to a maximum tax rate of 15% if the dividend is a qualified dividend. A dividend on an ADR will be a qualified dividend if (i) either (a) the ADRs are readily tradable on an established market in the United States or (b) we are eligible for the benefits of a comprehensive income tax treaty with the United States that the Secretary of the Treasury determines is satisfactory for purposes of these rules and that includes an exchange of information program, and (ii) we were not, in the year prior to the year the dividend was paid, and are not, in the year the dividend is paid, a passive foreign investment company (PFIC). The ADRs are listed on the Nasdaq Global Market, which should qualify them as readily tradable on an established securities market in the United States. In any event, the Treaty satisfies the requirements of clause (i)(b), and we are a resident of Australia entitled to the benefits of the Treaty. Based on our audited financial statements and relevant market and shareholder data, we believe we were not a PFIC for U.S. federal income tax purposes for our taxable years ended June 30, 2007 and June 30, 2008, respectively, but we may be classified as a PFIC in the current taxable year. Given that the determination of PFIC status involves the application of complex tax rules, and that it is based on the nature of our income and assets from time to time, no assurances can be provided that we will not be considered a PFIC for the current (or any past of future) taxable year. In addition, as described in the section below entitled *Passive Foreign Investment Company Rules*, if we were a PFIC in a year while a U.S. holder held an ADR, and if the U.S. holder has not made a qualified electing fund election effective for the first year the U.S. holder held the ADR, the ordinary share underlying the ADR remains an interest in a PFIC for all future years or until such an election is made. The IRS takes the position that such rule will apply for purposes of determining whether an ADR is an interest in a PFIC in the year a dividend is paid or in the prior year, even if we do not satisfy the tests to be a PFIC in either of those years. Even if dividends on the ADRs would otherwise be eligible for qualified dividend treatment, in order to qualify for the reduced qualified dividend tax rates, a non-corporate holder must hold the ordinary share on which a dividend is paid for more than 60 days during the 120-day period beginning 60 days before the ex-dividend date, disregarding for this purpose any period during which the non-corporate holder has an option to sell, is under a contractual obligation to sell or has made (and not closed) a short sale of substantially identical stock or securities, is the grantor of an option to buy substantially identical stock or securities or, pursuant to Treasury regulations, has diminished their risk of loss by holding one or more other positions with respect to substantially similar or related property. In addition, to qualify for the reduced qualified dividend tax rates, the non-corporate holder must not be obligated to make related payments with respect to positions in substantially similar or related property. Payments in lieu of dividends from short sales or other similar transactions will not qualify for the reduced qualified dividend tax rates. A non-corporate holder that receives an extraordinary dividend eligible for the reduced qualified dividend rates must treat any loss on the sale of the stock as a long-term capital loss to the extent of the dividend. For purposes of determining the amount of a non-corporate holder's deductible investment interest expense, a dividend is treated as investment income only if the non-corporate holder elects to treat the dividend as not eligible for the reduced qualified dividend tax rates. Special limitations on foreign tax credits with respect to dividends subject to the reduced qualified dividend tax rates apply to reflect the reduced rates of tax.

The U.S. Treasury has announced its intention to promulgate rules pursuant to which non-corporate holders of stock of non-U.S. corporations, and intermediaries through whom the stock is held, will be permitted to rely on certifications from issuers to establish that dividends are treated as qualified dividends. Because those procedures have not yet been issued, it is not clear whether we will be able to comply with them.

Non-corporate holders of ordinary shares are urged to consult their own tax advisers regarding the availability of the reduced qualified dividend tax rates with respect to dividends received on the ADRs in the light of their own particular circumstances.

Table of Contents

Any Australian withholding tax imposed on dividends received with respect to the ADRs will be treated as a foreign income tax eligible for credit against a U.S. holder's U.S. federal income tax liability, subject to generally applicable limitations under U.S. federal income tax law. For purposes of computing those limitations separately under current law for specific categories of income, a dividend generally will constitute foreign source passive income or, in the case of certain holders, financial services income for purposes of taxable years beginning before January 1, 2007. For taxable years beginning after December 31, 2006, passive income generally will be treated as passive category income, and financial services income generally will be treated as general category income. A U.S. holder will be denied a foreign tax credit with respect to Australian income tax withheld from dividends received with respect to the ADRs to the extent the U.S. holder has not held the ADRs for at least 16 days of the 30-day period beginning on the date which is 15 days before the ex-dividend date or to the extent the U.S. holder is under an obligation to make related payments with respect to substantially similar or related property. Any days during which a U.S. holder has substantially diminished its risk of loss on the ADRs are not counted toward meeting the 16-day holding period required by the statute. The rules relating to the determination of the foreign tax credit are complex, and U.S. holders are urged to consult with their own tax advisers to determine whether and to what extent they will be entitled to foreign tax credits as well as with respect to the determination of the foreign tax credit limitation (including changes in the rules for taxable years beginning after December 31, 2006). Alternatively, any Australian withholding tax may be taken as a deduction against taxable income, provided the U.S. holder takes a deduction and not a credit for all foreign income taxes paid or accrued in the same taxable year. In general, special rules will apply to the calculation of foreign tax credits in respect of dividend income that is subject to preferential rates of U.S. federal income tax.

Non-U.S. holders. A dividend paid to a non-U.S. holder of an ADR will not be subject to U.S. federal income tax unless the dividend is effectively connected with the conduct of trade or business by the non-U.S. holder within the United States (and is attributable to a permanent establishment or fixed base the non-U.S. holder maintains in the United States if an applicable income tax treaty so requires as a condition for the non-U.S. holder to be subject to U.S. taxation on a net income basis on income from the ADR). A non-U.S. holder generally will be subject to tax on an effectively connected dividend in the same manner as a U.S. holder. A corporate non-U.S. holder under certain circumstances may also be subject to an additional branch profits tax, the rate of which may be reduced pursuant to an applicable income tax treaty.

Taxation of Capital Gains

U.S. holders. Subject to the passive foreign investment company rules discussed below, on a sale or other taxable disposition of an ADR, a U.S. holder will recognize capital gain or loss in an amount equal to the difference between the U.S. holder's adjusted basis in the ADR and the amount realized on the sale or other disposition, each determined in U.S. dollars. Such capital gain or loss will be long-term capital gain or loss if at the time of the sale or other taxable disposition the ADR has been held for more than one year. In general, any adjusted net capital gain of an individual in a taxable year beginning before January 1, 2011 is subject to a maximum tax rate of 15%. In later years, the maximum tax rate on the net capital gain of an individual will be 20%. Capital gains recognized by corporate U.S. holders generally are subject to U.S. federal income tax at the same rate as ordinary income. The deductibility of capital losses is subject to limitations.

Any gain a U.S. holder recognizes generally will be U.S. source income for U.S. foreign tax credit purposes, and, subject to certain exceptions, any loss will generally be a U.S. source loss. If an Australian tax is paid on a sale or other disposition of an ADR, the amount realized will include the gross amount of the proceeds of that sale or disposition before deduction of the Australian tax. The generally applicable limitations under U.S. federal income tax law on crediting foreign income taxes may preclude a U.S. holder from obtaining a foreign tax credit for any Australian tax paid on a sale or other disposition of an ADR. The rules relating to the determination of the foreign tax credit are complex, and

U.S. holders are urged to consult with their own tax advisers regarding the application of such rules. Alternatively, any Australian tax paid on the sale or other disposition of an ADR may be taken as a deduction against taxable income, provided the U.S. holder takes a deduction and not a credit for all foreign income taxes paid or accrued in the same taxable year.

Non-U.S. holders. A non-U.S. holder will not be subject to U.S. federal income tax on gain recognized on a sale or other disposition of an ADR unless (i) the gain is effectively connected with the conduct of trade or business by the non-U.S. holder within the United States (and is attributable to a permanent establishment or fixed base the non-U.S. holder maintains in the United States if an applicable income tax treaty so requires as a condition for the non-U.S. holder to be subject to U.S. taxation on a net income basis on income from the ADR), or (ii) in the case of a non-U.S. holder who is an individual, the holder is present in the United States for 183 or more days in the taxable year of the sale or other disposition and certain other conditions apply. Any effectively connected gain of a corporate non-U.S. holder may also be subject under certain circumstances to an additional branch profits tax, the rate of which may be reduced pursuant to an applicable income tax treaty.

Table of Contents

Passive Foreign Investment Company Rules

A special set of U.S. federal income tax rules applies to a foreign corporation that is a PFIC for U.S. federal income tax purposes. As noted above, based on our audited financial statements and relevant market and shareholder data, we believe that we were not a PFIC for U.S. federal income tax purposes for our taxable years ended June 30, 2007 and June 30, 2008, respectively, but we may be classified as a PFIC in the current taxable year. In addition, given that the determination of PFIC status involves the application of complex tax rules, and that it is based on the nature of our income and assets from time to time, no assurances can be provided that we will not be considered a PFIC for any past or future taxable years.

In general, a foreign corporation is a PFIC if at least 75% of its gross income for the taxable year is passive income or if at least 50% of its assets for the taxable year produce passive income or are held for the production of passive income. In general, passive income for this purpose means, with certain designated exceptions, dividends, interest, rents, royalties (other than certain rents and royalties derived in the active conduct of trade or business), annuities, net gains from dispositions of certain assets, net foreign currency gains, income equivalent to interest, income from notional principal contracts and payments in lieu of dividends. The determination of whether a foreign corporation is a PFIC is a factual determination made annually and is therefore subject to change. Subject to exceptions pursuant to certain elections that generally require the payment of tax, once stock in a foreign corporation is stock in a PFIC in the hands of a particular shareholder that is a United States person, it remains stock in a PFIC in the hands of that shareholder.

If we are treated as a PFIC, contrary to the tax consequences described in U.S. Federal Income Tax Considerations--Taxation of Dividends and --U.S. Federal Income Tax Considerations--Taxation of Capital Gains above, a U.S. holder that does not make an election described in the succeeding two paragraphs would be subject to special rules with respect to (i) any gain realized on a sale or other disposition of an ADR (for purposes of these rules, a disposition of an ADR includes many transactions on which gain or loss is not realized under general U.S. federal income tax rules) and (ii) any excess distribution by the Company to the U.S. holder (generally, any distribution during a taxable year in which distributions to the U.S. holder on the ADR exceed 125% of the average annual taxable distributions (whether actual or constructive and whether or not out of earnings and profits) the U.S. holder received on the ADR during the preceding three taxable years or, if shorter, the U.S. holder's holding period for the ADR). Under those rules, (i) the gain or excess distribution would be allocated ratably over the U.S. holder's holding period for the ADR, (ii) the amount allocated to the taxable year in which the gain or excess distribution is realized would be taxable as ordinary income in its entirety and not as capital gain, would be ineligible for the reduced qualified dividend rates, and could not be offset by any deductions or losses, and (iii) the amount allocated to each prior year, with certain exceptions, would be subject to tax at the highest tax rate in effect for that year, and the interest charge generally applicable to underpayments of tax would be imposed in respect of the tax attributable to each of those years. A U.S. holder who owns an ADR during any year we are a PFIC may have to file IRS Form 8621.

The special PFIC rules described above will not apply to a U.S. holder if the U.S. holder makes a timely election, which remains in effect, to treat the Company as a qualified electing fund (QEF) in the first taxable year in which the U.S. holder owns an ADR and the Company is a PFIC and if the Company complies with certain reporting requirements. Instead, a shareholder of a QEF generally is currently taxable on a pro rata share of the Company's ordinary earnings and net capital gain as ordinary income and long-term capital gain, respectively. Neither that ordinary income nor any actual dividend from the Company would qualify for the 15% maximum tax rate on dividends described above if the Company is a PFIC in the taxable year the ordinary income is realized or the dividend is paid or in the preceding taxable year. We have not yet determined whether, if we are a PFIC, we would make the computations necessary to supply U.S. holders with the information needed to report income and gain pursuant to a QEF election. It is, therefore, possible that U.S. holders would not be able to make or retain that election in any year we are a PFIC. Although a QEF election generally cannot be revoked, if a U.S. holder made a timely QEF election for the first taxable year it owned an ADR and the Company is a PFIC (or is treated as having done so pursuant to any of certain elections), the QEF election will not apply during any later taxable year in which the Company does not satisfy the tests to be a PFIC. If a QEF election is not made in that first taxable year, an election in a later year generally will require the payment of tax and interest.

Edgar Filing: GENETIC TECHNOLOGIES LTD - Form 20-F

In lieu of a QEF election, a U.S. holder of stock in a PFIC that is considered marketable stock could elect to mark the stock to market annually, recognizing as ordinary income or loss each year an amount equal to the difference as of the close of the taxable year between the fair market value of the stock and the U.S. holder's adjusted basis in the stock. Losses would be allowed only to the extent of net mark-to-market gain previously included in income by the U.S. holder under the election for prior taxable years. A U.S. holder's adjusted basis in the ADRs will be adjusted to reflect the amounts included or deducted with respect to the mark-to-market election. If the mark-to-market election were made, the rules set forth in the second preceding paragraph would not apply for periods covered by the election. A mark-to-market election will not apply during any later taxable year in which the Company does not satisfy the tests to be a PFIC. In general, the ADRs will be marketable stock if the ADRs are traded, other than in *de minimis* quantities, on at least 15 days during each calendar quarter on a national securities exchange that is registered with the SEC or on a designated national market system or on any exchange or market that the Treasury Department determines to have rules sufficient to ensure that the market price accurately represents the fair market value of the stock. Under current law, the mark-to-market election may be available to U.S. holders of ADRs because the ADRs are listed on the Nasdaq Global Market, which constitutes a qualified exchange, although there can be no assurance that the ADRs will be regularly traded for purposes of the mark-to-market election.

Table of Contents

Given the complexities of the PFIC rules and their potentially adverse tax consequences, U.S. holders of ADRs are urged to consult their own tax advisers about the PFIC rules, including the consequences to them of making a QEF election or a mark-to-market election with respect to the ordinary shares in the event that the Company is classified as a PFIC for any taxable year.

Information Reporting and Backup Withholding

Dividends paid on, and proceeds from the sale or other disposition of, an ADR to a U.S. holder generally may be subject to information reporting requirements and may be subject to backup withholding at the rate of 28% unless the U.S. holder provides an accurate taxpayer identification number or otherwise establishes an exemption. The amount of any backup withholding collected from a payment to a U.S. holder will be allowed as a credit against the U.S. holder's U.S. federal income tax liability and may entitle the U.S. holder to a refund, provided certain required information is furnished to the Internal Revenue Service. A non-U.S. holder generally will be exempt from these information reporting requirements and backup withholding tax but may be required to comply with certain certification and identification procedures in order to establish its eligibility for exemption.

THE DISCUSSION ABOVE IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSIDERATIONS APPLICABLE TO AN INVESTMENT IN ADRs. HOLDERS AND POTENTIAL HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISERS CONCERNING THE TAX CONSEQUENCES RELEVANT TO THEM IN THEIR PARTICULAR SITUATION.

