



# GENESIS BIOMEDICAL LTD

A.B.N. 48 083 274 024

**Annual Financial Report**  
for the year ended 30 June 2007



## **TABLE OF CONTENTS**

<b>CORPORATE DIRECTORY</b>	<b>2</b>
<b>REVIEW OF OPERATIONS</b>	<b>3</b>
<b>DIRECTORS' REPORT</b>	<b>5</b>
<b>AUDITOR'S INDEPENDENCE DECLARATION</b>	<b>15</b>
<b>INCOME STATEMENT</b>	<b>16</b>
<b>BALANCE SHEET</b>	<b>17</b>
<b>STATEMENT OF CHANGES IN EQUITY</b>	<b>18</b>
<b>CASH FLOW STATEMENT</b>	<b>19</b>
<b>NOTES TO THE FINANCIAL STATEMENTS</b>	<b>20</b>
<b>DIRECTORS' DECLARATION</b>	<b>47</b>
<b>INDEPENDENT AUDIT REPORT</b>	<b>48</b>
<b>CORPORATE GOVERNANCE STATEMENT</b>	<b>50</b>
<b>ASX ADDITIONAL INFORMATION</b>	<b>53</b>



## **CORPORATE DIRECTORY**

### **GENESIS BIOMEDICAL LTD**

**A.B.N. 48 083 274 024**

#### **Directors**

Mr Rodger Johnston  
Non - Executive Chairman

Mr Donald Valentino  
Managing Director

Mr Roger Smith  
Non Executive Director

#### **Company Secretary**

Mr David Semmens

#### **Registered Office**

Level 1, 248 Hay Street  
SUBIACO  
Western Australia 6008  
Telephone: 08 9381 6922  
Facsimile: 08 9381 6060  
e-mail: [info@genbiomed.com](mailto:info@genbiomed.com)  
Web : [www.genbiomed.com](http://www.genbiomed.com)

#### **Share Registry**

Computershare Investor Services Pty Ltd  
Level 2, 45 St George's Terrace  
PERTH  
Western Australia 6000  
Telephone: 1300 557 010

#### **Auditors**

K Westaway & Associates  
Chartered Accountants  
Suite 7, 29 Hood Street  
SUBIACO  
Western Australia 6008

#### **Solicitors**

Steinepreis Paganin  
Level 4, NEXT Building  
16 Milligan Street  
PERTH  
Western Australia 6000

#### **Bankers**

Westpac  
1257 Hay Street  
WEST PERTH  
Western Australia 6005



## REVIEW OF OPERATIONS

### Summary

The year ended 30 June 2007 has seen a high level of activity including the finalisation of the promising Sepsis Project in association with the University of Western Australia (“UWA”). In addition, continuous assessment and due diligence were carried out on various commercial opportunities.

### Manawatu Biotech Investments Limited (“MBIL”)

In July 2006 the Company announced to the market that after considering several alternatives in relation to this asset, the Board of Genesis resolved to review its involvement in MBIL on the following basis:

- 1) Elected not to exercise its option to purchase 100% of MBIL;
- 2) Sought to recover funds advanced to MBIL under the Loan Facility Agreement.

The rationale for not proceeding with the exercise of the option included:

- 1) Assessed difficulty of administering the project located in regional New Zealand from Genesis Head Office in Perth;
- 2) The exercise price was considered too high at the current project development stage;
- 3) Upon exercise Genesis would be required to inject approximately AUD \$1 million to complete its next commitment to the project.

The Board considers that it has achieved a very positive outcome for Genesis by negotiating a return of loan monies from MBIL, which has encountered a lengthy process to raise funds to enable a return of 85% of the investment advanced by Genesis plus interest on the total amount of loan facility.

### Sepsis Project

In March 2007 Back To Health Australasia Ltd (“BTH”), a wholly owned subsidiary of Genesis Biomedical Ltd entered into a Term Sheet with UWA to fund a Therapeutic for Severe Sepsis.

Subsequently, a Deed of Assignment was entered into whereby Back To Health assigned its rights to Genovations Pty Ltd, a wholly owned subsidiary of Genesis Biomedical Ltd.

Severe Sepsis is recognised as one of the highest cost factors to private health insurers in Australia and indeed worldwide. Treating patients with Severe Sepsis costs U.S. hospitals nearly \$17 billion a year. Genesis has obtained exclusive rights to exploit and commercialise the UWA Intellectual Property under a “Licence Rights” agreement.

Genesis has advanced \$60,000 to allow for animal studies in New Orleans USA and Proof of Concept.

UWA will grant Genovations Pty Ltd an exclusive worldwide licence to the UWA IP to research, develop, commercialise, manufacture, market or sell any product derived from it in the field.

A budget of \$270,000 has been set for Pre Clinical and Phase I stages should the project develop to these particular milestones.

Results to date indicate positive progress in the development of this exciting project.



### **Commercial Opportunities**

In addition to reviewing several opportunities in the Biotech sector, the company has, as previously announced, commenced sourcing projects outside our current field of endeavour that have the potential to create shareholder wealth enhancement.

Whilst activity was centred on projects within the Biotech sector, the majority of whom required lengthy time frames and high cost investments, it was also recognised that business opportunities not related to the current sector were available. As a consequence, a revitalised effort to introduce wealth creating projects outside our current scope is underway.

### **Financials**

The Consolidated Entity's operating loss after tax for the year ended 30 June 2007 was \$844,443 (2006: loss of \$1,145,101).

**Mr Donald Valentino**  
**Managing Director**



## DIRECTORS' REPORT

Your directors submit their report for the Company and its controlled entities ("the Consolidated Entity") for the year ended 30 June 2007.

### DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

#### **Mr Rodger Johnston**

##### **Non Executive Chairman**

Appointed effective 7 December 2005 Mr Johnston has a Bachelor of Economics degree from the University of Sydney and was a member of the CPA Australia from 1976 to 1996. He commenced his career as an insolvency specialist, rising to the level of Senior Management.

Mr Johnston is Chairman of ASX listed IC2 Global Limited; was a non-executive director of ASX listed mining company Rusina Mining NL; is non-executive chairman of ASX listed mining company West Australian Metals Limited and non-executive director of Peoples Merchant Bank Limited which is listed on the Colombo Stock Exchange.

#### **Mr Donald Valentino**

##### **Managing Director**

Mr Valentino was appointed to the Board as Managing Director effective 25 May 2006. Previously, Mr Valentino was Western Australian state manager of Sigma Pharmaceuticals Ltd a position he held for ten years. He possesses a reputation as a leading negotiator, public speaker and leader in the pharmacy and related medical products field.

In his previous roles he has been successful in building businesses and driving growth through increased sales and strict operating cost management. Over the years Mr Valentino has developed an extensive network of medical industry participants and industry peers.

For the 25 years prior to joining Sigma, was employed by FH Faulding & Co until departing as Marketing Manager.

#### **Mr Roger Smith**

##### **Non-executive Director**

Mr Smith has many years experience in retail trade. He has held a number of proprietary company directorships and has been successful in the operation of a number of wholesale/retail businesses in Australia. During the past four years Mr Smith has also served (and continues to serve) as a non-executive director of Multi Channel Solutions Limited, an ASX listed Company.

#### **Mr Russell Black**

##### **Non-executive Director (Resigned 4<sup>th</sup> July 2007)**

Appointed 28 November 2005, Mr Black was a Certified Practising Accountant for in excess of 20 years and remains the managing partner of the Western Australian based Goldfinch Black Public Accountants. The practice attends to the needs of a diverse range of small business clients from four locations in Perth and the Pilbara with extended services of financial planning, finance broking and real estate investments.



## DIRECTORS' REPORT (Cont'd)

### Directorships of other listed companies

Directorships of other listed companies held by directors in the last three years immediately before the end of the financial year are as follows:

Name	Company	Period of Directorship
Mr Rodger Johnston	IC2 Global Limited Rusina Mining NL West Australian Metals Limited	25/08/05 to current 29/11/00 to 23/08/06 16/09/05 to current
Mr Donald Valentino	Nil	N/A
Mr Russell Black	Transerv Australia Limited	9/12/05 to 24/07/06
Mr Roger Smith	Multi Channel Solutions Limited	June 1988 to current

### OTHER OFFICERS

#### Mr Shane Hartwig      **Company Secretary (resigned 12 December 2006)**

Mr Hartwig is a Certified Practicing Accountant and Chartered Company Secretary holds a Bachelor of Business degree, majoring in Accounting and Taxation from Curtin University of Technology in Western Australia.

Shane is involved in the areas of IPO's, capital raisings, prospectus and information memorandum preparation and project management, company assessments and due diligence reviews, mergers and acquisitions and providing general corporate advice.

#### Mr David Semmens      **Company Secretary**

Appointed effective 14 July 2006, Mr Semmens has experience in providing company secretarial, financial and corporate and other related services to organisations listed on ASX.

### PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the course of the financial year were the continued development and attempted commercial exploitation of either owned or partnered medical device technologies.

### RESULTS

The Consolidated Entity's operating loss after tax for the year ended 30 June 2007 was \$844,443 (2006: loss of \$1,145,101).



## **DIRECTORS' REPORT (Cont'd)**

### **FINANCIAL POSITION**

At the end of the financial year, the Consolidated Entity had \$1,195,136 (2006: \$2,196,313) in cash and on deposit.

Subsequent to year end, the Company has received \$299,642 plus interest relating to the MBIL loan advance.

### **DIVIDENDS**

The directors do not recommend the payment of a dividend for this financial year. No dividends have been paid or declared by the Company since the end of the previous financial year (2006: Nil).

