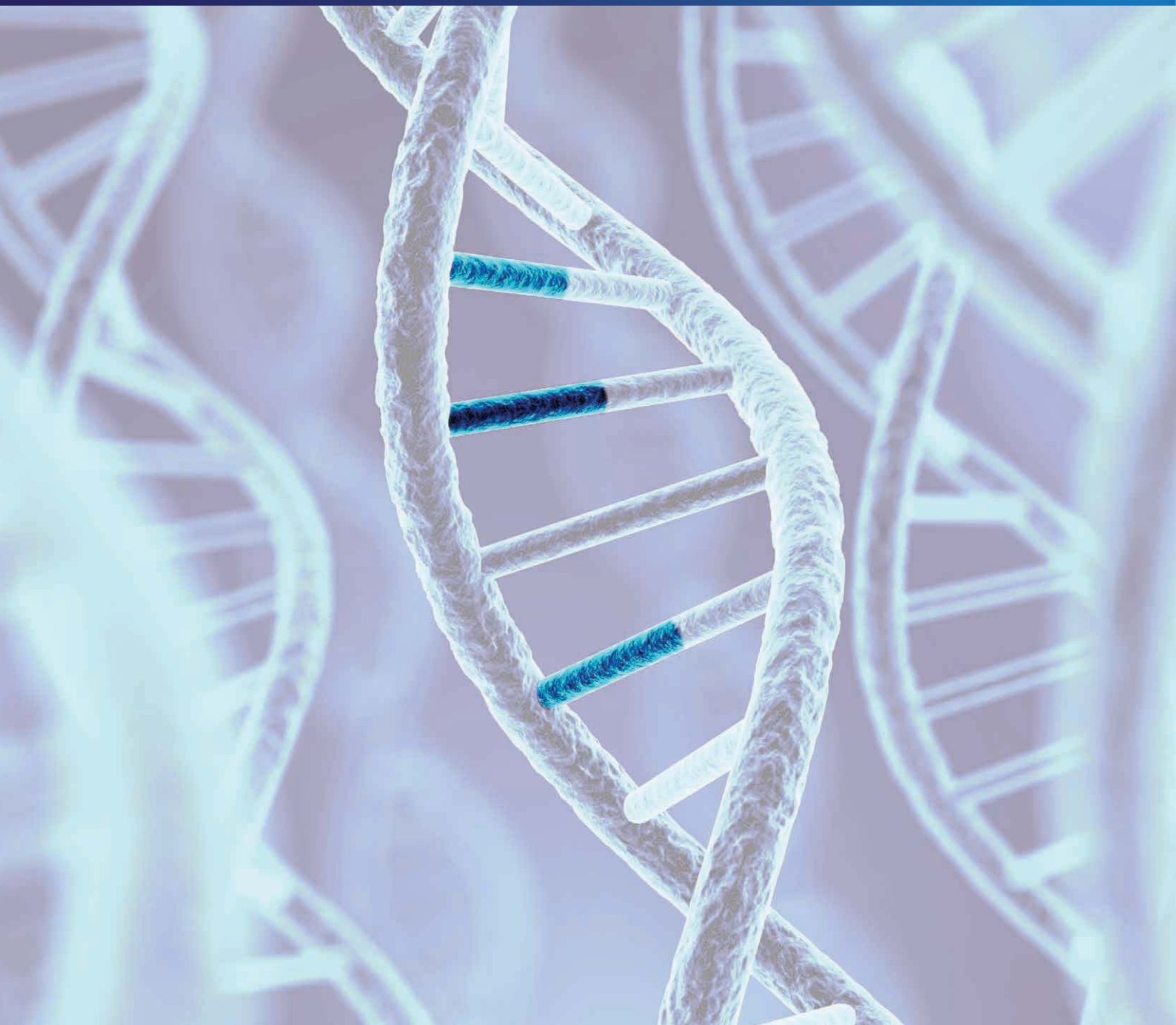




# Annual Report 2018



# Our Purpose & Vision

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Genetic Signatures is a molecular diagnostics (MDx) company focused on the development and commercialisation of its proprietary **3base™** platform technology. Our aim is to become a global leader in the supply of diagnostic solutions for the rapid detection of infectious diseases to enable faster treatment and facilitate improved patient outcomes.

Our proprietary **3base™** technology (the cornerstone of our *EasyScreen™* Pathogen Detection Kits) reduces the genetic complexity of infection detection in molecular testing. Our simpler tests enable hospital and pathology facilities to use standard equipment and procedures to more accurately screen for a wide array of infectious diseases (pathogens) and deliver enhanced results in hours, not days, as compared to traditional methods.

Timely accurate diagnosis improves patient outcomes and allows the implementation of appropriate infection control measures that reduce costs and save lives. Through minimising work and maximising results, Genetic Signatures drives customer and shareholder value whilst improving community health outcomes across the globe.

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# Chairman's Letter

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Dear Fellow Shareholder,

Thank you for your continued support over the past year.

The 2018 financial year represented another important year of progress for Genetic Signatures. It was an inflection point in many respects for our expansion initiatives, with the commercial release of several key products and new sales milestones achieved in North America and Europe.

Genetic Signatures' domestic revenue base continued to grow significantly to A\$2.8 million in FY18, up from A\$2.0 million in FY17. This reflects a strong foothold in the domestic molecular diagnostics market having secured contractual relationships with top tier Australian customers. Our home market momentum continues and in August 2018, closely following our financial year end, we signed our largest domestic contract to date with Australian Clinical Laboratories.

Internationally, we have achieved several significant milestones that closely align with our intended FY18 commercialisation strategy. Maiden sales were achieved in North America for our Analyte Specific Reagent (ASR) products and we continue to work with several US-based laboratories who are currently assessing the overall potential of our wider product range. Furthermore, we are on course to attain FDA clearance for our Enteric Protozoan Detection Kit which will unlock significant commercial market share in North America. In Europe I am pleased to also report that our product footprint is progressing following similar regulatory approval advancements.

Genetic Signatures' continued international expansion remains a clear focus for the Company and is central to the established strategy of bringing our innovative products to the world.

Our **3base™** technology provides us with a significant competitive advantage in capturing global market share whilst leading to better patient outcomes and ultimately, saving lives.

We also launched several new detection kits in FY18 thanks to our high calibre product development team executing on a clear commercialisation strategy. Genetic Signatures received TGA and CE-IVD registrations for the Enteric Viral product and the ESBL & CPO (antibiotic resistance) Detection Kit over the course of the year and we also successfully released the beta-stage of our popular second-generation Respiratory Detection Kit in September 2017.

As the Company's long-term strategy continues to advance, I look forward to the opportunities that the coming year will bring for both Genetic Signatures and its shareholders.

None of the tremendous achievements of recent years would have been possible without the hard work of both our executive and support teams across Australia, Europe and North America.

Finally, let me take this opportunity to thank our shareholders for their continued support of our business model that aims to unlock further revenues and drive strategic value within the molecular test portfolio.

A handwritten signature in dark blue ink, reading 'N Samaras'.

Dr Nick Samaras  
Chairman

# CEO Operations

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Genetic Signatures achieved sales revenues of \$2,840,115 in the financial year ended 30 June 2018, representing a 39% increase over the previous year.