Item 10.F Dividends and Paying Agents

No dividends have been paid by the Company or recommended by the directors since the end of the previous financial year.

Item 10.G Statement by Experts

Not applicable.

Item 10.H Documents on Display

The documents concerning the Company which are referred to in this Annual Report may be inspected at the offices of the Company at 60-66 Hanover Street, Fitzroy, Victoria 3065 Australia. Following our listing on NASDAQ Global Market in September 2005, we are now subject to the information requirements of the U.S. Securities Exchange Act of 1934, as amended, and, in accordance therewith, we are required to file reports, including annual reports on Form 20-F, and other information with the U.S. Securities and Exchange Commission in electronic form. These materials, including this Annual Report and the exhibits thereto, may be inspected and copied at the Commission's public reference room in Washington, D.C. Please call the Commission at 1-800-SEC-0330 for further information regarding the public reference rooms. As a foreign

Edgar Filing: GENETIC TECHNOLOGIES LTD - Form 20-F

private issuer, we are required to make filings with the Commission by electronic means. Any filings we make electronically will be available to the public over the Internet at the Commission's website at <http://www.sec.gov>. We also maintain a website at www.gtg.com.au. Information on our website and websites linked to it do not constitute a part of this Annual Report.

Item 10.I Subsidiary Information

The following is a list of the Company's subsidiaries as at the date of this Annual Report:

GeneType AG	Switzerland	100%
GeneType Corporation	California, U.S.A.	100%
GeneType Pty. Ltd.	Australia	100%
Genetic Technologies Corporation Pty. Ltd.	Australia	100%
Frozen Puppies Dot Com Pty. Ltd.	Australia	100%
RareCollect Pty. Ltd.	Australia	100%
ImmunAid Pty. Ltd.	Australia	69.2%
Gtech International Resources Limited	Canada	75.8%
AgGenomics Pty. Ltd.	Australia	50.1%

Table of Contents

Item 11. Quantitative And Qualitative Disclosures About Market Risk

Genetic Technologies has exposure to changes in foreign currency exchange rates and interest rates.

We invest excess cash in interest-bearing, investment-grade securities and time deposits in high-quality institutions. We do not utilize derivative financial instruments, derivative commodity instruments, positions or transactions in any material matter. Accordingly, we believe that, while the investment-grade securities and time-deposits we hold are subject to changes in financial standing of the issuer of such securities, the principal is not subject to any material risks arising from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices or other market changes that affect market risk sensitive instruments. Since we invest in locations outside Australia, we are subject to certain cross-border risks.

We operate in Australia, and we will be subject to certain foreign currency exposure. Historically, currency translation gains and losses have been reflected as adjustments to stockholders' equity, while transaction gains and losses have been reflected as components of income and loss. Transaction gains and losses could be material depending upon changes in the exchange rates between the Australian dollar and the U.S. dollar. A significant amount of our license revenue is denominated in U.S. dollars.

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted. Concentrations of credit risk (whether on or off-balance sheet) that arise from financial instruments exist for groups of customers or counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Financial instruments on the balance sheet that potentially subject the Company to concentration of credit risk consist principally of cash and cash equivalents and trade accounts receivable. The Company places its cash and cash equivalents with quality institutions holding superior credit ratings in order to limit the degree of credit exposure. The Company has established guidelines relative to credit ratings, diversification and maturities that seek to maintain safety and liquidity. The Company does not require collateral to provide credit. In addition, the majority of the Company's licensing customers are large, reputable organizations, which also reduces the risk of credit exposure. The Company has not entered into any transactions that would qualify as a financial derivative instrument.

At June 30, 2008, one customer accounted for 31% (\$495,000) of trade accounts receivable, which related to the testing segment in Australia. At June 30, 2007, two customers accounted for 25% (\$158,740) and 12% (\$75,850), respectively, of trade accounts receivable, which related to the licensing and genetic testing segments, respectively, in Australia.

At June 30, 2008, two suppliers accounted for 21% (\$267,300) and 18% (\$227,700), respectively, of trade accounts payable, both of which related to the research segment in Australia. At June 30, 2007, one supplier accounted for 10% (\$81,455) of trade accounts payable, which related to the corporate segment in Australia.

In 2008, two customers accounted for 25% (\$3,952,569) and 14% (\$2,164,009), respectively, of the Company's total revenue. In 2007, one customer accounted for 39% (\$5,894,836) of the Company's total revenue. In 2006, one customer accounted for 37% (\$3,730,076) of the Company's total revenue. All revenues attributable to these customers relate to the licensing segment in Australia.

Export sales, mainly to the USA, were \$10,060,541, \$10,476,321 and \$3,004,133 in 2008, 2007 and 2006, respectively.

Item 12. Description Of Securities Other Than Equity Securities

Item 12.A Debt Securities

Not applicable.

Item 12.B Warrants and Rights

Not applicable.

Item 12.C Other Securities

Not applicable

Item 12.D American Depositary Shares

Not applicable.

Table of Contents

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

Not applicable.

Item 14. Material Modifications to The Rights Of Security Holders and Use Of Proceeds

Not applicable.

Item 15. Controls and Procedures

Item 15.A Disclosure Controls and Procedures

We maintain disclosure controls and procedures as such term is defined in Rules 13 a - 15 (e) and 15 d - 15 (e) under the Securities Exchange Act of 1934 (the Exchange Act), as amended, that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Disclosure controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives.

Our Management has carried out an evaluation, under the supervision and with the participation of our former Chief Executive Officer and current Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of June 30, 2008. On November 19, 2008, our Chief Executive Officer was removed from his position and as a Director of the Company at the 2008 Annual General Meeting. An international recruitment agent has since been appointed by the Company to undertake a worldwide search for a replacement Chief Executive Officer. Subsequent to the removal of the Chief Executive Officer, the Board has worked closely with Management to ensure the efficient operation of the Company's businesses, collectively performing the role of acting CEO. The Board has relied upon the representations of Management and employees performing similar functions regarding disclosure controls and procedures for the period since November 19, 2008. Based on that evaluation, the Board and Chief Financial Officer have concluded that such disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2008. The Board has resolved that Mr. Sid Hack, as Chairman of the Company's Audit Committee, is the most appropriate Director to sign off on this assessment on behalf of the Board.

Our Management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will provide absolute assurance that all appropriate information will, in fact, be communicated to management to allow timely decisions to be made or prevent all error and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Additionally, the design of a control system must reflect the fact that there are resource constraints, and the benefit of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected or that our control system will operate effectively under all circumstances. Moreover, the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Table of Contents

Item 15.B Management's annual report on internal control over financial reporting

Our Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Securities Exchange Act of 1934 defines internal control over financial reporting in Rule 13a-15(f) and 15d-15(f) as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's Board of directors, Management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of Management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the consolidated financial statements.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the annual financial statements will not be prevented or detected on a timely basis.

Our Management, under the supervision and with the participation of our Board and Chief Financial Officer, have assessed the effectiveness of its internal control over financial reporting as of June 30, 2008. In making this assessment, Management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO, in Internal Control-Integrated Framework. As a result of that assessment, Management identified the following control deficiencies as of June 30, 2008 that constituted material weaknesses:

- Deficiencies in the financial statement reporting process of US filing. In order to address any potential weaknesses in our knowledge in this regard, our senior finance staff are committed to attending targeted SEC reporting courses and subscribing to additional information publications and updates of SEC releases and rule changes and of information about the requirements of the Public Company Accounting Oversight Board. Our CFO has also become an International Associate of the American Institute of Certified Public Accountants (AICPA) which assists him in keeping abreast of technical accounting developments in the US. We have also mitigated any weakness by conferring and / or hiring outside accounting advisers with respect to the technical requirements applicable to our financial statements.

- The Company did not maintain an adequate segregation of duties with respect to internal control over financial reporting. Specifically, the Company did not design controls to ensure that the duties and responsibilities related to the authorization, custody, recordkeeping and reconciliation of transactions related to payables and cash were performed by individuals who had incompatible roles and responsibilities or were otherwise not monitored by those in charge of governance. The Company plans additional regular reporting to the Board of the potential segregation of duties conflicts that exist in a smaller business enterprise such as ours and the impacts of transactions within such areas for the Company. The efforts to report the potential conflicts and Board's oversight are intended to be implemented during the year ending June 30, 2009.

The material weaknesses described above could result in adjustments to the Company's consolidated financial statements and disclosures for the year ended June 30, 2008 that would result in a material misstatement to the Company's annual consolidated financial statements that would not be prevented or detected.

Based upon its assessment, because of the material weaknesses described above, our Management has concluded that, as of June 30, 2008, our internal control over financial reporting is not effective based upon the abovementioned criteria.

This Annual Report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the company to provide only Management's report in this Annual Report.

Item 15.C Attestation report of the registered public accounting firm

Not applicable.

Table of Contents

Item 15.D Changes in internal control over financial reporting

In connection with the audits of our financial years ended June 30, 2007 and 2006, Ernst & Young, the Company's independent registered public accounting firm, identified material weakness in the financial statement close process and knowledge of US GAAP and the maintenance of adequate segregation of duties. As the Company converted from US GAAP to IFRS for the year ended June 30, 2008, the material weakness relating to the knowledge of US GAAP and related financial statement close process has been remediated.

There were no other changes in our internal control over financial reporting during the period covered by this Annual Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 16.A Audit Committee Financial Expert

Following the resignation of Mr. Robert Edge at the 2006 Annual General Meeting, we did not have an audit committee financial expert within the meaning of the Sarbanes-Oxley Act and related regulations. However, on February 26, 2007, we appointed Mr. David Carruthers as a Non-Executive Director who replaced Mr. Edge as Chairman of the Company's Audit Committee and who we believe qualified as a financial expert within the meaning of the Sarbanes-Oxley Act and related regulations. On November 19, 2008, Mr. Carruthers was removed as a Director of the Company and was replaced as Chairman of the Audit Committee by Mr. Sid Hack on that date. We believe Mr. Hack does not qualify as a financial expert within the meaning of the Sarbanes-Oxley Act and related regulations.

Recent changes in Board composition at the Company have resulted in its non-compliance with the requirements of the Nasdaq and the U.S. Securities and Exchange Commission that listed companies have an audit committee that is composed of a minimum of three independent directors. At present there are only two independent directors serving on the Audit Committee and the Company is actively engaged in seeking appropriate candidates for appointment to its Board of Directors who also can serve on the Audit Committee, and who have the necessary financial expertise.

Item 16B. Code Of Ethics

We have adopted a Code of Ethics (styled Code of Conduct) that applies to all of our Directors and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller. The Code can be downloaded at our website (www.gtg.com.au). Additionally, any person, upon request, can ask for a hard copy or electronic file of such Code. If we make any substantive amendment to the Code of Ethics or grant any waivers, including any implicit waiver, from a provision of the Code of Ethics, we will disclose the nature of such amendment or waiver on our website. During the year ended June 30, 2008, no such amendment was made or waiver granted. Our Board of Directors is responsible for the corporate governance of the consolidated entity and guides and monitors the business and affairs of Genetic Technologies on behalf of the shareholders by whom they are elected and to whom they are accountable. We are required to publish a Corporate Governance Statement annually that accords with the introduction last year of the Australian Securities Exchange Corporate Governance Council's (the Council's) Principles of Good Corporate Governance and Best Practice Recommendations.

In accordance with the Council's recommendations, the Corporate Governance Statement must now contain certain specific information and must disclose the extent to which we have followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed, together with the reasons for the departure. The Company's Corporate Governance Statement is now structured with reference to the Corporate Governance Council's principles and recommendations. Below is an extract from the Company's most recent Corporate Governance Statement:

As of the date of this Annual Report, the following twelve Corporate Governance documents had been adopted by the Board, in addition to the Company's Constitution which was revised and approved by the shareholders of the Company in November 2005. All of these documents are available on the Company's website: www.gtg.com.au

- Board Charter which defines the role of the Board and that of Management;
- Audit Committee Charter;
- Corporate Governance Committee Charter;
- Board Protocol which clarifies the responsibilities of Directors and the Company's expectations of them;
- Code of Conduct, including a Document Retention Policy;
- Board Performance Evaluation Policy;
- Risk and Compliance Policy;
- Continuous Disclosure Policy;
- Securities Trading Policy;

- Shareholder Communications Policy; and
- Whistleblower Policy.

Table of Contents**Item 16.C Principal Accountant Fees and Services**

The following table sets forth the fees billed to us by our Independent Registered Public Accounting Firm, Ernst & Young, during the financial years ended June 30, 2008 and 2007, respectively:

	2008		2007
Audit fees	\$ 177,500	\$	410,274
Tax fees	38,350		55,095
Total	\$ 215,850	\$	465,369

Audit fees in the above table are the aggregate fees billed by Ernst & Young in connection with the audit of our annual financial statements and review of our semi-annual financial information. Tax fees related to the preparation of the Company's income tax returns.

Audit Committee Pre-Approval Policies and Procedures

Our Board of Directors has established pre-approval and procedures for the engagement of its Independent Registered Public Accounting Firm for audit and non-audit services.

The Board of Directors reviews the scope of the services to be provided, before their commencement, in order to ensure that there are no independence issues and the services are not prohibited services, as defined by the Sarbanes-Oxley Act of 2002.

Item 16D. Exemptions From The Listing Standards For Audit Committees

Not applicable.

Item 16E. Purchases Of Equity Securities By The Issuer And Affiliated Purchasers

Not applicable.