### **REVIEW OF OPERATIONS, LIKELY DEVELOPMENTS AND FUTURE RESULTS**

Other than as referred to in the Review of Operations, further information as to likely developments in the operations of the Consolidated Entity would, in the opinion of the directors, be speculative and may hinder the Consolidated Entity in the achievement of its commercial objectives.

### **SIGNIFICANT CHANGE IN STATE OF AFFAIRS**

There were no significant changes in the state of affairs of the Consolidated Entity during the financial year, not otherwise disclosed in this Directors' Report or in the Review of Operations.

### **STRATEGIC PLANNING AND FUTURE DEVELOPMENTS**

The Board is following a strategic development plan for the growth of the Consolidated Entity, however, further information about likely developments, future prospects and business strategies as they pertain to the operations and expected results of those operations, have not been included in this report, as the directors reasonably believe that disclosure of this information would be likely to result in unreasonable prejudice to the Consolidated Entity.

### **SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE DATE**

#### **Manawatu Biotech Investments Limited ("MBIL")**

As a result of successful negotiations with MBIL, on 31 August 2007 the Company received repayment of loan funds in the amount of \$325,481 from MBIL. This amount represented 85% of the total loan outstanding of \$352,521 plus interest. A provision for \$52,879 was recorded as at 30 June 2007.



## DIRECTORS' REPORT (Cont'd)

### Issue of Shares and Options

On 13 July 2007 the Company issued 508,358 fully paid ordinary shares and 1,000,000 listed options exercisable at 3 cents on or before 30 November 2010 to Cahoots Pty Ltd in accordance with an agreement for the provision of consulting services to the Company.

### Deregistration of Subsidiary Companies

On 7 August 2007, the Company received notification from the ASIC that the applications for deregistration of the following 100% owned subsidiary companies had been approved:

- Back to Health Australasia Ltd (ACN 091 802 130)
- Newmed Systems Ltd (ACN 092 200 845)

It is anticipated that the companies will be deregistered on or about 7 October 2007. These subsidiary companies were dormant and have no assets or liabilities.

There has not arisen in the interval between the end of the financial year and the date of this report, any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect substantially the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent financial years.

## OPTIONS

### Share Options

As at 30 June 2007, there are 95,750,000 (2006: 79,900,000) unissued ordinary shares in respect of which options were outstanding comprising:

Number of Options		Exercise Price	Expiry Date
80,150,000	listed	0.03	30 November 2010
10,500,000	unlisted	0.10	31 December 2011
1,700,000	unlisted	0.04	31 December 2007
1,700,000	unlisted	0.04	30 June 2009
1,700,000	unlisted	0.04	31 December 2010

During the year 250,000 options were issued and listed on ASX, and at the date of this report the Company had 15,600,000 (2006: Nil) unlisted options on issue.

There were 5,100,000 options granted during the year as part of the Managing Director's remuneration package. The issue of these options was approved by shareholders at the 2006 Annual General Meeting of the Company.

There were 3,000,000 options granted during the year to each of the three Non Executive Directors and 1,500,000 options granted during the year to Cardrona Capital Pty Ltd, accompany associated with Mr. Shane Hartwig, the previous Company Secretary. The issue of these options was approved by shareholders at the 2006 Annual General Meeting of the Company.

Please refer to Notes 17 & 18 for details of the holdings of options and shares of the specified Directors.

During the year, no (2006: 100,000) fully paid ordinary shares were issued by the virtue of the exercise of the listed options.



## **DIRECTORS' REPORT (Cont'd)**

Since the end of the financial year:

- 1,000,000 options were issued and listed on ASX;
- No shares have been issued by the virtue of the exercise of options.

Option holders do not have the right, by any virtue of the option, to participate in any share issue of the Company or any related body corporate, or in the interest issue of any other registered scheme.

## **INTERESTS IN CONTRACTS OR PROPOSED CONTRACTS WITH THE CONSOLIDATED ENTITY**

During or since the financial year-end no director has had any interest in a contract or proposed contract with the Consolidated Entity.

## **REMUNERATION REPORT**

This remuneration report outlines the remuneration arrangements for the Company's directors.

### **Remuneration Philosophy**

The performance of the Company depends upon the quality of its Directors and Executives. To prosper the Company must attract, motivate, and retain highly skilled directors and executives.

To ensure this the Company has put in place a remuneration structure:

- For its Managing Director role that has helped attract a high quality experienced candidate;
- Provides a balance of base compensation and short and long term incentive plans;
- Providing market based director fees for its non executive directors and potential for a non executive director share plan.

### **Remuneration Committee**

The revised Board elected that the Company was of the size that a Remuneration Committee was not warranted and that these issues would be considered by the Board.

The full Board was responsible for establishing Genesis's remuneration policies and practices and to ensure they match the group's objectives. The Genesis Board proposed the Managing Directors total remuneration package and is responsible for reviewing the non executive remuneration and review of any non-executive director share plan that may be proposed.

### **Non-Executive Director and Executive Remuneration**

The remuneration of non executive directors may not exceed in aggregate in any financial year the amount fixed by the Company at the general meeting. Currently the non executive directors are remunerated by way of director fees which have been set at \$25,000 p.a., an amount considered reasonable for a company of its size and operational activity.

The Company's only executive Mr Donald Valentino has entered into a service agreement with Genesis Biomedical Ltd. Under the terms of this engagement:

- Mr Valentino was employed by the Company commencing 22 May 2006;
- Mr Valentino is employed in the role of CEO/Managing Director;



## **DIRECTORS' REPORT (Cont'd)**

- Covenanted not to compete against Genesis Biomedical Ltd for a period of 3 months after cessation of employment with the Company;
- Agree that either party may terminate the executive service agreement by giving three months notice. In addition Genesis may without prior notice terminate the service agreement under certain conditions, for example, if the executive commits a serious breach of his obligations, or is guilty of grave misconduct in the discharge of his duties or becomes bankrupt;
- The service agreement contains otherwise standard terms, including to duties, Genesis owning all intellectual property created by its executives, confidentiality, entitlements to minor benefits in addition to remuneration, and devoting substantially the whole of their time and attention during business hours to the discharge of their duties;

Details of agreed remuneration amounts and structure set out below.

### **Details of Executives**

#### **Employment Contracts**

Mr Donald Valentino, Managing Director/CEO is currently under contract and is currently the only executive of the Company and has been remunerated for this role as follows:

- (i) Base Salary \$200,000 p.a.;
- (ii) Statutory Superannuation;
- (iii) Provision of a company car;
- (iv) Long Term Incentive package (5,100,000 options); and
- (v) Base Director Fees.

#### **Reward for Performance**

During the year there was no reward for the performance component of any remuneration package. It is noted that under the terms of Mr Valentino's contract, it has been agreed by the Board that an appropriate long term incentive component will be implemented. The issue of 5,100,000 Incentive Options was approved by shareholders at the 2006 Annual General Meeting of the Company.

#### **Key Management Personnel Positions**

D Valentino	Managing Director (executive): appointed 25 May 2006
R Johnston	Non Executive Chairman: appointed 7 December 2005
R Smith	Director (non-executive): appointed 21 February 2005
R Black	Director (non-executive): appointed 28 November 2005, resigned 4 July 2007



**DIRECTORS' REPORT (Cont'd)**  
**Remuneration Report (cont'd)**  
**Remuneration of Directors and named Executives**

	Short-term employee benefits				Post-employment benefits		Share-based payment		Total \$	% Performance Related \$
	Salary & fees \$	Cash Bonus \$	Non-monetary \$	Other \$	Super-annuation \$	Other \$	Equity-settled			
							Shares & units \$	Options & rights \$		
<b>2007</b>										
Rodger Johnston	\$25,000	-	-	\$9,771	-	-	-	\$57,900	\$92,671	-
Donald Valentino	\$225,000	-	\$19,040	\$9,771	\$20,250	-	-	\$13,940	\$288,001	-
Russell Black	\$25,000	-	-	\$9,771	-	-	-	\$57,900	\$92,671	-
Roger Smith	\$25,000	-	-	\$9,771	-	-	-	\$57,900	\$92,671	-
<b>Total 2007</b>	<b>\$300,000</b>	-	<b>\$19,040</b>	<b>\$39,084(1)</b>	<b>\$20,250</b>	-	-	<b>\$187,640</b>	<b>\$566,014</b>	-
<b>2006</b>										
Rodger Johnston	\$14,041	-	-	\$5,618	-	-	-	-	\$19,659	-
Donald Valentino	\$22,820	-	-	\$1,096	\$2,054	-	-	-	\$25,970	-
Russell Black	\$14,658	-	-	\$5,864	-	-	-	-	\$20,522	-
Roger Smith	\$25,000	-	-	\$10,003	-	-	-	-	\$35,003	-
Robert Gilmour	\$20,685	-	-	\$63,097	-	-	-	-	\$83,782	-
Adrian Knight	\$10,342	-	-	\$4,138	-	-	-	-	\$14,480	-
Emmanuel Correia	\$10,959	-	-	\$4,385	-	-	-	-	\$15,344	-
<b>Total 2006</b>	<b>\$118,505</b>	-	-	<b>\$94,201</b>	<b>\$2,054</b>	-	-	-	<b>\$214,760</b>	-

(1) Represents pro-rata apportionment of directors & officers insurance premium paid during the year.



## DIRECTORS' REPORT (Cont'd)

### Options granted as part of remuneration

There were 5,100,000 options granted during the year as part of the Managing Director's remuneration package. The issue of these options was approved by shareholders at the 2006 Annual General Meeting of the Company.

There were 3,000,000 options granted during the year to each of the three Non Executive Directors. The issue of these options was approved by shareholders at the 2006 Annual General Meeting of the Company.

Please refer to Note 17 for details of the holdings of Options and Shares of the specified Directors.

