

Genesis Research and Development Corporation Limited	
<b>Preliminary announcement to the market – Full Year Results</b>	
Reporting Period	Twelve months to 31 December 2009
Previous Reporting Period	Twelve months to 31 December 2008

	Amount (\$NZ 000's)	Percentage change
Revenue from ordinary activities	1,948	Up 69%
Revenue from one-off activities	-	-
Deficit from ordinary activities after tax attributable to security holder.	(776)	Down 89%
Net deficit attributable to security holders.	(776)	Down 89%

Interim/Final Dividend	Amount per security	Imputed amount per security
	It is not proposed to pay a dividend	Not Applicable

Record Date	Not Applicable
Dividend Payment Date	Not Applicable

Comments:	Revenue includes \$1.0M from sale of intellectual property to Solirna Biosciences Ltd and \$492,000 for research services supplied to Solirna Biosciences Ltd.
-----------	--

	As At 31 Dec 2009	As At Dec 2008
Net Tangible assets per share	\$ 0.033	\$ 0.054

EARNINGS PER SECURITY	Current full year	Previous corresponding full year
	\$NZ cents	\$NZ cents
Basic and diluted EPS	(2.66)	(27.90)

#### Disclosure Statements

- All significant accounting policies have been applied on a basis consistent with those used in the unaudited interim financial statements for the six months ended 30 June 2009 and the audited financial statements for the year ended 31 December 2008.
- The company did not pay a dividend or distribution and does not have a dividend or distribution reinvestment plan in operation.
- The company has not gained or lost control over entities during the period.

GENESIS RESEARCH AND DEVELOPMENT CORPORATION LIMITED  
Preliminary Full Year Report (Rule 10.4.2)

- Joint Venture Entity – N/A
- Interest in Associate Entities – N/A

Name of entity	% held at 31 Dec.09	% held at 31 Dec.08	Contribution to net deficit at 31 Dec. 2009 \$NZ'000	Contribution to net deficit at 31 Dec. 2008 \$NZ'000
-	-	-	-	-

- The investment in Solirna Biosciences Limited is not accounted for as an “investment in associates” but treated as “financial assets at fair value through profit or loss” because NZ IAS 28 is not applicable to investment in associates held by venture capital organisations. This investment is measured at fair value in accordance with NZ IAS 39 with changes in fair value recognised in profit or loss in the period of the change.
- The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and they comply with NZ equivalents to International Financial Reporting Standards.
- The accounts have been prepared on a “going concern basis” because the nature of operations has been changed to investing in venture capital type investments such as Solirna Biosciences Limited. The comparative figures for 2008 have been restated so they are prepared on a going concern basis.
- There were no major changes or trends in the company’s business subsequent to the end of the reporting period.



.....  
S G Hall  
Chief Executive  
1 March 2010

**Audited Financial Statements attached.**

## **Genesis Research Announces Audited Full Year Results**

Auckland, New Zealand, 1 March 2010 – **Genesis Research and Development Corporation Ltd (NZSX/ASX: GEN)** today reported audited financial results for the year ended 31 December 2009. The accounts show a significantly reduced net loss for the year of \$0.8 million (30 December 2008 loss: \$7.5 million) and a cash balance at 30 December 2009 of \$0.3 million (31 December 2008: \$0.9 million).

### **Changes from Preliminary Results**

The audited financial statements have been prepared on a going concern basis accounting, with the need for further funding noted as a fundamental uncertainty. This change from the previous cessation basis has required restatement of the December 2008 comparatives on a going concern basis by eliminating the special provisions and write-offs that were included in the 2008 results.

The investment in Solirna Biosciences Ltd has been accounted for as “financial assets at fair value through profit or loss” in the audited financial statements as NZ IAS 28 is not applicable to venture capital type investments. The investment is measured at fair value in accordance with NZ IAS 39 with changes in fair value recognised in profit or loss in the period of the change.

This has resulted in the following changes:

Previously reported Equity December 2008	1,170,000
Reversal of 2008 redundancy provision	124,000
Reversal of 2008 prepayments	121,000
Audited December 2008 Equity for 2009 financial statements	1,415,000

Previously reported unaudited 2009 group loss	(1,162,000)
Reversal of Genesis share of Solirna loss	494,000
Reversal of changes in 2009 redundancy provision	(66,000)
Reversal of 2009 prepayment writeoff	(42,000)
Audited group loss	(776,000)

Revenue for the year of \$1.9 million (31 December 2008: \$1.2 million) included services provided to Solirna Biosciences Ltd of \$0.5 million and \$1.0 million for the sale of Intellectual Property to Solirna. Reduction of staff numbers also substantially reduced the loss from the previous year.

Genesis Chief Executive, Stephen Hall, said, “A key event during 2009 was the international recognition of the scientific and commercial potential of our novel gene silencing technology through the investment by a Japanese group in Solirna Biosciences Ltd, which was established as a subsidiary of Genesis. The novel single stranded RNAi technology being developed by Solirna has the potential to resolve siRNA delivery problems and allow RNAi compounds to be used as therapeutic drugs for many human diseases.

“The unwillingness of FRST to provide matching funding has imposed financial constraints on the project and is hard to understand in the face of positive funding recommendations from various reviewers. The termination of the R&D tax credit (\$0.7 million for the year ended 31 December 2008) has also adversely affected the funding position of Genesis.

“We appreciate the strong support of shareholders for the Share Purchase Plan in August 2009 which resulted in the Plan being oversubscribed 37%, providing funds for the development of the gene silencing technology and continuation of operations. The Share Purchase Plan announced on 4<sup>th</sup> February will allow shareholders to subscribe within the increased limit of \$15,000 in any 12 month period. Shareholders have already provided a positive response to this new share purchase plan.

“Genesis has an established history of commercialising its scientific discoveries and is pleased with the long term outlook for its investment interest in Real Time Genomics Inc. which is making good progress with its product development and marketing. An early access programme has involved a number of major users who are involved in next generation sequencing. They have provided very positive feedback on the capabilities of SLIM Search™.”

## **About Genesis**

Founded in 1994, Genesis is a New Zealand-based biotechnology company. It has built a broad therapeutic development platform targeting immune disorders and cancer and is focusing on developing a novel single stranded gene silencing technology using the RNAi mechanism. Genesis holds an equity interest in Real Time Genomics Inc. and has royalty

rights resulting from previous collaborations for various products that are being developed by other parties in the fields of agriculture, forage grass, forestry, etc. For further information see [www.genesis.co.nz](http://www.genesis.co.nz)

**Media contacts:**

Stephen Hall, Chief Executive - Genesis Research and Development Corporation Limited,  
+64 21 715 725

Aki von Roy, Chairman- Genesis Research and Development Corporation Limited,  
+64 21 556 659

**GENESIS**

**Financial Statements  
December 2009**

GENESIS RESEARCH AND DEVELOPMENT CORPORATION LIMITED

## **Corporate Governance**

Genesis Research and Development Corporation Limited is a New Zealand company with shares listed on the New Zealand and Australian stock exchanges. The Board of Genesis is committed to the highest standards of behaviour and accountability and has adopted formal policies to ensure that these are achieved, consistent with best practice and stock exchange rules and recommendations regarding corporate governance.

### **Role of the Board**

The Directors of Genesis are elected by shareholders and are responsible for the direction and supervision of the company's business. The Board has determined that its principal responsibilities are:

- To create shareholder value through the approval of appropriate corporate strategies with particular regard to return expectations, allocation of resources, financial policy and the review of performance against strategic objectives;
- To appoint the Chief Executive and monitor the appointment of senior executives, review their performance, remuneration and succession plans;
- To ensure that material information is disclosed to the market as soon as possible in a fair, accurate and balanced manner;
- To approve and foster a corporate culture which requires management and every employee to operate to the highest level of ethical and professional behaviour;
- To approve major transactions relating to acquisitions and divestments and capital expenditure exceeding delegated authorities;
- To review operating performance, research achievements and the progress of regulatory procedures, against budgets and other performance goals and to monitor corrective action by management;
- To ensure that appropriate external advice is available to management and the Board;
- To recruit Directors and to regularly review and assess Board and subcommittee performance;
- To establish and review processes to assist the effective operation of the Board;
- To appoint auditors, communicate with shareholders and monitor regulatory compliance; and
- To ensure governance issues are reviewed periodically and managed appropriately.

The performance of the Board and individual directors is reviewed annually.

The performance of senior executives is reviewed annually by the Board without the presence of those executives. Performance evaluations for senior executives were undertaken during the past year in accordance with the standard process.

A procedure has been agreed by the Board for any director to take independent professional advice at the expense of the company if required.

### **Delegation of Authority**

The formulation and implementation of policies and reporting procedures, other than those set out above, has been delegated to management. The Board monitors that delegation as part of the formal business of Board meetings.

### **Board Membership**

The Board currently comprises five non-executive Directors. The Board periodically reviews its membership and seeks to maintain a balance of Directors with complementary business expertise and biotechnology experience who will, at all times, act with an independent mind, in accordance with the highest ethical standards and contribute in a positive and constructive manner to Board discussion and debate. The Board will ensure that a majority of the Directors are non-executive and have no professional relationship with the company. Nomination and appointment of new Directors is undertaken by the full Board.

In accordance with the Company's Constitution, any newly appointed directors and those retiring by rotation will be subject to re-election at the next annual meeting.

	<b>Number of meetings held during 2009 while a member</b>	<b>Number attended</b>
A J H Gearing	15	12
S Gillis	15	13
J N McLean	15	10
J H von Roy	15	14
S J Washer	15	14

### **Directors' Share Trading**

The company will promptly notify the NZSX and ASX if any Director or Officer acquires or disposes of Genesis securities.

The Directors have implemented policies that restrict all directors and employees from buying or selling Genesis shares for a period prior to announcement of half and full year results, consistent with the "Approved Procedure" requirements of the Securities Amendment Act.

### **Director Term of Office**

	<b>Appointed</b>	<b>Last Re-elected</b>	<b>No of Years in Office</b>
A J H Gearing	26 January 2006	9 May 2008	4
S Gillis	2 December 1993	25 May 2007	16
J N McLean	19 August 1994	30 June 2009	15
J H von Roy	17 June 2005	9 May 2008	4
S J Washer	17 June 2005	30 June 2009	4

### **Board Committees**

The Board has formally constituted two permanent Board Committees, the Audit Committee and the Remuneration Committee.

The Audit Committee is regulated by a charter that addresses membership, function, specific responsibilities, and reporting procedures, consistent with the requirements of NZX Listing Rule 3.6.3. It is chaired by Mr J N McLean who has a financial background. Current members of the Audit Committee are Mr J H von Roy and Dr S J Washer.