PART III

Item 17. Financial Statements

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

Item 18. Financial Statements

Table of Contents

GENETIC TECHNOLOGIES LIMITED

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
Genetic Technologies Limited - Report of Independent Registered Public Accounting Firm.	
<u>Genetic Technologies Limited - Consolidated Income Statements for the years ended June 30, 2008, 2007 and 2006.</u>	F1
<u>Genetic Technologies Limited - Consolidated Balance Sheets as of June 30, 2008 and 2007.</u>	F2
<u>Genetic Technologies Limited - Consolidated Statements of Changes in Equity for the years ended June 30, 2008, 2007 and 2006.</u>	F3
<u>Genetic Technologies Limited - Consolidated Cash Flows Statements for the years ended June 30, 2008, 2007 and 2006.</u>	F4
<u>Genetic Technologies Limited - Notes to Consolidated Financial Statements.</u>	F5

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, 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.
- 4.1 Consulting contract with Dr. Stephen Kent for Technical Review Committee for ImmunAid Pty. Ltd., dated September 14, 2001.+
- 4.2 Staff Share Plan 2001 dated November 30, 2001. +
- 4.3 License agreement with an effective date of 7 March 2003 between Genetic Technologies Limited and Pyrosequencing AB. +
- 4.4 Research license dated as of July 22, 2003 between Genetic Technologies Limited and University of Sydney, and Agreement to Assign Intellectual Property dated September 4, 2003. +
- 4.5 License agreement dated as of August 1, 2003 between Genetic Technologies Limited and Quest Diagnostics Inc. +
- 4.6 License Agreement dated as of December 31, 2003 between Genetic Technologies Limited and TM Bioscience Corporation. +
- 4.7 License Agreement dated as of February 5, 2004 between Genetic Technologies Limited and Laboratory Corporation of America Holdings.* ++
- 4.8

Edgar Filing: GENETIC TECHNOLOGIES LTD - Form 20-F

Settlement and License Agreement dated as of June 15, 2004 between Genetic Technologies Limited and C.Y. O Connor ERADE Village Foundation (incorporating the Immunogenetics Research Foundation and the Institute of Molecular Genetics and Immunology Incorporated). +

4.9 Sponsored Research Agreement dated as of June 15, 2004 between Genetic Technologies Limited and the C.Y. O Connor ERADE Village Foundation. +

Table of Contents

- 4.10 IP Sale and Royalty Agreement dated as of June 15, 2004 between Genetic Technologies Limited and C.Y. O Connor ERADE Village Foundation. +
- 4.11 License Agreement dated as of September 17, 2004 between the Company and Genzyme Corporation.* ++
- 4.12 License Agreement dated as of September 17, 2004 between the Company and MetaMorphix, Inc. +
- 4.13 License Agreement dated as of September 27, 2004 among the Company, MetaMorphix, Inc. and MMI Genomics, Inc. +
- 4.14 Patent License Agreement with an effective date of December 1, 2006 between Genetic Technologies Limited and Genosense Diagnostic GMBH.*+++
- 4.15 Settlement and License Agreement with an effective date of June 20, 2007 between Genetic Technologies Limited and Monsanto Company.*+++
- 4.16 License Agreement and Release with an effective date of June 29, 2007 between Genetic Technologies Limited and Thermo Fisher Scientific Inc.*+++
- 4.17 License Agreement with an effective date of August 22, 2007 between Genetic Technologies Limited and Monsanto Company.*+++
- 4.18 License Agreement with an effective date of September 28, 2007 between Genetic Technologies Limited and Syngenta Crop Protection AG.*+++
- 4.19 License Agreement with an effective date of September 30, 2007 between Genetic Technologies Limited and BioSearch Technologies Inc.*+++
- 4.20 Share Purchase Agreement with an effective date of July 22, 2008 between Genetic Technologies Limited and the shareholders of Frozen Puppies Dot Com Pty. Ltd.
- 12.01 Section 302 Certification
- 12.02 Section 302 Certification
- 13.01 Section 1350 Certification
- 13.02 Section 1350 Certification

* Certain provisions of this exhibit have been omitted and filed separately with the Commission pursuant to an application for confidential treatment under Rule 24b-2 promulgated under the Securities Exchange Act of 1934, as amended.

+ Previously filed with the Company's Registration Statement on Form 20-F (File No. 0-51504), filed with the Commission on August 19, 2005 and incorporated herein by reference.

++ Previously filed with Amendment No. 1 to the Company's Registration Statement on Form 20-F (File No. 0-51504), filed with the Commission on August 29, 2005 and incorporated herein by reference.

Edgar Filing: GENETIC TECHNOLOGIES LTD - Form 20-F

Previously filed with the Company's Annual Report on Form 20-F (File No. 0-51504), filed with the Commission on December 30, 2005 and incorporated herein by reference.

+++ Previously filed with the Company's Annual Report on Form 20-F (File No. 0-51504), filed with the Commission on December 20, 2007 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 and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

GENETIC TECHNOLOGIES LIMITED

Dated: December 30, 2008

By: /s/ Sidney C. Hack
Name:
Title:

Sidney C. Hack
Director and Chairman of the Audit
Committee

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Genetic Technologies Limited

We have audited the accompanying consolidated balance sheets of Genetic Technologies Limited and subsidiaries as of June 30, 2008 and 2007, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended June 30, 2008. 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 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. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Genetic Technologies Limited and subsidiaries at June 30, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended June 30, 2008, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ Ernst & Young
Ernst & Young
Melbourne, Victoria, Australia
December 24, 2008

Table of Contents**CONSOLIDATED INCOME STATEMENTS**

For the year ended June 30, 2008

(Australian dollars)	Notes	2008 \$	2007 \$	2006 \$
Revenue from operations	4	15,702,336	14,978,819	10,048,703
Other income	5	276,606	340,486	708,411
Employee benefits expenses	6	(6,568,966)	(5,556,644)	(5,432,506)
Amortisation and depreciation expenses	6	(4,755,155)	(4,602,992)	(4,817,277)
Impairment losses and other write-downs	6	(2,378,000)	(1,306,960)	(97,500)
Genetic testing expenses		(1,599,644)	(1,989,098)	(2,008,546)
Contract research and trial expenses		(1,267,748)	(1,247,775)	(1,345,916)
Royalties, license fees and commissions paid		(889,520)	(580,122)	(177,283)
Legal and patent fees		(873,854)	(748,605)	(1,440,929)
Administration expenses		(839,226)	(901,380)	(910,776)
Rent and outgoings		(533,644)	(535,045)	(511,050)
Net foreign exchange losses		(254,954)	(317,317)	
Marketing and promotion expenses		(221,644)	(437,087)	(502,353)
Withholding tax		(94,524)	(264,391)	(90,500)
Finance costs	6	(66,763)	(90,929)	(112,082)
Other expenses	6	(1,086,938)	(1,086,662)	(1,218,519)
Loss before income tax		(5,451,638)	(4,345,702)	(7,908,123)
Income tax expense	7			
Loss for the year		(5,451,638)	(4,345,702)	(7,908,123)
Loss is attributable to:				
Equity holders of Genetic Technologies Limited		(5,446,089)	(4,328,543)	(7,918,773)
Minority interest	26	(5,549)	(17,159)	10,650
		(5,451,638)	(4,345,702)	(7,908,123)
Earnings per share (cents per share)				
Basic loss for the year attributable to the ordinary equity holders of Genetic Technologies Limited	8	(1.5)	(1.2)	(2.2)
Diluted loss for the year attributable to the ordinary equity holders of Genetic Technologies Limited	8	(1.5)	(1.2)	(2.2)

Table of Contents**CONSOLIDATED BALANCE SHEETS**

As at June 30, 2008

(Australian dollars)	Notes	2008 \$	2007 \$
ASSETS			
Current assets			
Cash and cash equivalents	9	12,920,772	13,333,750
Trade and other receivables	10	1,596,738	646,946
Prepayments and other assets	11	857,225	543,252
Performance bond and deposits	12	519,117	76,898
Total current assets		15,893,852	14,600,846
Non-current assets			
Deposits	13		450,000
Receivables	14		
Prepayments			8,698
Available-for-sale investments	15	207,195	233,330
Property, plant and equipment	16	1,703,757	1,944,379
Intangible assets and goodwill	17	6,289,774	12,211,774
Total non-current assets		8,200,726	14,848,181
Total assets		24,094,578	29,449,027
LIABILITIES			
Current liabilities			
Trade and other payables	18	1,786,412	1,563,652
Interest-bearing liabilities	19	111,117	476,989
Deferred revenue	20	138,941	321,317
Withholding tax payable		326,361	324,837
Provisions	21	684,171	561,968
Total current liabilities		3,047,002	3,248,763
Non-current liabilities			
Interest-bearing liabilities	22	187,082	46,978
Provisions	21	75,421	50,477
Total non-current liabilities		262,503	97,455
Total liabilities		3,309,505	3,346,218
Net assets		20,785,073	26,102,809
EQUITY			
Contributed equity	23	70,243,996	70,243,996
Reserves	24	1,588,804	1,456,895

Edgar Filing: GENETIC TECHNOLOGIES LTD - Form 20-F

Accumulated losses	25	(51,189,189)	(45,743,100)
Parent entity interest		20,643,611	25,957,791
Minority interests	26	141,462	145,018
Total equity		20,785,073	26,102,809

F2

Table of Contents**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

For the year ended June 30, 2008

(Australian dollars)	Attributable to Members of Genetic Technologies Limited					Total equity \$
	Contributed equity	Reserves	Accumulated losses	Parent interests	Minority interests	
	\$	\$	\$	\$	\$	
At 30 June 2005	70,235,396	779,101	(33,495,784)	37,518,713	164,526	37,683,239
Currency translation differences		26,548		26,548		26,548
Loss for the year			(7,918,773)	(7,918,773)	10,650	(7,908,123)
Total recognised income and expense for the year		26,548	(7,918,773)	(7,892,225)	10,650	(7,881,575)
Issue of ordinary shares	8,600			8,600		8,600
Share-based payments		431,875		431,875		431,875
At 30 June 2006	70,243,996	1,237,524	(41,414,557)	30,066,963	175,176	30,242,139
Currency translation differences		(38,535)		(38,535)	(12,999)	(51,534)
Loss for the year			(4,328,543)	(4,328,543)	(17,159)	(4,345,702)
Total recognised income and expense for the year		(38,535)	(4,328,543)	(4,367,078)	(30,158)	(4,397,236)
Share-based payments		257,906		257,906		257,906
At 30 June 2007	70,243,996	1,456,895	(45,743,100)	25,957,791	145,018	26,102,809
Currency translation differences		(32,624)		(32,624)	(9,161)	(41,785)
Share of issued capital					11,154	11,154
Loss for the year			(5,446,089)	(5,446,089)	(5,549)	(5,451,638)
Total recognised income and expense for the year		(32,624)	(5,446,089)	(5,478,713)	(3,556)	(5,482,269)
Share-based payments		164,533		164,533		164,533
At 30 June 2008	70,243,996	1,588,804	(51,189,189)	20,643,611	141,462	20,785,073

Table of Contents**CONSOLIDATED CASH FLOW STATEMENTS**

For the year ended June 30, 2008

(Australian dollars)	Notes	2008 \$	2007 \$	2006 \$
Cash flows provided by / (used in) operating activities				
Receipts from customers		12,961,170	14,541,621	7,537,611
Payments to suppliers and employees		(13,642,885)	(12,723,248)	(15,067,011)
Interest received		919,447	489,824	926,777
Other income		217,076	379,978	757,383
Finance costs		(32,038)	(90,929)	(112,082)
Net cash flows provided by / (used in) operating activities	9	422,770	2,597,246	(5,957,322)
Cash flows provided by / (used in) investing activities				
Proceeds from the sale of plant and equipment		70,611		4,469
Proceeds from the sale of shares			332,709	
Purchases of plant and equipment		(118,010)	(158,699)	(159,716)
Advances to unrelated parties			(80,000)	
Net cash flows provided by / (used in) investing activities		(47,399)	94,010)	(155,247)
Cash flows used in financing activities				
Repayment of hire purchase principal		(528,899)	(502,505)	(450,892)
Net cash flows used in financing activities		(528,899)	(502,505)	(450,892)
Net increase / (decrease) in cash and cash equivalents		(153,528)	2,188,751)	(6,563,461)
Cash and cash equivalents at beginning of year		13,783,750	11,885,247	18,414,017
Net foreign exchange difference		(259,450)	(290,248)	34,691
Cash and cash equivalents at end of year	9	13,370,772	13,783,750	11,885,247

Table of Contents

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2008

1. CORPORATE INFORMATION

The Financial Report of Genetic Technologies Limited (the Company) for the year ended June 30, 2008 was authorised for issue in accordance with a resolution of the Directors dated August 27, 2008. 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 Global 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 International Financial Reporting Standards (IFRS) and other authoritative pronouncements of the International Accounting Standards Board (IASB).

Compliance with IFRS

The Financial Report complies with both IFRS, as issued by the International Accounting Standards Board, and the Australian Accounting Standards, as issued by the Australian Accounting Standards Board.

The consolidated entity changed its accounting policies on July 1, 2005 to comply with IFRS. The transition to IFRS is accounted for in accordance with *IFRS 1: First-Time Adoption of International Financial Reporting Standards* (IFRS 1), with July 1, 2004 as the date of transition.

Historical cost convention

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

Significant 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 significant to the financial statements, are disclosed in Note 3.

(b) New accounting standards and interpretations

In respect of the year ended June 30, 2008, the Group has adopted *IFRS 7 Financial Instruments; Disclosures*, together with all consequential amendments which became applicable on January 1, 2007. The adoption of this standard has only affected the disclosure in these financial statements. There has been no affect on profit and loss or the financial position of the Group.

Certain International Financial Reporting Standards and interpretations have been issued or amended that are not mandatory for the June 30, 2008 reporting period. The assessment of the impact of these standards and interpretations which are considered to be of relevance to the Group and the parent entity is set out below.

- *Revised International Accounting Standard 23: Borrowing Costs*

IAS 23 (Revised) is applicable to annual reporting periods beginning on or after January 1, 2009. These amendments to IAS 23 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has not determined the extent of the impact this amendment will have on the financial statements of the Group.

- *Revised International Accounting Standard 1: Presentation of Financial Statements*

IAS 1 (Revised) is applicable to annual reporting periods beginning on or after January 1, 2009. This Standard introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements. These amendments are only expected to affect the presentation of the Group's Financial Report and will not have a direct impact on the measurement and recognition of amounts disclosed in the Financial Report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.

Table of Contents

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(b) New accounting standards and interpretation (cont.)

- *Revised IFRS 2: Share-based Payments: Vesting Conditions and Cancellations*

IFRS 2 (Revised) is applicable to annual reporting periods beginning on or after January 1, 2009. The amendments clarify the definition of vesting conditions, introducing the term non-vesting conditions for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The Group has share-based payment arrangements that may be affected by these amendments. However, the Group has not yet determined the extent of the impact, if any.

- *Improvements to IFRSs*

Certain improvements to IFRS that are applicable to annual reporting periods beginning on or after January 1, 2009 except for amendments to IFRS 5, which are effective from July 1, 2009. The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part I deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact. The Group has not yet determined the extent of the impact of the amendments, if any.

- *Revised IFRS 3: Business Combinations*

IFRS 3 (Revised) is applicable to annual reporting periods beginning on or after July 1, 2009. The revised standard introduces a number of amendments to the accounting for business combinations, including: requiring acquisition costs to be expensed immediately; the fair value measurement of contingent consideration to be recognised in the balance sheet at acquisition date with subsequent changes reflected in the income statement; it provides further guidance on determining the fair value of certain assets and liabilities; as well as other changes. The majority of these changes will apply prospectively.

As this standard will mainly only impact business combinations entered into after July 1, 2009, the Group has not yet fully assessed the impact of this standard, including which of the available accounting policy options it will adopt.

The Group has entered into a business combination during the financial year ended June 30, 2009 (Note 39). However, the Group has not yet assessed the impact of early adoption, including which accounting policy to adopt.

- *Revised International Accounting Standards 27: Consolidated and Separate Financial Statements*

IAS 27 (Revised) is applicable to annual reporting periods beginning on or after July 1, 2009. Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction. If the Group changes its ownership interest in existing subsidiaries in future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or loss in the Group's income statement.

These are the only changes which are expected to be of relevance to the Group.