### DIRECTORS' INTERESTS

As at the date of this report, the interests of the directors in the shares and options of the Company were:

	DIRECT		INDIRECT	
	Ordinary Shares	Options	Ordinary Shares	Options
D Valentino	-	5,100,000	4,798,267	4,498,267
R Johnston	-	3,000,000	-	-
R Smith	-	3,000,000	6,140,523	1,000,000

Note: Direct holdings are those held in the individuals name, indirect holdings are all other holdings controlled by the individual.

### DIRECTORS' MEETINGS

During the year, directors' meetings were held. The number of meetings in which directors were in attendance is as follows:

	Directors' Meetings	
	No. of meetings held while in office	Meetings attended
D Valentino	13	13
R Johnston	13	13
R Black	13	13
R Smith	13	13

As at the date of this report, the Consolidated Entity did not have an audit committee, as the directors believe the size of the Consolidated Entity and the size of the Board do not currently warrant its existence.



## **DIRECTORS' REPORT (Cont'd)**

### **INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

During the financial year, the Consolidated Entity has paid premiums in respect of a contract insuring all the directors of Genesis Biomedical Ltd against a liability incurred in their role as directors of the consolidated entity, except where:

- (a) the liability arises out of conduct involving a wilful breach of duty;
- (b) there has been a contravention of the relevant sections of the Corporations Act;
- (c) the conduct involves trading whilst insolvent;
- (d) the conduct involves an operation carried on outside Australia.

The total amount of insurance contract premiums paid for directors' and officers' liability and the Consolidated Entity reimbursement cover was \$39,084 (2006: \$54,947). This amount has been included as part of directors' remuneration.

In addition, the company and each of the directors have entered into Deeds of Indemnity and Access, as approved by the Board. Those Deeds of Indemnity and Access provide that:

- The directors will have access to the books of Genesis Biomedical Ltd for their period of office and for seven years after they cease to hold office;
- Genesis Biomedical Ltd indemnifies the directors to the extent permitted by law;
- The indemnity covers liabilities incurred by the directors in their capacity as officers of other Genesis group companies; and
- Genesis will, where appropriate maintain directors and officers insurance cover for the directors to the extent permitted by the law for the period of their office and for seven years after they cease to hold office.

### **CORPORATE GOVERNANCE**

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of the Company support and have adhered to the principles of Corporate Governance.

The consolidated entity's Corporate Governance Statement is contained at page 50 of this annual report.

### **ENVIRONMENTAL REGULATION AND PERFORMANCE**

The directors of the Company monitor compliance with environmental regulations. In the opinion of the directors the Company's operations are not subject to significant environmental regulations.

The Consolidated Entity does not hold any permits in relation to environmental discharge and does not handle or store hazardous materials.

### **PROCEEDINGS ON BEHALF OF THE COMPANY**

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.



## **DIRECTORS' REPORT (Cont'd)**

### **AUDITOR INDEPENDENCE**

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001, is set out on the following page.

### **NON-AUDIT SERVICES**

There were no non-audit services provided by the external auditors during the financial year.

**SIGNED in accordance with a resolution of the directors**

A handwritten signature in cursive script that reads "D. Valentino".

Donald Valentino  
Managing Director

28 September 2007

**K.WESTAWAY & ASSOCIATES**  
CHARTERED ACCOUNTANTS

**Auditor's Independence Declaration to the Directors of Genesis Biomedical Ltd**

In relation to our audit of the financial report of Genesis Biomedical Limited for the financial year ended 30 June 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable professional code of conduct.



Kelvin Westaway FCA  
Principal

28 September 2007

K Westaway & Associates  
Chartered Accountants





**GENESIS BIOMEDICAL LTD AND CONTROLLED ENTITIES**  
**INCOME STATEMENT**  
**YEAR ENDED 30 JUNE 2007**

	Notes	Consolidated		Genesis Biomedical Ltd	
		2007	2006	2007	2006
		\$	\$	\$	\$
<b>CONTINUING OPERATIONS</b>					
<b>REVENUES</b>	2	144,244	115,261	144,244	115,261
Depreciation	3	(33,742)	-	(33,742)	-
Finance costs	3	(13,371)	-	(13,371)	-
Share based payment expense	3	(216,590)	-	(216,590)	-
Salaries and directors fees		(424,870)	(124,656)	(424,870)	(124,656)
Lease rental payments	3	(39,325)	(49,005)	(39,325)	(49,005)
Professional fees	3	(371,277)	(548,253)	(371,277)	(548,253)
Insurance		(53,465)	(51,173)	(53,465)	(51,173)
Provision for non-recovery of receivable	5	-	(352,521)	-	(352,521)
Writeback provision for non recovery of receivable		299,642	-	299,642	-
Due diligence, travel and accommodation		(12,581)	(82,238)	(12,581)	(82,238)
Provision for non-recovery of related party loan	3	-	-	(60,000)	-
License fee written off	3	(60,000)	-	-	-
Other expenses from ordinary activities		(63,108)	(52,516)	(63,108)	(52,516)
<b>LOSS BEFORE INCOME TAX</b>		(844,443)	(1,145,101)	(844,443)	(1,145,101)
<b>INCOME TAX EXPENSE</b>	4	-	-	-	-
<b>LOSS ATTRIBUTABLE TO MEMBERS OF GENESIS BIOMEDICAL LTD</b>		(844,443)	(1,145,101)	(844,443)	(1,145,101)
Basic loss per share (cents)	16	(0.51)	(0.96)		

The company's potential ordinary shares are not considered dilutive and accordingly basic loss per share is the same as diluted loss per share.

The accompanying notes form part of these financial statements.



**GENESIS BIOMEDICAL LTD AND CONTROLLED ENTITIES**  
**BALANCE SHEET**  
**AT 30 JUNE 2007**

	Notes	Consolidated		Genesis Biomedical Ltd	
		2007	2006	2007	2006
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	13(b)	1,195,136	2,196,313	1,195,136	2,196,313
Trade and other receivables	5	333,410	23,685	333,410	23,685
Other	6	103,746	41,480	103,746	41,480
<b>TOTAL CURRENT ASSETS</b>		<b>1,632,292</b>	<b>2,261,478</b>	<b>1,632,292</b>	<b>2,261,478</b>
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	7	145,680	37,288	145,680	37,288
Financial assets	8	-	-	3	3
<b>TOTAL NON-CURRENT ASSETS</b>		<b>145,680</b>	<b>37,288</b>	<b>145,683</b>	<b>37,291</b>
<b>TOTAL ASSETS</b>		<b>1,777,972</b>	<b>2,298,766</b>	<b>1,777,975</b>	<b>2,298,769</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	10	98,500	116,315	98,500	116,315
Financial liabilities	11	26,428	-	26,428	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>124,928</b>	<b>116,315</b>	<b>124,928</b>	<b>116,315</b>
<b>NON-CURRENT LIABILITIES</b>					
Financial liabilities	11	98,446	-	98,446	-
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>98,446</b>	<b>-</b>	<b>98,446</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>223,374</b>	<b>116,315</b>	<b>223,374</b>	<b>116,315</b>
<b>NET ASSETS</b>		<b>1,554,598</b>	<b>2,182,451</b>	<b>1,554,601</b>	<b>2,182,454</b>
<b>EQUITY</b>					
Equity attributable to equity holders of the parent					
Issued capital	12	15,531,985	15,531,985	15,531,985	15,531,985
Reserves	12	216,590	-	216,590	-
Accumulated losses	12	(14,193,977)	(13,349,534)	(14,193,974)	(13,349,531)
Parent interests		1,554,598	2,182,451	1,554,601	2,182,454
Minority interests		-	-	-	-
<b>TOTAL EQUITY</b>		<b>1,554,598</b>	<b>2,182,451</b>	<b>1,554,601</b>	<b>2,182,454</b>

The accompanying notes form part of these financial statements.



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**GENESIS BIOMEDICAL LTD AND CONTROLLED ENTITIES**  
**STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED 30 JUNE 2007**

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<b>Consolidated</b>	<b>Share Capital</b>	<b>Accumulated</b>		<b>Reserves</b>	<b>Total</b>
		<b>Losses</b>			
	<b>\$</b>	<b>\$</b>		<b>\$</b>	<b>\$</b>
<b>Balance at 1.7.2005</b>	13,272,985	(12,204,433)	-	-	(1,068,552)
Shares issued during the year	2,403,000	-	-	-	2,403,000
Net loss recognised directly in equity	-	(1,145,101)	-	-	(1,145,101)
Share issue costs	(144,000)	-	-	-	(144,000)
<b>Balance at 30.6.2006</b>	<b>15,531,985</b>	<b>(13,349,534)</b>	<b>-</b>	<b>-</b>	<b>2,182,451</b>
<b>Balance at 1.7.2006</b>	15,531,985	(13,349,534)	-	-	2,182,451
Shares issued during the year	-	-	-	-	-
Share based payments	-	-	216,590	216,590	216,590
Net loss recognised directly in equity	-	(844,443)	-	-	-
Share issue costs	-	-	-	-	-
<b>Balance at 30.06.2007</b>	<b>15,531,985</b>	<b>(14,193,977)</b>	<b>216,590</b>	<b>1,554,598</b>	

<b>Genesis Biomedical Ltd</b>	<b>Share Capital</b>	<b>Accumulated</b>		<b>Reserves</b>	<b>Total</b>
		<b>Losses</b>			
	<b>\$</b>	<b>\$</b>		<b>\$</b>	<b>\$</b>
<b>Balance at 1.7.2005</b>	13,272,985	(12,204,430)	-	-	1,068,555
Shares issued during the year	2,403,000	-	-	-	2,403,000
Net loss recognised directly in equity	-	(1,145,101)	-	-	(1,145,101)
Share issue costs	(144,000)	-	-	-	(144,000)
<b>Balance at 30.6.2006</b>	<b>15,531,985</b>	<b>(13,349,531)</b>	<b>-</b>	<b>-</b>	<b>2,182,454</b>
<b>Balance at 1.7.2006</b>	15,531,985	(13,349,531)	-	-	2,182,454
Shares issued during the year	-	-	-	-	-
Share based payments	-	-	216,590	216,590	216,590
Net loss recognised directly in equity	-	(844,443)	-	-	(844,443)
Share issue costs	-	-	-	-	-
<b>Balance at 30.06.2007</b>	<b>15,531,985</b>	<b>(14,193,974)</b>	<b>216,590</b>	<b>1,554,601</b>	