The Audit Committee is responsible for:

- Reviewing draft annual and half yearly financial statements prior to submission to the Board for approval;
- Agreeing with the external auditors on the nature, scope and cost of the audit;
- Reviewing the performance of the external auditors;
- Reviewing the effectiveness of internal control systems.

	<b>Number of meetings held during 2009 while a member</b>	<b>Number attended</b>
J N McLean	2	2
J H von Roy	2	2
S J Washer	2	1

The Remuneration Committee, chaired by Mr J H von Roy, is responsible for:

- Establishing and reviewing remuneration policy for the Board and staff;
- Reviewing succession planning;
- Administration of the Employee Share Option Plan;
- Review and recommendation of governance issues including Board and Committee membership.

In setting remuneration policy the Committee takes into consideration employee performance and comparable market rates. These procedures are designed to attract, motivate and retain quality staff. The Board has adopted a comprehensive policy addressing committee membership, function, responsibilities and reporting procedures.

Currently all directors are members of the Remuneration Committee and the Committee business is conducted within the Board meetings.

There are no schemes for retirement benefits for directors.

### **Shareholder Communication**

The board ensures that any material non-confidential information is provided to shareholders in accordance with the continuous disclosure requirements by release to the New Zealand and Australian Stock Exchanges and by prompt posting on the Company's web site. When appropriate, annual and half yearly reports will be supplemented by shareholder newsletters.

### **Risk Management**

The Board has established policies and reporting procedures for management of material business risks. Management has reported to the Board that all material business risks are being managed effectively.

The Board has received declarations from the Chief Executive and the Chief Financial Officer that in their opinion:

- (a) the financial records of the company for the financial year have been properly maintained; and
- (b) the financial statements, and the notes for the financial year comply with the accounting standards; and
- (c) the financial statements and notes for the financial year give a true and fair view; and
- (d) any other matters that are prescribed in relation to the financial statements and the notes for the financial year are satisfied;
- (e) the declarations are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

### **Governance Principles**

The corporate governance principles adopted or followed by Genesis are generally consistent with the NZX Corporate Governance Best Practice Code and the ASX Corporate Governance Council Principles and Recommendations, with the following exceptions:

- The company does not have a separate nomination committee due to the size of the company. This function is undertaken by the full Board acting as the Remuneration Committee;
- The company does not have a performance based share compensation plan. However shareholders have approved the issue of shares to Directors in lieu of cash remuneration.

### **Independence**

The materiality thresholds for considering independence are 5% of the Company's expenditure or 10% of the director's personal income.

Dr Gearing is Chief Executive of, and a shareholder in, Biocommsquare Pty Ltd which provides business development services to the Company. The Board considers that this relationship is not a material part of Genesis expenses or Dr Gearing's personal income and thus the relationship does not affect Dr Gearing's independence.

The Board considers that the independence of the directors of the company (as referred to in NZSX Listing Rules and ASX Corporate Governance Principles and Recommendations) at 31 December 2009 and at the date of this report is as shown in the Table below:

<b>Director</b>	<b>Status</b>
A J H Gearing	Independent
S Gillis	Independent
J N McLean	Independent
J H von Roy	Independent
S J Washer	Independent

## Directors

**Andy Gearing PhD** is based in Melbourne, Australia, where he is the Chief Executive of Biocommsquare Pty Ltd, an international life sciences business development company. Dr Gearing has a successful track record in research management and business development in the European biotechnology sector. He moved to Australia early in 2001 to establish Biocomm Services, which has provided services to many prestigious academic institutions as well as private and listed biotechnology company clients in Australia, New Zealand, Japan, North America and Europe. Under Dr Gearing's management, Biocomm Services successfully completed 11 international licensing transactions for its clients and established three new biotechnology companies. Dr Gearing is also a director of CNSBio Pty Limited and BioMelbourne Network.

**Steven Gillis PhD** joined ARCH Venture Partners in 2005 where he now serves as a Managing Director focused on the evaluation of new life science technologies and the development and growth of ARCH's biotechnology portfolio companies. Dr Gillis was a founder of Immunex Corporation, where he held multiple positions from 1981 to 1994, including acting Chief Executive Officer and Chairman. Dr Gillis co-founded Corixa Corporation in 1994 and served as Chief Executive Officer and as a director since that time and chaired the Corixa Corporation board since March 1999. Corixa Corporation was acquired by GlaxoSmithKline in July, 2005. He serves as Chairman, or as a member of the Board of Directors, of multiple privately-held biotechnology companies located in Seattle, Washington and Boston, Massachusetts.

**Jim McLean BSc (Hons) ACA** was an executive of Genesis from 1994 until 2003. He joined the company shortly after the completion of the initial company financing and was responsible for developing business strategies and partnerships. Prior to joining Genesis, Mr McLean was a partner with Ernst & Young (1983-1994) consulting in the areas of performance improvement, strategy and financial and business planning. Mr McLean received his BSc (Hons) from the University of Otago. He is Chairman of The New Zealand Institute of Plant & Food Research Ltd and deputy chair of the Foundation for Research Science and Technology, the Allan Wilson Centre for Molecular Ecology and Evolution and R J Hill Laboratories Limited.

**Joachim (Aki) von Roy** is a bio-entrepreneur who has focused his activities on New Zealand and Australian opportunities. Aki is known in the New Zealand biotechnology community for his role in leading a \$12 million Series A fund raising for Proacta and for helping other biotechnology start ups, such as CoDa Therapeutics, Corra Life Science, Biomatters and PhotoNZ to develop their business concepts.

He is chairman of Vital Food Processors Ltd, White Biotechnology Pty Limited and Phytomedics Inc and a director of Biomatters Ltd, Corra Life Sciences, Encoate Holdings Limited and Roberts & von Roy Associates Limited. Aki is a partner of Inventages Venture Capital Investments, a venture capital company based in Switzerland and the Bahamas which manages the \$100 million Australasian food, agbiotech and health fund BioPacificVentures in a collaboration with New Zealand based venture capitalist Direct Capital Private Equity Ltd and AgResearch Ltd. He is also a member of BioPacificVentures Investment Committee and an advisor to the Foundation for Research, Science and Technology.

Aki is a German national and is the former European president of pharmaceutical giant Bristol-Myers Squibb. He was the New Zealand managing director for German drug company Schering AG in 1970/71 and after that went to Sweden, the US and eventually back to Germany to co-chair Schering AG's home market. In 1984, he joined Squibb (von Heyden) to bring the two companies together and took over responsibility for Germany, Austria, Switzerland and Eastern Europe. Shortly after the Bristol-Myers merger with Squibb (1989) he became president for Europe, responsible for US\$ 2.2 billion in sales, more than 7,500 employees and some 40 subsidiaries. In 1997, he retired from BMS to establish Roberts & von Roy Associates, a private investment firm specialising in health and related matters. He is now actively involved in creating a sustainable NZ/Australian biotech industry.

**Stewart Washer PhD** has over 20 years of senior executive and Board experience in commercial technology companies in the medical, food, agricultural and industrial sectors. He was a founder of BioPacific Ventures, a \$100m New Zealand based fund. He is currently a Venture Partner with Inventages Venture Capital Investments, a Swiss based €1.5 billion life science fund, funded by Nestle.

Stewart was the founding CEO of Phylogica Ltd (ASX:PYC). Before this he was CEO of Celentis and managed the commercialisation of intellectual property from AgResearch in New Zealand.

Stewart is now Investment Director with Intersuisse Bioscience Managers Pty Ltd, part of the Excalibur medical sciences investment group who have Australian and European life science funds. He is Chairman of Resonance Health Ltd (ASX:RHT) and Hatchtech Pty Ltd, a director of Healthlinx (ASX:HTX) and White Biotechnology Pty Limited, a member of the Senate at Murdoch University, is on the Australian Federal Government Advisory Panel for Industrial Biotechnology, and is a member of the board of AusBiotech Ltd, Australia's biotechnology industry organisation.

## **Management**

**Chief Executive Officer - Stephen Hall MCom (Hons) CA, CTP.** Stephen joined Genesis in September 2000 and was appointed Chief Executive in 2004. He has been heavily involved in all aspects of the company's commercial activity including negotiations, collaborations, business development, intellectual property, corporate structure, capital markets and governance. Stephen previously held a number of senior management roles in New Zealand and Australian companies.

**Chief Scientific Officer – Greg Murison PhD.** Greg graduated from the University of Otago with a PhD in Immunology in 1989. He spent three years as a post-doctoral scientist with Professor Marc Feldmann and Dr Marco Londei at the Sunley Research Centre in London studying the role of T cell subsets and cytokines in health and autoimmunity. In 1993 he returned to New Zealand to work with Professor Jim Watson as a Research Fellow at the University of Auckland before becoming a founding staff member of Genesis in 1994. Greg has led a variety of science projects since the company's inception and became Head of Research and Development in 2003 and Chief Scientific Officer in 2004.

**Financial Controller - Ewe Poh Lim, B.Econs (Hons), CA.** Ewe Poh Lim joined Genesis as Financial Controller in October 2007. She is responsible for all aspects of the finance and accounting functions for Genesis, including financial reporting and taxation. Ewe Poh has more than 15 years of extensive career in finance in New Zealand. Her previous appointments include five years as Finance Manager of Lodestar, Carter Holt Harvey and five years as Company/Line Accountant of Tasman Asia Shipping/Tasman Orient Line, a subsidiary of the then Fletcher Challenge. Before joining Genesis, Ewe Poh was Financial Controller of Sofrana Shipping NZ. She is a member of the NZ Institute of Chartered Accountants.

## **Auditor's Report**

To the Shareholders of Genesis Research and Development Corporation Limited

We have audited the financial statements on pages 7 to 33. The financial statements provide information about the past financial performance of the company and group and their financial position as at 31 December 2009. This information is stated in accordance with the accounting policies set out on pages 11 to 20.

This report is made solely to the company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

### **Directors' Responsibilities**

The directors are responsible for the preparation of financial statements which comply with generally accepted accounting practice in New Zealand and give a true and fair view of the financial position of the company and group as at 31 December 2009 and of their financial performance and cash flows for the years ended on that date.

### **Auditor's Responsibilities**

It is our responsibility to express an independent opinion on the financial statements presented by the directors and report our opinion to you.

### **Basis of Opinion**

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the circumstances of the company and group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor we have no relationship with, or interest in, the company or any of its subsidiaries.

### **Fundamental Uncertainty**

In forming our unqualified opinion, we have considered the adequacy of the disclosures made in the financial statements regarding the reliance on raising additional capital and funding. As stated in note 24, the financial statements have been prepared on the going concern basis, the validity of which depends upon the ability to raise additional capital and funding. The financial statements do not include any adjustments that would result from a failure to obtain additional capital and funding.