(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 unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised 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.

(d) Earnings per share

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

Table of Contents

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(e) 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 income statement.

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 three overseas subsidiaries are as follows:

Gtech International Resources Limited Canadian dollars (CAD)

GeneType AG Swiss francs (CHF)

GeneType Corporation 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 income statements are 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 recognised in equity relating to that particular foreign operation is recognised in the income statement.

(f) 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 assets) 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 a variety of 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. Available-for-sale investments are measured at approximate market value, where fair value cannot be reliably

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

(g) Segment reporting

An *operating segment* is a component of the Group:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);
- whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

The Group elected to early adopt *IFRS 8: Segment Reporting* as from July 1, 2006.

(h) Revenue recognition

Revenues are recognised 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 recognised 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 recognised:

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, there is no specific term clause, and collection is reasonably assured. The Group does not grant refunds to its customers. Refer also to Note 2(y).

Rendering of services

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

F7

Table of Contents

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(h) Revenue recognition (cont.)

Royalties and annuities received

The Company licenses the use of its patented genetic technologies. Royalties and annuities arising from these licenses are recognised 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 recognised 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 grants that assist the Company to fund specific research and development projects. These grants generally provide for the reimbursement of approved costs incurred as defined in the various agreements. Government grants are recorded as other income when they become receivable, i.e. when key milestones set within each agreement are achieved and accepted by all parties to the grant, no performance obligation remains and collectibility is reasonably assured.

(i) Share-based payment transactions

The Group provides benefits to employees of the Group in the form of share-based payment transactions, whereby employees render services and receive rights over shares (equity-settled transactions). There is currently a Staff Share Plan in place to provide these benefits to senior executives, consultants and employees. The cost of these equity-settled transactions is measured by reference to the fair value at the date they are granted. The fair value is determined by an external valuer using a Black-Scholes option pricing model.

In valuing equity-settled transactions, no account is taken of any performance conditions. The cost of equity-settled transactions is recognised, 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 recognised 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 recognised for any awards that do not ultimately vest. Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. Where appropriate, the dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(j) 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 recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised 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 recognised directly in equity are also recognised directly in equity.

Table of Contents

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

(j) **Income tax (cont.)**

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 recognises 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 recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in Note 7. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreements are recognised as a contribution to (or distribution from) wholly-owned tax subsidiaries.

(k) **Withholding tax**

The Group generates *revenues* from the granting of licenses to parties resident in overseas countries. Such revenues may be subject to the deduction of local withholding tax. In certain cases, these revenues are paid to the Group without appropriate withholding tax having been deducted. Accordingly, the Group recognises a provision in respect of the Directors' best estimate of the amounts payable.

(l) **Other taxes**

Revenues, expenses and *assets* are recognised 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 recognised 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. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(m) Cash and cash equivalents

Cash and short-term deposits 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 three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

(n) Trade and other receivables

Trade receivables, which are non-interest bearing and generally have terms of between 30 to 90 days, are recognised 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. No impairment charge has been recognised as an expense for the current year. Details regarding interest rate and credit risk of current receivables are disclosed in Note 37.

(o) Consumables

Consumables principally comprise laboratory and other supplies and are valued at the lower of cost and net realizable value. Consumable costs are recognised 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.

(p) Restricted security deposits

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

Table of Contents

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(q) Investments and other financial assets

All investments are initially recognised 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 recognised 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 income statement.

Available-for-sale investments

Available-for-sale investments consist of investments in ordinary shares which have no fixed maturity date or coupon rate. The fair value of the 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.

(r) 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 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 recognised 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.

(s) Intangible assets

Patents

Patents held by the Group are used in the licensing, testing and research areas and are carried at cost and amortised 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 costs

Costs relating to research activities are expensed as incurred.

(t) 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 amortised but 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 recognised.

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 Operating Segments*.

Table of Contents

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(u) 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 recognised 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 recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised 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 recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, 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.

(v) Trade and other payables

Trade payables and other payables are carried at amortised 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.

(w) 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 leased 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 recognised as an expense in profit or loss. Capitalised 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 recognised as an expense in the income statement on a straight-line basis over the lease term.

(x) Finance costs

Finance costs are recognised as an expense when incurred.

(y) 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 recognised on a straight-line accruals basis over the term in accordance with 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. Costs incurred relating to this future revenue are also deferred.

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 recognise 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 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.

Table of Contents

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(y) Deferred revenue (cont.)

Genetic testing revenues

The Company operates testing laboratories which provide genetic testing services. The Company recognises revenue from the provision of testing services when the testing services have been completed. Fees received in advance of the testing process are deferred until such time as the Company completes its performance obligations.

Grant revenues

Government grants are recognised 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 recognised 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 income statement over the expected useful life of the relevant asset by equal annual instalments.

(z) Provisions

Provisions are recognised 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 recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement 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 recognised as a finance cost.

(aa) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a deduction, net of tax, of the share proceeds received. The Company has a share-based payment option scheme under which options to subscribe for the Company's shares have been granted to certain executives and other employees (refer Note 27).

(ab) Reclassifications

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

(ac) 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 outflow to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Any unused sick leave is forfeited and not accumulated at year end. Expenses for non-accumulating sick leave are recognised 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 recognised against profits on a net basis in their respective categories.

(ad) Interest in joint venture operation

The Group's interest in its joint venture operation is accounted for by recognising the Group's assets and liabilities from the joint venture, as well as expenses incurred by the Group and the Group's share of income earned from the joint venture, in the consolidated financial statements.

Table of Contents

3. SIGNIFICANT 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) Significant 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.

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 external valuer using a Black-Scholes options pricing model, using the assumptions detailed in Note 33.

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(t) and 2(u). This process requires an estimation to be made of the recoverable amount of the cash-generating units to which the respective assets are allocated. These calculations require the use of assumptions which are detailed in Note 17.

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(j), 2(k) and 2(l)).

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 utilised. 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.

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 once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary. Depreciation and amortisation expenses are included in Note 6.

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, using a discounted cash flow methodology, to which the goodwill is allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill are discussed in Note 17.

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

Rehabilitation costs

As disclosed in Notes 30 and 32, the Group held an interest in a mining project as at 30 June 2008. As at that date, the Group had recorded a provision for \$94,987 in respect of its share of the estimated rehabilitation costs associated with the project (refer Note 21). The amount of the provision was based on calculations provided to the Group by the project manager. Refer to Note 39 Subsequent Events.

Table of Contents**4. REVENUE**

	2008 \$	2007 \$	2006 \$
Revenue from operations			
License fees received (refer note)	9,904,191	8,678,084	5,124,347
Rendering of services	3,918,692	3,119,131	2,550,221
Royalties and annuities received	921,076	2,658,995	1,560,901
Total revenue from operations	14,743,959	14,456,210	9,235,469
Other revenue			
Interest received	920,299	488,980	805,088
Rental recovery	31,945	31,945	
Miscellaneous revenue	6,133	1,684	8,146
Total other revenue	958,377	522,609	813,234
Total revenue	15,702,336	14,978,819	10,048,703

Note: License fees received includes credits drawn down under the supply agreement with Applera Corporation (refer Note 29) totalling \$1,057,135 (2007: \$1,142,086; 2006: \$1,036,111).

5. OTHER INCOME

Grants received and related income	178,998	315,486	570,667
Write-back of provision for diminution of loan	80,000		
Net gain on disposal of plant and equipment	17,608		2,321
Net gain on disposal of business		25,000	
Net foreign exchange gains			123,616
Miscellaneous income			11,807
Total other income	276,606	340,486	708,411

6. EXPENSES

Employee benefits expenses			
Wages and salaries	4,255,535	3,573,292	3,326,462
Consulting fees	863,538	792,759	854,724
Superannuation	368,978	312,730	343,785
Directors fees	316,260	188,674	197,369
Staff recruitment, training and amenities	255,964	151,636	86,114
Payroll tax	213,077	174,401	168,963
Share-based payments expense	164,533	257,906	431,875

Edgar Filing: GENETIC TECHNOLOGIES LTD - Form 20-F

Termination benefits	82,500	87,500	
Fringe benefits tax	36,841		
Workers' compensation costs	11,740	17,746	23,214
Total employee benefits expenses	6,568,966	5,556,644	5,432,506
Amortisation and depreciation expenses			
Patents	3,544,000	3,412,482	3,596,320
Laboratory equipment	670,417	479,079	564,347
Equipment under hire purchase	392,573	537,335	510,828
Computer equipment	113,129	144,778	121,099
Office equipment	19,750	14,576	12,835
Leasehold improvements	15,286	14,742	11,848
Total amortisation and depreciation expenses	4,755,155	4,602,992	4,817,277

F14

Table of Contents**6. EXPENSES (cont.)**

	2008 \$	2007 \$	2006 \$
Finance costs			
Other finance costs	34,725	24,540	27,378
Interest paid	32,038	66,389	84,704
Total finance costs	66,763	90,929	112,082
Impairment losses and other write-downs			
Impairment loss on patents	2,378,000	1,150,000	
Write-down of loans to other parties		80,000	
Write-down of plant and equipment		76,960	
Write-off of goodwill			97,500
Total impairment losses and other write-downs	2,378,000	1,306,960	97,500
Other expenses			
Operating lease payments	501,239	445,384	399,273
Loss on sale of available-for-sale investments			
Proceeds from sale		(332,709)	
Less: carrying value at date of sale		366,016	
Loss on sale		33,307	

7. INCOME TAX

Reconciliation of income tax expense to prima facie tax payable			
Loss before income tax expense	(5,451,638)	(4,345,702)	(7,908,123)
Tax at the Australian tax rate of 30% (2007: 30%; 2006: 30%)	(1,635,491)	(1,303,711)	(2,372,437)
Tax effect amounts which are not deductible / (taxable) in calculating taxable income			
Share-based payments expense	49,360	77,372	129,563
Research and development expenses	(300,000)	(206,646)	(150,000)
Withholding tax expense	28,357	79,317	
Other non-deductible items	8,704	26,690	32,972
	(1,849,070)	(1,326,978)	(2,359,902)
Tax effect of adjustments relating to temporary differences			
Amortisation, impairment and depreciation expenses	1,894,372	1,622,603	1,042,061
Net movements in provisions	44,145	(202,337)	48,874
Settlement proceeds from Applera Corporation	(317,141)	(342,627)	2,253,417
Other	(5,964)	225,153	
Tax losses now utilised			(984,450)
Tax losses not recognised	233,658	24,186	
Income tax expense			

Table of Contents**7. INCOME TAX (cont.)**

	2008	2007	2006
	\$	\$	\$
Deferred tax assets			
Withholding tax	326,361	324,837	600,466
Deferred revenue	41,682	96,395	
Applera settlement	1,537,010	1,910,790	2,253,417
Doubtful debts		24,000	
Amortisation of hire purchase assets	392,573	537,335	
Provisions	227,878	183,733	134,441
Other		34,567	
Tax losses			44,142
Total deferred tax assets	2,525,504	3,111,657	3,032,466
Set-off of deferred tax liabilities pursuant to set-off provisions	(223,898)	(1,947,198)	(3,032,466)
Deferred tax assets on temporary differences not brought to account	(2,301,606)	(1,164,459)	
Total net deferred tax assets			
Deferred tax liabilities			
Intangible assets	(223,898)	(1,947,198)	(3,032,466)
Total deferred tax liabilities	(223,898)	(1,947,198)	(3,032,466)
Tax losses			
Unused tax losses for which no deferred tax asset has been recognised	19,479,430	19,245,772	19,221,586
Deferred tax asset @ 30% not recognised	5,843,829	5,773,732	5,766,476

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

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(j).

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 recognised in the 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. During the year ended June 30, 2008, Genetic Technologies Limited has assumed \$1,344,005 of losses from members of the tax consolidated group. Payment for these amounts has been settled through the intercompany account in accordance with the Tax Funding Agreement.

As at June 30, 2008, there are no unrecognised temporary differences associated with the Group's investments in subsidiaries or joint venture, as the Group has no liability for additional taxation should unremitted earnings be remitted (2007: \$nil).

Table of Contents**8. LOSS PER SHARE**

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

	2008	2007	2006
	\$	\$	\$
Loss for the year	(5,451,638)	(4,345,702)	(7,908,123)
Loss attributable to minority interests	5,549	17,159	(10,650)
Loss used in calculating loss per share	(5,446,089)	(4,328,543)	(7,918,773)
Weighted average number of ordinary shares used in calculating loss per share	362,389,899	362,389,899	362,386,940

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements. None of the 11,175,602 options over ordinary shares are considered to be dilutive for the purposes of calculating diluted loss per share and have therefore been excluded from the weighted average number of shares.

9. CASH AND CASH EQUIVALENTS

	2008	2007	2006
	\$	\$	\$
Reconciliation of cash and cash equivalents			
Cash at bank and on hand	5,490,846	11,303,764	9,147,060
Short-term deposits	7,429,926	2,029,986	2,288,187
Current cash and cash equivalents	12,920,772	13,333,750	11,435,247
Current and non-current cash deposits (refer note)	450,000	450,000	450,000
Total cash and cash equivalents	13,370,772	13,783,750	11,885,247

Note: As at June 30, 2008 and 2007, cash amounting to \$450,000 was held on deposit as security for a bank guarantee (refer Notes 12 and 13).

Reconciliation of operating loss

Reconciliation of operating loss after income tax to net cash flows used in or provided by operating activities is as follows:

Operating loss after income tax	(5,451,638)	(4,345,702)	(7,908,123)
<i>Adjust for non-cash items</i>			
Amortisation and depreciation expenses	4,755,155	4,602,992	4,817,277
Share-based payments expense	164,533	257,906	431,875
Impairment losses and other write-downs	2,378,000	1,306,960	97,500

Edgar Filing: GENETIC TECHNOLOGIES LTD - Form 20-F

Net draw-downs under Applera settlement (Note 29)	(602,395)	(747,533)	(641,664)
Net foreign exchange (gains) / losses	254,954	317,497	(17,242)
Profit / (loss) on sale of assets	(17,608)	33,307	(2,321)
<i>Adjust for changes in assets and liabilities</i>			
(Increase)/decrease in trade and other receivables	(948,940)	753,678	(827,298)
(Increase)/decrease in accrued interest	(852)	844	121,689
(Increase)/decrease in prepayments	(43,608)	78,641	(50,820)
(Increase)/decrease in consumables	(261,667)		
(Increase)/decrease in other financial assets	7,781	9,065	1,551
Increase/(decrease) in trade and other payables	421,704	(22,514)	(1,476,308)
Increase/(decrease) in accrued expenses	(198,944)	175,788	(118,007)
Increase/(decrease) in deferred revenue	(182,376)	287,638	(447,799)
Increase/(decrease) in withholding tax payable	1,524	(275,629)	(45,355)
Increase/(decrease) in provisions	147,147	164,308	107,723
Net cash flows provided by operating activities	422,770	2,597,246	(5,957,322)

F17

Table of Contents**9. CASH AND CASH EQUIVALENTS (cont.)**

	2008 \$	2007 \$	2006 \$
Financing facilities available			
As at 30 June 2008, 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	110,000	110,000
<i>Facilities used as at reporting date</i>			
Hire purchase facility (Note 31)	(298,199)	(523,967)	(982,108)
Credit cards	(32,272)	(19,797)	(27,885)
<i>Facilities unused as at reporting date</i>			
Hire purchase facility	2,201,801	1,976,033	1,517,892
Credit cards	112,728	90,203	82,115

Non-cash activities

During the financial year, the Group acquired plant and equipment by means of a hire purchase agreement with an aggregate fair value of \$333,444 (2007: \$40,330; 2006: \$81,444) (refer Note 31).