**GENESIS BIOMEDICAL LTD AND CONTROLLED ENTITIES**  
**CASH FLOW STATEMENT**  
**YEAR ENDED 30 JUNE 2007**

	Notes	Consolidated		Genesis Biomedical Ltd	
		2007	2006	2007	2006
		\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		16,573	9,318	16,573	9,318
Interest received		103,708	82,257	103,708	82,257
Interest paid		(13,371)	-	(13,371)	-
Payments to suppliers and employees		(1,090,827)	(827,945)	(1,030,827)	(827,945)
<b>NET CASH FLOWS USED IN OPERATING ACTIVITIES</b>	13(c)	<b>(983,917)</b>	<b>(736,370)</b>	<b>(923,917)</b>	<b>(736,370)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment		(881)	(37,288)	(881)	(37,288)
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>(881)</b>	<b>(37,288)</b>	<b>(881)</b>	<b>(37,288)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Loans made to third party		-	(352,521)	-	(352,521)
Loans to related entity		-	-	(60,000)	-
Repayment of borrowings		(16,379)	-	(16,379)	-
Proceeds from issue of ordinary shares		-	2,259,000	-	2,259,000
<b>NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>		<b>(16,379)</b>	<b>1,906,479</b>	<b>(76,379)</b>	<b>1,906,479</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>					
Opening cash brought forward		(1,001,177)	1,132,821	(1,001,177)	1,132,821
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	13(b)	<b>1,195,136</b>	<b>2,196,313</b>	<b>1,195,136</b>	<b>2,196,313</b>

The accompanying notes form part of these financial statements.



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## **GENESIS BIOMEDICAL LTD AND CONTROLLED ENTITIES NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007**

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### **NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The financial report of Genesis Biomedical Ltd (the Company) for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors on 28 September 2007.

The financial report covers the consolidated group of Genesis Biomedical Ltd and controlled entities and Genesis Biomedical Ltd as an individual parent entity. Genesis Biomedical Ltd is a listed public company, incorporated and domiciled in Australia.

#### **(a) Basis of Preparation**

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report has been prepared on an accrual basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

#### **(b) Statement of Compliance**

The financial report complies with Australian Accounting Standards, which include Australian equivalents to the International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

#### **(c) Principles of Consolidation**

A controlled entity is any entity controlled by Genesis Biomedical Limited whereby it has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 10 to the financial statements. All controlled entities have a June financial year end.

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the consolidated group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.



## NOTES TO THE FINANCIAL STATEMENTS

### 30 JUNE 2007 (Cont'd)

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#### NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

##### **(d) Income Tax**

The charge for current income tax expense is based on profit or loss for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Since the enactment of the Tax Consolidation legislation, the Genesis consolidated group has elected not to enter the tax consolidation regime.

##### **(e) Financial Instruments**

###### **Recognition**

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

###### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

###### **Impairment**

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the income statement.



## NOTES TO THE FINANCIAL STATEMENTS

### 30 JUNE 2007 (Cont'd)

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#### NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

##### (f) Foreign Currency Transactions and Balances

###### Functional and presentation currency

The functional currency is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

###### Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Exchange differences arising on the translation of monetary items are recognised in the income statement.

##### (g) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

##### (h) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-borrowings in current liabilities on the balance sheet.

##### (i) Revenue

Interest revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Rental income is recognised upon receipt of rental monies.

All revenue is stated net of the amount of goods and services tax (GST).

##### (j) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

##### (k) Shares

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.



## NOTES TO THE FINANCIAL STATEMENT 30 JUNE 2007 (Cont'd)

### 30 JUNE 2007 (Cont'd)

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#### NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

##### (l) Other Current Receivables

Other current receivables are carried at the nominal amounts due. The collectability of debts is assessed continually and specific provision is made for any doubtful debts.

##### (m) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the company or consolidated entity.

##### (n) 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 reduction of the share proceeds received.

##### (o) Employee Benefits

Provision is made for the company's liability for employee entitlement benefits arising from services rendered by employees to balance date. These benefits include wages and salaries and annual leave.

Employee benefits expected to be settled within twelve months of the reporting date are measured at the amounts expected to be paid when the liability is settled plus related on costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

##### (p) Earnings Per Share

Basic loss per share is calculated as net profit/(loss) attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted loss per share is calculated as net profit/(loss) attributable to members, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential shares, adjusted for any bonus element.

##### (q) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.



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**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2007 (Cont'd)**

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**NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES****Property, Plant and Equipment**

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

**Depreciation**

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the consolidated group commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

Class of Fixed Assets	Depreciation Rate
Plant and equipment	7.5-30%
Motor vehicles	18.75%
Computer equipment	37.5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by company proceeds with the carrying amount. These gains and losses are included in the income statement.

**(r) Leases**

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

**(s) Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

*Key Estimates – Impairment*

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairments of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.



## NOTES TO THE FINANCIAL STATEMENTS

### 30 JUNE 2007 (Cont'd)

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#### NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

##### **(t) Investments and Other Financial Assets**

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

##### *(i) Financial Assets at Fair Value through Profit or Loss*

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

##### *(ii) Held-to-Maturity Investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are de-recognised or impaired, as well as through the amortisation process.

##### *(iii) Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

##### *(iv) Available-for-Sale Investments*

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.



## NOTES TO THE FINANCIAL STATEMENTS

### 30 JUNE 2007 (Cont'd)

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#### NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

##### **(u) Impairment of Assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, 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 continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at re-valued amount (in which case the impairment loss is treated as a re-valuation decrease).

An assessment is also 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 re-valued amount, in which case the reversal is treated as a re-valuation 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) Share Based Payments**

###### *Equity Settled Transactions:*

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black and Scholes model, further details of which are given in Note 18.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Genesis Biomedical Ltd (market conditions) if applicable.



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## **NOTES TO THE FINANCIAL STATEMENTS**

### **30 JUNE 2007 (Cont'd)**

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#### **NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The cost of equity-based transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

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 Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If 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 modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If any equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expenses 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 awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of loss per share.

**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2007 (Cont'd)****NOTE 2. REVENUE**

	<b>Consolidated</b>		<b>Genesis Biomedical Ltd</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenues</b>				
Revenue from sale of plant & equipment	16,574	-	16,574	-
Finance income	127,670	82,257	127,670	82,257
Rental income – sub leased premises	-	33,004	-	33,004
<b>Total revenues</b>	<b>144,244</b>	<b>115,261</b>	<b>144,244</b>	<b>115,261</b>

**NOTE 3. LOSS FOR THE YEAR****Professional Fees**

- Audit fees	11,353	30,791	11,353	30,791
- Company secretarial fees	87,650	89,500	87,650	89,500
- Consulting fees	208,144	335,644	208,144	335,644
- Legal fees	17,234	40,321	17,234	40,321
- Accounting fees	14,730	4,312	14,730	4,312
- ASX/share registry fees	32,166	47,685	32,166	47,685
	<b>371,277</b>	<b>548,253</b>	<b>371,277</b>	<b>548,253</b>
Rental expense on operating leases				
- Minimum lease payments	39,325	49,005	39,325	49,005
Finance costs				
- External	13,371	-	13,371	-
Provision for non recovery of related party loan	-	-	60,000	-
License fee written off	60,000	-	-	-
Depreciation	33,742	-	33,742	-
Share based payment expense	216,590	-	216,590	-



## NOTES TO THE FINANCIAL STATEMENTS

### 30 JUNE 2007 (Cont'd)

	Notes	Consolidated		Genesis Biomedical Ltd	
		2007 \$	2006 \$	2007 \$	2006 \$
<b>NOTE 4. INCOME TAX EXPENSE</b>					
(a) The prima facie tax on the loss from ordinary activities before income tax is reconciled to the income tax provided in the financial statements as follows:					
Prima facie tax payable on the loss from ordinary activities before income tax at 30% (2006:30%)		(253,333)	(343,530)	(253,333)	(343,530)
Tax effect of:					
Non deductible depreciation		4,012	-	4,012	-
Doubtful debts		18,000	-	18,000	-
Other non allowable items		44,884	-	44,884	-
Writeback provision for non recovery of receivable		(89,893)	-	(89,893)	-
Current period tax benefit not brought to account		(276,330)	(343,530)	(276,330)	(343,530)
Income tax expense attributable to ordinary activities		-	-	-	-
(b) Unrecognised deferred tax balances					
The following deferred tax assets and liabilities have not been brought to account:					
Unrecognised deferred tax assets comprise:					
Losses available for offset against future taxable income		2,381,410	2,105,080	1,858,278	1,581,949
Prepayments		18,112	-	18,112	-
Accrued expenses and liabilities		11,184	-	11,184	-
		2,410,706	2,105,080	1,887,574	1,581,949
Unrecognised deferred tax liabilities comprise:					
Nil		-	-	-	-
		2,410,706	2,105,080	1,887,574	1,581,949



## **NOTES TO THE FINANCIAL STATEMENTS**

**30 JUNE 2007 (Cont'd)**

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The deductible temporary differences and tax losses do not expire under current tax legislation. Potential deferred tax assets attributable to tax losses carried forward have not been brought to account because directors do not believe it is appropriate to regard realisation of the future tax benefit as probable.