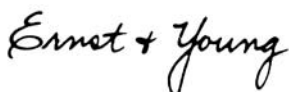
### **Unqualified Opinion**

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records; and
- the financial statements on pages 7 to 33:
  - comply with generally accepted accounting practice in New Zealand; and
  - comply with International Financial Reporting Standards; and
  - give a true and fair view of the financial position of the company and group as at 31 December 2009 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 1 March 2010 and our unqualified opinion is expressed as at that date.



Auckland

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	Group / \$000		Parent / \$000	
		2009	2008	2009	2008
Grant		356	-	356	-
R&D Tax Credit		-	682	-	682
Sale of technology and royalty		50	11	50	11
Services		529	71	529	71
Gain on sale of intellectual property		1000	-	1000	-
Interest		13	388	13	283
<b>Total Income</b>		<b>1,948</b>	<b>1,152</b>	<b>1,948</b>	<b>1,047</b>
<b>EXPENDITURE</b>					
Research and development		(1,510)	(3,343)	(1,510)	(3,342)
Administration		(1,214)	(2,191)	(1,228)	(2,176)
Special Provisions	6	-	(2,908)	-	(151)
Finance costs		-	-	-	-
<b>Total Expenditure</b>	<b>6</b>	<b>(2,724)</b>	<b>(8,442)</b>	<b>(2,738)</b>	<b>(5,669)</b>
<b>Loss before income tax</b>		<b>(776)</b>	<b>(7,290)</b>	<b>(790)</b>	<b>(4,622)</b>
Income tax expense	7	-	-	-	-
<b>Loss after income tax</b>		<b>(776)</b>	<b>(7,290)</b>	<b>(790)</b>	<b>(4,622)</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income/(loss) for the year</b>		<b>(776)</b>	<b>(7,290)</b>	<b>(790)</b>	<b>(4,622)</b>
Attributable to:					
Equity holders of the parent		(776)	(7,290)	(790)	(4,622)

## LOSS PER SHARE

	Note	Group	
		2009 Cents	2008 Cents
<b>Basic and diluted earnings per share</b>	8	(2.66)	(27.90)

The Statement of Comprehensive Income above should be read in conjunction with the accompanying notes.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

	Ordinary Shares \$000	ESOP Reserve \$000	Retained Earnings \$000	Total \$000
<b>GROUP</b>				
<b>For the year ended 31 December 2009</b>				
<b>At 1 January 2009</b>	76,506	209	(75,300)	1,415
Loss after income tax	-	-	(776)	(776)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period attributable to equity holders of the parent			(776)	(776)
<b>Equity Transactions:</b>				
Share Purchase Plan	469	-	-	469
Share-based payment	-	26	-	26
<b>At 31 December 2009</b>	<b>76,975</b>	<b>235</b>	<b>(76,076)</b>	<b>1,134</b>
<b>For the year ended 31 December 2008</b>				
<b>At 1 January 2008</b>	76,506	208	(68,010)	8,704
Loss after income tax	-	-	(7,290)	(7,290)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period attributable to equity holders of the parent	-	-	(7,290)	(7,290)
<b>Equity Transactions:</b>				
Share-based payment	-	1	-	1
<b>At 31 December 2008</b>	<b>76,506</b>	<b>209</b>	<b>(75,300)</b>	<b>1,415</b>
<b>PARENT</b>				
<b>For the year ended 31 December 2009</b>				
<b>At 1 January 2009</b>	76,506	209	(77,111)	(396)
Loss after income tax	-	-	(790)	(790)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period attributable to equity holders of the parent			(790)	(790)
<b>Equity Transactions:</b>				
Share Purchase Plan	469	-	-	469
Share-based payment	-	26	-	26
<b>At 31 December 2009</b>	<b>76,975</b>	<b>235</b>	<b>(77,901)</b>	<b>(691)</b>
<b>PARENT</b>				
<b>For the year ended 31 December 2008</b>				
<b>At 1 January 2008</b>	76,506	208	(72,489)	4,225
Loss after income tax	-	-	(4,622)	(4,622)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period attributable to equity holders of the parent	-	-	(4,622)	(4,622)
<b>Equity Transactions:</b>				
Share-based payment	-	1	-	1
<b>At 31 December 2008</b>	<b>76,506</b>	<b>209</b>	<b>(77,111)</b>	<b>(396)</b>

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

# STATEMENT OF FINANCIAL POSITION

As At 31 DECEMBER 2009

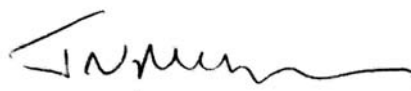
	Note	Group / \$000		Parent / \$000	
		2009	2008	2009	2008
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	9	324	859	324	859
Receivables and prepayments	10	187	895	187	885
<b>Total current assets</b>		511	1,754	511	1,744
<b>Non Current Assets</b>					
Investment	11	1,000	-	1,000	-
Property, plant and equipment	13	33	110	33	110
<b>Total non-current assets</b>		1,033	110	1,033	110
<b>TOTAL ASSETS</b>		1,544	1,864	1,544	1,854
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Trade and other payables	14	(236)	(206)	(236)	(205)
Provisions	15	(174)	(243)	(174)	(243)
<b>Total current liabilities</b>		(410)	(449)	(410)	(448)
<b>Non-current liabilities</b>					
Intercompany payable	12(c)	-	-	(1,825)	(1,802)
<b>Total non-current liabilities</b>		-	-	(1,825)	(1,802)
<b>TOTAL LIABILITIES</b>		(410)	(449)	(2,235)	(2,250)
<b>NET ASSETS</b>		1,134	1,415	(691)	(396)
<b>EQUITY</b>					
Equity attributable to equity holders of the parent					
Issued capital	16	76,975	76,506	76,975	76,506
ESOP Reserve	19	235	209	235	209
Retained deficit		(76,076)	(75,300)	(77,901)	(77,111)
<b>TOTAL EQUITY</b>		1,134	1,415	(691)	(396)

The Statement of Financial Position above should be read in conjunction with the accompanying notes.

For and on behalf of the Board who authorised the issue of these financial statements on 1 March 2010



J H von Roy  
Director



J N McLean  
Director

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	Group / \$000		Parent / \$000	
		2009	2008	2009	2008
<b>Cash Flows from Operating Activities</b>					
Receipts from grants, royalties and sale of technology right		414	24	405	24
Receipt for services provided		494	406	494	208
Research & development tax credit		682	-	682	-
Interest received		14	313	14	313
Payments to suppliers and employees		(2,660)	(5,538)	(2,656)	(5,520)
<b>Net cash inflow from/(used in) operating activities</b>	17	(1,056)	(4,795)	(1,061)	(4,975)
<b>Cash Flows from Investing Activities</b>					
Proceeds from sale of property, plant and equipment		52	29	34	10
Payments for purchase of property, plant and equipment		-	(153)	-	(153)
<b>Net cash inflow from/(used in) investing activities</b>		52	(124)	34	(143)
<b>Cash Flows from Financing Activities</b>					
Cash Proceeds from Share Purchase Plan		469	-	469	-
Intercompany funding		-	-	23	199
<b>Net cash inflow from/(used in) financing activities</b>		469	-	492	199
Net increase/(decrease) in cash and cash equivalents		(535)	(4,919)	(535)	(4,919)
Net foreign exchange differences		-	-	-	-
Cash and cash equivalents at beginning of period		859	5,778	859	5,778
<b>Cash and cash equivalents at end of period</b>		324	859	324	859
<b>Cash balance comprises of:</b>					
Cash in current account		2	48	2	48
Short term deposits		322	811	322	811
Ending cash carried forward		324	859	324	859

The cash flow statement above should be read in conjunction with the accompanying notes.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

## 1. Corporate Information

Genesis Research and Development Corporation Limited ("Genesis") is a company incorporated in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand and Australian Stock Exchanges.

Genesis Research and Development Corporation Ltd is an issuer for the purpose of the Financial Reporting Act 1993.

The Company and its subsidiaries comprise the Genesis Research and Development Corporation Limited Group (Group). AgriGenesis Biosciences Limited (AgriGenesis) has been the only trading subsidiary but ceased active operations in December 2007.

Genesis is a biotechnology company with a history of development of therapeutics for the treatment of cancer and diseases of the immune system. Genesis has established Solirna Biosciences Limited to develop a novel single stranded gene silencing technology which acts through the RNAi mechanism.

The nature of Genesis' business has changed to include investing on a venture capital basis, including the investment interests in Solirna Biosciences Ltd, Real Time Genomics Inc. and Pure Power Global. Genesis also owns a number of patents and has potential royalty rights from a number of programmes being developed by other companies such as ArborGen and Wrightson.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The financial statements of Genesis and the Group have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and the requirements of the Companies Act 1993 and the Financial Reporting Act 1993. The financial statements have also been prepared on a historical cost basis, except for an investment which has been valued at fair value.

#### *Change in basis of preparation*

At December 2009, the financial statements of Genesis and the Group have been prepared on a going concern basis with a fundamental uncertainty due to the need to raise additional capital and funding (refer to note 24). The financial statements of Genesis and the Group for the year ended 31 December 2008 were prepared on a cessation basis. The comparative figures for 2008 have been restated so they are on a going concern basis. The adjustments made to restate the 2008 comparative figures under the going concern basis are an increase of \$121,000 for prepayments, a decrease of \$124,000 for provisions, and a decrease in insurance and redundancy expenses of \$245,000. The change to the comparatives had no impact on the amounts previously presented for the entity's financial position as at 31 December 2007 and, therefore, a third statement of financial position as at the beginning of the earliest comparative period has not been presented.

For the purposes of complying with NZ GAAP, Genesis is profit oriented. The financial reports, except for cash flow information, have been prepared using the accrual basis of accounting.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

### (b) Statement of compliance

The financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to International Financial Reporting Standards, and other applicable Financial Reporting Standards as appropriate for profit-oriented entities.

### (c) New accounting standards and interpretations

#### (i) *Changes in accounting policy and disclosures.*

The accounting policies adopted are consistent with those of the previous financial year except as follows:

- **NZ IFRS 8 Operating Segments effective 1 January 2009**  
NZ IFRS 8 replaced NZ IAS 14 Segment Reporting upon its effective date. The Group concluded that the adoption of NZ IFRS 8 had no impact on the financial statements. NZ IFRS 8 disclosures are explained in note 5.
- **NZ IAS 1 Presentation of Financial statements (revised 2007) effective 1 January 2009**  
The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement.
- **Amendments to NZ IFRS 1 and NZ IAS 27 – Cost of an investment in a Subsidiary, Joint Controlled Entity or Associate effective 1 January 2009.**  
The amendments delete the reference to the “cost method” making the distinction between pre and post acquisition profits no longer relevant. All dividends received are now recognised in profit or loss rather than having to be split between a reduction in the investment and profit or loss. However the receipt of such dividends requires an entity to consider whether there is an indicator of impairment of the investment in that subsidiary.  
  