10. TRADE AND OTHER RECEIVABLES (CURRENT)

Trade receivables	1,595,438	646,498
Accrued interest	1,300	448
Total current trade and other receivables	1,596,738	646,946

Note: Trade receivables include amounts due in European Euros of EUR 100,000 (2007: EUR 100,000) and US dollars of USD 68,100 (2007: USD 66,348).

Refer Note 37 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.

11. PREPAYMENTS AND OTHER ASSETS (CURRENT)

Prepayments	595,558	543,252
-------------	---------	---------

Edgar Filing: GENETIC TECHNOLOGIES LTD - Form 20-F

Consumables at the lower of cost and net realisable value	261,667	
Total current prepayments and other assets	857,225	543,252

Note: As at June 30, 2007, no consumables were recognised as consumables for the Group.

12. PERFORMANCE BOND AND DEPOSITS (CURRENT)

Deposit for bank guarantee (note)	450,000	
Performance bond	68,917	76,898
Other deposits	200	
Total current performance bond and deposits	519,117	76,898

Note: As at June 30, 2008, cash amounting to \$450,000 was held on deposit as security for a bank guarantee of less than 12 months duration.
Refer Notes 31 and 37 for details pertaining to the performance bond and other deposits.

13. DEPOSITS (NON-CURRENT)

Deposit for bank guarantee (note)	450,000
Total non-current deposits	450,000

Note: As at June 30, 2007, cash amounting to \$450,000 was held on deposit as security for a bank guarantee of more than 12 months duration.

Table of Contents**14. RECEIVABLES (NON-CURRENT)**

	2008	2007
	\$	\$
Loans to other parties		
Loans to unrelated parties		80,000
Less: provision for impairment		(80,000)
Net loans to unrelated parties		
Reconciliation of provision for impairment		
Balance at the beginning of the financial year	(80,000)	
Add: reversal / (charge) during the year	80,000	(80,000)
Balance at the end of the financial year		(80,000)

Note: Refer Note 37 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.

15. AVAILABLE-FOR-SALE INVESTMENTS (NON-CURRENT)

Unlisted shares, at fair value	207,195	233,330
Total non-current available-for-sale investments	207,195	233,330

16. PROPERTY, PLANT AND EQUIPMENT

Laboratory equipment, at cost	3,853,103	3,807,360
Less: accumulated depreciation	(2,630,340)	(2,558,113)
Net laboratory equipment	1,222,763	1,249,247
Computer equipment, at cost	726,020	691,950
Less: accumulated depreciation	(631,150)	(518,674)
Net computer equipment	94,870	173,276
Office equipment, at cost	162,912	148,775
Less: accumulated depreciation	(111,865)	(92,115)
Net office equipment	51,047	56,660
Equipment under hire purchase, at cost	1,895,669	1,632,868
Less: accumulated depreciation	(1,605,097)	(1,227,463)
Net equipment under hire purchase	290,572	405,405
Leasehold improvements, at cost	92,209	92,209
Less: accumulated depreciation	(47,704)	(32,418)

Edgar Filing: GENETIC TECHNOLOGIES LTD - Form 20-F

Net leasehold improvements	44,505	59,791
Total net property, plant and equipment	1,703,757	1,944,379

F19

Table of Contents**16. PROPERTY, PLANT AND EQUIPMENT (cont.)**

	2008 \$	2007 \$
Reconciliation of property, plant and equipment		
Opening gross carrying amount	5,897,162	5,427,100
Add: additions purchased during the year	1,023,536	946,062
Less: disposals made during the year	(190,785)	(476,000)
Closing gross carrying amount	6,729,913	5,897,162
Opening accumulated depreciation	(3,952,783)	(3,161,313)
Add: depreciation expense charged	(1,211,155)	(1,190,510)
Less: disposals made during the year	137,782	399,040
Closing accumulated depreciation	(5,026,156)	(3,952,783)
Total net property, plant and equipment	1,703,757	1,944,379

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 \$	Closing net carrying amount \$
Laboratory equipment	1,249,247	667,986	(24,053)	(670,417)	1,222,763
Computer equipment	173,276	38,282	(3,559)	(113,129)	94,870
Office equipment	56,660	14,137		(19,750)	51,047
Equipment under hire purchase	405,405	303,131	(25,391)	(392,573)	290,572
Leasehold improvements	59,791			(15,286)	44,505
Totals	1,944,379	1,023,536	(53,003)	(1,211,155)	1,703,757

17. INTANGIBLE ASSETS AND GOODWILL

	2008 \$	2007 \$
Patents (refer notes below)		
Patents, at cost	36,059,673	35,929,621
Less: accumulated amortisation and impairment losses	(30,085,287)	(24,033,235)
Net patents	5,974,386	11,896,386
Goodwill (refer notes below)		
Goodwill, at cost	315,388	315,388
Total net intangible assets and goodwill	6,289,774	12,211,774

Table of Contents**17. INTANGIBLE ASSETS AND GOODWILL (cont.)**

	2008 \$	2007 \$
Reconciliation of patents		
Opening gross carrying amount	35,929,621	36,223,593
Adjust for exchange rate movements	130,052	(293,972)
Closing gross carrying amount	36,059,673	35,929,621
Opening accumulated amortisation and impairment losses	(24,033,235)	(19,764,725)
Add: amortisation expense charged	(3,544,000)	(3,412,482)
Less: impairment loss (refer notes below)	(2,378,000)	(1,150,000)
Adjust for exchange rate movements	(130,052)	293,972
Closing accumulated amortisation and impairment losses	(30,085,287)	(24,033,235)
Total net patents	5,974,386	11,896,386
Reconciliation of goodwill		
Opening gross carrying amount	315,388	315,388
Less: write-off of goodwill		
Total net goodwill	315,388	315,388

Impairment notes*Business combination*

The patents and goodwill were purchased as part of various business combinations completed in previous years.

Goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) on the basis of the appropriate operating segment. The Group's goodwill has been allocated to the testing operating segment to which it relates and is carried at cost. There is no carrying amount of intangible assets with indefinite useful lives allocated to this segment. In testing goodwill for impairment, the recoverable amount of a CGU is determined based on value-in-use calculations which use cash flow projections and are based on financial budgets approved by the Board. In performing the value-in-use calculations, the Directors have assumed that the testing business will begin to generate an operating profit in the next 2 to 3 years based on projected revenue growth. Should this time period be extended beyond 3 years, there is a possibility that the value-in-use may fall below the carrying value of the goodwill.

Edgar Filing: GENETIC TECHNOLOGIES LTD - Form 20-F

Based on Management forecasts, the cashflow projections assume testing revenues of \$6.7 million for the year ending June 30, 2009. As a key assumption, constant revenue growth of 18% is assumed beyond 2009 based on the historical five-year average growth rate applicable to the testing business.

Expenses are assumed to be relatively constant over time given that significant capacity is available with the existing laboratory equipment and that the testing business is relatively capital-intensive. Management has assessed the future cashflows using discount rates ranging between 10% and 25% which result in the recoverable amount exceeding the carrying value of goodwill which is carried at cost.

Impairment of patents

The impairment loss for 2008 arose in respect of patents held within the research operating segment and resulted from a lack of progress with the research related to the commercialisation of certain applications of the technology covered by these patents.

Following a detailed scientific review of the work that had been undertaken in respect of one of the applications of the underlying technology, it was decided during the 2008 financial year to terminate the program. In addition, whilst work continues in respect of the use of the technology in relation to other related areas, the lack of progress made as at balance date gave rise to an impairment charge of \$2,378,000 during the year ended June 30, 2008 (refer Note 6).

Table of Contents**17. INTANGIBLE ASSETS AND GOODWILL (cont.)***Impairment of patents (cont.)*

Given that the Company's previous attempts to commercialise the technology associated with the patents have, so far, not delivered the anticipated revenues due to the factors mentioned previously, the Company believes that it is appropriate to base its assessment of the carrying value of the underlying patents as at June 30, 2008 around a further product based on the technology which has already been successfully completed and from the sale of which revenues have already been generated. Accordingly, the carrying value of the underlying patents as at June 30, 2008 has been based on the anticipated net cash flows that the Company believes will be generated from the future sales of this product.

The cashflow forecasts associated with the impairment assessment of the patents have been projected to 2012, being the first year in which the respective patents will expire, using the Company's estimated weighted average cost of capital and conservative projections of anticipated sales volumes over the next 4 years. Further, given the competitive advantage afforded to the Company in respect of this product, a termination value has also been included to reflect that sales of the product are expected to continue beyond the date of the patent expiry. The forecasts and associated recoverable amount has been determined by Management taking into account the sales that have been generated to date and the considerable interest arising from pre-launch market analysis.

With regards to the assessment of the value-in-use of the patents in the research operating segment, Management believes that there are no reasonably possible changes in any of the above key assumptions that would cause the carrying value of the patents to materially exceed their recoverable amount.

No other class of asset was impaired following from this exercise. Further, no change in the useful economic life of these patents was noted. The remaining amortisation period of the patents carried forward is between 2 to 4 years.

18. TRADE AND OTHER PAYABLES (CURRENT)

	2008	2007
	\$	\$
Trade payables	1,292,009	852,561
Other payables	228,464	246,208
Accrued expenses	265,939	464,883
Total current trade and other payables	1,786,412	1,563,652

Note: Trade payables and other payables include amounts due in US dollars of USD 134,166 (2007: USD 326,978), European euros of EUR 22,531 (2007: EUR nil), Canadian dollars of CAD 5,211 (2007: CAD 5,438) and Swiss

francs of CHF 2,870 (2007: CHF 4,030). Refer Note 37 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.

19. INTEREST-BEARING LIABILITIES (CURRENT)

Hire purchase liability (Notes 31 and 37)	111,117	476,989
Total current interest-bearing liabilities	111,117	476,989

Note: The carrying values of the hire purchase liabilities approximate their fair values. During the current year and prior years, there were no defaults or breaches of any of the hire purchase agreements.

20. DEFERRED REVENUE (CURRENT)

Genetic testing fees received in advance	138,941	104,879
Annuities received in advance		216,438
Total current deferred revenue	138,941	321,317

Table of Contents**21. PROVISIONS (CURRENT AND NON-CURRENT)**

	2008 \$	2008 \$
Current provisions		
Annual leave	368,492	294,419
Long service leave	220,692	189,051
Rehabilitation costs	94,987	78,498
Total current provisions	684,171	561,968
Non-current provisions		
Long service leave	75,421	50,477
Total non-current provisions	75,421	50,477
Total provisions	759,592	612,445
Reconciliation of annual leave provision		
Balance at the beginning of the financial year	294,419	244,010
Add: obligation accrued during the year	272,763	248,391
Less: utilised during the year	(198,690)	(197,982)
Balance at the end of the financial year	368,492	294,419
Reconciliation of long service leave provision		
Balance at the beginning of the financial year	239,528	204,127
Add: obligation accrued during the year	56,585	35,401
Less: utilised during the year		
Balance at the end of the financial year	296,113	239,528
Reconciliation of provision for rehabilitation costs		
Balance at the beginning of the financial year	78,498	
Add: costs accrued during the year (Note 31)	16,489	78,498
Balance at the end of the financial year	94,987	78,498

22. INTEREST-BEARING LIABILITIES (NON-CURRENT)

Hire purchase liability (Notes 31 and 37)	187,082	46,978
Total non-current interest-bearing liabilities	187,082	46,978

Note: The carrying values of the hire purchase liabilities approximate their fair values. During the current year and prior years, there were no defaults or breaches of any of the hire purchase agreements.

23. CONTRIBUTED EQUITY

Issued and paid-up capital		
Fully paid ordinary shares	70,243,996	70,243,996
Total contributed equity	70,243,996	70,243,996

Movements in shares on issue	2008		2007	
	Shares	\$	Shares	\$
Balance at the beginning of the financial year	362,389,899	70,243,996	362,389,899	70,243,996
Add: shares issued during the year				
Balance at the end of the financial year	362,389,899	70,243,996	362,389,899	70,243,996

F23

Table of Contents**23. CONTRIBUTED EQUITY (cont.)****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. Effective July 1, 1998, the Corporations legislation abolished the concepts of authorised capital and par value shares. Accordingly, the Company does not have authorised capital nor par value in respect of its issued capital.

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. The Group is not subject to any externally imposed capital requirements.

24. RESERVES

	2008	2007
	\$	\$
Foreign currency translation	(47,930)	(15,306)
Share-based payments	1,636,734	1,472,201
Total reserves	1,588,804	1,456,895
Reconciliation of foreign currency translation reserve		
Balance at the beginning of the financial year	(15,306)	23,229
Add: net currency translation loss	(32,624)	(38,535)
Balance at the end of the financial year	(47,930)	(15,306)
Reconciliation of share-based payments reserve		
Balance at the beginning of the financial year	1,472,201	1,214,295
Add: share-based payments	164,533	257,906
Balance at the end of the financial year	1,636,734	1,472,201

Nature and purpose of reserves

Foreign currency translation reserve

Edgar Filing: GENETIC TECHNOLOGIES LTD - Form 20-F

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.

25. ACCUMULATED LOSSES

Balance at the beginning of the financial year	(45,743,100)	(41,414,557)
Add: net loss attributable to members of Genetic Technologies Limited	(5,446,089)	(4,328,543)
Balance at the end of the financial year	(51,189,189)	(45,743,100)

F24

26. MINORITY INTERESTS**Reconciliation of minority interests in subsidiaries**

	2008 \$	2007 \$
Balance at the beginning of the financial year	145,018	175,176
Add: movements during the year		
Less: share of operating losses	(5,549)	(17,159)
Less: share of movement in reserves	(9,161)	(12,999)
Net loss attributable to minority interests	(14,710)	(30,158)
Add: share of issued capital	11,154	
Balance at the end of the financial year	141,462	145,018

27. OPTIONS**Options summary**

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

	2008	Weighted ave. exercise price	2007	Weighted ave. exercise price	2006	Weighted ave. exercise price
Staff Share Plan options	11,175,602	\$ 0.27	11,977,500	\$ 0.52	14,677,500	\$ 0.52
Other options			600,000	\$ 0.70	600,000	\$ 0.70
Total options outstanding	11,175,602	\$ 0.27	12,577,500	\$ 0.53	15,277,500	\$ 0.52

The movements in the number of options in each respective class are detailed below.