The potential future income tax benefit will only be obtained if:

- (i) the company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised in accordance with Division 170 of the Income Tax Assessment Act 1997;
- (ii) the company continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the company in realising the benefits.



## NOTES TO THE FINANCIAL STATEMENTS

### 30 JUNE 2007 (Cont'd)

	Consolidated		Genesis Biomedical Ltd	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>NOTE 5. RECEIVABLES</b>				
<b>(CURRENT)</b>				
Other debtor	9,806	23,685	9,806	23,685
Manawatu Biotech Investments loan	376,483	352,521	376,483	352,521
Allowance for non - recovery of MBIL loan	(52,879)	(352,521)	(52,879)	(352,521)
	<u>333,410</u>	<u>23,685</u>	<u>333,410</u>	<u>23,685</u>

### NOTE 6. OTHER CURRENT ASSETS

Prepayments	60,372	-	60,372	-
Security deposits in respect of operating leases	43,374	41,480	43,374	41,480
	<u>103,746</u>	<u>41,480</u>	<u>103,746</u>	<u>41,480</u>

### NOTE 7. PROPERTY PLANT AND EQUIPMENT

#### Plant and equipment:

At cost	24,234	23,742	24,234	23,742
Accumulated depreciation	(6,143)	-	(6,143)	-
	<u>18,091</u>	<u>23,742</u>	<u>18,091</u>	<u>23,742</u>

#### Motor vehicles:

At cost	141,253	-	141,253	-
Accumulated depreciation	(22,422)	-	(22,422)	-
	<u>118,831</u>	<u>-</u>	<u>118,831</u>	<u>-</u>

#### Computer equipment:

At cost	13,935	13,546	13,935	13,546
Accumulated depreciation	(5,177)	-	(5,177)	-
	<u>8,758</u>	<u>13,546</u>	<u>8,758</u>	<u>13,546</u>

	<u>145,680</u>	<u>37,288</u>	<u>145,680</u>	<u>37,288</u>
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#### Movement in carrying amounts:

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the financial year

#### Plant and equipment:

Balance at the beginning of the year	23,742	-	23,742	-
Additions	492	23,742	492	23,742
Disposal	-	-	-	-
Depreciation expense	(6,143)	-	(6,143)	-
Carrying amount at the end of the year	<u>18,091</u>	<u>23,742</u>	<u>18,091</u>	<u>23,742</u>



**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2007 (Cont'd)**

**NOTE 7. PROPERTY PLANT AND EQUIPMENT (cont'd)**

	Consolidated		Genesis Biomedical Ltd	
	2007 \$	2006 \$	2007 \$	2006 \$
<b>Motor vehicle:</b>				
Balance at the beginning of the year	-	-	-	-
Additions	141,253	-	141,253	-
Disposal	-	-	-	-
Depreciation expense	(22,422)	-	(22,422)	-
Carrying amount at the end of the year	118,831	-	118,831	-
<b>Computer equipment:</b>				
Balance at the beginning of the year	13,546	-	13,546	-
Additions	389	13,546	389	13,546
Disposal	-	-	-	-
Depreciation expense	(5,177)	-	(5,177)	-
Carrying amount at the end of the year	8,758	13,546	8,758	13,546
	145,680	37,288	145,680	37,288

**NOTE 8. FINANCIAL ASSETS (NON-CURRENT)**

	Consolidated		Genesis Biomedical Ltd	
	2007 \$	2006 \$	2007 \$	2006 \$
<b>Investments at cost comprise:</b>				
Shares - unlisted	547,862	547,862	547,862	547,862
Provision for diminution in value	(547,862)	(547,862)	(547,862)	(547,862)
	-	-	-	-
Investment in controlled entities (Refer to note 9)	-	-	3	3
	-	-	3	3



## NOTES TO THE FINANCIAL STATEMENTS

### 30 JUNE 2007 (Cont'd)

#### NOTE 9. INTERESTS IN CONTROLLED ENTITIES

Name	Country of Incorporation	Percentage of equity interest held by the consolidated entity		2007	2006
		2007	2006		
<b>Direct</b>					
Genovations Pty Ltd	Australia	100	100	\$ 1	\$ 1
NewMed Systems Ltd	Australia	100	100	1	1
Smart Chair Systems Pty Ltd	Australia	50	50	-	-
<b>Indirect</b>					
Back to Health Australasia Ltd	Australia	100	100	1	1
West Perth Clinic 1 Pty Ltd	Australia	100	100	-	-
DBC Australia Pty Ltd	Australia	75	75	-	-
				3	3

#### Entities subject to class order relief

Pursuant to Class Order 95/1418, relief has been granted to the wholly owned subsidiaries from the Corporations Act 2001 requirements for preparation, audit and lodgement of their financial reports.

As a condition of the Class Order, Genesis Biomedical Ltd and the controlled entities subject to the Class Order (the "Closed Group") entered into a Deed of Cross Guarantee on 29 May 2000. The effect of the deed is that Genesis Biomedical Ltd has guaranteed to pay any deficiency in the event of winding up of a controlled entity to which the class order applies. The controlled entities have also given a similar guarantee in the event that Genesis Biomedical Ltd is wound up.



**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2007 (Cont'd)**

	<b>Consolidated</b>		<b>Genesis Biomedical Ltd</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>NOTE 10. PAYABLES (CURRENT)</b>				
Trade payables (i)	43,643	44,585	43,643	44,585
Sundry payables and accrued expenses	31,707	71,730	31,707	71,730
Employee benefits	23,150	-	23,150	-
	<u>98,500</u>	<u>116,315</u>	<u>98,500</u>	<u>116,315</u>
Aggregate amounts payable to related parties:				
Directors and director-related entities				
- director related entities	<u>29,312</u>	<u>6,875</u>	<u>29,312</u>	<u>6,875</u>
 (i) Trade payables are non-interest bearing and normally settled in 30 days.				
<b>NOTE 11. FINANCIAL LIABILITIES</b>				
<b>(CURRENT)</b>				
Hire purchase liability	<u>26,428</u>	-	<u>26,428</u>	-
<b>(NON CURRENT)</b>				
Hire purchase liability	<u>98,446</u>	-	<u>98,446</u>	-
<b>HIRE PURCHASE PAYMENT COMMITMENTS</b>				
Within one year	36,797	-	36,797	-
One year or later and no later than five years	102,871	-	102,871	-
	<u>139,668</u>	-	<u>139,668</u>	-
Less: Unexpired charges	(14,794)	-	(14,794)	-
	<u>124,874</u>	-	<u>124,874</u>	-
<b>NOTE 12. CAPITAL AND RESERVES</b>				
	<b>Shares</b>	<b>Shares</b>	<b>\$</b>	<b>\$</b>
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>a) Issued and paid up capital</b>				
Fully paid ordinary shares	<u>166,650,003</u>	<u>166,650,003</u>	<u>15,531,985</u>	<u>15,531,985</u>
Movement in shares on issue				
- Issued capital at beginning of financial year	166,650,003	86,550,003	15,531,985	13,272,985
- Shares issued on 2 February 2006 pursuant to an underwritten offer of shares by Directors at 3 cents per fully paid share	-	80,000,000	-	2,400,000
- Shares issued on 3 March 2006 as a result of the exercise of 100,000 10 November 2010 options	-	100,000	-	3,000
- Less expenses of the issue	-	-	-	(144,000)
Issued capital at the end of the financial year	<u>166,650,003</u>	<u>166,650,003</u>	<u>15,531,985</u>	<u>15,531,985</u>



## NOTES TO THE FINANCIAL STATEMENTS

### 30 JUNE 2007 (Cont'd)

#### Share Options

As at 30 June 2007, there are 95,750,000 (2006: 79,900,000) unissued ordinary shares in respect of which options were outstanding comprising:

Number of Options		Exercise Price	Expiry Date
80,150,000	listed	0.03	30 November 2010
10,500,000	unlisted	0.10	31 December 2011
1,700,000	unlisted	0.04	31 December 2007
1,700,000	unlisted	0.04	30 June 2009
1,700,000	unlisted	0.04	31 December 2010

#### Terms and conditions of contributed equity

##### *Ordinary shares*

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.

	Consolidated		Genesis Biomedical Ltd	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>b) Option Premium Reserve</b>				
Opening balance	-	-	-	-
Employee share based payments	216,590	-	216,590	-
	<u>216,590</u>	<u>-</u>	<u>216,590</u>	<u>-</u>

Option Reserve comprises the consideration received for the issue of options over unissued ordinary shares of the company and the fair value of options over unissued ordinary shares granted as employee remuneration until the options are exercised or expire. (Refer Note 18)

##### **c) Accumulated Losses**

Accumulated losses at the beginning of the financial year	13,349,534	12,204,433	13,349,531	12,204,430
Net loss attributable to the members of the Parent Entity	844,443	1,145,101	844,443	1,145,101
Accumulated losses at the end of the financial year	<u>14,193,977</u>	<u>13,349,534</u>	<u>14,193,974</u>	<u>13,349,531</u>