The amendments further clarify the treatment of reorganisations where a new parent is inserted above an existing parent of the group. The amendments state that the cost of the new parent’s investment in the original parent is the carrying amount of its share of equity items in the separate financial statements of the original parent. The adoption of these amendments did not have any impact on the financial position or the performance of the Group or parent.
- **Amendments to NZ IFRS 2 – Share-based Payments – Vesting Conditions and Cancellations effective 1 January 2009**  
It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.  
This is consistent with the Group’s existing accounting policies for share-based payments, so the amendments are not expected to have any impact on the Group’s financial statements.

#### Improvements to NZ IFRS

In 2008 and 2009 various amendments to NZ IFRS were issued as part of the Annual Improvements Project, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions and application dates for each amendment. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the group.

- *NZ IFRS 8 Operating Segments*: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. The amendment had no impact on the Group’s financial statements.
- *NZ IAS 16 Property, Plant and Equipment*: replace the term “net selling price” with “fair value less costs to sell”. The Group amended its accounting policy accordingly, which did not result in any change in the financial position.
- *NZ IAS 20 Accounting for Government Grants and Disclosures of Government Assistance*: loans granted with no or low interest will not be exempt from the requirement to impute interest. Interest is to be imputed on loans granted with below-market interest rates. This amendment did not impact the Group as the government assistance received is not loans but direct grants.
- *NZ IAS 28 Investment in Associates*: an investment in an associate is a single asset for the purpose of conducting the impairment test, including any reversal of impairment. Any impairment is not separately allocated to the goodwill included in the investment balance. Any impairment is reversed if the recoverable amount of the associate increases. The Group has amended its impairment accounting policy accordingly. The amendment had no impact on the Group’s financial position or performance.

- *NZ IAS 36 Impairment of Assets*: when discounted cash flows are used to estimate “fair value less cost to sell” additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate “value in use”. The amendment had no impact on the Group’s financial position or performance.

Other amendments resulting from the Annual Improvements Project to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

NZ IAS 8 Accounting Policies, Change in Accounting Estimates and Error  
 NZ IAS 10 Events after the Reporting Period  
 NZ IAS 17 Leases  
 NZ IAS 18 Revenue  
 NZ IAS 19 Employee Benefits  
 NZ IAS 31 Interests in Joint Ventures  
 NZ IAS 38 Intangible Assets

(ii) *New Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 31 December 2009 are outlined in the table below:*

Reference	Title	Summary	Application date of standard	Impact on Group financial statements	Application date for Group
NZ IFRS 3 (Revised)	Business combinations	The revised Standard introduces a number of changes to the accounting for business combinations, the most significant of which includes the requirement to have to expense transaction costs and a choice (for each business combination entered into) to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree’s net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	The Group is not acquiring new businesses so the amendments are not expected to have any impact on the Group’s financial statements.	1 Jan 2010
NZ IAS 27 (Revised)	Consolidated and separate Financial Statements	There are a number of changes arising from the revision to NZ IAS 27 relating to changes in ownership interest in a subsidiary without loss of control, allocation of losses of a subsidiary and accounting for the loss of control of a subsidiary. Specifically in relation to a change in the ownership interest of a subsidiary (that does not result in loss of control) – such a transaction will be accounted for as an equity transaction.	1 July 2009	The Group has not yet determined the extent of the impact of the amendments, if any.	1 Jan. 2010
NZ IFRS 9	Financial instruments	This standard is part of the IASB’s project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> . The standard applies to financial assets, their classification and measurement.  All financial assets are required to be classified on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs and subsequently measured at amortised cost or fair value.	1 Jan 2013	The Group has not yet determined the impact of this standard.	1 Jan 2013
Improvements to NZ IFRS	Amendments to New Zealand Accounting Standards arising from the Annual Improvements Project	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRS.	1 July 2009 for amendments to NZ IFRS 2, NZ IAS 38 and NZ IFRIC 9 and 16.  1 January 2010 for all other amendments.	The Group has not yet determined the extent of the impact of the amendments, if any.	1 January 2010

#### **(d) Basis of Consolidation**

The consolidated financial statements comprise the financial statements of Genesis Research and Development Corporation Limited and its subsidiaries as at 31 December each year (the Group).

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by Genesis Research & Development Corporation Limited are accounted for at cost in the separate financial statements of the parent entity.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

#### **(e) Operating Segment**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors

Operating segments have been identified based on the information provided to the chief operating decision maker – being the Board of Directors.

Based on the internal structure and management reporting systems, the Group has identified only one reportable operating segment. The accounting policies and amounts that are disclosed in the financial statements are the same as the management reports that the Board of Directors review.

The Group operates within New Zealand only. On this basis geographical segment reporting is not applicable.

#### **(f) Foreign Currency Translation**

##### *(i) Functional and presentation currency*

Both the functional and presentation currency of the group is New Zealand dollars (\$).

##### *(ii) Transaction & balances*

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the Statement of Financial Position date.

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

#### **(g) Cash and Cash Equivalents**

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily

convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

#### **(h) Trade and Other Receivables**

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

#### **(i) Discontinued operations**

A discontinued operation is a component of the entity that has been disposed of, has ceased active operations, or is classified as held for sale and that represents a separate major line of business. The results of discontinued operations are presented separately on the face of the statement of comprehensive income and the assets and liabilities are presented separately on the face of the statement of financial position.

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

Investments and financial assets in the scope of NZ IAS 39 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired or originated. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

##### *(i) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or 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. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non current.

##### *(ii) Available-for-sale investments*

Available-for-sale investments are those non-derivative financial assets, principally equity securities that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit and loss.

After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognised in other comprehensive income (reserves) 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 reserves is reclassified to profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the Statement of Financial Position date. For investments with no active market, fair values are 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 making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

*(iii) Financial Assets at fair value through profit or loss*

Financial assets designated as “fair value through profit or loss” are included in the category “financial assets at fair value through profit or loss”. All changes in the fair value are recognised in the statement of comprehensive income in the period the changes occur.

**(k) Property, Plant & Equipment**

The company has three classes of property, plant & equipment:

- Scientific equipment
- Leasehold improvements
- Office furniture, equipment and computers

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation is calculated on a straight line basis over the estimated useful life of the specific assets as follows:

- |   |              |
|---|--------------|
| • Scientific Equipment                      | 3 to 8 years |
| • Leasehold Improvements                    | 8.5 years    |
| • Office Furniture, Equipment and Computers | 2 to 8 years |

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end. The carrying amount of plant and equipment is reviewed at reporting date to assess whether there is any indication that the item may be impaired. If there is any indication that the carrying amount of the item exceeds its recoverable amount, the Group recognises the loss in the statement of comprehensive income. Gains and losses on disposals are determined by comparing proceeds with the carrying amount.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

**(l) Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

**(m) Impairment of non-financial assets other than goodwill**

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Genesis Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that have suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

#### **(n) Provision for Impairment of Financial Assets**

Loans and receivables are reviewed at each balance date to determine whether there is any objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the loan and prior to the reporting date. The loss event has to have had an impact on the reliable measurement of estimated future cash flows. If any such indication exists, the assets' recoverable amount is estimated and provision is made for the difference between the carrying amount and the recoverable amount. The recoverable amounts of loans measured at amortised costs are calculated as the present value of the expected future cash flows discounted at the instrument's original effective interest rate.

The impairment provisions are deducted from finance receivables in the Statement of Financial Position and the movement in the impairment provisions is recognised in the Statement of Comprehensive Income. Bad debts are written off against the provision in the year in which they are identified. If in a subsequent period the amount of an impairment loss decreases and the decrease is linked objectively to an event occurring after the impairment loss, the loss is reversed through the statement of comprehensive income.

#### **(o) Research and Development Costs**

Research costs are expensed as incurred. Any intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use or more frequently when an indication of impairment arises during the reporting period.

#### **(p) Trade and Other payables**

Trade and other payables are carried at amortised costs and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

#### **(q) Provisions and employee benefits**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the Statement of Financial Position date using a discounted cash flow methodology. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

#### *Employee leave benefits*

Liabilities for wages and salaries, including non-monetary benefit and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' service up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are

settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

#### **(r) Share-based payment transactions**

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

There is currently one plan in place to provide these benefits, the Employee Share Option Plan (ESOP).

The cost of these equity-settled transactions with employees (for awards granted after 7 November 2002 that were unvested at 1 January 2005) 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 using a Black Scholes model, further details of which are given in note 19.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Genesis if applicable.

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

At each subsequent reporting date until vesting, the cumulative charge to the Statement of Comprehensive Income is the product of:

- (i) the grant date fair value of the award;
- (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and
- (iii) the expired portion of the vesting period.

The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Equity-settled awards granted by Genesis to employees of subsidiaries are recognised in the parent's separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. As a result, the expense recognised by Genesis in relation to equity-settled awards only represents the expense associated with grants to employees of the parent. The expense recognised by the Group is the total expense associated with all such awards.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

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. An additional 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 an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

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

#### **(s) Contributed Equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## **(t) Revenue Recognition**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- (i) Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.
- (ii) Research collaborations and grants shown in the statement of comprehensive income is the amount received for research performed in the ordinary course of business during the periods. When the grant relates to an expense item it is recognised in income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

## **(u) Income tax and other taxes**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

*Other taxes*

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**(v) Government Grants**

Government grants are recognised in the statement of financial position as a liability when the grant is received.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. They are not credited directly to shareholders' equity.

When the grant relates to an asset, the fair value is credited to deferred income and released to the Statement of Comprehensive Income over the expected useful life of the relevant asset by equal annual instalments.

**(w) Earnings per Share**

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

In accordance with NZ IAS 33, calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential ordinary shares as this would decrease the loss per share from continuing operations.

**3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's principal financial instruments comprise cash and short-term deposits, receivables, payables.

At balance date the group has the following mix of financial assets and liabilities exposed to financial risks listed below.