Unlisted Staff Share Plan options

On November 30, 2001, the Directors of the Company established a Staff Share Plan. Pursuant to the terms of the Plan, the Directors of the Company may, at their discretion, grant options over the ordinary shares in Genetic Technologies Limited to executives, consultants and employees of the Group. The options, which are granted at nil cost, are typically granted for a term of 6 years and have various vesting periods. The options are not transferable and are not quoted on the Australian Securities Exchange. The options lapse at the earlier of employment termination or six years. As at June 30, 2008, there were 3 executives, 1 consultant and 27 employees who held options that had been granted under the Plan. Options granted under the Plan carry no rights to dividends and no voting rights. The movements in the numbers of Staff Share Plan options are as follows:

Edgar Filing: GENETIC TECHNOLOGIES LTD - Form 20-F

	2008	Weighted ave. exercise price	2007	Weighted ave. exercise price	2006	Weighted ave. exercise price
Balance at the beginning of the financial year	11,977,500	\$ 0.52	14,677,500	\$ 0.52	12,007,500	\$ 0.54
Add: options granted during the year	8,150,602	\$ 0.19			5,300,000	\$ 0.48
Less: options forfeited during the year	(2,900,000)	\$ 0.41	(1,175,000)	\$ 0.37		
Less: options expired during the year	(6,052,500)	\$ 0.57	(1,525,000)	\$ 0.39	(2,630,000)	\$ 0.52
Balance at the end of the financial year	11,175,602	\$ 0.27	11,977,500	\$ 0.52	14,677,500	\$ 0.52
Exercisable at the end of the financial year	2,837,500	\$ 0.46	8,577,500	\$ 0.54	8,296,250	\$ 0.53

F25

27. OPTIONS (cont.)**Unlisted Staff Share Plan options (cont.)**

No funds were raised from the exercise of options granted under the Staff Share Plan during the years ended June 30, 2008, 2007 and 2006. The numbers of Staff Share Plan options outstanding as at June 30, 2008 by ASX code, including the respective dates of expiry and exercise prices, are tabled below. Refer Note 33 for further information. The options listed below are not listed on ASX.

Options (expiry dates)	2008	Weighted ave. exercise price	2007	Weighted ave. exercise price	2006	Weighted ave. exercise price
GTGAA (6 Sept. 2010)	750,000	\$ 0.48	750,000	\$ 0.48	750,000	\$ 0.48
GTGAC (25 Nov. 2010)					500,000	\$ 0.48
GTGAD (12 Aug. 2011)	700,000	\$ 0.43	850,000	\$ 0.43	950,000	\$ 0.43
GTGAE (12 Aug. 2011)	250,000	\$ 0.53	1,000,000	\$ 0.53	1,000,000	\$ 0.53
GTGAF (23 Nov. 2011)			1,000,000	\$ 0.56	1,000,000	\$ 0.56
GTGAG (1 Feb. 2012)			750,000	\$ 0.46	750,000	\$ 0.46
GTGAH (31 May 2012)	450,000	\$ 0.40	700,000	\$ 0.40	700,000	\$ 0.40
GTGAI (30 June 2013)	1,000,000	\$ 0.13				
GTGAI (30 Nov. 2007)			1,750,000	\$ 0.56	1,750,000	\$ 0.56
GTGAK (11 June 2009)	200,000	\$ 0.45	200,000	\$ 0.45	200,000	\$ 0.45
GTGAM (30 Nov. 2007)			2,500,000	\$ 0.61	2,500,000	\$ 0.61
GTGAO (30 Nov. 2007)			802,500	\$ 0.49	902,500	\$ 0.49
GTGAP (20 May 2009)					1,000,000	\$ 0.48
GTGAQ (20 May 2009)	700,000	\$ 0.44	700,000	\$ 0.44	1,400,000	\$ 0.44
GTGAS (20 May 2009)	175,000	\$ 0.38	175,000	\$ 0.38	175,000	\$ 0.38
GTGAU (17 Jan. 2012)			200,000	\$ 0.45	200,000	\$ 0.45
GTGAW (24 Sept. 2012)	3,650,602	\$ 0.17				
GTGAY (23 Oct. 2012)	2,800,000	\$ 0.22				
GTGAZ (27 Feb. 2010)	200,000	\$ 0.56	200,000	\$ 0.56	400,000	\$ 0.56
GTGAZ (27 Feb. 2010)	300,000	\$ 0.49	400,000	\$ 0.49	500,000	\$ 0.49
Balance at the end of the financial year	11,175,602	\$ 0.27	11,977,500	\$ 0.52	14,677,500	\$ 0.52

Details of the options issued under the Staff Share Plan that are outstanding as at June 30, 2008 are as follows:

Options (expiry dates)	Vesting details
GTGAA (expiring 6 September 2010)	Vesting fully on 6 September 2008
GTGAD (expiring 12 August 2011)	Vesting fully on 12 August 2009
GTGAE (expiring 12 August 2011)	Vesting fully on 12 August 2009
GTGAH (expiring 31 May 2012)	Vesting fully on 31 May 2010
GTGAI (expiring 30 June 2013)	Vesting fully on 30 June 2011
GTGAK (expiring 11 June 2009)	Options are fully vested as at 30 June 2008
GTGAQ (expiring 20 May 2009)	Options are fully vested as at 30 June 2008
GTGAS (expiring 20 May 2009)	Options are fully vested as at 30 June 2008
GTGAW (expiring 24 September 2012)	Vesting fully on 24 September 2010
GTGAY (expiring 23 October 2012)	Vesting fully on 23 October 2010
GTGAZ (expiring 27 February 2010)	Options are fully vested as at 30 June 2008

Unlisted Other options

On August 2, 2001, the Company announced it had entered into an agreement with GTH Capital (now GMCG, LLC, GMCG) of New York, USA to pursue the listing of its Level II ADRs on the NASDAQ stock exchange. Under the agreement, the Company agreed to issue 900,000 options at an exercise price of \$0.70 to GMCG within three years. On October 27, 2004, GMCG was granted 600,000 of the options due. On September 7, 2007, the options expired.

28. SEGMENT INFORMATION**Identification of reportable segments**

The Group has identified its four reportable operating 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 similar products and services are then divided into operating businesses, the performances of which are reported to the Chief Executive Officer, the Management team and the Board of Directors on a monthly basis.

Identification of reportable segments*Business segments*

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

Testing involves the provision of a range of genetic testing services.

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

Corporate involves the management of the Group's corporate activities.

Business segments

Segment		Revenues and income				Assets	Liabilities	Amortisation /depreciation
		Sales \$	Other \$	Totals \$	Result \$			
Licensing	2008	10,825,267		10,825,267	6,000,724	2,447,788	(229,445)	(2,900,722)
	2007	11,337,079		11,337,079	7,229,326	8,846,395	(1,194,853)	(2,770,911)
	2006	6,685,248		6,685,248	1,940,605			(2,945,193)
Testing	2008	3,918,692	17,608	3,936,300	(2,251,040)	2,892,870	(1,186,880)	(1,019,958)
	2007	3,119,131	25,000	3,144,131	(3,323,326)	2,246,571	(964,401)	(946,689)
	2006	2,550,221		2,550,221	(3,661,081)			(1,006,931)
Research	2008		210,943	210,943	(6,000,122)	4,817,373	(740,256)	(761,593)
	2007		347,431	347,431	(3,483,985)	4,012,800	(268,185)	(813,760)
	2006		570,667	570,667	(3,849,033)			(804,776)
Corporate (note)	2008		1,006,432	1,006,432	(3,201,200)	13,936,547	(1,152,924)	(72,882)
	2007		490,664	490,664	(4,767,717)	14,343,261	(918,779)	(71,632)
	2006		950,978	950,978	(2,338,614)			(60,377)
Totals	2008	14,743,959	1,234,983	15,978,942	(5,451,638)	24,094,578	(3,309,505)	(4,755,155)

Edgar Filing: GENETIC TECHNOLOGIES LTD - Form 20-F

	2007	14,456,210	863,095	15,319,305	(4,345,702)	29,449,027	(3,346,218)	(4,602,992)
	2006	9,235,469	1,521,645	10,757,114	(7,908,123)			(4,817,277)
Segment		Impairment losses/ write downs	Purchases of equipment	operating activities	Net cash flows (used in) / provided by			
		\$	\$	\$	investing activities	financing activities	\$	\$
Licensing	2008		6,030	7,641,118	(6,030)			
	2007		294	9,633,894	(801)			
	2006		4,448	3,930,178	(3,918)			
Testing	2008		962,904	(1,778,767)	(21,996)			(385,350)
	2007	(76,960)	864,938	(671,312)	(81,853)			(357,275)
	2006	(97,500)	757,646	(2,730,649)	(34,614)			(332,687)
Research	2008	(2,378,000)	5,675	(2,679,753)	(5,675)			(106,169)
	2007	(1,150,000)	57,030	(3,407,060)	(20,759)			(128,468)
	2006		81,830	(3,865,291)	(52,129)			(113,896)
Corporate	2008		48,978	(2,759,828)	(13,698)			(37,380)
	2007	(80,000)	23,800	(2,958,276)	197,423			(16,762)
	2006		38,901	(3,291,560)	(64,586)			(4,309)
Totals	2008	(2,378,000)	1,023,587	422,770	(47,399)			(528,899)
	2007	(1,306,960)	946,062	2,597,246	94,010			(502,505)
	2006	(97,500)	882,825	(5,957,322)	(155,247)			(450,892)

Note: Other revenue - corporate includes interest received of \$920,299 (2007: \$488,980) (refer Note 4). There were no intersegment sales.

28. SEGMENT INFORMATION (cont.)**Geographic information**

Australia is the home country of the parent entity and the location of the Company's testing facilities and licensing activities.

Canada is the home of Gtech International Resources Limited.

Switzerland is the home of GeneType AG.

Revenues are allocated on the basis of the geographical location of the entities which earn them. The following table presents sales and other income and revenue on the basis of geographical locations for the years ended June 30, 2008 and June 30, 2007.

Segment		Sales revenue \$	Other \$	Totals \$
Australia	2008	14,743,959	1,223,833	15,967,792
	2007	14,456,210	849,827	15,306,037
	2006	9,235,469	1,508,335	10,743,804
Canada	2008		11,133	11,133
	2007		13,261	13,261
	2006		11,796	11,796
Switzerland	2008		17	17
	2007		7	7
	2006		1,514	1,514
Totals	2008	14,743,959	1,234,983	15,978,942
	2007	14,456,210	863,095	15,319,305
	2006	9,235,469	1,521,645	10,757,114

Segment products and locations

The four principal business segments of the Group are licensing, genetic testing, research and corporate. 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 as disclosed in Note 2(f) and Accounting Standard *IFRS 8 Operating Segments*. As a result, the primary reporting segments now reflect more closely the information that Management uses to

make decisions about operating matters. Specifically, segment information is disclosed for the licensing, genetic testing and research operations which were previously disclosed within the biotechnology segment.

The following items are allocated to the corporate segment as they do not form part of the operations of any of the other segments:

- Interest received (Note 4)
- Net gains / (losses) on the sale of available-for-sale investments (Note 6)
- Finance costs (Note 6)
- Income tax expense (Note 7)

Major customers

The Group has a number of major customers to which it provides both products and services. During the year ended June 30, 2008, there were two customers from whom the Group generated revenues representing more than 10% of the total consolidated revenue from operations. The most significant of these customers represented approximately 38.3% of total revenue from operations.

29. CONTINGENT ASSETS

On December 12, 2005, the Company announced it had reached a final settlement of its patent dispute with Applera Corporation. As part of the settlement, the parties executed a number of binding agreements, including a supply agreement, pursuant to which Applera agreed to supply the Company with certain equipment and reagents which the Company uses in its genetic testing business. The total value of these credits was \$8,547,500, comprising equipment credits to the value of \$4,602,500 and reagent credits to the value of \$3,945,000. As at June 30, 2007, the Company had drawn down equipment and reagents under the supply agreement with a total value of \$2,178,197. During the year ended June 30, 2008, the Company drew down equipment and reagents under the supply agreement with a total value of \$1,587,626. Of this amount, a total of \$1,057,135 (comprising equipment credits of \$662,635 and reagent credits of \$394,500) was recognised as income during the year ended 30 June 2008 and disclosed in Note 4 as part of license fees received, whilst the remaining \$530,491 represented the balance of certain prepaid service contracts. Accordingly, as at June 30, 2008, the Company had a contingent asset (unrecorded) representing remaining credits available to it with a total value of \$4,781,677.

30. CONTINGENT LIABILITIES

The Group has been notified of a number of native title claims under the Commonwealth Native Title Act, 1993, covering exploration tenements in the North Laverton Joint Venture in Western Australia in which the Group has a direct equity interest (refer Note 32). Due to the sale of the Company's interest in the Joint Venture on August 27, 2008, the potential impact of any claim or the claims in aggregate is no longer relevant.

31. COMMITMENTS AND CONTINGENCIES**Hire purchase expenditure commitments**

	2008 \$	2007 \$
Minimum hire purchase payments		
- not later than one year	134,027	496,675
- later than one year but not later than five years	204,532	49,474
- later than five years		
Total minimum hire purchase payments	338,559	546,149
Less: future finance charges	(40,360)	(22,182)
Present value of hire purchase payments	298,199	523,967
Aggregate expenditure commitments comprise:		
Current liability (Note 19)	111,117	476,989
Non-current liability (Note 22)	187,082	46,978
Total hire purchase expenditure commitments	298,199	523,967

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). Since January 14, 2005, the Company has financed the acquisition of laboratory and office equipment under the Facility with a total value of \$1,966,312. Each of the Company's Australian-resident subsidiaries has provided a guarantee to the Company in respect of the Facility.

Operating lease expenditure commitments

Minimum operating lease payments		
- not later than one year	466,412	418,177
- later than one year but not later than five years	965,825	1,307,963
- later than five years		
Total minimum operating lease payments	1,432,237	1,726,140

The operating lease relates to office and laboratory premises located in Fitzroy, Victoria that were occupied by the Company during the year. The lease, which is in the name of GeneType Pty. Ltd. (a wholly-owned subsidiary of the Company), expires on June 30, 2011. GeneType Pty. Ltd. has an option to extend the lease at its expiration for a further ten year period. The premises are owned by Bankberg Pty. Ltd., a company associated with the Company's former CEO and Non-Executive Director, Dr. Mervyn Jacobson (refer Note 34). GeneType Pty. Ltd. does not have an option to purchase the leased assets at the expiry of the lease period.