This strong performance reinforces our commitment to an international commercialisation strategy focused on product development and securing regulatory approval and sales in the US, Europe and Australia.

At the beginning of the 2018 financial year Genetic Signatures laid out plans to extend its domestic and overseas footprint whilst realising early revenue from existing and new products. Having accelerated our research and development program in FY17, the Company has put commensurate effort into securing regulatory approvals for an expanded product portfolio in the year just ended.

As a result, Genetic Signatures successfully secured full regulatory registration for its *EasyScreen™* Enteric and ESBL & CPO Detection Kits in Europe and Australia. We also anticipate that our Respiratory, STI / Genital and Flavivirus / Alphavirus Detection Kits will secure CE-IVD and TGA registration following the conclusion of validation work and trials that are now underway.

Similar positive momentum has been made in the US, where FDA work for the Company's Enteric Protozoan Kit are well advanced, and we expect that it will achieve full FDA clearance during 2019. With a robust North American infrastructure and intellectual property measures in place, Genetic Signatures is ready to scale up its commercial operations once US approval is secured.

The Company again participated in several high-profile industry events in FY18 that subsequently helped generate further positive brand recognition and cross portfolio interest from multiple stakeholders. Encouragingly, this led to significant new and repeat customer sales orders from home and abroad.

These include the first sale and repeat order of our ASR product offering in the US, repeat orders of our early release *EasyScreen™* Respiratory and Flavivirus / Alphavirus Detection Kits to a US customer based

in Kenya, and the formation of a new commercial relationship for our second-generation Respiratory Detection Kit with a large Australian pathology service provider.

Over the course of the next financial year Genetic Signatures will continue using its home market advantage to drive revenue growth and market share. There will be new products released into the Australian market, forming the basis for subsequent approvals and release in the US and Europe as part of our overall international commercialisation strategy.

Having moved into larger Sydney R&D facilities and increasing our international sales team in FY18, Genetic Signatures remains committed to ongoing product validation and development whilst further readying our sales and distribution networks to meet the needs of a fast growing MDx market and improving community health outcomes across the globe.

I look forward to updating you on all our accomplishments in the coming year.



Dr John Melki  
Managing Director and CEO



# FY18 Product Update

Having received full regulatory registration for both our *EasyScreen™* Enteric Detection range and ESBL & CPO Detection Kit in Europe and Australia, Genetic Signatures continues to work on securing similar approvals for our STI and respiratory products whilst continuing to drive regulatory developments in the US.

Following positive early customer interest in our *EasyScreen™* Flavivirus and STI Detection Kits, the Company is now focused on accelerated validation and development of both our current and new product range, including advanced research and development of three new diagnostic products.

Several new product global trials are underway or will shortly commence.

● Trials underway
○ Approval process underway
● Fully approved
✓ ASRs available for sale

<i>EasyScreen™</i> Detection Kits <sup>1</sup>	AUS	EU	USA	FY18 Key highlights
<b>Enteric Detection Kits</b> <i>Comprehensive suite that provides combined detection for 20+ enteric pathogens (including Salmonella, Protozoan and C. difficile Bacteria)</i>	●	●	○	<ul style="list-style-type: none"> <li>- Trials and regulatory approval processes underway in the US for Protozoan kit</li> <li>- Full regulatory registration in Europe (CE-IVD) and Australia (TGA)</li> </ul>
<b>ESBL &amp; CPO Detection Kit</b> <i>Detects both the Extended Spectrum Beta-Lactamase and Carbapenemase Producing Organisms ('Superbugs')</i>	●	●	✓	<ul style="list-style-type: none"> <li>- Maiden sales from large European healthcare entity</li> <li>- European regulatory registration (CE-IVD) achieved in April 2018</li> <li>- Domestic registration (TGA) in May 2018</li> <li>- ASRs available in the USA</li> </ul>
<b>Respiratory Detection Kit</b> <i>Comprehensive suite that provides combined detection test for 15 respiratory pathogens (including Influenza A &amp; B, Rhinovirus and M. pneumonia)</i>	○	○	✓	<ul style="list-style-type: none"> <li>- Generated record September 2017 quarter sales following seasonal strong domestic demand</li> <li>- Continued progress towards submission for regulatory registration in Australia and Europe</li> <li>- Supplied in international markets</li> <li>- ASRs available in the USA</li> </ul>
<b>STI / Genital Detection Kit</b> <i>Simultaneously detects the 12 most commonly encountered STIs (including chlamydia, gonorrhea and syphilis)</i>	○	○	✓	<ul style="list-style-type: none"> <li>- Continued progress towards regulatory registration in Europe and Australia</li> <li>- Revenue generated from sales in Australia for research use only version</li> <li>- ASRs available in the USA</li> </ul>
<b>Flavivirus / Alphavirus Pathogen Detection Kit</b> <i>Simultaneously screens for a variety of Flavivirus and Alphavirus viral families (including Zika and West Nile virus)</i>	○	○	✓	<ul style="list-style-type: none"> <li>- Repeat sales orders from international customers</li> <li>- Continued progress towards submission for regulatory registration in Europe and Australia</li> <li>- Available as ASRs in the USA</li> </ul>
<b>Meningitis (Viral/Bacterial) Kit</b> <i>Offers rapid diagnosis for multiple strains of life-threatening Meningitis</i>	●		✓	<ul style="list-style-type: none"> <li>- In development stages</li> <li>- Selected targets available as ASRs in the USA</li> </ul>
<b>Atypical Respiratory Kit</b> <i>Simultaneously detects leading causes of bacterial respiratory infection</i>				<ul style="list-style-type: none"> <li>- In development stages</li> </ul>

<sup>1</sup> Pathogens detected by product in Appendix.

# Company

Genetic Signatures Limited (ASX: GSS) is a molecular diagnostics (MDx) company operating in the global in vitro diagnostics (IVD) market. The Company designs and manufactures proprietary molecular diagnostic test solutions for rapid and specific identification of infectious diseases.

All our products are underpinned by our proprietary **3base™** technology, which is fundamentally different from other types of molecular tests. Our portfolio of commercial products is expanding both in breadth of targets and international availability, with the Company focused on driving commercialisation in Europe and North America.

Genetic Signatures holds significant competitive IP around its core **3base™** technology, which is utilised in all its *EasyScreen™* Detection Kits. **3base™** technology is compatible with the modern molecular diagnostic techniques increasingly used by hospitals and pathology laboratories to more rapidly detect specific sequences of the genome, the DNA or RNA that define organisms.

**3base™** technology is a working example of modern and innovative science that is effective, efficient and allows for wider examination of possible pathogens, which in turn saves time, money and lives.

Genetic Signatures has an experienced management team and Board of Directors with a strong track record of delivering shareholder returns for companies operating in the global molecular diagnostics industry.

# Results

Genetic Signatures achieved sales revenues of \$2,840,115 in the financial year ended 30 June 2018, underscoring the success of its market penetration strategy and the market's acceptance of its **3base™ EasyScreen™** Detection Kits.

The Company posted a net loss for FY18 of \$3,253,809 representing a 22% increase on the previous year, largely driven by the acceleration of the Company's international commercialisation strategy as well as an increase in employee benefits expense. The operating loss for FY18 includes non-cash depreciation of \$631,795, up from \$478,699 in FY17.