**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2007 (Cont'd)**

NOTE 13. CASH AND CASH EQUIVALENTS	Consolidated		Genesis Biomedical Ltd	
	2007 \$	2006 \$	2007 \$	2006 \$
(a) Cash at bank	3,378	-	3,378	-
Short term deposits	1,191,758	2,297,145	1,191,758	2,297,145
	<u>1,195,136</u>	<u>2,297,145</u>	<u>1,195,136</u>	<u>2,297,145</u>
(b) Reconciliation of cash				
Cash at end of financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:				
Cash and cash equivalents	1,195,136	2,297,145	1,195,136	2,297,145
Bank overdraft	-	(100,832)	-	(100,832)
	<u>1,195,136</u>	<u>2,196,313</u>	<u>1,195,136</u>	<u>2,196,313</u>
(c) Reconciliation of cash flows from operations with operating loss after income tax				
Operating loss after income tax	(844,443)	(1,145,101)	(844,443)	(792,580)
<b>Non cash flows in loss</b>				
Depreciation expense	33,742	-	33,742	-
Provision for non recovery of related loan	-	-	60,000	-
Share based payment expense	216,590	-	216,590	-
<b>Changes in assets and liabilities</b>				
(Increase) decrease in receivables	(10,083)	(10,536)	(10,083)	(10,536)
Increase (decrease) in allowance for non recovery of receivables	(299,642)	352,521	(299,642)	-
(Increase) decrease in other assets	(1,894)	-	(1,894)	-
(Increase) decrease in prepayments and deposits	(60,372)	93,301	(60,372)	93,301
Increase (decrease) in creditors and accruals	(40,965)	45,783	(40,965)	(19,072)
Increase (decrease) in provisions	23,150	(72,338)	23,150	(7,483)
Net cash flows used in operating activities	<u>(983,917)</u>	<u>(736,370)</u>	<u>(923,917)</u>	<u>(736,370)</u>



## NOTES TO THE FINANCIAL STATEMENTS

### 30 JUNE 2007 (Cont'd)

	Consolidated		Genesis Biomedical Ltd	
	2007 \$	2006 \$	2007 \$	2006 \$
<b>NOTE 14. CAPITAL &amp; LEASING COMMITMENTS</b>				
(a) Lease expenditure commitments				
Operating leases (non-cancellable)				
Minimum lease payments				
- not later than one year	47,829	50,256	47,829	50,256
- later than one year and not later than five years	47,829	102,435	47,829	102,435
Aggregate lease expenditure contracted for at balance date	95,658	152,691	95,658	152,691
Aggregate lease expenditure represents lease commitments pursuant to an office accommodation lease entered into effective 1 May 2006 for a period of three years. This lease is for the Company's head office.				
(b) Hire purchase commitments				
- not later than one year	26,428	-	26,428	-
- later than one year and not later than five years	98,446	-	98,446	-
Aggregate hire purchase expenditure contracted for at balance date	124,874	-	124,874	-
(c) Administration Services Agreement				
- not later than one year	150,000	-	150,000	-
- later than one year and not later than five years	-	-	-	-
Aggregate administration services contracted for at balance date	150,000	-	150,000	-

## NOTE 15. SEGMENT INFORMATION

The Consolidated Entity operated in one business segment, being medical device technology. The Consolidated Entity operated during the year in one geographical segment being Australia.

Segment accounting policies are the same as the Consolidated Entity's policies described. During the financial year, there were no changes in segment accounting policies that had a material effect on the segment information.

**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2007 (Cont'd)****NOTE 16. EARNINGS PER SHARE**

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

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Earnings used to calculate loss per share	<u>(844,443)</u>	<u>(1,145,101)</u>
	<b>Number of</b>	<b>Number of</b>
	<b>Shares</b>	<b>Shares</b>
Weighted average number of ordinary shares outstanding during the year used in calculation of basic loss per share	<u>166,650,003</u>	<u>119,020,962</u>
		-

There are options outstanding at the end of the financial year however they have not been included in the loss per share as they are not considered dilutive in nature.

**NOTE 17. KEY MANAGEMENT PERSONNEL****Remuneration Committee**

The Board elected that the Company was of the size that a Remuneration Committee was not warranted and that these issues would be considered by the Board.

The full Board was responsible for establishing Genesis's remuneration policies and practices and to ensure they match the group's objectives. The Genesis Board proposed the Managing Directors total remuneration package and is responsible for reviewing the Non Executive remuneration and review of any non-executive director share plan that may be proposed.

**(a) Details of Key Management Personnel**

D Valentino	Managing Director (executive): appointed 25 May 2006
R Johnston	Non Executive Chairman: appointed 7 December 2005
R Smith	Director (non-executive): appointed 21 February 2005
R Black	Director (non-executive): appointed 28 November 2005, resigned 4 July 2007



## NOTES TO THE FINANCIAL STATEMENTS

### 30 JUNE 2007 (Cont'd)

#### NOTE 17. KEY MANAGEMENT PERSONNEL (Cont'd)

##### (b) Option holdings of Key Management Personnel

	Balance at 1 July 2006	Granted as Remun- eration	Net Change Other (1)	Balance at 30 June 2007	Total Vested 30 June 2007	Total Not Exercisable 30 June 2007	Total Exercisable 30 June 2007
D Valentino	4,498,267	5,100,000	-	9,598,267	4,498,267	5,100,000	4,498,267
R Johnston	-	3,000,000	-	3,000,000	3,000,000	-	3,000,000
R Black	600,000	3,000,000	400,000	-	4,000,000	-	4,000,000
R Smith	-	3,000,000	1,000,000	-	4,000,000	-	4,000,000
Total	5,098,267	14,100,000	1,400,000	12,598,267	15,498,267	5,100,000	15,498,267

(1) On Market Purchases

##### (c) Shareholdings of Key Management Personnel

	Balance at 1 July 2006	Granted as Remuneration	On Exercise of Options	Net Change Other (1)	Balance at 30 June 2007
D Valentino	4,798,267	-	-	-	4,798,267
R Johnston	-	-	-	-	-
R Black	2,262,500	-	-	537,500	2,800,000
R Smith	5,140,523	-	-	1,000,000	6,140,523
Total	12,201,290	-	-	1,537,500	13,738,790

(1) On market purchases

All equity dealings have been entered into with terms and conditions no more favourable than those that the entity would have adopted if dealing at arm's length.

#### NOTE 18. SHARE BASED PAYMENTS

On 19 December 2006, 10,500,000 share options were granted to Directors and Consultants to accept ordinary shares at an exercise price of \$0.10. The options are exercisable on or before 31 December 2011.

The weighted average fair value of the options was \$0.0193. This price was calculated using the Black Scholes option pricing model applying the following inputs:

**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2007****NOTE 18. SHARE BASED PAYMENTS (Cont'd)**

<b>Grant Date</b>	<b>Number of Instruments</b>	
Option grant at 19 December 2006	10,500,000	
Fair value at grant		\$202,650
Share price		0.037 cents
Exercise price		0.10 cents
Expected volatility		109.25%
Option life		5 years
Expected dividends		0%
Risk-free interest rate (based on government bonds)		5.94%

On 19 December 2006, 1,700,000 Executive "A" class, 1,700,000 Executive "B" class and 1,700,000 Executive "C" class options were granted to a Director to accept ordinary shares at an exercise price of \$0.04. The options are exercisable as follows:

Executive "A" class on or before 31 December 2007  
Executive "B" class on or before 30 June 2009  
Executive "C" class on or before 31 December 2010

The weighted average fair value of options granted was:

Executive "A" class	\$0.0043
Executive "B" class	\$0.0029
Executive "C" class	\$0.0010

These prices were calculated using the Black Scholes option pricing model applying the following inputs:

<b>Grant Date</b>	<b>Number of Instruments</b>	
Option grant at 19 December 2006	5,100,000	
Fair value at grant		\$13,940
Share price		0.037 cents
Exercise price		0.04 cents
Expected volatility		109.25%
Option life		1.03-5 years
Expected dividends		0%
Risk-free interest rate (based on government bonds)		6.11-5.94%



## NOTES TO THE FINANCIAL STATEMENTS

### 30 JUNE 2007

#### NOTE 19. RELATED PARTY DISCLOSURES

##### Compensation of Key Management Personnel

	2007 \$	2006 \$
Short-term	358,124	212,706
Post employment	20,250	2,054
Other long-term	-	-
Termination benefits	-	-
Share-based payments	187,640	-
	566,014	214,760

(Refer to Remuneration Report on pages 9-12).

##### Loans to Key Management Personnel

No loans to Key Management Personnel.

##### Other transactions of Key Management Personnel and their personally related entities

During or since the financial year-end no director has had any interest in a contract or proposed contract with the Consolidated Entity.

**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2007 (Cont'd)**

	<b>Consolidated</b>		<b>Genesis Biomedical Ltd</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>NOTE 20. AUDITOR'S REMUNERATION</b>				
Amounts received or due and receivable				
- Audit and review of the financial report of the entity and any other entity in the consolidated entity	11,353	30,791	11,353	30,791
	<u>11,353</u>	<u>30,791</u>	<u>11,353</u>	<u>30,791</u>

**NOTE 21. SUBSEQUENT EVENTS****Manawatu Biotech Investments Limited ("MBIL")**

As a result of successful negotiations with MBIL, on 31 August 2007 the Company received repayment of loan funds in the amount of \$325,481 from MBIL. This amount represented 85% of the total loan outstanding of \$352,521 plus interest. A provision for \$52,879 was recorded as at 30 June 2007.

**Issue of Shares and Options**

On 13 July 2007 the Company issued 508,358 fully paid ordinary shares and 1,000,000 listed options exercisable at 3 cents on or before 30 November 2010 to Cahoots Pty Ltd in accordance with an agreement for the provision of consulting services to the Company.

**Deregistration of Subsidiary Companies**

On 7 August 2007, the Company received notification from the ASIC that the applications for deregistration of the following 100% owned subsidiary companies had been approved:

- Back to Health Australasia Ltd (ACN 091 802 130)
- Newmed Systems Ltd (ACN 092 200 845)

It is anticipated that the companies will be deregistered on or about 7 October 2007.