<b>2009 Group</b>	Financial assets at fair value through profit or loss \$000	Loans and receivables \$000	Available for sale \$000	Financial liabilities at amortised cost \$000	Carrying amount \$000	Fair value \$000
Trade and other receivables	-	108	-	-	108	108
Cash and cash equivalents	-	324	-	-	324	324
Trade and other payables	-	-	-	(236)	(236)	(236)
Investments	1,000	-	-	-	1,000	1,000
	1,000	432	0	(236)	1,196	1,196

	Financial assets at fair value through profit or loss \$000	Loans and receivables \$000	Available for sale \$000	Financial liabilities at amortised cost \$000	Carrying amount \$000	Fair value \$000
<b>2009 Parent</b>						
Trade and other receivables	-	108	-	-	108	108
Cash and cash equivalents	-	324	-	-	324	324
Trade and other payables	-	-	-	(236)	(236)	(236)
Investments	1,000	-	-	-	1,000	1,000
	1,000	432	0	(236)	1,196	1,196

Financial liabilities are payable within six months so their carrying value is assumed to approximate their fair value

	Financial assets at fair value through profit or loss \$000	Loans and receivables \$000	Available for sale \$000	Financial liabilities at amortised cost \$000	Carrying amount \$000	Fair value \$000
<b>2008 Group</b>						
Trade and other receivables	-	774	-	-	774	774
Cash and cash equivalents	-	859	-	-	859	859
Trade and other payables	-	-	-	(206)	(206)	(206)
Investments	-	-	-	-	-	-
	-	1,633	-	(206)	1,427	1,427
<b>2008 Parent</b>						
Trade and other receivables	-	764	-	-	764	764
Cash and cash equivalents	-	859	-	-	859	859
Trade and other payables	-	-	-	(205)	(205)	(205)
Investments	-	-	-	-	-	-
	-	1,623	-	(205)	1,418	1,418

The Group manages its exposure to key financial risks in accordance with the group's financial risk management policy. The objective of the policy is to support achievement of the group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are price risk, credit risk and liquidity risk.

The Group uses different methods to measure and manage the different types of risks to which it is exposed. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing its main financial risks as summarised below.

## Risk Exposures and Responses

### (i) Price Risk

Valuing the investment in Solirna at fair value through profit or loss exposes the Group to price risk.

At 31 December 2009, the value of investment was \$1 million. For a 20% movement in the value of the investment, as illustrated in the table below, with all other variables held constant, post tax profit would have been affected as follows:

Judgement of reasonably possible movements	Profit after tax Higher/(Lower) Group / \$000		Profit after tax Higher/(Lower) Parent / \$000	
	2009	2008	2009	2008
+20%	200	-	200	-
-20%	(200)	-	(200)	-

### **(ii) Interest Rate Risk**

The Group's exposure to market interest rates only relates to investments in short term deposits. All deposits were held for 90 days or less.

At balance date, the group had the following mix of financial assets and liabilities exposed to New Zealand variable interest rate risk that are not designated in cash flow hedges:

	Group \$000		Parent \$000	
	2009	2008	2009	2008
<b>Financial Assets</b>				
Cash at bank and in hand	2	48	2	48
Short-term deposits	322	811	322	811
<b>Total</b>	<b>324</b>	<b>859</b>	<b>324</b>	<b>859</b>

The group's policy is to invest excess funds on short term deposit of 30 days to 90 days duration with a registered New Zealand trading bank.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the Statement of Financial Position date.

At 31 December 2009, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit would have been affected as follows:

Judgement of reasonably possible movements	Profit after tax Higher/(Lower) Group / \$000		Profit after tax Higher/(Lower) Parent / \$000	
	2009	2008	2009	2008
+0.5% (50 basis points)	2	4	2	4
-1.0% (100 basis points)	(3)	(8)	(3)	(8)

During the year, interest on fixed deposits varied between 2.25% and 4.75% (2008, 5.35% and 8.84%). The sensitivity is lower in 2009 than in 2008 because of a reduction in term deposits.

### **(iii) Foreign Currency Risk**

The Group has negligible exposure to cash held in foreign currency. The balance in 2009 and 2008 is almost zero. As such, the foreign currency risk for deposits in USD is immaterial in terms of possible impact on profit and loss and a sensitivity analysis has not been reported.

The Group has transactional currency exposures. Such exposure arises from purchases of science consumables and services denominated in foreign currency.

It is the Group's policy to enter into forward contracts when a significant firm commitment is in place with extended terms. The Group has no creditors denominated in foreign currency at balance date. During 2009 and 2008 no forward contracts were entered into.

### **(iv) Credit Risk**

Credit risk arises from financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables.

The Group does not hold any credit derivatives to offset its credit exposure. The Group does not hold any collateral to securitise its receivables.

Other than Pure Power Global Limited (PPG), the Group has very little exposure to receivables. The major debtor is Solirna Biosciences Limited, its Associate Company. The Board monitors PPG financial situation regularly and meetings continued to be held with PPG.

Due to the inherent uncertainty as to the ability of PPG to repay the outstanding settlement of \$2.1 million, a provision for impairment was charged to the Statement of Comprehensive Income in 2008.

The credit worthiness of all customers is reviewed prior to any transactions being entered into.

At 31 December, the Group had the following exposure to credit risk.

	Group \$000		Parent \$000	
	2009	2008	2009	2008
Financial assets				
Cash and cash equivalents	324	859	324	859
Receivables	108	774	108	764
PPG Debt	2,107	2,107	94	94
Provision for impairment	(2,107)	(2,107)	(94)	(94)

#### Concentrations of Credit Risk

100% (2008, 100%) of cash and cash equivalents is held with Westpac Banking Corporation Limited.

#### (v) Liquidity Risk

The group's objective is to maintain sufficient funding to pay its creditors through capital raising, collaboration, government grants and royalties.

The group monitors forecasts of liquidity reserves on the basis of expected cash flow.

The contractual maturities of the Group's and parent entity's financial liabilities are within six months.

The Board monitors the liquidity of the group on a regular basis and every effort is made to minimise the Group's exposure to risk.

#### (vi) Fair Value

	Year ended 31 December 2009				Year ended 31 December 2008			
	Quoted market price (Level 1)	Valuation technique – market observable inputs (Level 2)	Valuation technique – non market observable inputs (Level 3)	Total	Quoted market price (Level 1)	Valuation technique – market observable inputs (Level 2)	Valuation technique – non market observable inputs (Level 3)	Total
Group	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Financial assets								
Investments at fair value through profit or loss	-	-	1,000	1,000	-	-	-	-
Total	-	-	1,000	1,000	-	-	-	-
Parent								
Financial assets								
Investments at fair value through profit or loss	-	-	1,000	1,000	-	-	-	-
Total	-	-	1,000	1,000	-	-	-	-

The fair value of unlisted debt and equity securities as well as other investments that do not have an active market are based on valuation techniques using market data that is not observable.

#### Reconciliation of Level 3 fair value movements

	Group \$000		Parent \$000	
	2009	2008	2009	2008
Opening balance	-	-	-	-
Purchases	1,000	-	1,000	-
Closing balance	1,000	-	1,000	-

The Group used a valuation technique based on the cash investment in Solirna by the other party and taking into account relative ownership interests.

#### **4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements

##### **(a) Significant accounting judgements**

(i) The 2009 financial statements have been prepared on a going concern basis, with a fundamental uncertainty due to the need to raise additional capital and funding (refer to note 24). The nature of Genesis' operations has changed to include investing on a venture capital basis, including the investment interests in Solirna Biosciences Limited, Real Time Genomics Inc. and Pure Power Global, and other opportunities are being investigated. Genesis also owns a number of patents and has potential royalty rights from a number of programmes being developed by other companies such as ArborGen and Wrightson.

(ii) The investment in Solirna Biosciences Ltd has not been equity accounted because management believes that NZ IAS 28 does not apply as the group is now a venture capital organisation and the investment is managed on a venture capital basis. Management believes that "fair value through profit or loss" provides the best information to users of the financial statements.

(iii) Genesis has significant influence on Solirna but does not have control, as the other major shareholder has certain veto and special voting rights, so Solirna is not a subsidiary of Genesis.

(iv) The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and deferred tax liabilities are recognised on the Statement of Financial Position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

##### **(b) Significant accounting estimates and assumptions**

(i) The investment in Solirna is accounted for at fair value through profit or loss. The fair value of the investment in Solirna was calculated using a valuation technique. The fair value was based on the cash investment in Solirna by the other party and taking into consideration relative ownership interests. The management believes there was no material change in the value during the period.

(ii) As part of the consideration for the sale of AgriGenesis' holding in BioJoule Ltd, the Group received 951,304 shares in Pure Power Global Limited (PPG). PPG is an early stage development company without established revenues. In the absence of detailed financial information or an active market for PPG securities, it is not possible to obtain a formal valuation for the investment in PPG. In December 2007, the shares were valued at US\$0.60 per share or a total of NZ\$744,175, based on market transactions up to that time. In December 2008 a provision for the full value of the shares was charged to the statement of comprehensive income due to inherent uncertainty as to the valuation.

(iii) The investment interest in Real Time Genomics Inc was acquired in settlement of various royalty and other rights. The fair value of the investment is nil because the company is an early stage development company without established revenues.

### (c) Provision for impairment of financial assets

Due to the inherent uncertainty as to the likelihood of PPG repaying the outstanding settlement of \$2.1 million, a provision for the full amount of the outstanding debt has been charged to the Statement of Comprehensive Income in 2008.

## 5. SEGMENT INFORMATION

The Group has identified its operating segments based on the internal structure and management reports that are reviewed and used by the Board of Directors in assessing performance and in determining the allocation of resources.

The Group has identified only one reportable operating segment. The accounting policies and amounts that are disclosed in the financial statements are the same as the management reports that the Board of Directors review. There is only one set of figures that are reported to the Board.

The Group operates solely in the biotechnology industry and considers the Health operation as the only segment. The Health programmes focus on developing products for human health, predominantly in the fields of immunology and cancer, together with animal health and physiology; and include venture capital type investments.

The revenue, loss for the period, assets and liabilities are presented to the board of directors on a regular basis is the same as that presented on the face of the primary statements. Therefore, no separate segment information has been disclosed. Genesis relies on one major customer. Revenue from this customer was \$492,000 for the year ended 31 December 2009. (2008: nil)

The Group operates within New Zealand only. On this basis geographical segment reporting is not applicable

## 6. EXPENDITURE

	Group / \$000		Parent / \$000	
	2009	2008	2009	2008
Employee benefits	1,157	2,075	1,157	2,075
Other science costs	257	1,019	257	1,019
Facilities and services	246	420	246	420
Premises lease	338	535	338	535
Directors' fees	81	210	81	210
Directors' costs	40	43	40	43
Corporate and other overheads	528	793	542	778
Loss on disposal of property, plant and equipment	1	333	1	333
Depreciation expense:				
- Scientific Equipment	84	66	84	65
- Leasehold Improvements	-	5	-	5
- Office Furniture, Equipment and Computers	(8)	35	(8)	35
Total depreciation	76	106	76	105
Special provisions and costs:				
- Provision for impairment of investment in PPG	-	744	-	-
- Provision for impairment of PPG debt	-	2,107	-	94
- Provision for impairment of property, plant and equipment	-	57	-	57
- Other costs accrued due to cessation basis of accounting	-	-	-	-
Total special provisions and costs	-	2,908	-	151
Total expenditure	2,724	8,442	2,738	5,669

## 7. TAXATION

The income tax rate for companies is 30%, with effect from the start of the 2009 income year.