Expenses for FY18 totalled \$8,477,546, a 21% increase over last year (June 2017: \$6,983,510). The Research and Development Tax Concession resulted in \$2,015,637 received in 2017 (restated) and it is estimated that this year's amount will be \$2,143,424.

# Executing a Global Strategy for Commercialisation

In addition to growing our home market share, Genetic Signatures' operational focus continues to be on ramping up our North American and European sales efforts to capture share of the largest expanding MDx markets, which in 2017 were collectively estimated to be worth US\$7.6bn<sup>2</sup> and are forecast to grow at an above-system CAGR of 9.3% from 2015 to 2020.

Genetic Signatures remains focused on driving sales in both our international and domestic markets through distribution and direct sales activities.

As such the Company has made strong progress on executing its FY18 global growth strategy. During this period Genetic Signatures successfully accelerated the approval of its *EasyScreen*<sup>™</sup> product range across all key markets and over time we expect our expanding product range to drive further revenue in other product categories, which in turn will drive shareholder value.

## Delivering Value Through an Expanded Footprint

Collectively Australia, Europe and the US represent more than 80% of the global market. Our footprint in North America and Europe grew throughout the year as we launched a number of existing and new products in those markets.

Genetic Signatures' expanding product portfolio also allows the Company to deliver more products to a much larger global MDx market, significantly enhancing our ability to unlock further revenue and strategic value whilst reducing commercial risk. Throughout FY18, the Company continued to receive significant interest in our new products from existing and new customers as well as other industry stakeholders as we expanded our product range. We expect this trend to continue into the future as global concern for infectious diseases, including sexually transmitted diseases and antibiotic resistant pathogens continues to grow.

To help build awareness and ensure that Genetic Signatures is well positioned to capitalise on the growing MDx market the Company has continued to focus on active attendance at key industry events.

## Participation at major presentations and exhibits in FY18 include:

- Presenting "A **3base**<sup>™</sup> Real-Time Multiplex-PCR method for the detection of Extended-Spectrum  $\beta$ -Lactamases (ESBL) and Carbapenemase-Producing Organisms (CPO)" at the Australian Society for Microbiology Annual Scientific Meeting (ASM) 2017 (Hobart, 3-5 July 2017);
- Presenting "Results on the development of a **3base**<sup>™</sup> Flavivirus and Alphavirus *EasyScreen*<sup>™</sup> Detection assay" at the 2017 ASM Tri-State Scientific Meeting & Parasitology Masterclass (Darwin, 22-25 September 2017);
- Presenting "Rapid, Sensitive and Automated Detection of Pathogenic Targets with the Multiplexed *EasyScreen*<sup>™</sup> **3base**<sup>™</sup> Assays" at The European Meeting on Molecular Diagnostics (EMMD) (Noordwijk, Netherlands, 11-13 October 2017);
- "Exhibiting at the 25th International Molecular Medicine Tri-Conference (MMTC) (San Francisco, 12-14 February 2018);
- Presenting "Evaluation of the *EasyScreen*<sup>™</sup> CPO **3base**<sup>™</sup> real-time PCR assay for detection of carbapenemase genes directly from rectal swabs" at ECCMID (Madrid, Spain, 21-24 April 2018), with a summary of results presented at ASM 2018 (Brisbane, 1-4 July 2018) and the Molecular Microbiology Meeting (Sydney, 11-12 April 2018);
- Presenting "Comparison of the performance of three different adenovirus quantitative PCR assays with ATCC reference strains and clinical samples" at the American Society for Microbiology (ASM) Clinical Virology Symposium (West Palm Beach, Florida, 6-9 May 2018);
- Presenting "**3base**<sup>™</sup> technology and application for fast PCR detection of antibiotic resistance" at the 2018 NGS, dPCR & qPCR Symposium (Sydney, 24-25 May 2018);
- Presenting "Clinical Evaluation of the *EasyScreen*<sup>™</sup> Enteric Viral Detection Kit" at the 12th International Symposium on Molecular Diagnostics (ISMD2018) (Graz, Austria, 31 May - 2 June 2018); and,
- Exhibiting at the ASM Microbe 2018 conference (Atlanta, Georgia USA, 7-11 June 2018).

<sup>2</sup>Source: World Market for Molecular Diagnostics, 5th. Edition (Infectious Disease, Oncology, Blood Screening, Pre-Natal and Other Areas) Kalorama Information, Published: 1/9/2013, page 7



# Executing a Global Strategy for Commercialisation cont

**As we continue to drive domestic and international sales, our ongoing focus is to drive shareholder value through:**

- Ensuring ongoing R&D commitment to validation and development of existing and next generation products to unlock future revenues and strategic value within our molecular test portfolio;
- Accelerating revenue and extending our global footprint via our growing distribution network and international sales team;
- Securing regulatory approvals in key regions to accelerate revenue growth across the portfolio; and,
- Continuing to build awareness for Genetic Signatures' brand as a unique and successful global MDx company that is helping solve a global problem through attendance at key industry events and conferences.

## Australia

During the past financial year, Genetic Signatures has successfully progressed several trials with clinical labs and large hospitals in Australia that have further strengthened our current and future potential domestic revenue growth. Existing and target customers include pathology labs, hospitals and large research laboratories. Evolving relationships with top tier customers, particularly those in Victoria and NSW, will increase the likelihood of domestic new product sales.

The Company also successfully completed the transition of our headquarters and R&D facilities to larger Sydney premises during FY18. The move will support our ongoing R&D focus and help accelerate the next phase of Genetic Signatures' operational growth.

In April 2018, we received TGA registration for our *EasyScreen™* ESBL & CPO ('Superbug') Detection Kit, allowing us to sell the kit across Australia in addition to our TGA registered Enteric range. This provides the Company with an exciting opportunity to introduce the kit to our existing and new customers via our direct sales team.

Towards the end of the financial year Genetic Signatures progressed a new commercial relationship with a large Australian pathology service provider. This has resulted in a new customer contract (officially signed in early FY19) for our *EasyScreen™* Respiratory Pathogen Detection Kit (second generation) and new laboratory Instrumentation: Genetic Signatures Automation System (GS1-HT). The new customer may use up to 1,000 tests per day during the peak of the Australian flu season, depending on seasonal flu severity.

Genetic Signatures' strong performance in Australia has validated the commercial potential of our products in overseas target markets where the Company anticipates that further product expansion will similarly drive revenue growth and market share.

Additional products will be released into the Australian market in FY19, and these will form the basis for subsequent approvals and release in both the US and Europe.





## Europe

With an addressable market of approximately US\$435M, representing around 20% of the global molecular diagnostics market<sup>3</sup>, Europe remains a key growth opportunity for Genetic Signatures. Over the last 12 months, the Company has made significant progress in Europe through securing further regulatory approvals and gaining traction with customers.

During FY18, Genetic Signatures successfully accelerated European regulatory registration of our *EasyScreen™* ESBL & CPO ('Superbug') Detection Kit, which followed increasing customer demand in response to the growing concern about antibiotic resistant pathogens. In January 2018, the Company announced it had received maiden revenue from a large European healthcare entity who were trialling the 'Superbug' Detection Kit, which went on to achieve European CE-IVD registration in April 2018. This followed positive trial results from Ireland's National CPE Reference Laboratory that were subsequently presented at the 2018 ECCMID event in Madrid. Commercial release of this product is expected to alleviate challenges in detecting superbugs and provide faster treatment solutions while saving lives.