Research and development expenditure commitments

Minimum research and development payments		
- not later than one year	762,500	1,150,000
- later than one year but not later than five years	490,000	700,000
- later than five years		
Total minimum research and development payments	1,252,500	1,850,000

On June 15, 2004, the Company entered into a Sponsored Research Agreement with C.Y. O Connor ERADE Village Foundation in Perth, Western Australia pursuant to which Genetic Technologies Limited will contribute \$900,000 per annum towards research for a period of five years, amounting to a total commitment of \$4,500,000. The Company will own any intellectual property arising from the research undertaken by the Foundation. As at balance date, an amount of \$450,000 remained payable under the Agreement.

31. COMMITMENTS AND CONTINGENCIES (cont.)

Research and development expenditure commitments (cont.)

On April 1, 2008, the Company entered into an Australian Research Council (ARC) Linkage Agreement with the University of Newcastle. The Agreement relates to the synthesis of novel nematocidal compounds and complements an existing ARC Linkage Agreement that the Company has with the University of Melbourne. The Company will contribute \$90,000 per annum in cash over a period of three years from 2008 to 2010. As at June 30, 2008, \$802,500 remained payable under the Agreement, which included a non-cash in-kind contribution of \$532,500.

Other capital expenditure commitments

As at June 30, 2008, the Company did not have any other significant contracted capital expenditure commitments.

Other expenditure commitments

As at June 30, 2008, the Company held a 14.66% (2007: 16.36%) direct equity interest in the North Laverton Joint Venture with Regis Resources Limited (Regis) (refer Note 32) which has continuing minimal expenditure requirements as prescribed by the Western Australian Mines Department in respect of its prospecting and exploration licenses and mining leases owned by the joint venture. By agreement with the joint venture partner, the Company is not contributing any funding towards the project, as these costs are met by its joint venture partner. As at June 30, 2008, the Company had recorded a provision for \$94,987 in respect of its share of the estimated rehabilitation costs associated with the North Laverton project (refer Note 21). The amount of the provision was based on calculations provided to the Company by Regis as project manager. As disclosed in Note 39, however, the Company sold its entire interest in the joint venture to Regis on August 27, 2008 and, as part of this sale, has been fully indemnified by Regis against any future rehabilitation liabilities which may arise from the exploration activities of the joint venture undertaken up until the date of sale. This indemnification will enable the Company, during the year ending 30 June 2009, to fully reverse the provision of \$94,987 in respect of such liabilities which had been recorded in the Company's balance sheet as at June 30, 2008.

32. JOINT VENTURES

The Company holds a direct equity interest in the North Laverton Joint Venture with Regis Resources Limited in Western Australia. The Company is not contributing any funding towards the project by agreement with the joint venture partner and does not have any involvement in its operations. All liabilities of the joint venture are borne by the joint venture partner. The Company's investment in the joint venture has been written down to nil. As a result of its election not to contribute its share of expenditures, the Company's interest in the joint venture was diluted down to 14.66% as at June 30, 2008 (2007: 16.36%). All joint venture interests have been valued at nil and no revenues or expenses have been derived or incurred during the year ended June 30, 2008 with the exception in the rehabilitation provision of \$16,489 (refer Note 21). As disclosed in Note 39, the Company sold its entire interest in the joint venture to Regis on August 27, 2008.

33. EMPLOYEE BENEFITS**Staff Share Plan**

On November 30, 2001, the Directors of the Company established a Staff Share Plan. Pursuant to the terms of the Plan, 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 as detailed in Note 27. As at June 30, 2008, there were 3 executives, 1 consultant and 27 employees who held options that had been granted under the Plan. Information regarding the movements in the number of options granted under the Staff Share Plan is set out in Note 27.

The fair value of each option granted under the Staff Share Plan is estimated by an external valuer using a Black-Scholes option-pricing model with the following assumptions used for grants made during the years ended June 30, 2008, 2007 and 2006:

	2008	2007 (note)	2006
Dividend yield			
Historic volatility and expected volatility	75%	N/A	53%
Option exercises prices	\$ 0.17 to \$0.22	N/A	\$ 0.38 to \$0.61
Weighted average exercise price	\$ 0.19	N/A	\$ 0.53
Risk-free interest rate	5.99 - 6.50%	N/A	5.62%
Expected life of an option	3 years - 5 years	N/A	5 years

Note: No options were granted during the year ended June 30, 2007.

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

33. EMPLOYEE BENEFITS (cont.)

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.

34. RELATED PARTY DISCLOSURES

Ultimate parent

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.

Other related party transactions

As at June 30, 2008, a net amount of \$5,517,825 (2007: \$9,177,574) was receivable by the Company from its various subsidiaries. As at the same date, an amount of \$1,640,320 (2007: \$1,134,778) 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.

Also during the year, GeneType Pty. Ltd., a subsidiary, paid a total of \$501,239 (2007: \$445,384) to Bankberg Pty. Ltd., a company associated with former Chief Executive Officer and Non-Executive Director, Dr. Mervyn Jacobson, for rent in respect of the office and laboratory premises in Fitzroy, Victoria that are leased by the Group. Further, Genetic Technologies Limited paid a total of \$414,133 to Transmedia Inc., another company associated with Dr. Jacobson, in respect of licensing services provided to the Company.

Finally, during the year ended June 30, 2008, Genetic Technologies Limited paid a total of \$79,936 to Government Relations Australia Advisory Pty. Ltd., a company associated with Non-Executive Director Mr. John Dawkins AO, in respect of consulting services provided to the Company.

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 to Note 35 for a description of transactions with Key Management Personnel.

35. KEY MANAGEMENT PERSONNEL DISCLOSURES

Details of Key Management Personnel

Directors

Henry Bosch AO (*Non-Executive Chairman*)

Fred Bart (*Non-Executive*)

David Carruthers (*Non-Executive*)

John S. Dawkins AO (*Non-Executive*)

Dr. Mervyn Jacobson (*Non-Executive*)

Dr. Leanne Rowe (*Non-Executive*)

Executives

Michael B. Ohanessian (*Chief Executive Officer*)

Thomas G. Howitt (*Chief Financial Officer and Company Secretary*)

Ross Barrow (*Chief Operating Officer*)

Dr. Gary Cobon (*Chief Scientific Officer*)

Note: Dr. Jacobson retired as Chief Executive Officer on September 24, 2007 and was appointed as a Non-Executive Director on that date.

Dr. Rowe was appointed as a Non-Executive Director on April 16, 2008.

Michael Ohanessian was appointed as Chief Executive Officer and as an Executive Director on September 24, 2007.

Edgar Filing: GENETIC TECHNOLOGIES LTD - Form 20-F

Ross Barrow was appointed as Chief Operating Officer on April 14, 2008.

Dr. Gary Cobon resigned as Chief Scientific Officer on March 28, 2008.

Dr. Jacobson resigned as a Non-Executive Director on December 12, 2008.

F31

35. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont.)

Remuneration of Key Management Personnel

Name and title of Directors	Year	Short-term Salary/fees \$	Other \$	Post-employment Superannuation \$	Long-term Long service leave \$	Share-based Options \$	Totals \$
Henry Bosch AO Non-Executive Chairman	2008	126,846				12,921	139,767
	2007	90,000				74,025	164,025
Fred Bart Non-Executive Director	2008	42,282		3,805			46,087
	2007	30,000		2,700			32,700
David Carruthers Non-Executive Director	2008	50,000		4,500			54,500
	2007			18,795			18,795
John S. Dawkins AO Non-Executive Director	2008	42,282		3,805		12,921	59,008
	2007	30,000		2,700		74,025	106,725
Dr. Mervyn Jacobson (note) Non-Executive Director	2008	138,461					138,461
	2007	300,000					300,000
Dr. Leanne Rowe AM (note) Non-Executive Director	2008			11,353			11,353
	2007						
Robert J. Edge (note) Non-Executive Director	2008						
	2007	11,414		1,027			12,441
Prof. Deon J. Venter (note) Non-Executive Director	2008						
	2007	17,500		399			17,899
Sub-totals for Directors	2008	399,871		23,463		25,842	449,176
	2007	478,914		25,621		148,050	652,585
Executives							
Michael B. Ohanessian (note) Chief Executive Officer	2008	232,546	6,706	20,769		356	328,552
	2007						
Thomas G. Howitt (note) Chief Financial Officer and Company Secretary	2008	200,000	35,000	21,150		8,284	295,193
	2007	190,000		17,100		3,881	246,031
Ross Barrow (note) Chief Operating Officer	2008	54,006		4,860			58,866
	2007						
Dr. Gary Cobon (note) Chief Scientific Officer	2008	66,047	82,500	74,619			223,166
	2007	93,741		80,659		877	225,789
Geoffrey E. Newing (note) Fmr. Chief Operating Officer	2008						
	2007	188,333	87,500	16,630			292,463
Ian N. Christensen (note)	2008						

Edgar Filing: GENETIC TECHNOLOGIES LTD - Form 20-F

Group General Manager - IP	2007	23,358		1,380			24,738
Sub-totals for Executives	2008	552,599	124,206	121,398	8,640	98,934	905,777
	2007	495,432	87,500	115,769	4,758	85,562	789,021
Total remuneration of	2008	952,470	124,206	144,861	8,640	124,776	1,354,953
Key Management Personnel	2007	974,346	87,500	141,390	4,758	233,612	1,441,606

Note: The Company and the Group had only four Executives, as defined, during the year ended June 30, 2008.

The column above entitled "Other" of \$124,206 (2007: \$87,500) comprises termination benefits of \$82,500 (2007: \$87,500), bonuses of \$35,000 (2007: \$nil) and motor vehicle allowances of \$6,706 (2007: \$nil) (refer notes on the following page).

35. **KEY MANAGEMENT PERSONNEL DISCLOSURES (cont.)****Remuneration of Key Management Personnel (cont.)**

The details of those Executives nominated as Key Management Personnel under section 300A of the *Corporations Act 2001* have been disclosed in this Report. No other employees of the Company meet the definition of Key Management Personnel as defined in *IAS 24 Related Party Disclosures*.

Note: Dr. Jacobson served as the Company's Chief Executive Officer from July 1, 2007 to September 24, 2007.

Dr. Rowe was appointed as a Director of the Company on April 16, 2008.

Mr. Edge retired as a Director of the Company on November 17, 2006.

Prof. Venter resigned as a Director of the Company on August 23, 2006.

Mr. Ohanessian was appointed as a Director of the Company and its Chief Executive Officer on September 24, 2007.

Mr. Ohanessian received \$6,706 during the year ended June 30, 2008 in respect of a motor vehicle allowance.

Mr. Howitt received an STI payment of \$35,000 during the year ended June 30, 2008 in respect of the prior year.

Mr. Barrow was appointed as the Company's Chief Operating Officer on April 14, 2008.

Dr. Cobon resigned as the Company's Chief Scientific Officer on March 28, 2008.

Dr. Cobon received \$82,500 during the year ended June 30, 2008 in respect of a termination benefit.

Mr. Newing resigned as the Company's Chief Operating Officer on July 1, 2007.

Mr. Newing received \$87,500 during the year ended June 30, 2007 in respect of a termination benefit.

Mr. Christensen resigned as the Company's Group General Manager - IP on August 12, 2006.

Remuneration of Key Management Personnel

	2008	2007	2006
	\$	\$	\$
Short-term employee benefits	994,176	974,346	1,147,433
Post-employment benefits	144,861	141,390	74,057
Termination benefits	82,500	87,500	
Long-term benefits	8,640	4,758	6,564

Edgar Filing: GENETIC TECHNOLOGIES LTD - Form 20-F

Share-based payments	124,776	233,612	343,469
Total remuneration of Key Management Personnel	1,354,953	1,441,606	1,571,523

Optionholdings of Key Management Personnel

June 30, 2008

Name of optionholder	Opening balance	Granted	Number of options		Closing balance	Vested and non-vested as at year end		
			Exercised	Lapsed		Total	Not exercisable	Exercisable
Director								
Henry Bosch AO	500,000			(500,000)				
Fred Bart	500,000			(500,000)				
David Carruthers								
John S. Dawkins AO	500,000			(500,000)				
Dr. Mervyn Jacobson	2,000,000			(2,000,000)				
Dr. Leanne Rowe AM								
Executive								
Michael B. Ohanessian		3,650,602			3,650,602	3,650,602	3,650,602	
Thomas G. Howitt	1,000,000	1,000,000			2,000,000	2,000,000	1,312,500	687,500
Ross Barrow		1,000,000			1,000,000	1,000,000	1,000,000	
Dr. Gary Cobon	750,000	500,000		(1,250,000)				
Geoffrey E. Newing	750,000			(750,000)				
Totals	6,000,000	6,150,602		(5,500,000)	6,650,602	6,650,602	5,963,102	687,500

F33

35. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont.)

Optionholdings of Key Management Personnel (cont.)

June 30, 2007

Name of optionholder	Opening balance	Granted	Number of options		Closing balance	Total	Vested as at year end	
			Exercised	Lapsed			Not exercisable	Exercisable
Director								
Henry Bosch AO	500,000				500,000	500,000	125,000	375,000
Dr. Mervyn Jacobson	2,000,000				2,000,000	2,000,000		2,000,000
Fred Bart	500,000				500,000	500,000		500,000
David Carruthers								
John S. Dawkins AO	500,000				500,000	500,000	125,000	375,000
Robert J. Edge	500,000			(500,000)				
Prof. Deon J. Venter	1,000,000			(1,000,000)				
Executive								
Thomas G. Howitt	1,000,000				1,000,000	1,000,000	562,500	437,500
Geoffrey E. Newing	750,000				750,000	750,000	562,500	187,500
Dr. Gary Cobon	750,000				750,000	750,000	562,500	187,500
Ian N. Christensen	300,000			(300,000)				
Totals	7,800,000			(1,800,000)	6,000,000	6,000,000	1,937,500	4,062,500

Shareholdings of Key Management Personnel

June 30, 2008

Shares held in Genetic Technologies Limited	Opening balance	Number of shares		Acquired on exercise of options	Closing balance
		Bought	Sold		
Director					
Henry Bosch AO	185,000	60,406			245,406
Fred Bart	25,918,214				25,918,214
David Carruthers		150,000			150,000
John S. Dawkins AO					
Dr. Mervyn Jacobson	150,931,900				150,931,900
Dr. Leanne Rowe AM					
Executive					
Michael B. Ohanessian		70,000			70,000
Thomas G. Howitt					
Ross Barrow					
Dr. Gary Cobon					
Totals	177,035,114	280,406			177,315,520

35. **KEY MANAGEMENT PERSONNEL DISCLOSURES (cont.)****Shareholdings of Key Management Personnel (cont.)**

30 June 2007

Shares held in Genetic Technologies Limited	Opening balance	Number of shares		Acquired on exercise of options	Closing balance
		Bought	Sold		
Director					
Henry Bosch AO	185,000				185,000
Dr. Mervyn Jacobson	150,931,900				150,931,900
Fred Bart	25,918,214				25,918,214
David Carruthers					
John S. Dawkins AO					
Robert J. Edge					
Prof. Deon J. Venter (note)	25,000				25,000
Executive					
Thomas G. Howitt					
Dr. Gary Cobon					
Geoffrey E. Newing (note)	213,350	3,980,650	(746,654)		3,447,346
Ian N. Christensen (note)					
Totals	177,273,464	3,980,650	(746,654)		180,507,460

Note: Prof. Venter, Mr. Newing and Mr. Christensen all resigned during the years ended June 30, 2007 and 2008.