## NOTES TO THE FINANCIAL STATEMENTS

### 30 JUNE 2007 (Cont'd)

#### NOTE 22. FINANCIAL INSTRUMENTS

##### (a) Terms, conditions and accounting policies

The consolidated entity's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are as follows:

	<b>RECOGNISED FINANCIAL INSTRUMENTS</b>	<b>BALANCE SHEET NOTES</b>	<b>ACCOUNTING POLICIES</b>	<b>TERMS AND CONDITIONS</b>
<b>(i) FINANCIAL ASSETS</b>				
Cash at Bank		13(a)	Carried at nominal amount. Interest is recognised in the statement of financial performance when earned.	Available on call at effective interest rates of 6.3% pa (2006: 2.1%pa).
Receivables		5	Receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.	Credit sales are normally on 30-day terms.
Security deposits		6	Security deposits are lodged with the Bankers to the consolidated entity, securing bank guarantees provided. Deposits are carried at nominal value.	Average Interest rate of 6.30% pa (2006: 5.30% pa)
Shares and options			Listed shares and options are recorded at the lower of cost or recoverable amount	No dividends are expected to be received.
<b>(ii) FINANCIAL LIABILITIES</b>				
Payables (current)		10	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the consolidated entity.	Trade liabilities are normally settled on 30-day terms.



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**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2007 (Cont'd)**

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**(iii) EQUITY**

Ordinary shares	12(a)	Ordinary share capital is recognised at the value of the amount received, less direct costs incurred in raising the funds.	The consolidated entity has issued 166,650,003 ordinary shares fully paid.
Options	12(c)	Options are convertible into fully paid ordinary shares of the Company.	The consolidated entity has issued 95,750,000 options.

**(b) Net fair values of financial assets and liabilities**

There is no difference between the aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, recorded at balance date and the carrying values of the financial assets and financial liabilities recorded at balance date.

**(c) The following methods and assumptions are used to determine the net fair values of financial assets and liabilities****Recognised Financial Instruments**

Cash and cash equivalent: The carrying amount approximates fair value because of their short-term to maturity.

Security deposits are held by the Consolidated Entity's bank, securing bank guarantees in relation to leased office space. The carrying amount approximates fair value.

Receivables and payables: The carrying amount approximates fair value.

Listed and unlisted shares: The carrying amount approximates fair value.



**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2007 (Cont'd)**

**NOTE 22. FINANCIAL INSTRUMENTS (Cont'd)**

**(d) Interest rate risk exposure**

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at balance date, are as follows:

FINANCIAL INSTRUMENT	FIXED INTEREST RATE MATURING								WEIGHTED AVERAGE EFFECTIVE INTEREST RATE		
	FLOATING INTEREST RATE (MATURING IN LESS THAN A YEAR)		1 YEAR OR LESS		1 TO 5 YEARS		NON-INTEREST BEARING			TOTAL	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	
<b>(i) FINANCIAL ASSETS</b>											
Cash	\$ -	\$ -	\$ 1,195,136	\$ 2,196,313	\$ -	\$ -	\$ -	\$ -	\$ 1,195,136	\$ 2,196,313	6.3%
Receivables	-	-	-	-	-	-	9,806	23,685	9,806	23,685	N/A
Security deposits/prepayments	-	-	103,746	41,480	-	-	-	-	103,746	41,480	6.3%
Shares & options	-	-	-	-	-	-	-	-	-	-	N/A
Total Financial Assets	-	-	1,298,882	2,237,793	-	-	9,806	23,685	1,308,688	2,261,478	
<b>(ii) FINANCIAL LIABILITIES</b>											
Payables	98,500	116,315	-	-	-	-	-	-	98,500	116,315	N/A
Hire purchase liability	-	-	26,428	-	98,446	-	-	-	124,874	-	8.6%
Total Financial Liabilities	98,500	116,315	26,428	-	98,446	-	-	-	223,374	116,315	

The Consolidated Entity's maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Balance Sheet.



## **NOTES TO THE FINANCIAL STATEMENTS**

**30 JUNE 2007 (Cont'd)**

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### **NOTE 23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's principal financial instruments comprise cash at bank, security deposits and receivables. The main purpose for these financial instruments is to provide finance for the Group's operations. The Group has financial liabilities such as trade payables which arise directly from its operations. The Group's main risk arising from the Group's financial instruments relate to credit risk.

#### **Credit Risk**

The Group trades only with recognised, creditworthy third parties including having its largest financial instrument cash and security deposits with one of the Australian four pillar banks.

Receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.



## DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Genesis Biomedical Ltd, I state that:

- (1) In the opinion of the directors:
  - (a) the financial report and the additional disclosures included in the director's report designated as audited, of the Company and of the Consolidated Entity are in accordance with the Corporations Act 2001 including:
    - (i) giving a true and fair view of the Company's and Consolidated Group's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
    - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2007.
- (3) In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'D. Valentino'.

Donald Valentino  
Managing Director

28 September 2007

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
GENESIS BIOMEDICAL LTD**

***Report on the Financial Report***

We have audited the accompanying financial report of Genesis Biomedical Ltd which comprises the balance sheet as at 30 June, 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year. The consolidated entity comprises both the company and the entities it controlled during that year.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Accounting Standard AASB 124: Related Party Disclosures, under the heading 'Remuneration Report' in pages 9 to 12 of the directors' report and not in the financial report.

***Director's Responsibility for the Financial Report***

The directors of Genesis Biomedical Ltd are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations ) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Australian Accounting Standard AASB101: Presentation of Financial Statements, that the financial report of the Group, comprising the financial statements and notes, complies with International Financial Reporting Standards.

***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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***Independence***

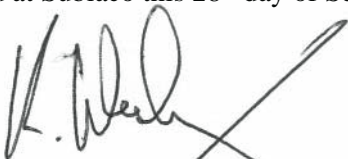
In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

***Auditor's Opinion***

In our opinion:

- (a) the financial report of Genesis Biomedical Ltd is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June, 2007 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards ( including the Australian Accounting Interpretations ) and the Corporations Regulations 2001.
  
- (b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Dated at Subiaco this 28<sup>th</sup> day of September, 2007.



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**K. WESTAWAY FCA  
PRINCIPAL  
K. WESTAWAY & ASSOCIATES  
CHARTERED ACCOUNTANTS**



## CORPORATE GOVERNANCE STATEMENT

30 JUNE 2007

The Board of Directors of Genesis Biomedical Ltd is responsible for the corporate governance of the Consolidated Entity. The Board guides and monitors the business and affairs of Genesis Biomedical Ltd on behalf of the shareholders by whom they are elected and to whom they are accountable. In considering the issue of corporate governance the Board are cognisant of the size of its operations and the fact that the Board consists presently of three members, Mr Rodger Johnston currently undertaking a Non Executive Chairman role, Mr Donald Valentino the Managing Director and Mr Roger Smith the Non Executive Director.

### Composition of the Board

The composition of the Board is determined in accordance with the following principles and guidelines:

- the Board should comprise directors with an appropriate range of qualifications and expertise; and
- the Board shall meet at least every second month and follow meeting guidelines set down to ensure all directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

The directors in office at the date of this statement and their respective terms in office are as follows:

Name	Position	Term in Office
Donald Valentino	Managing Director	1 year 4 months
Rodger Johnston	Non-executive Chairman	1 year 9 months
Roger Smith	Non-executive Director	3 year 4 months

Please refer to the Directors Report for the relevant skills and experience of each of these directors.

### Board Responsibilities

As the Board acts on behalf of the shareholders and is accountable to the shareholders, the Board seeks to identify the expectations of the shareholders as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

### Corporate Governance – Best Practice Recommendations

In accordance with the ASX Corporate Governance Council's best practice recommendations, the Corporate Governance Statement must contain specific information, and also report on the Company's adoption of the Council's best practice recommendations on an exception basis, whereby disclosure is required of any recommendations that have not been adopted, together with the reasons why they have not been adopted. Genesis's corporate governance principles and policies are therefore structured with reference to the Corporate Governance Council's best practice recommendations, which are as follows:

- (i) Lay solid foundations for management and oversight;
- (ii) Structure the Board to add value;
- (iii) Promote ethical and responsible decision making;
- (iv) Safeguard integrity in financial reporting;
- (v) Make timely and balanced disclosure;
- (vi) Respect the rights of shareholders;
- (vii) Recognise and manage risk;
- (viii) Encourage enhanced performance;
- (ix) Remunerate fairly and responsibly;
- (x) Recognise the legitimate interests of stakeholders.



## CORPORATE GOVERNANCE STATEMENT

30 JUNE 2007 (Cont'd)

Genesis Biomedical Limited's corporate governance practices were in place throughout the year ended 30<sup>th</sup> June 2007. As set out below, with the exception of the departures from the ASXCGC recommendations in relation to the independence of the Board, the nomination and audit committee and board performance evaluation, the corporate governance practices of Genesis Biomedical Ltd were compliant with the Council's best practice recommendations.

### Independence

ASX Corporate Governance Council ("ASXCGC") best practice recommendation 2.1 requires a majority of the Board to be independent directors and 2.2 recommends the chairperson should be an independent director.

ASXCGC provides a definition of independence to include being independent of management and free of any other business relationships that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement. In accordance with this definition and further independence guidelines outlined in ASXCGC best practice recommendations, the following Genesis directors are not considered to be independent:

Name	Position
Mr Donald Valentino	Managing Director
Mr Roger Smith	Non – Executive Director

Mr Valentino is considered not to be independent by virtue of being employed in an executive capacity within the Company and his material shareholding in the Company. Mr Valentino has been employed by the Company for his extensive experience in the pharmacy and related medical products field.

Mr Smith is considered not to be independent by virtue of his material shareholding in the Company.

The Board acknowledges the best practice requirement to maintain a majority independent board, however believes that given the Company's size and operational status, the expense associated with establishing such a board profile would not at this stage provide any real benefit to the operation of the Company. This Board structure will be reviewed at the appropriate stages of the Company's development.