Genetic Signatures also made significant regulatory progress toward the registration of its *EasyScreen™* Respiratory, STI and Flavivirus / Alphavirus Detection Kits by advancing existing trials and establishing several new trials across Europe. These three products are anticipated to achieve CE-IVD approval in FY19.

The Company has also appointed a new field scientist to support the expanding European sales team. Our growing team will now be able to better assist customer trials which underpin sales for existing and future products. A Value-Added Tax (VAT) deferment program was also established during the year.

## North America

The US represents a significant opportunity for Genetic Signatures, constituting a US\$1,265M addressable market<sup>4</sup> and 50% to 60% of the global molecular diagnostics market. The Company has recently generated its first US revenues and is currently on course to achieving full FDA product clearance for its Enteric Protozoan Detection Kit within 2019.

Genetic Signatures made its commercial launch into the US with its initial Analyte Specific Reagents (ASRs) at a conference in June 2016. The Company has since rapidly expanded its product portfolio to include reagents for Enteric, Respiratory, Flavivirus / Alphavirus, STI pathogens (disease causing microorganisms), ESBL / CPO and Meningitis.

In 2018, Genetic Signatures made significant headway with its ASR products by receiving its first sales contract with a significant US pathology laboratory that offers extensive pathology services to patients. Repeat orders soon followed in May, providing further promising validation of the technology behind our ASR products.

The extensive range of applications of Genetic Signatures' **3base™** platform technology has also led to several other clinical laboratories assessing the potential for ASR products for commercial sale. The Company currently has trials for the *EasyScreen™* Enteric and ESBL & CPO range underway, and these are anticipated to conclude in 2019. Genetic Signatures also secured repeat sales orders for *EasyScreen™* Respiratory and Flavivirus / Alphavirus detection kits from a US customer based in Kenya.

Significant progress has been made towards securing US regulatory clearance for the Company's Enteric Protozoan Detection Kit, which Genetic Signatures anticipates will achieve full FDA listing in 2019.

<sup>3</sup> Source: World Market for Molecular Diagnostics, 5th. Edition (Infectious Disease, Oncology, Blood Screening, Pre-Natal and Other Areas) Kalorama Information, Published: 1/9/2013, page 94.

<sup>4</sup> Source: World Market for Molecular Diagnostics, 5th. Edition (Infectious Disease, Oncology, Blood Screening, Pre-Natal and Other Areas) Kalorama Information, Published: 1/9/2013, page 94.

# Intellectual Property

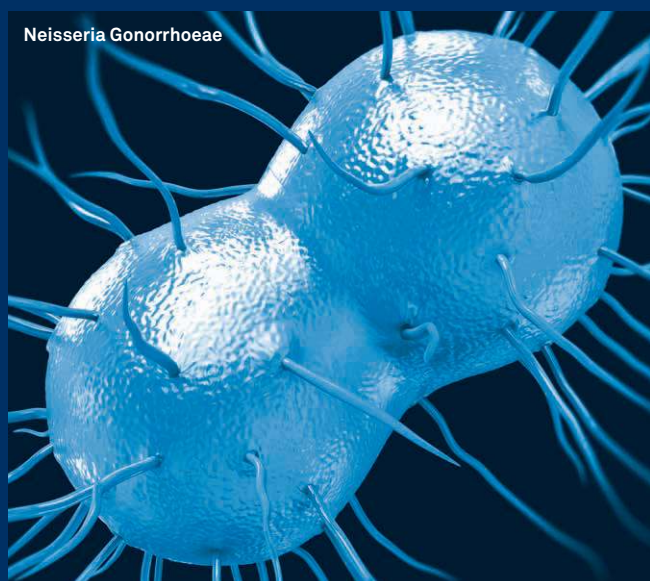
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Genetic Signatures is dedicated to the development and commercialisation of its proprietary **3base™** platform technology.

The Company's product portfolio, including its **3base™** platform technology and products, is covered by issued patents within its target markets until 2031 and beyond in some markets.

Multiple patents have also been issued for more specific uses of **3base™**, including in the competitive US market. The development of Genetic Signatures' unique intellectual property in North America provides a strong platform for future growth into this lucrative market and the Company is now Quality Management System certified for Health Canada.

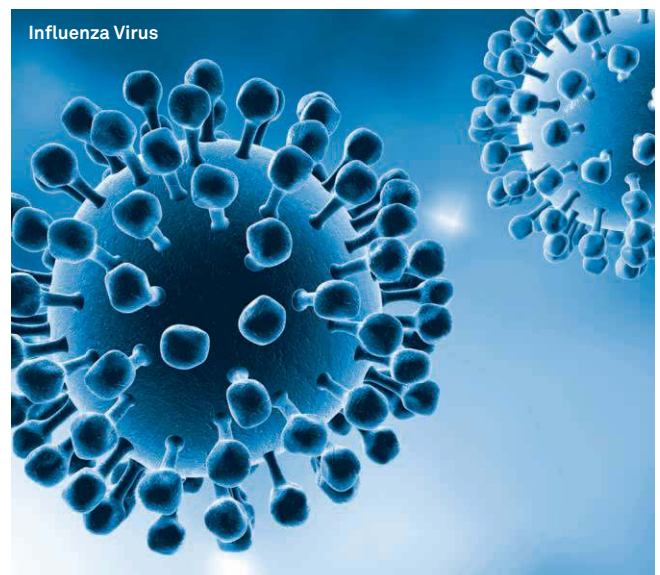
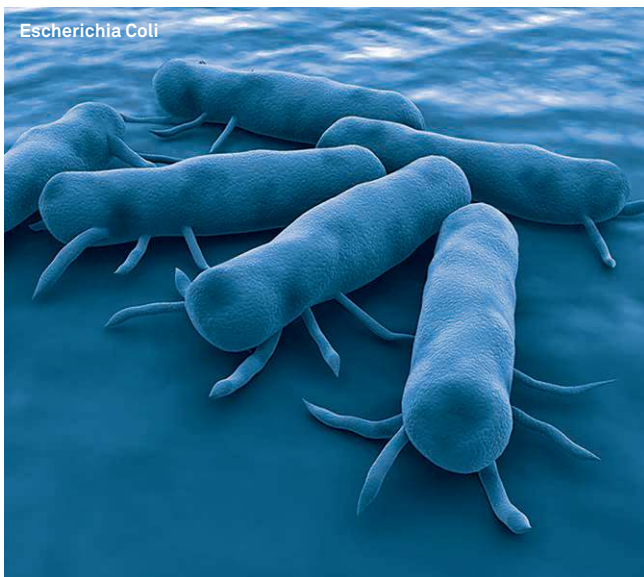
The diversity of experience and wealth of knowledge within Genetic Signatures' team also creates a further barrier to competitors seeking to replicate our technology and advances in the molecular diagnostics space.