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.

Other transactions and balances with Key Management Personnel and their related parties

During the year ended June 30, 2008:

- GeneType Pty. Ltd. paid a total of \$501,239 (2007: \$445,384) to Bankberg Pty. Ltd., a company associated with Dr. Mervyn Jacobson, for rent in respect of the office and laboratory premises in Fitzroy, Victoria that are leased by the Group.
- The Company paid a total of \$79,936 (2007: \$nil) to Government Relations Australia Advisory Pty. Ltd., a company associated with Mr. John Dawkins AO, in respect of consulting services provided to the Group.

- The Company paid a total of \$414,133 (2007: \$nil) to Transmedia Inc., a company associated with Dr. Mervyn Jacobson, in respect of licensing services provided to the Group.
- Dr. Mervyn Jacobson acquired a total of 522 ordinary shares in ImmunAid Pty. Ltd., a subsidiary of the Company. As at 30 June 2008, Dr. Jacobson held a total of 522 ordinary shares in ImmunAid Pty. Ltd., representing approximately 4.0% of that company's total issued capital.

All transactions with Key Management Personnel are undertaken on normal commercial terms and conditions.

36. SUBSIDIARIES

The following diagram is a depiction of the Group structure as at June 30, 2008.

Name of Group company	Incorporation details	Group interest (%)		Net carrying value (\$)	
		2008	2007	2008	2007
<i>Entities held directly by parent</i>					
GeneType Pty. Ltd.	5 September 1990 Victoria, Australia	100%	100%	1	1
Genetic Technologies Corporation Pty. Ltd.	11 October 1996 N.S.W., Australia	100%	100%	2	2
RareCollect Pty. Ltd.	7 March 2001 N.S.W., Australia	100%	100%	10	10
GeneType AG	13 February 1989 Zug, Switzerland	100%	100%	26,698	26,698
GeneType Corporation	18 December 1989 California, U.S.A.	100%	100%		
Gtech International Resources Limited	29 November 1968 Yukon Territory, Canada	75.8%	75.8%	424,535	424,535
ImmunAid Pty. Ltd. (refer note below)	21 March 2001 Victoria, Australia	69.2%	68.2%		
Total carrying value				451,246	451,246
<i>Entities held by other subsidiaries</i>					
AgGenomics Pty. Ltd.	15 February 2002 Victoria, Australia	50.1%	50.1%	50	50

During the year ended June 30, 2008, outstanding loans between the Company and ImmunAid Pty. Ltd. were converted into additional equity in that company. The total amount of the loans at the time of the conversions was \$278,175. As a result of the conversion, the Company increased its interest in ImmunAid Pty. Ltd. by approximately 1.0% to 69.2%.

37. 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 minimise 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.

37. FINANCIAL RISK MANAGEMENT (cont.)

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 summarised 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 recognised, 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:

	2008 \$	2007 \$
Financial assets		
Cash at bank / on hand	5,490,846	11,303,764
Short-term deposits	7,429,926	2,029,986
Trade and other receivables	1,596,738	646,946
Performance bond and deposits	519,117	526,898
Available-for-sale investments	207,195	233,330
Total financial assets	15,243,822	14,740,924
Financial liabilities		
Trade and other payables	1,786,412	1,563,652
Hire purchase liabilities	298,199	523,967
Total financial liabilities	2,084,611	2,087,619

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, 2008 in relation to each class of recognised 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 included in 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 organisations 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.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. 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.

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.

37. FINANCIAL RISK MANAGEMENT (cont.)**Credit risk (cont.)**

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

	2008 \$	2007 \$
Trade and other receivables		
Current (less than 30 days)	1,442,167	481,043
31 days to 60 days	23,897	77,764
61 days to 90 days (note)	17,035	60,926
Greater than 90 days (note)	113,639	27,213
Total trade and other receivables (Notes 10 and 14)	1,596,738	646,946
Trade and other payables		
Current (less than 30 days)	1,655,450	1,431,817
31 days to 60 days	7,738	55,131
61 days to 90 days	1,814	63,448
Greater than 90 days (note)	121,410	13,256
Total trade and other payables (Note 18)	1,786,412	1,563,652

Note: A total of \$130,674 in trade and other receivables greater than 60 days is past due, of which a total of \$121,540 had been received prior to the date of this Financial Report. The Company considers that the remaining \$9,134 is recoverable and not impaired.

Market risk*Foreign currency risk*

The Group and the parent entity operate internationally and are 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 recognised 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 introduced 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 to be 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.

F38

37. FINANCIAL RISK MANAGEMENT (cont.)**Market risk (cont.)***Foreign currency risk (cont.)*

As at June 30, 2008, the Group held the following financial assets and liabilities that were denominated in foreign currencies:

Consolidated	Year	United States Dollars	Canadian Dollars	European Euro	Japanese Yen	Swiss Francs
Financial assets						
Cash at bank / on hand	2008	63,212	437,032		47,350	7,848
	2007	8,161,046	459,508	2,977		17,630
Trade and other receivables	2008	68,100		100,000		
	2007	66,348		100,000		
Available-for-sale investments	2008	198,120				
	2007	198,120				
Total financial assets	2008	329,432	437,032	100,000	47,350	7,848
	2007	8,425,514	459,508	102,977		17,630
Financial liabilities						
Trade and other payables	2008	134,166	5,211	22,531		2,870
	2007	326,978	5,438			4,030
Total financial liabilities	2008	134,166	5,211	22,531		2,870
	2007	326,978	5,438			4,030

During the year ended June 30, 2008, the Australian dollar / US dollar exchange rate increased by 12.6%, from 0.8491 at the beginning of the year to 0.9562 at the end of the year. During the same period, Australian dollar / Canadian dollar exchange rate increased by 8.1%, from 0.8991 at the beginning of the year to 0.9722 at the end of the year.

Based on the financial instruments held at 30 June 2008, had the Australian dollar weakened / strengthened by 10% against the US dollar with all other variables held constant, the Group's loss for the year would have been \$23,000 lower / \$19,000 higher (2007: \$1,060,000 lower / \$867,000 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.

Edgar Filing: GENETIC TECHNOLOGIES LTD - Form 20-F

Based on the financial instruments held at June 30, 2008, had the Australian dollar weakened / strengthened by 10% against the Canadian dollar with all other variables held constant, the Group's loss for the year would have been \$49,000 lower / \$40,000 higher (2007: \$56,000 lower / \$46,000 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 associate 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 introduced a Short Term Investment Policy which was developed to efficiently 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 seeks to deposit its surplus cash in a range of deposits / securities over different time frames and with different institutions in an effort to diversify its portfolio and minimise 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 30 June 2008, if interest rates had changed by +/- 50 basis points from the year-end rates, with all other variables held constant, the Group's loss for the year would have been \$67,000 lower / higher (2007: \$36,000 lower / higher), mainly as a result of higher / lower interest income from cash and cash equivalents. Consolidated equity for the Group would have been \$67,000 higher / lower (2007: \$36,000 higher / lower) mainly as a result of an increase / decrease in the fair value of cash and cash equivalents.

37. FINANCIAL RISK MANAGEMENT (cont.)**Market risk (cont.)***Interest rate risk (cont.)*

The exposure to interest rate risks and the effective interest rates of financial assets and liabilities, both recognised and unrealised, for both the Group and Genetic Technologies Limited are as follows:

Consolidated	Year	Floating rate \$	Fixed rate \$	Carrying amount \$	Weighted ave. effective rate %	Ave. maturity period days
Financial assets						
Cash at bank / on hand (note)	2008	5,490,846		5,490,846	6.33%	At call
	2007	11,303,764		11,303,764	2.89%	At call
Short-term deposits	2008		7,429,926	7,429,926	7.71%	73
	2007		2,029,986	2,029,986	6.20%	90
Performance bond / deposits	2008		519,117	519,117	7.86%	93
	2007		526,898	526,898	6.93%	86
Totals	2008	5,490,846	7,949,043	13,439,889		
	2007	11,303,764	2,556,884	13,860,648		
Financial liabilities						
Hire purchase liabilities	2008		298,199	298,199	9.26%	914
	2007		523,967	523,967	7.17%	281
Totals	2008		298,199	298,199		
	2007		523,967	523,967		

Note: As at June 30, 2007, the Group held cash and cash equivalents in US dollars of USD 8,161,046. Of this amount, USD 5,490,870 was held on deposit at an interest rate of 1.65%. The remaining USD 2,670,176 was held on deposit at an interest rate of 5.17%. Immediately after June 30, 2007, a total of USD 7,400,000 was converted into Australian dollars and placed on deposit at an interest rate of 6.35%.

All other periods in respect of financial assets are for less than one year. In respect of the hire purchase liability, the interest rates are fixed for the terms of the facility, which is less than one year (\$111,117) and between one and five years (\$187,082).

Liquidity risk

Edgar Filing: GENETIC TECHNOLOGIES LTD - Form 20-F

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 tradeable in highly liquid markets.

The remaining contractual maturities of the financial liabilities of the Group are:

	2008 \$	2007 \$
Financial liabilities		
< 6 months	1,840,837	1,783,255
6 months to 12 months	56,692	257,415
1 year to 5 years	187,082	46,949
> 5 years		
Total financial liabilities	2,084,611	2,087,619

F40

37. FINANCIAL RISK MANAGEMENT (cont.)

Liquidity risk (cont.)

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

Consolidated	Year	< 6 months \$	6 to 12 months \$	1 to 5 years \$	> 5 years \$	Totals \$
Financial assets						
Cash at bank / on hand	2008	5,490,846				5,490,846
	2007	11,303,764				11,303,764
Short-term deposits	2008	7,429,926				7,429,926
	2007	2,029,986				2,029,986
Trade and other receivables	2008	1,596,738				1,596,738
	2007	646,946				646,946
Performance bond and deposits	2008	69,117	450,000			519,117
	2007	76,898		450,000		526,898
Available-for-sale investments	2008			207,195		207,195
	2007			233,330		233,330
Total financial assets	2008	14,586,627	450,000	207,195		15,243,822
	2007	14,057,594		683,330		14,740,924
Financial liabilities						
Trade and other payables	2008	1,786,412				1,786,412
	2007	1,563,652				1,563,652
Hire purchase liabilities	2008	54,425	56,692	187,082		298,199
	2007	219,603	257,415	46,949		523,967
Total financial liabilities	2008	1,840,837	56,692	187,082		2,084,611
	2007	1,783,255	257,415	46,949		2,087,619
Net maturity	2008	12,745,790	393,308	20,113		13,159,211
	2007	12,274,339	(257,415)	636,381		12,653,305

The Group had access to the following undrawn borrowing facilities as at June 30, 2008:

Facility limit \$	Amount used \$	Amount available\$ \$
----------------------	-------------------	-----------------------------

<i>Nature of facility</i>			
Master Asset Finance Facility	2,500,000	(298,199)	2,201,801
Credit card facility	145,000	(32,272)	112,728

Note: The Master Asset Finance Facility may be drawn at any time and is subject to annual review.

Fair value estimation

As at June 30, 2008, the Group's available-for-sale investments have been recognised at their net fair values. The following methods and assumptions are used to determine the net 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.

38. AUDITORS REMUNERATION

	2008 \$	2007 \$	2006 \$
Audit services			
Ernst & Young Australia in respect of:			
Audit of the Company's Financial Report	177,500	410,274	403,918
Other audit firms in respect of:			
Audit of the Financial Reports of subsidiaries	8,241	9,158	8,120
Total remuneration in respect of audit services	185,741	419,432	412,038
Non-audit services			
Ernst & Young Australia in respect of:			
Tax advice and compliance services	38,350	55,095	79,120
Total auditors remuneration	224,091	474,527	491,158

39. SUBSEQUENT EVENTS

On July 22, 2008, the Company acquired 100% of the issued capital of Frozen Puppies Dot Com Pty. Ltd. (FPDC), Australia's foremost provider of canine reproductive services. Under the terms of the Agreement between the Company and FPDC, Genetic Technologies Limited (GTG) acquired 100% of the issued share capital of FPDC in return for the issue to the FPDC shareholders of 12,254,902 ordinary shares in GTG and the payment of \$153,160 in cash. In other terms of the acquisition, GTG advanced \$346,840 in loan funds to FPDC to enable shareholder loans to be repaid and Employment Agreements were executed between the Company and the five principals of FPDC. Voluntary Restriction Agreements were also executed with all former FPDC shareholders. As a result, 80% of the 12,254,902 GTG shares that were issued as part of the acquisition are subject to voluntary escrow and will be released from escrow in four equal tranches after the expiration of 6, 12, 18 and 24 months from the date of issue, respectively.

On August 27, 2008, the Company sold its entire interest in the North Laverton Joint Venture to its partner, Regis Resources Limited (Regis), in return for the payment of \$100,000 in cash and 500,000 fully paid ordinary shares in Regis. As part of the sale, the Company will also have returned to it a performance bond which had a face value of \$68,917 as at June 30, 2008 (refer Note 12). Further, the Company has been fully indemnified by Regis against any future rehabilitation liabilities which may arise from the exploration activities of the Joint Venture undertaken up until the date of sale. This indemnification will enable the Company, during the financial year ending June 30, 2009, to fully reverse the provision of \$94,987 in respect of such liabilities which has been recorded in the Company's balance sheet as at June 30, 2008 (refer Note 21).

On November 5, 2008, the Company received a letter from the Australian Taxation Office advising that a review of the Company's available tax losses which had recently been completed had been escalated to a full audit. As at the date of these financial statements, the Company is unable to form an assessment of the likely impact, if any, of this audit.

On November 19, 2008, at the Company's Annual General Meeting of shareholders, five of the Company's Directors (Non Executive Chairman Mr. Henry Bosch AO, Mr. John Dawkins AO, Dr. Leanne Rowe AM, Mr. David Carruthers and Chief Executive Officer Mr. Michael

Edgar Filing: GENETIC TECHNOLOGIES LTD - Form 20-F

Ohanessian) were removed as Directors of the Company. On the same day, immediately following the AGM, Mr. Huw Jones and Mr. Sid Hack were appointed as Directors of the Company to fill casual vacancies. Subsequent to Mr. Ohanessian's removal as a Director, the Company paid to him amounts totaling \$370,491 under the terms of his employment agreement.

On November 24, 2008, the Company drew down the remaining equipment credits available to it under the Supply Agreement executed with Applera Corporation (refer Note 29). The remaining credits had a value of approximately \$2.0 million on that date. Accordingly, as at the date of these financial statements, the Company had a contingent asset representing the remaining reagent credits available to it with a total value of \$2,761,500.

On December 12, 2008, Dr. Mervyn Jacobson resigned as a Director of the Company.

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