Tax losses available to be carried forward and offset against future periods amount to \$50,639,527 (2008: \$50,310,411).

Unrecognised timing differences amount to \$361,867 (2008: \$5,175,060). Availability of tax losses is subject to the requirements of the Income Tax legislation being met.

	Group / \$000		Parent / \$000	
	2009	2008	2009	2008
Accounting (loss) before income tax	(776)	(7,290)	(790)	(4,622)
Prima facie taxation at 30% (2008: 30%)	(233)	(2,187)	(237)	(1,387)
Add taxation effect of permanent differences				
Legal, entertainment and other non deductible expenses	26	2	26	2
Impairment of investment in PPG	-	223	-	-
Impairment of property, plant and equipment	-	17	-	17
R&D tax credit claim	-	(205)	-	(205)
Aggregate income tax credit	(207)	(2,150)	(211)	(1,573)
Increase in accumulated tax losses (tax effect)	207	2,150	211	1,573
Income tax expense reported in the Statement of Comprehensive Income	-	-	-	-

The Group has not recognised deferred tax assets and liabilities.

The Group will only recognise a deferred tax asset for the carry forward of unused tax losses to the extent it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

The group does not have imputation credits available to the shareholders of the parent company at balance date.

## 8. EARNINGS PER SHARE

(a) Earnings used in calculating earnings per share	Group / \$000	
	2009	2008
Net (Loss) attributable to ordinary equity holders of the parent	(776)	(7,290)

(b) Weighted average number of shares (000)	2009	2008
	Weighted average number of ordinary shares for basic earnings per share	29,141

In August 2009, the company issued 7,837,941 shares at 6 cents each pursuant to a Share Purchase Plan.

Share options have been excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future, in accordance with NZ IAS 33, because this would decrease the loss per share.

### (c) Information on the classification of securities

Options granted to employees (including key management personnel) as described in note 19 are considered to be potential ordinary shares and have not been included in the determination of diluted earnings per share as noted above.

## 9. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Group / \$000		Parent / \$000	
	2009	2008	2009	2008
Cash at bank and in hand	2	48	2	48
Short-term deposits	322	811	322	811
Cash and cash equivalents at end of period	324	859	324	859

## 10. CURRENT ASSETS – RECEIVABLES

		Group / \$000		Parent / \$000	
		2009	2008	2009	2008
Trade debtors	(i)	14	50	14	40
Solirna Biosciences Limited		94	-	94	-
IRD – R&D tax credit		-	682	-	682
Sundry receivables		-	42	-	42
Prepayments		79	121	79	121
PPG settlement		2,107	2,107	94	94
Impairment of PPG debt	(ii)	(2,107)	(2,107)	(94)	(94)
		187	895	187	885

- (i) Trade debtors and sundry receivables do not contain impaired assets and are not past due date. It is expected that these balances will be received when due.
- (ii) Impairment of PPG debt: In 2008 a provision for impairment was recognised because there is inherent uncertainty as to whether Pure Power Global Limited (PPG) will repay the debt.

### (a) Movements in Provision

	Group / \$000		Parent / \$000	
	2009	2008	2009	2008
At 1 January 2009	2107	-	94	-
Arising during the year	-	2,107	-	94
At 31 December 2009	2,107	2,107	94	94

## 11. NON-CURRENT ASSETS – INVESTMENTS

### (i) Available for sale investment

	Group / \$000		Parent / \$000	
	2009	2008	2009	2008
Shares - unlisted (available for sale)	744	744	-	-
Provision for impairment of investment	(744)	(744)	-	-
Net	-	-	-	-

Due to inherent uncertainty as to the value of the investment in Pure Power Global Limited, a provision for impairment loss was recognised in 2008.

The fair value of the investment interest in Real Time Genomics Inc has been assessed as Nil (refer Note 4biii).

### Movements in Provision

	Group / \$000		Parent / \$000	
	2009	2008	2009	2008
At 1 January 2009	744	-	-	-
Arising during the year	-	744	-	-
At 31 December 2009	744	744	-	-

### (ii) Investment at fair value through profit or loss

#### (a) Investment details

	Group / \$000		Parent / \$000	
	2009	2008	2009	2008
<i>Unlisted</i>				
Solirna Biosciences Limited	1,000	-	1,000	-

The investment in Solirna Biosciences Limited has been designated at fair value through profit or loss. Solirna is not accounted as a subsidiary because Genesis only has significant influence on Solirna but does not have control, as the other major shareholder has certain veto and special voting rights.

The investment is not accounted for as an “investment in associate” under NZ IAS 28, as this standard is not applicable to investments in associates held by venture capital organisations, that upon initial recognition are designated at fair value through profit or loss and accounted for in accordance with NZ IAS 39 *Financial Instruments: Recognition and Measurement*. Such

investments are measured at fair value in accordance with NZ IAS 39, with changes in fair value recognised in profit or loss in the period of the change.

The fair value of the investment in Solirna was calculated using a valuation technique. The fair value was based on the cash investment in Solirna by the other party and taking into consideration relative ownership interests.

## 12. RELATED PARTY DISCLOSURE

### (a) Subsidiaries

The consolidated financial statements include the financial statements of Genesis Research and Development Corporation Limited (Genesis) and the subsidiaries listed in the following table.

	Equity Percentage Held		Country of Incorporation	Balance Date
	2009	2008		
AgriGenesis Biosciences Limited	100*	100*	NZ	31 December
BioGenesis Limited	100*	100*	NZ	31 December
BioStore NZ Limited	100*	100*	NZ	31 December
Genesis Employee Fund Limited	100*	100*	NZ	31 December

\* Non-trading

### (b) Key management personnel

Details relating to key management personnel, including remuneration paid, are included in note 18

### (c) Related party transactions

The following transactions were carried out with related parties:

	2009 \$000	2008 \$000
<i>Parent: Subsidiaries (outstanding balance)</i>		
Intercompany Payable to AgriGenesis AgriGenesis does not have a bank account so Genesis paid for all the expenses and received all income on behalf of AgriGenesis. The movement in 2009 is due to the disposal of fixed assets by AgriGenesis and depositing the proceeds into Genesis' bank.	1,825	1,802
<i>Related Third Party</i>		
BioCommSquare Pty Limited A member of the Genesis board of directors is also the chief executive officer of BioCommSquare. Genesis paid BioCommSquare for consultancy services for market research and business development (such as licensing) with international biotechnology and pharmaceutical companies. No costs have been charged since February 2009.	20	82
<i>Associate Party</i>		
Solirna Biosciences Limited		
(i) Genesis transferred intellectual property to Solirna at a fair value of \$1million. This has been treated as revenue for Genesis.	1,000	-
(ii) Genesis charged Solirna Biosciences for performing science experiments	492	-
(iii) Solirna owes Genesis (refer to Note 10)	94	-

### (d) Terms and conditions of transactions with related parties

Outstanding intercompany balances to related parties outstanding at year-end are unsecured and interest free.

### 13. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December	Group – 2009 / \$000			Group – 2008 / \$000			Group / \$000	
	Scientific Equipment	Leasehold Improvements	Furniture & Computers	Scientific Equipment	Leasehold Improvements	Furniture & Computers	Total 2009	Total 2008
At 1 January, net of accumulated depreciation	118	-	(8)	78	338	39	110	455
Additions	-	-	-	129	-	24	-	153
Disposals	(2)	-	-	(3)	(332)	-	(2)	(335)
Depreciation recovered for disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	(20)	(1)	(36)	-	(57)
Depreciation charged for the year	(83)	-	8	(66)	(5)	(35)	(75)	(106)
At 31 December, net of accumulated depreciation	33	-	-	118	-	(8)	33	110
Cost or fair value	3,491	1,244	521	4,565	1,244	912	5,256	6,721
Accumulated depreciation	(3,458)	(1,244)	(521)	(4,447)	(1,244)	(920)	(5,223)	(6,611)
Net carrying amount	33	-	-	118	-	(8)	33	110

Year ended 31 December	Parent – 2009 / \$000			Parent – 2008 / \$000			Parent / \$000	
	Scientific Equipment	Leasehold Improvements	Furniture & Computers	Scientific Equipment	Leasehold Improvements	Furniture & Computers	Total 2009	Total 2008
At 1 January, net of accumulated depreciation	118	-	(8)	76	338	39	110	453
Additions	-	-	-	129	-	24	-	153
Disposals	(2)	-	-	(2)	(332)	-	(2)	(334)
Depreciation recovered for disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	(20)	(1)	(36)	-	(57)
Depreciation charged for the year	(83)	-	8	(65)	(5)	(35)	(75)	(105)
At 31 December, net of accumulated depreciation	33	-	-	118	-	(8)	33	110
Cost or fair value	3,023	1,244	521	3,822	1,244	912	4,788	5,978
Accumulated depreciation	(2,990)	(1,244)	(521)	(3,704)	(1,244)	(920)	(4,755)	(5,868)
Net carrying amount	33	-	-	118	-	(8)	33	110

### 14. TRADE AND OTHER PAYABLES

	Group / \$000		Parent / \$000	
	2009	2008	2009	2008
Trade payables	95	41	95	41
Accruals	136	135	136	135
Non trade payables	5	30	5	29
	236	206	236	205

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

### 15. PROVISIONS

	Group / \$000		Parent / \$000	
	2009	2008	2009	2008
Annual leave	118	195	118	195
Directors' fees	53	48	53	48
Other	3	-	3	-
	174	243	174	243

### 16. CONTRIBUTED EQUITY

	Group / \$000		Parent / \$000	
	2009	2008	2009	2008
Ordinary shares issued and fully paid	76,506	76,506	76,506	76,506
Share Purchase Plan - issued and fully paid	469	-	469	-
	76,975	76,506	76,975	76,506

Ordinary Shares <i>Movement in ordinary shares on issue</i>	Group / 000		Parent / 000	
	2009	2008	2009	2008
At 1 January	26,127	26,127	26,127	26,127
Share Purchase Plan - issued and fully paid	7,838	-	7,838	-
	33,965	26,127	33,965	26,127

In August 2009, the company issued 7,837,941 shares at 6 cents each pursuant to a Share Purchase Plan (SPP). Genesis offered each eligible shareholder between NZ\$1,000 and NZ\$5,000 worth of new fully paid ordinary shares in a capital raising initiative. Under NZSX listing rules the maximum number of shares that could be issued to shareholders under this Plan without shareholder approval was 7,838,040. The SPP was over subscribed by 37% and all applications were reduced on a pro rata basis.

All ordinary shares do not have a par value. They have equal voting rights and share equally in dividends and surplus on liquidation.