# Upcoming Activities

## FY19 Focus

- Financial growth, product range expansion and global market share expansion.
- New global product trials already underway or commencing soon.
- Continued research and development on new kits and assays, including kits for atypical respiratory infections and meningitis.
- Securing regulatory registrations for STI and respiratory products.
- Preparation of above products for commercial release.
- Capitalising on recent enteric product suite regulatory listings in Europe following Australian growth trajectory (addressable market of approximately US\$435M<sup>5</sup>).
- Increasing Genetic Signatures' presence in the US market through sales of its extended ASR range (an addressable market up to approximately US\$1,265M<sup>6</sup>) and participation at industry events.
- Progression of required scientific validation and clinical trials for full FDA listing.



<sup>5</sup> Source: World Market for Molecular Diagnostics, 5th. Edition (Infectious Disease, Oncology, Blood Screening, Pre-Natal and Other Areas) Kalorama Information, Published: 1/9/2013, page 94.

<sup>6</sup> Source: World Market for Molecular Diagnostics, 5th. Edition (Infectious Disease, Oncology, Blood Screening, Pre-Natal and Other Areas) Kalorama Information, Published: 1/9/2013, page 94.







# Commercialisation Progress by Market

## Australia

- Recent relocation to larger facilities to accelerate the next phase of operational growth.
- Secured relationships with top tier customers in NSW and Victoria following clinical trials and attendance at key industry events.
- Customer base in NSW and Victoria has driven strong revenue over last 4 years.
- Strong recent growth of products outside the Enteric suite following the launch of new products.
- Beta-release of 2nd generation Respiratory Detection Kit.
- Launch and TGA approval for *EasyScreen™* ESBL & CPO 'superbug' Detection Kit.

## Europe

- Addressable market of US\$435M.
- Western Europe represents 20% of global molecular diagnostics market.
- Building traction with customers with sales order received across several products.
- Distributors have been hired and testing is underway.
- Field scientist appointed based in Europe and currently adding to the European team.
- Recent CE-IVD registration for the *EasyScreen™* ESBL & CPO 'superbug' Detection Kit.
- Sales logistics being finalised with EU-based warehouse in final legal review.
- Established VAT deferment program.

## North America

- Up to US\$1,265M addressable market.
- US represents 50-60% of global molecular diagnostics market.
- Increasing traction with ASR approach leading to first ASR sales contract received with US pathology laboratory.
- Several labs assessing the potential for ASR products available for sale in the USA.
- Initial trials established with local clinical labs using Genetic Signatures supplied products in FY17:
  - Trials are reaching conclusion.
- Also progressing towards securing FDA clearance for *EasyScreen™* Enteric Protozoan Detection Kit.
- **3base™** technology has patents issued in the US.
- Quality Management System certified for Health Canada.

## Appendix

Product	Pathogens Detected
<i>EasyScreen™</i> C.difficile Detection Kit (CDD001)	(i) <i>Toxigenic C. difficile</i> (targets both <i>tcdA</i> and <i>tcdB</i> )
<i>EasyScreen™</i> C.difficile Reflex Detection Kit (CDD002)	Hypervirulent <i>C. difficile</i> incl. ribotype 027 & 078 targeting: (i) <i>tcdC</i> gene deletion at position 117 (ii) binary toxin gene ( <i>cdtA</i> ) (iii) <i>gyrA</i> gene mutation (fluoroquinolone resistance)
<i>EasyScreen™</i> Enteric Bacteria Detection Kit (EB001/02)	(i) <i>Salmonella</i> spp. (ii) <i>Campylobacter</i> spp. (iii) <i>Shigella</i> spp./Enteroinvasive <i>E.coli</i> (EIEC) (iv) <i>Yersinia enterocolitica</i> (v) toxigenic <i>C. difficile</i> (vi) <i>Listeria monocytogenes</i>
<i>EasyScreen™</i> Enteric Protozoan Detection Kit (EP001/02/4)	(i) <i>Cryptosporidium</i> spp. (ii) <i>Giardia intestinalis</i> (iii) <i>Dientamoeba fragilis</i> (iv) <i>Entamoeba histolytica</i> (v) <i>Blastocystis</i> spp. (vi) <i>Microsporidia</i> spp.
<i>EasyScreen™</i> Enteric Viral Detection Kit (EV002/2-HT)	(i) Norovirus GI (ii) Norovirus GII (iii) Rotavirus (iv) Enterovirus (v) Astrovirus (vi) Sapovirus (vii) Adenovirus universal (viii) Adenovirus 40/41 (ix) Bocavirus
<i>EasyScreen™</i> Extended Spectrum Beta-Lactamase (ESBL) and Carbapenemase-producing organisms (CPO) Detection Kit (BL001)	(i) NDM (ii) KPC (iii) VIM (iv) IMP (v) Oxa-48 (vi) Oxa-181 (vii) Pan-TEM (viii) Pan-SHV (ix) Pan-CTX-M (x) Pan-CMY (xi) Pan-DHA (xii) SME (xiii) GES (xiv) MCR-1 (xv) Oxa-23 like (xvi) Oxa-51

Product	Pathogens Detected
<i>EasyScreen™</i> Respiratory (RP004/5/7)	(i) Influenza A (ii) Influenza B (iii) RSV - A/B (iv) Human Metapneumovirus (v) Parainfluenza 1/3 (vi) Parainfluenza 2 (vii) Rhinovirus (viii) Enterovirus (ix) Adenovirus (x) <i>B. pertussis</i> / <i>B. parapertussis</i> (xi) <i>M. pneumonia</i> (xii) Parainfluenza 4
<i>EasyScreen™</i> Respiratory (RP003)	(i) Coronavirus HKU-1 (ii) Coronavirus OC43 (iii) Coronavirus NL63/229E
<i>EasyScreen™</i> STI / Genital Detection Kit (STI005)	(i) <i>Chlamydia trachomatis</i> (ii) <i>Neisseria gonorrhoeae</i> OpaC (iii) <i>Neisseria gonorrhoeae</i> PorA (iv) <u><i>Lymphogranuloma venereum</i> (LGV)</u> (v) <i>Mycoplasma genitalium</i> (vi) <i>Trichomonas vaginalis</i> (vii) <i>Ureaplasma urealyticum</i> (viii) <i>Ureaplasma parvum</i> (ix) <i>Candida</i> spp. (x) <i>Mycoplasma hominis</i> (xi) <i>Streptococcus agalactiae</i> (xii) <i>Gardnerella vaginalis</i> (xiii) <i>Treponema pallidum</i> (xiv) Herpes simplex virus 1 (xv) Herpes simplex virus 2 (xvi) Varicella zoster virus
<i>EasyScreen™</i> Flavivirus / Alphavirus Pathogen Detection Kit (FA001)	(i) Pan-Flavivirus (ii) Pan-Alphavirus (iii) Rift Valley Fever Virus (RVFV) (iv) Pan-Dengue 1-4 (DENV) (v) Eastern equine encephalitis virus (EEEV) (vi) Zika Virus (ZIKV) (vii) West Nile Virus (WNV) (viii) Western equine encephalitis viruses (WEEV) (ix) Yellow Fever Virus (YFV) (x) Venezuelan Equine Encephalitis Virus (VEEV) (xi) St Louis Encephalitis Virus (SLEV) (xii) Tick Borne Encephalitis Virus (TBEV) (xiii) Ross River Virus (RRV) (xiv) Barmah Forest virus (BFV) (xv) Japanese Encephalitis Virus (JEV) (xvi) O'nyong'nyong virus (ONNV) (xvii) Murray Valley encephalitis (MVE) (xviii) Chikungunya (CHIKV)
<i>EasyScreen™</i> Meningitis (Viral/Bacterial)	- Under Development
<i>EasyScreen™</i> Atypical Respiratory	- Under Development