When assessing the independence of directors, the ASX recommendations refer to materiality thresholds throughout the independence criteria, specifically in reference to evaluating what may constitute a material relationship.

The Board has adopted the following quantitative thresholds to be used as a guide when considering amounts in context of determining the materiality of certain relationships:

- (i) an amount which is equal to or greater than 10% of the appropriate base amount may be presumed to be material unless there is evidence or convincing argument to the contrary;
- (ii) an amount which is equal to or less than 5% of the appropriate base amount may be presumed not to be material, unless there is evidence, or convincing argument to the contrary;

As part of discharging its obligations as directors of the Company, the Directors will, from time to time need to seek independent professional advice at the expense of the Company. Accordingly, the board has agreed that where issues or matters arise in relation to the running of the Company, that in the opinion of the directors require independent professional advice to assist in the decision making surrounding the resolution of these issues, the board may engage such professional advice providing it is on standard commercial terms for advice of its nature.

### Nomination Committee

ASX Corporate Governance Council ("ASXCGC") best practice recommendation 2.4 recommends the Board should establish a nomination committee.

The Board has not established any such committees at this point in the Consolidated Entity's development, it is considered that the size of the Board along with the level of activity of the Company renders this impractical and the full Board considers in detail all of the matters for which the directors are responsible.



## **CORPORATE GOVERNANCE STATEMENT**

**30 JUNE 2007 (Cont'd)**

### **Audit Committee**

ASX Corporate Governance Council (“ASXCGC”) best practice recommendation 4.2 recommends the Board should establish an audit committee, 4.3 outlines the recommended structure of the audit committee and 4.4 recommends the audit committee should have a formal charter.

The Board has not established any such committees at this point in the Consolidated Entity’s development, it is considered that the size of the Board along with the level of activity of the Company renders this impractical and the full Board considers in detail all of the matters for which the directors are responsible. Although there is no Audit Committee, formal meetings are held between nominated directors and the external auditor, to discuss the findings of the half year review and the year end audit.

### **Board Performance Evaluation**

ASX Corporate Governance Council (“ASXCGC”) best practice recommendation 8.1 requires the disclosure of the process for performance evaluation of the board, its committees and individual directors, and key executives. Given the current size of the Genesis Board and level of activity of the Company, the Board does not currently have a formal process for the evaluation of individual Directors and would consider the implementation of one at this particular point as impractical. The Directors do consider and gauge the overall performance of the Board in context of the trading price of its shares on the ASX on a regular basis.

### **Remuneration Committee**

ASX Corporate Governance Council (“ASXCGC”) best practice recommendation 9.2 recommends the Board should establish a remuneration committee.

Throughout the financial year the Board had not established any such committees as at this point in the Consolidated Entity’s development, it was considered that the size of the Board along with the level of activity of the Company renders this impractical and the full Board considers in detail all of the matters for which the directors are responsible. Remuneration to the Non Executive Directors was by way of base directors fees only, with the level of such fees, having been set by the Board to an amount it considers to be commensurate for a company of Genesis’s size and level of activity. There is currently no link between performance and remuneration. Further there are no schemes for retirement benefits in existence.



## ASX ADDITIONAL INFORMATION

The following additional information is required by the Australian Stock Exchange Limited and was the status on 28th September 2007.

### Shareholding

(a) Distribution of ordinary shareholders:

Category (size of Holdings)	Number of Ordinary Shareholders	Number of Shares
1 - 1,000	24	13,412
1,001 - 5,000	141	468,738
5,001 - 10,000	199	1,804,132
10,001 - 100,000	455	18,713,693
100,001 - 9,999,999,999	226	146,158,386
Total	<b>1,045</b>	<b>167,158,361</b>

(b) The number of shareholders holding less than marketable parcels is 464.

(c) 20 largest shareholders at 28th September 2007 - fully paid ordinary share capital.

Rank	Name	Units Held at end of period	% of Issued Capital
1	AQUARIUS FUND MANAGERS PTY LTD (AQUARIUS OPPORTUNITY A/C)	6,000,000	3.59
2	JAYVEE INVESTMENTS PTY LTD (JAYVEE SP – PEN A/C)	4,798,267	2.87
3	BIOMED TRUST LIMITED (BIOMED A/C)	3,900,000	2.33
4	SA CAPITAL PTY LTD	3,700,000	2.21
5	MR EDWARD COUTTS	3,638,620	2.18
6	ZERO NOMINEES PTY LTD	3,500,000	2.09
7	AMBER MANAGEMENT PTY LTD (INTAX NO 2 SUPER FUND A/C)	3,050,000	1.82
8	MR CHRIS CARR + MRS BETSY CARR	3,000,000	1.79
9	DAVID CHENEY PTY LTD (CHENEY FAMILY A/C)	3,000,000	1.79
10	ROGON NOMINEES PTY LTD (SUPER FUND A/C)	3,000,000	1.79
11	CS FOURTH NOMINEES PTY LTD (UNPAID A/C)	2,760,000	1.65
12	MIDDLETON NOMINEES (SA) PTY LTD (THE MIDDLETON FAMILY A/C)	2,650,000	1.59
13	TORNADO NOMINEES PTY LTD (AJLM A/C)	2,272,308	1.36
14	REGENT PROJECTS HOLDINGS LTD	2,200,000	1.32
15	GREEN DRILLING PTY LTD	2,000,000	1.20
16	KIMBRIKI NOMINEES PTY LTD (KIMBRIKI HAMILTON S/F A/C)	2,000,000	1.20
17	KIMBRIKI NOMINEES PTY LTD (KIMBRIKI HAMILTON S/F A/C)	2,000,000	1.20
18	ANZ NOMINEES LIMITED (CASH INCOME A/C)	1,895,700	1.13
19	MENTIQ PTY LTD	1,700,000	1.02
20	MR MICHAEL NIKOLAENKO	1,700,000	1.02
<b>Top 20 holders of ORDINARY FULLY PAID SHARES at 28 September 2007</b>		<b>58,764,895</b>	<b>35.15</b>



**Option holding**

(a) Distribution of option holders:

Range	Total Holders	Units
1 - 1,000	0	0
1,001 - 5,000	0	0
5,001 - 10,000	0	0
10,001 - 100,000	24	1,938,601
100,001 - 9,999,999,999	120	79,211,399
<b>Total</b>	<b>144</b>	<b>81,150,000</b>

(b) The number of option holders holding less than marketable parcels is 8.

(c) 20 largest option holders at 28 September 2007

Rank	Name	Units Held at end of period	% of Issued Capital
1	JAYVEE INVESTMENTS PTY LTD (JAYVEE SP – PEN A/C)	4,498,267	5.56
2	ZERO NOMINEES PTY LTD	3,500,000	4.33
3	CS FOURTH NOMINEES PTY LTD (UNPAID A/C)	3,200,000	3.96
4	MR TED MARCHESE	2,919,000	3.61
5	SA CAPITAL PTY LTD	2,800,000	3.46
6	GREEN DRILLING PTY LTD	2,000,000	2.47
7	VARGAS HOLDINGS PTY LTD (TUSCAN S/F A/C)	1,970,000	2.44
8	MR MICHAIL NIKOLAENKO	1,900,000	2.35
9	TORNADO NOMINEES PTY LTD (ANGUS MIDDLETON S/F A/C)	1,800,000	2.22
10	ANZ NOMINEES LIMITED (CASH INCOME A/C)	1,700,000	2.10
11	MIDDLETON NOMINEES (SA) PTY LTD (THE MIDDLETON FAMILY A/C)	1,650,000	2.04
12	OPTIMAL SYSTEMS AUSTRALIA PTY LTD	1,600,000	1.98
13	MR EDWARD COUTTS	1,538,000	1.90
14	KIAMA GROVE PTY LTD	1,450,000	1.79
15	TRANSOCEAN NOMINEES PTY LTD	1,416,272	1.75
16	IAN SANDOVER & ASSOCIATES PTY LTD (SANDOVER SUPER A/C)	1,300,000	1.61
17	MR MARIO SKALECKI + MRS CAROL ANNE SKALECKI (SKALECKI FAMILY SUPER A/C)	1,300,000	1.61
18	MENTIQ PTY LTD	1,200,000	1.48
19	UNITED CASH INTERNATIONAL LTD	1,175,000	1.45
20	MR KEITH MIDDLETON + MRS CHRISTINE MIDDLETON (MIDDLETON SUPER FUND A/C)	1,100,000	1.36
<b>Top 20 holders of OPTIONS EXP 30/11/2010 at 28 September 2007</b>		<b>40,016,539</b>	<b>49.47</b>

**(d) Substantial Shareholders**

There were no substantial shareholders listed in the Genesis Biomedical Ltd register as at 28 September 2007.

**(e) Restricted securities**

There are no longer any restricted securities on issue by the company.

**(f) Voting rights**

No restrictions. On a show of hands every member or proxy present shall be entitled to one vote unless a poll is called in which case every share shall have one vote.

**(g) On market buy back**

There has been no on market buy back of the Company's shares during the financial year.

**(h) Stock Exchange Listing**

Quotation has been granted for all the ordinary shares, of the consolidated entity on all Member Exchanges of the Australian Stock Exchange Limited.

**(j) Director's Interest in Equity**

The interests of each director in the share capital of Genesis Biomedical Ltd as disclosed by the register of director's shareholdings.

	<b>DIRECT</b>		<b>INDIRECT</b>	
	<b>Ordinary Shares</b>	<b>Options</b>	<b>Ordinary Shares</b>	<b>Options</b>
D Valentino	-	5,100,000	4,798,267	4,498,267
R Johnston	-	3,000,000	-	-
R Smith	-	3,000,000	6,140,523	1,000,000



## NOTES