There were no options converted to ordinary shares during the year (2008: nil). 1,008,000 options were outstanding and 492,000 options were still unallocated. See note 19. All options have no voting rights.

### Capital Management

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

## 17. RECONCILIATION OF NET PROFIT / (LOSS) AFTER TAX TO NET CASH FLOWS FROM OPERATIONS

	Group / \$000		Parent \$000	
	2009	2008	2009	2008
Reported net Profit / (Loss) after taxation	(776)	(7,290)	(790)	(4,622)
<b>Add back non-cash items:</b>				
Depreciation	76	106	76	105
Share based payments	26	2	26	2
Sale of fixed asset	(51)	305	(33)	323
Provision for impairment of receivable from PPG	-	2,107	-	94
Provision for impairment of property, plant and equipment	-	57	-	57
Provision for impairment of Investment	-	744	-	-
Receipts classified as investing cash flow	-	-	(23)	(199)
Sale of technology to Solirna	(1,000)	-	(1,000)	-
	(949)	3,321	(954)	382
<b>Movement in working capital:</b>				
(Increase)/Decrease in Receivables	708	(476)	698	(593)
Increase/(Decrease) in accounts payable	54	(56)	54	(57)
Increase /(Decrease) in accruals	1	(362)	1	(341)
Increase)/(Decrease) in employee entitlements	(69)	128	(69)	128
Increase /(Decrease) in non trade payables	(25)	(60)	(24)	(34)
Increase /(Decrease) in intercompany funding	-	-	23	162
	669	(826)	683	(735)
Net cash inflow from (used in) operating activities	(1,056)	(4,795)	(1,061)	(4,975)

## 18. KEY MANAGEMENT PERSONNEL

### Compensation for Key Management Personnel

	Group / \$000		Parent / \$000	
	2009	2008	2009	2008
Short-term employee benefits	633	921	633	921
Share-based payment	21	2	21	2
Director's remuneration	89*	210	89*	210
Total compensation	743	1,133	743	1,133

\* includes \$53,000 accrued but not paid.

## 19. SHARE BASED PAYMENTS

The expense recognised for employee services received during the year is shown in the table below:

	Group \$000		Parent \$000	
	2009	2008	2009	2008
Opening ESOP Reserve	209	208	209	208
Recognised as expenses in statement of comprehensive income	26	1	26	1
Closing ESOP Reserve	235	209	235	209

### Types of share-based payment plans

Genesis Employee Fund Limited is the trustee that holds the unallocated share options in Genesis Research & Development Corporation Ltd. When the company decides to grant share options to an eligible employee the trustee then allocates some of the unallocated share options to that employee.

Share options are granted to all staff when they commence employment. When options are granted to employees, the exercise price is set at the weighted average closing sale price of Genesis shares on the NZSX for the three months immediately preceding the date of granting. The company does not require payment for the options. Payment of the exercise price is required if options are exercised by the employee and shares are issued.

The options vest in three tranches: 40% vests after 2 years of service, another 20% vests after 3 years of continual service and the remaining 40% vests after 4 years of employment. When a participant resigns from employment, the vested share options can be exercised within three months after resignation. Any unvested or unexercised options are taken back by the trustee and held as options available for issue to new employees.

In June 2009, the directors approved the issue to employees a bonus share options with a 3 month vesting period of September 2009.

### Summary of options granted under ESOP arrangements

The following table illustrates the number, weighted average exercise price (WAEP), and movements in, share options outstanding during the year:

	Group		Group	
	2009	Group WAEP 2009 \$	2008	Group WAEP 2008 \$
Outstanding at beginning of the year	1,592,485	1.12	1,206,485	1.52
Granted during the year	375,000	0.07	500,000	0.23
Forfeited during the year	(538,757)	0.76	(114,000)	1.46
Exercised during the year	-	-	-	-
Expired during the year	(420,728)	2.98	-	-
Closing balance	1,008,000	0.26	1,592,485	1.12

The outstanding balance as at 31 December 2009 is represented by:

	Exercise Price	Weighted Average Exercise Price	Number not Exercised	Number Vested 2009	Number Vested 2008
Allocated 2009 pool				-	492,485
Allocated 2011 pool	0.07 - 0.52*	\$0.26	1,008,000	991,600	564,800
<b>Total Allocated</b>			1,008,000	991,600	1,057,285
Unallocated 2011 pool			492,000		
<b>Total Options</b>			1,500,000		

As at 31 December 2009, 1,008,000 options (2008: 1,592,485) were outstanding of which 991,600 (2008: 1,057,285) have vested in the name of the individual employees. The remaining outstanding options have an expiry period of between one and two years.

All options have no voting rights. Staff options cannot be transferred and entitlement is dependent on continued employment.

The 1,150,000 options (ESO) issued in 2000 to Genesis Employee Fund Limited, (trustee of the Genesis Employee Share Option Plan) expired on 14 September 2009. A total of 420,728 vested options lapsed.

A further 1,500,000 options, as approved at the annual meeting in March 2002, were issued to the trustee, of which 492,000 remain for future granting to entitled employees. This pool expires in March 2011.

The Board of Directors has the power to appoint or remove trustees of the Employee Share Option Plan. As at 31 January 2010, there were 10 option holders (2009: 29).

**Option pricing model:**

The fair value of the equity-settled share options granted under the ESOP is estimated as at the date of grant using the Black-Scholes Model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the years ended 31 December 2009 and 31 December 2008 and the calculated option value.

	ESO	2009 ESO2	Average	ESO	2008 ESO2	Average
Share Price at Grant Date (\$)	-	0.34	0.34	1.51	0.27	0.37
Expected life of Options (years)	-	4.14	4.14	3.75	4.45	4.40
Volatility (%)	-	65.6%	65.6%	44.4%	62.8%	61.3%
Risk Free Rate (%)	-	6.9%	6.9%	7.0%	7.2%	7.2%
Vesting Period (years)	-	1.45	1.45	1.20	1.61	1.58
Exercise Multiple	-	5.45	5.45	3.00	5.66	5.45
Option Value (\$)	-	0.16	0.16	0.50	0.15	0.17

**Notes:**

Share Price at Grant Date (\$)	Weighted average closing share price over the last three months prior to grant date.
Expected life of Options (years)	The expected life is the average time the option remains unexercised.
Volatility (%)	The long run volatility forecast. This is estimated from the last twelve months' volatility of the closing share price.
Risk Free Rate (%)	The Reserve Bank of NZ wholesale interest rate with a maturity equal to the expected life of the option.
Vesting Period (years)	The period in years during which the options cannot be exercised. It is calculated from the grant date.
Exercise Multiple	This defines the conditions under which employees are expected to exercise their options. It is defined as a multiple of the exercise price when on average employees tend to exercise if the stock price reaches that exercise price.

*ESO – options pool that expired in 2009*

*ESO2 – options pool that expires in 2011*

**20. AUDITORS' REMUNERATION**

The auditor for Genesis Group is Ernst & Young. The amount received or due and receivable by Ernst & Young for services is:

	Group / \$000		Parent / \$000	
	2009	2008	2009	2008
Audit of financial statements	32	50	32	50
Other (accounting advice) Services and disbursements	6	2	6	2
	38	52	38	52

## 21. COMMITMENTS

### Operating Lease commitments

The Group has a commercial property lease for its premises.

Lease commitments under non-cancellable operating leases:

	Group & Parent 2009 / \$000	Group & Parent 2008 / \$000
Not later than one year	338	338
Later than one year and not later than two years	338	338
Later than two year and not later than five years	930	1,014
Later than five years	-	253
Total	1,606	1,943

### Capital commitments

\$Nil (2008: \$Nil)

### Contingent Liabilities

\$Nil (2008: \$Nil)

## 22. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

None

## 23. GOVERNMENT GRANTS

Movement in government grants accrual

	Group / \$000		Parent / \$000	
	2009	2008	2009	2008
At 1 January	-	-	-	-
Received during the year	356	-	356	-
Released to the Statement of Comprehensive Income	(356)	-	(356)	-
At 31 December	-	-	-	-

Government grants were received during the year in the form of cash and have been recorded at fair value. All grants have been completed in 2009 and all expenses related to the grants have been paid.

## 24. FUNDAMENTAL UNCERTAINTY

The financial statements have been prepared on a going concern basis, the validity of which depends on the ability to raise additional capital and funding. The Group will need to raise additional capital to fund corporate expenses and to invest in Solirna Biosciences Limited and other venture capital type of investments. The success of any capital raising depends on the business and scientific progress of the group as well as the market conditions.

A Share Purchase Plan is currently open, allowing existing shareholders to subscribe up to \$15,000 each (less the amount subscribed in August 2009 Share Purchase Plan).

The financial statements do not include any adjustments that would result from a failure to obtain additional capital and funding.

# STATUTORY INFORMATION

## Quoted Equity Security Holder Information

### Distribution of Ordinary Shareholders as at 1 March 2010

Size of Shareholding	No. of Holders	Total Shares Held	%
1-999	415	177,606	0.52
1,000-4,999	917	1,709,808	5.03
5,000-9,999	178	1,102,463	3.25
10,000-99,999	440	13,764,773	40.52
100,000 and over	47	17,210,093	50.68
<b>Total</b>	<b>1,997</b>	<b>33,964,743</b>	<b>100.00</b>

As at 1 March 2010, there were 914 holders with less than a marketable parcel of securities.

### Domicile of Ordinary Shareholders as at 1 March 2010

Country/Region	No. of holders	Total shares held	%
New Zealand	1,794	29,664,898	87.34
Australia	147	3,784,502	11.14
Canada	2	1,200	0.00
China	1	1,000	0.00
Cook Islands	1	2,000	0.01
Czech Republic	1	500	0.00
	1	1,000	0.00
Germany	1	27,500	0.08
Hong Kong	3	12,125	0.04
Indonesia	1	319	0.00
Ireland	1	9,000	0.03
Japan	3	37,550	0.11
Malaysia	1	3,000	0.01
Netherlands	1	10,000	0.03
Poland	1	500	0.00
Singapore	1	3,200	0.01
Spain	1	100	0.00
Switzerland	1	50,166	0.15
Taiwan	1	2,000	0.01
Timor-Leste	1	1,500	0.00
Turkey	1	500	0.00
U.S.A.	19	325,809	0.96
United Kingdom	13	26,374	0.08
<b>Total</b>	<b>1,997</b>	<b>33,964,743</b>	<b>100.00</b>

### Top Twenty Ordinary Shareholders as at 1 March 2010

Name	Total shares held	%
Accident Compensation Corporation	4,370,000	12.87
Piat Corp Pty Ltd	1,081,637	3.18
Sierra Asset Limited	890,000	2.62
J M Donougher	821,700	2.42
The Old Brewery Company Pty Ltd	586,500	1.73
J D Watson & G J Stevens	568,037	1.67
C Donougher & J E Donougher	556,000	1.64
J N Mclean	540,949	1.59
M H Watson & L B Richards	507,088	1.49
Pillage Investments Pty Limited	450,000	1.32
Rotorua Trust Perpetual Capital Fund Ltd	400,000	1.18
Investment Custodial Services Limited	361,809	1.07
Ohau Properties Limited	360,949	1.06
J & J von Roy	310,949	0.92
J D Honeywell	300,000	0.88
N M Birchall & J Smith	260,949	0.77
Citibank Nominees (New Zealand) Ltd	253,200	0.75
Engn Ltd	250,000	0.74
A R Millward & A J Nicholson	240,224	0.71
J Silcock	230,949	0.68
TOTAL	13,340,940	39.29

### Disclosure of Substantial Security Holdings

The following Substantial Security Holders have, as at 1 March 2010, disclosed holdings of relevant interests in the voting securities of the Company:

Substantial Security Holders	Number of Shares
Accident Compensation Corporation	4,370,000
N S Bagnall	4,427,435

The total number of issued voting securities of the Company at 1 March 2010 was 33,964,743.