# Financial Report

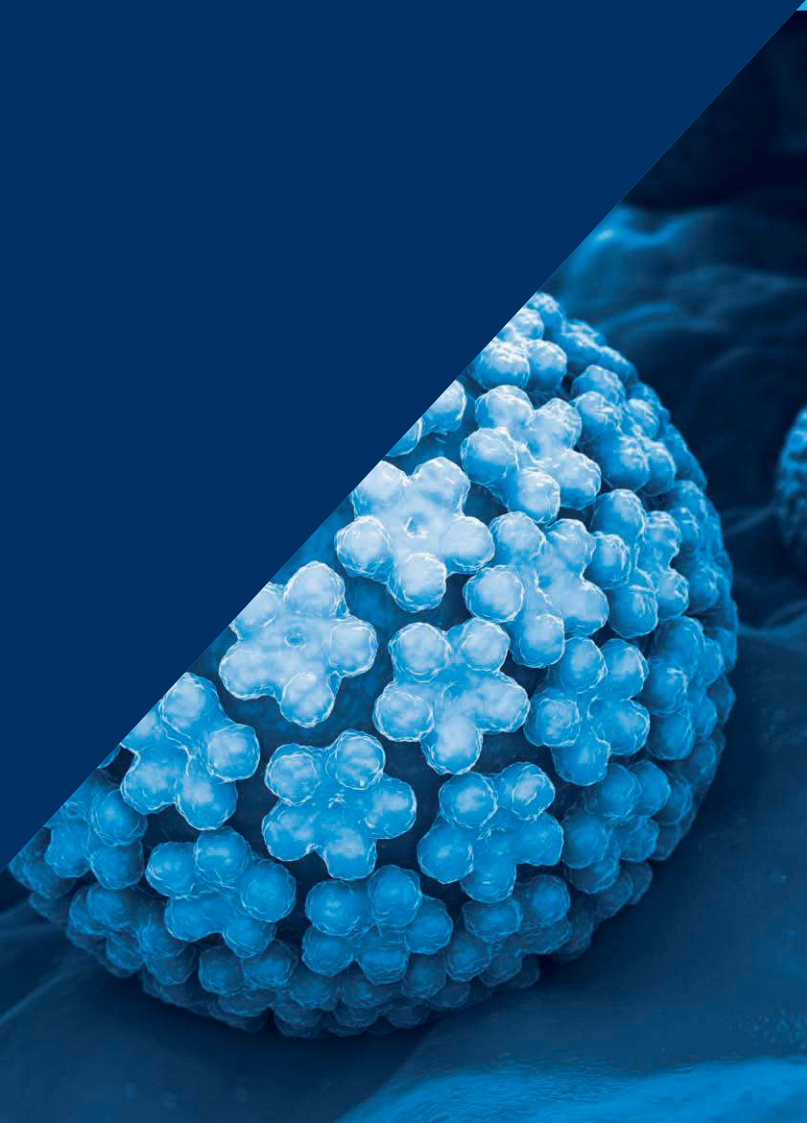
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For the financial year ended 30 June 2018

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# Directors' Report

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## for the financial year ended 30 June 2018

The directors present their report, together with the financial statements, on the company and its controlled entities for the year ended 30 June 2018. This will hereafter be referred to as company, consolidated entity or group.

### DIRECTORS

The following persons were directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Nickolaos Samaras  
John R Melki  
Phillip J Isaacs  
Michael A Aicher  
Anthony J Radford

### PRINCIPAL ACTIVITIES

The principal activities of the Company during the financial year were the research and commercialisation of identifying individual genetic signatures to aid in the diagnosis of infectious diseases and the sale of associated products into the diagnostic and research marketplaces. There have been no significant changes in these activities during the year.

### REVIEW OF OPERATIONS

In the financial year ending 30 June 2018, Genetic Signatures' revenue reached a total of \$2,840,115 representing a 39% increase on the previous year. The strong revenue growth highlights the result of its targeted sales strategy and focus on product development, including first sales in the US and further regulatory approvals in Australia, Europe and the USA.

The Company posted a net loss of \$3,253,809 in FY18, an 22% increase on the restated prior year loss. This was largely driven by the acceleration of the Company's international commercialisation strategy as well as increase in employee benefits expense. The operating loss for FY18 includes non-cash depreciation of \$631,795, up from \$478,699 in FY17.

Genetic Signatures' total expenses increased 21% to \$8,477,546 in FY18 (FY17: \$6,983,510), largely driven by a 22% increase in employee benefits expense (FY18: \$3,723,856) and 66% increase in cost of goods sold (FY18: \$999,699) as product sales increase and the international expansion progresses.

Current assets at 30 June 2018 have decreased by 18% to \$13,458,552 (30 June 2017 restated: \$16,412,536) whilst current liabilities recorded a +1% increase to \$1,198,918 (June 2017: \$1,184,259). The decrease in current assets was driven by the decrease in cash and cash equivalents to \$8,954,775 (30 June 2017: \$13,192,960).

### Product Progress

- Validation of the ASR product offering with the first sale in the US, followed by a repeat order in May
- Received repeat orders of the *EasyScreen*™ Respiratory and Flavivirus / Alphavirus detection kits to a US customer based in Kenya
- Successfully accelerated European and domestic approval of the *EasyScreen*™ ESBL & CPO 'super-bug' Detection Kit in response to increasing customer demand
- Continued progress towards submissions for regulatory approvals of *EasyScreen*™ Respiratory, STI / Genital and Flavivirus / Alphavirus detection kits Europe and Australia
- FDA validation work, including 3 trials for the *EasyScreen*™ Enteric Protozoan kit is progressing in the USA

# Directors' Report

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for the financial year ended 30 June 2018

## Products in Development

- Key products in the development pipeline include:
  - *EasyScreen*™ Meningitis Detection Kit.
  - *Easyscreen*™ Atypical Respiratory Detection Kit.
- Product expansion will drive revenue and market share growth.

## Commercialisation Progress by Market

### *Australia*

- Recent relocation to larger facilities to accelerate the next phase of operational growth.
- Secured relationships with top tier customers in NSW and Victoria.
- Established customer relationships significantly increase ease of new product sales.
- Platform in NSW and Victoria has driven strong revenue over last 4 years.
- Strong recent growth of products outside the Enteric suite.

### *Europe*

- Addressable market of ~US\$435M.
- Western Europe represents ~20% of global molecular diagnostics market.
- Distributors have been hired and testing is underway.
- Field scientist appointed based in Europe and currently adding to the European team.
- Recent CE-IVD registration for ESBL & CPO “superbug” detection kits.
- Sales logistics being finalised with EU-based warehouse in final legal review.
- Building traction with customers with sales order received across several products.
- Established VAT deferment program.