### Principal Activities

The company's principal activity in the year was commercialising scientific research.

### Directors Holding Office during the Year

Andrew John Hubert Gearing

Steven Gillis

James Neil McLean

Joachim Herbert von Roy

Stewart James Washer

**Equity Securities Held by Directors and Associated Persons of each Director as at 1 March 2010:**

Director	Year	Beneficial		Non Beneficial	Associated Parties
S Gillis	2009	160,950	Shares	-	-
	2008	25,000	2009 \$6.60 Options	-	-
		100,000	Shares	-	-
J N McLean	2009	540,950	Shares	492,000 Options*	53,000 Shares
	2008	480,000	Shares	1,057,515 Options*	53,000 Shares
J H von Roy	2009	310,950	Shares	492,000 Options*	-
	2008	250,000	Shares	1,057,515 Options*	-
S J Washer	2009	-	-	-	-
	2008	-	-	-	-
A J H Gearing	2009	63,950	Shares	-	-
	2008	-	-	-	-

\*492,000 options (2008, 1,057,515) held as Directors of Genesis Employee Fund Limited, trustee of the Employee Share Option Plan.

**Entries in the Interests Register**

**A J H Gearing** is the CEO of, and a shareholder in, Biocommsquare Pty Ltd, an international life sciences business development company based in Melbourne, Australia that provides business development services to Genesis. He is a director of CNSBio Pty Limited and BioMelbourne Network.

**S Gillis** is a managing director of ARCH Venture Partners, Chairman of VLST Corporation Inc., Qwell Pharmaceuticals, VentiRx Pharmaceuticals; Spaltudaq Corporation and PhaseRx, a director of Trubion Pharmaceuticals Inc., Allozyne, Variation Biotechnologies Inc., Limerick BioPharma, Magen BioSciences, Accelerator Corporation and Surface Logix Inc. and a shareholder of Amgen, Inc.

**J N McLean** is Chairman of The New Zealand Institute of Plant & Food Research Ltd, deputy chair of the Foundation for Research Science and Technology, R J Hill Laboratories Ltd, and Allan Wilson Centre for Molecular Ecology and Evolution.

**J H von Roy** is Chairman of Phytomedics Inc, Vital Food Processors Ltd, White Biotechnology Pty Limited, a director of Biomatters Ltd, Corra Life Sciences Inc, Encoate Holdings Limited and Roberts & von Roy Associates Limited, a partner of Inventages Venture Capital Investments, a member of BioPacificVentures Investment Committee, an advisor to the Foundation for Research, Science and Technology, shareholder in a number of the companies noted above and in Proacta Inc, CoDa Limited, Source Precision Medicine Inc, PhotoNZ Corporation Limited and Cytran Ltd.

**S J Washer** is currently a venture partner in Inventages Venture Capital Investments and the Investment Director of IB Managers life science funds. Dr Washer is also Chairman of Resonance Health (ASX:RHT) and Hatchtech Pty Ltd, a director of AusBiotech Ltd, White Biotechnology Pty Ltd and Healthlinx Limited (ASX:HTX), a member of the Senate at Murdoch University and is on the Australian Federal Government Advisory Panel for Industrial Biotechnology.

## Remuneration of Directors

	Group & Parent \$000 2009	Group & Parent \$000 2008
A J H Gearing	15	35
S Gillis	15	35
J N McLean	15	35
J H von Roy	29	70
S J Washer	15	35

## Directors' Insurance

The company has arranged policies of Directors' Liability Insurance that, together with a Deed of Indemnity provide that generally Directors will incur no monetary loss as a result of actions undertaken by them as Directors. The insurance does not cover liabilities arising from criminal activities or deliberate or reckless acts or omissions.

## Use of Company Information

During the year the Board received no notices from Directors of the company requesting to use company information received in their capacity as Directors, which would not otherwise have been available to them.

## Subsidiary Companies

J N McLean is a Director of BioStore NZ Limited.

J N McLean and J H von Roy are Directors of Genesis Employee Fund Limited.

S Gillis and J N McLean are Directors of BioGenesis Limited.

S Gillis, J N McLean, J H von Roy and S J Washer are Directors of AgriGenesis Biosciences Limited.

## Company Secretary

Although under New Zealand law a company secretary is not required, Stephen Hall assumes these responsibilities.

## Remuneration of Group Employees

Remuneration Range	Number of Employees
\$100,001 – 110,000	1
\$170,001 – 180,000	1
\$240,001 – 250,000	1

## Waivers and Exercise of Stock Exchange Powers

### New Zealand Stock Exchange (NZX) Waivers

As an NZSX & ASX dual listed Issuer, the company has been granted a waiver from compliance with rules 11.1.1 and 11.1.4 to allow for restricted securities during an escrow period under ASX Rules. On 18 September 2009 Genesis was granted a waiver from the requirement in Rule 9.2.1 to seek shareholder approval of the transfer of technology to Solirna combined with the proposed issue of equity securities in Solirna to MATF-1 and the execution of the definitive documents and therefore to obtain an Appraisal Report on the transactions as would be required by Rule 9.2.5.

### Australian Stock Exchange (ASX) Waivers

The company has been granted a waiver from a number of ASX Rules to allow for conflicts with New Zealand legislation and NZX Rules. This waiver allows the company to provide certain information and issue securities in accordance with New Zealand legislation and NZX Rules.

The Company has been granted a waiver from ASX Rule 10.13.3 and 10.13.5 to allow the issue of shares to Directors in lieu of cash payments for Directors' fees, up to 31 December 2010.

ASX has also granted Genesis a waiver from Rules 7.1 and 10.11 in respect of the Share Purchase Plan which is currently in operation.

### **Australian Stock Exchange Disclosures**

The company is incorporated in New Zealand under the Companies Act 1993.

The company is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act - Australia, dealing with the acquisition of shares (such as substantial holdings and takeovers). Limitations on the acquisition of shares are imposed by the following New Zealand legislation: Companies Act 1993, Securities Act 1978, Securities Amendment Act 1988, Takeovers Act 1993, Overseas Investment Act 1973, Commerce Act and various regulations promulgated under such Acts.

### **CORPORATIONS ACT – AUSTRALIA DECLARATION**

This declaration is made in accordance with a resolution of the Directors of Genesis Research and Development Corporation Limited (“Genesis”) dated 1 March 2010.

- (a) the financial statements of Genesis and its subsidiaries (“Group”) for the year ended 31 December 2009 and the notes to those financial statements comply with the accounting standards issued by the New Zealand Institute of Chartered Accountants; and
- (b) the Group financial statements and notes give a true and fair view of the financial position and performance of the Group; and
- (c) in the Directors' opinion, there are reasonable grounds to believe that Genesis will be able to pay its debts as and when they become due and payable.
- (d) The Board has been given declarations from the Chief Executive and the Chief Financial Officer that in their opinion the financial records of the company for the financial year have been properly maintained, the financial statements, and the notes for the financial year comply with the accounting standards, the financial statements and notes for the financial year give a true and fair view and any other matters that are prescribed in relation to the financial statements and the notes for the financial year are satisfied.



J H von Roy  
Director  
1 March 2010

# Directory

<p><b>Directors of the Company</b></p> <p><b>J H von Roy (Chairman)</b> One Fox Street Parnell Auckland New Zealand</p> <p><b>A J H Gearing, PhD</b> 27 -31 Wright Street Clayton Melbourne VIC 3168 Australia</p> <p><b>S Gillis, PhD</b> 1000 2<sup>nd</sup> Avenue, Suite 3700 Seattle WA 98104 USA</p> <p><b>J N McLean, BSc (Hons), ACA</b> One Fox Street Parnell Auckland New Zealand</p> <p><b>S J Washer, PhD</b> 105 Hay Street Subiaco WA 6008 Australia</p> <p><b>Chief Executive</b> S G Hall MCom(Hons) CA CTP</p> <p><b>Registered Office</b> One Fox Street Parnell, Auckland, New Zealand Telephone: +64 9 373 5600 Facsimile: +64 9 373 5601 Email enquiries@genesis.co.nz</p> <p><b>Auditor</b> Ernst &amp; Young 41 Shortland Street, Auckland New Zealand</p> <p><b>ARBN:</b> 092 515 369</p> <p><b>Website:</b> www.genesis.co.nz</p>	<p><b>Investor Enquiries &amp; Change of Address Notification</b></p> <p><b>Share Registrar New Zealand</b> Computershare Investor Services Limited Level 2, 159 Hurstmere Rd Takapuna, Auckland Private Bag 92 119, Auckland 1142 Telephone: +64 9 488 8777 Facsimile: +64 9 488 8787</p> <p><b>Share Registrar Australia</b> Computershare Investor Services Pty Limited GPO Box 242, Melbourne Vic 3001 Freephone: 1 800 501 366 or Telephone: +61 3 9415 4083 Facsimile: +61 3 9473 2009</p> <p><b>Sharemarket Ticker Symbols</b> New Zealand NZSX: GEN Australia ASX: GEN</p> <p><b>Solicitors</b></p> <p><b>New Zealand</b> Lowndes Jordan Level 22, The ANZ Centre 23-29 Albert Street, Auckland P O Box 5966, Auckland</p> <p>Buddle Findlay PricewaterhouseCoopers Tower 188 Quay Street, Auckland P O Box 1433, Auckland</p> <p><b>Australia</b> Allens Arthur Robinson The Chifley Tower 2 Chifley Square, Sydney, NSW 2000 GPO Box 50, Sydney, NSW 2001 Australia</p> <p><b>United States of America</b> Womble Carlyle Sandridge &amp; Rice PLLC 222 Delaware Avenue, 15th Floor Wilmington, DE 19801 USA</p>
---	--