### *North America*

- Up to ~US\$1,265M addressable market.
- US represents 50-60% of global molecular diagnostics market.
- Increasing traction with ASR approach leading to first ASR sales contract received with US pathology laboratory.
- Several labs assessing the potential for ASR products available for sale in the USA.
- Initial trials established with local clinical labs using GSS supplied products in FY17:
  - Trials are reaching conclusion.
- Also progressing towards securing FDA clearance for Enteric Protozoan Detection Kit.
- *3base*™ technology has patents issued in the US.
- Quality Management System certified for Health Canada.

## Commercial Outlook

As a pioneer in diagnostic change, Genetic Signatures is addressing a global health problem by helping major hospitals and pathology labs around the world more rapidly identify a wide range of infections and deliver better health outcomes for millions of people.

Genetic Signatures' global growth strategy continues to focus on regions with regulatory approvals (collectively Australia, Europe and the US represent more than 80% of the global market), extending the Company's overseas footprint and realising early revenue from existing and new specialist products.

# Directors' Report

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for the financial year ended 30 June 2018

Having now received full regulatory approval for the Company's Enteric range of kits as well as the ESBL/CPO ("Superbug") Detection kit in Europe and Australia, we will continue to work on securing similar approvals for our STI and respiratory products whilst continuing our regulatory FDA application in the USA.

Wider awareness for our products also continues to grow as the Company participates in more profile building industry forums and we are starting to see greater interest from prospective and existing customers in the complementary synergy across the breadth of our growing product range.

Through minimising work and maximising results, Genetic Signatures drives customer and shareholder value whilst improving community health outcomes across the globe.

## **STATE OF AFFAIRS**

There have been no significant changes in the state of affairs of the Group during the year.

## **DIVIDENDS**

No dividends were paid or were payable during the year (2017: NIL).

## **EVENTS SUBSEQUENT TO THE REPORTING DATE**

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

## **LIKELY FUTURE DEVELOPMENTS**

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

## **ENVIRONMENTAL COMPLIANCE**

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

# Directors' Report

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for the financial year ended 30 June 2018

## DIRECTORS

Name:	<b>Nickolaos Samaras</b>
Qualifications:	BSc (Hons), PhD, MBA, FAIM, FAICD
Experience:	<p>Dr. Samaras has had over 30 years' business experience in the global Life Sciences industry and is a recognised and respected industry expert. He has held a number of senior executive level positions in management, marketing, sales, and research and development. His roles have included appointments as Managing Director of Applied Biosystems Pty Ltd (now part of Thermo Fisher), and senior roles with Perkin Elmer and AMRAD Corporation (now part of CSL).</p> <p>Dr. Samaras is an experienced executive, non-executive and Board Chairman, having served on the boards of several biotechnology companies including one that was ASX-listed. For the past 16 years Dr. Samaras has focused his efforts on facilitating the international market expansion of a number of US biotechnology companies and developing commercial revenue channels outside of their traditional onshore markets.</p> <p>Dr. Samaras holds a BSc with Honours in Pathology and Immunology from Monash University and a PhD from the Department of Medicine at The University of Melbourne. He also holds postgraduate business qualifications which include an MBA from the School of Management at RMIT University, and is a Fellow of the Australian Institute of Company Directors and the Australian Institute of Management.</p>
Special responsibilities:	Non-Executive Chairman; Chairman Nomination and Remuneration Committee; Member Audit & Risk Committee
Directorships of other listed companies:	Nil
Interests in shares and options:	1,520,000 ordinary shares and 480,000 ESOP restricted shares



# Directors' Report

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for the financial year ended 30 June 2018

## Directors Cont.

Name:	<b>John R Melki</b>
Qualifications:	BSc (Hons), PhD
Experience:	Dr. Melki has led the commercialisation efforts of Genetic Signatures as Chief Executive Officer since 2011. Dr. Melki originally joined Genetic Signatures in 2003 where he was responsible for leading the commercialisation of two research products (worldwide) and five diagnostic products (locally and Europe) in the role of Senior Principal Research Scientist. He has authored 20 peer-reviewed articles and is listed as an inventor on eight patent applications. Dr. Melki received his BSc from the University of New South Wales and his PhD from the University of Sydney, where his thesis was awarded the Peter Bancroft Prize from the Medical School. His primary research focus for the last 21 years has been in the sodium bisulphite conversion of DNA which is at the core of Genetic Signatures' technology.
Special responsibilities:	Managing Director and Chief Executive Officer; Member Nomination and Remuneration Committee
Directorships of other listed companies:	Nil
Interests in shares and options:	196,000 ordinary shares and 1,000,000 ESOP restricted shares
Name:	<b>Phillip J Isaacs</b>
Qualifications:	MSc JP
Experience:	Mr. Isaacs holds an MSc in Biochemistry from the University of Sydney. He commenced the operation of Beckman Instruments in Australia and worked as Managing Director and Area Director for the Asia Pacific region, being responsible for both the Diagnostic and Life Science equipment markets. He was Vice President of Asia Pacific for Cytoc Corporation (now Hologic) which developed the ThinPrep Pap Test and was responsible for the development of the Company in Asia Pacific. He was also the Founding Chairman of the Australian Proteome Analysis Facility (APAF) in Sydney.
Special responsibilities:	Non-Executive; Chairman of Audit & Risk Committee; Member Nomination and Remuneration Committee
Directorships of other listed companies:	Nil
Interests in shares and options:	1,298,127 ordinary shares and 250,000 ESOP restricted shares

# Directors' Report

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for the financial year ended 30 June 2018

Name:	<b>Michael A Aicher</b>
Qualifications:	BSc, MBA
Experience:	Mr. Aicher has over 30 years of industry experience, and was CEO and founder of National Genetics Institute (NGI) which was acquired by Laboratory Corporation of America, Inc. (LabCorp) in 2000. Mr. Aicher led LabCorp's Esoteric Business Units, which generated more than \$1 billion in annual revenue. Prior to NGI, Mr. Aicher served in a number of executive leadership roles at Central Diagnostics Laboratory. He currently serves as a director on boards of Alveo Technologies and Fabric Genomics. He is certified by the University of California at Berkeley as a Global Biotechnology Executive and is a recipient of Ernst & Young's "Entrepreneur of the Year" award for emerging technologies. Mr. Aicher received a BS in Business Administration from the University of Redlands and an MBA in Economics from Columbus University.
Special responsibilities:	Executive Director – US Operations
Directorships of other listed companies:	Nil
Interests in shares and options:	165,785 ordinary shares and 480,000 ESOP restricted shares
Name:	<b>Anthony J Radford AO</b>
Qualifications:	BSc (Hons) PhD DipCorpMan
Experience:	Dr. Anthony Radford has a PhD from La Trobe University, and was a member of the CSIRO team that invented the QuantiFERON method for Cellular Immune based diagnostics. He later joined AMRAD in pharmaceutical research and was Head of Development in 2000 when he left to co-found the diagnostic company Cellestis Limited, which listed on the ASX in 2001. Establishing offices and operations in the USA, Europe and Japan, Cellestis developed QuantiFERON –TB Gold, the worldwide benchmark for diagnosis of tuberculosis infection. Dr. Radford was CEO of Cellestis from founding until its acquisition by QIAGEN NV in 2011.
Special responsibilities:	Non-Executive; Member of Audit & Risk Committee
Directorships of other listed companies:	Nil
Interests in shares and options:	107,000 ordinary shares and 240,000 ESOP restricted shares

# Directors' Report

for the financial year ended 30 June 2018

Company Secretary  
Name:

**Anna Sandham**

Experience:

Anna Sandham was appointed Company Secretary of Genetic Signatures in August 2015. Anna is an experienced company secretary and governance professional with over 16 years' experience in various large and small, public and private, listed and unlisted companies. Anna has previously worked for companies including AMP Financial Services, Westpac Banking Corporation, BT Financial Group and NRMA Limited.

## DIRECTORS' MEETINGS

The number of meetings of the board of directors (including board committees) held during the year ended 30 June 2018, and the numbers of meetings attended by each director are set out below:

Name	Board		Audit & Risk Committee		Nomination and Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
Nickolaos Samaras	6	6	2	2	2	2
John R Melki	6	6	-	-	2	2
Phillip J Isaacs	6	6	2	2	2	2
Michael A Aicher	6	6	-	-	-	-
Anthony J Radford	6	6	2	2	-	-

## REMUNERATION REPORT - AUDITED

(a) Policy for determining the nature and amount of key management personnel remuneration

The Board ensures that the Company's remuneration levels are appropriate in the markets in which it operates and are applied, and seen to be applied, fairly.

(b) Key management personnel

The following persons were key management personnel of Genetic Signatures Limited during the financial year:

**Name**  
Nickolaos Samaras  
John R Melki  
Phillip J Isaacs  
Michael A Aicher  
Anthony J Radford  
Douglas S Millar

**Position Held**  
Non-executive Chairman  
Managing Director & Chief Executive Officer  
Non-executive Director  
Executive Director – US Operations  
Non-executive Director  
Chief Scientific Officer

# Directors' Report

for the financial year ended 30 June 2018

## REMUNERATION REPORT – AUDITED (Cont.)

### (c) Details of Remuneration

#### Remuneration Policy

The Board's remuneration policy determines the nature and amount of remuneration for Board members and senior executives of the Company. The policy, setting the terms and conditions for the Executive Directors and other senior executives, was developed by the Remuneration & Nomination Committee and approved by the Board. All executives receive remuneration based on factors such as length of service and experience. The Remuneration & Nomination Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the company. The objective of this policy is to secure and retain the services of suitable individuals capable of contributing to the consolidated entities' strategic objectives. The Board policy is to remunerate Non-Executive Directors at market rates for comparable companies for time commitment and responsibilities. As the company is still in its development stage and has only been listed for just over three years, remuneration for Board members and senior executives are not directly linked to shareholder wealth.

#### Executive Directors and Senior Executive Remuneration

The company aims to reward the Executive Directors and Senior Executive with a level and a mix of remuneration commensurate with their position and responsibilities within the consolidated entity and so as to:

- Reward Executives for company and individual performance against targets set by reference to appropriate benchmarks;
- Align the interest of Executives with those of shareholders;
- Link reward with the strategic goals and performance of the Consolidated Entity; and
- Ensure total remuneration is comparative by market standards

Details of compensation key management personnel of Genetic Signatures Limited are set out below:

2018	Short-term employee benefits				Post-employment benefits			Total
	Cash salary and fees	Non-monetary benefits	Short term incentive	Super-annuation	Long-term Benefits: Annual and long service leave	Termination benefits	Share-based payments	
	\$	\$	\$	\$	\$	\$	\$	\$
Nickolaos Samaras	60,000	-	-	5,700	-	-	8,450	74,150
John R Melki	274,518	4,894	29,938	28,923	15,296	-	22,233	375,802
Phillip J Isaacs	24,275	-	-	25,000	-	-	4,401	53,676
Michael A Aicher	154,779	-	-	-	-	-	8,450	163,229
Anthony J Radford	29,456	-	-	19,819	-	-	13,866	63,141
Douglas S Millar	226,538	4,894	21,500	23,564	12,591	-	19,461	308,548
<b>Total key management personnel compensation</b>	<b>769,566</b>	<b>9,788</b>	<b>51,438</b>	<b>103,006</b>	<b>27,887</b>	<b>-</b>	<b>76,861</b>	<b>1,038,546</b>

# Directors' Report

for the financial year ended 30 June 2018

## REMUNERATION REPORT – AUDITED (Cont.)

2017	Short-term employee benefits					Post-employment benefits		Total
	Cash salary and fees	Non-monetary benefits	Short term incentive	Super-annuation	Long-term Benefits: Annual and long service leave	Termination benefits	Share-based payments	
	α \$	\$	\$	\$	\$	\$	\$	\$
Nickolaos Samaras	60,000	-	-	5,700	-	-	20,520	86,220
John R Melki	255,973	-	20,000	26,217	40,570	-	43,451	386,211
Phillip J Isaacs	14,275	-	-	35,000	-	-	10,688	59,963
Michael A Aicher	159,046	-	-	-	-	-	20,520	179,566
Anthony J Radford	14,275	-	-	35,000	-	-	28,548	77,823
Douglas S Millar	209,692	-	12,000	21,061	27,554	-	34,201	304,508
<b>Total key management personnel compensation</b>	<b>713,261</b>	<b>-</b>	<b>32,000</b>	<b>122,978</b>	<b>68,124</b>	<b>-</b>	<b>157,928</b>	<b>1,094,291</b>

(d) Share-based payment

Genetic Signatures Limited (“GS”) granted restricted shares under the GS Employee Share Ownership Plan (ESOP) and options under the GS Equity Incentive Plan. Membership of the Plans is open to those employees and Directors of GS whom, the Directors believe have a significant role to play in the continued development of the Group’s activities.

Restricted shares were offered and funded by an interest free loan from The Company. Restricted shares will vest and can be converted to ordinary shares following the satisfaction of the relevant service conditions and the repayment of the loan. The restricted shares are subject to a service condition of continuous employment from grant date to the relevant vesting date, otherwise the restricted shares will lapse. Options vest subject to a service condition of continuous employment from grant date to the relevant vesting date and vested options can be exercised by the payment of the exercise price prior to lapsing.

Set out below are the summaries of option grants under the plan:

### 2018

Grant date	Name	Vesting date	Fair value per share at grant date	Value of share at grant date	Granted during the year Number
19 Oct 2017	Douglas S Millar	25% on each anniversary of the grant date	\$0.17	\$16,675	100,000
<b>Total</b>					<b>100,000</b>

### 2017

Grant date	Name	Vesting date	Fair value per share at grant date	Value of share at grant date	Granted during the year Number
30 Nov 2016	John R Melki	25% on each anniversary of the grant date	\$0.52	\$19,092	100,000
<b>Total</b>					<b>100,000</b>



# Directors' Report

for the financial year ended 30 June 2018

## REMUNERATION REPORT – AUDITED (Cont.)

(e) Equity instruments held by key management personnel

### Employee Share Ownership Plan Holdings

Details of restricted shares and options held directly, indirectly or beneficially by key management personnel are as follows, terms and conditions are summarised in section (d):

**2018**

Name	Balance at 1 July 2017	Granted as compensa- tion (Options)	Converted on Repay- ment of loan	Other Changes	Balance at 30 June 2018	Total Options	Total vested and convertible at 30 June 2018	Unvested at 30 June 2018
Nickolaos Samaras	480,000	-	-	-	480,000	-	389,999	90,001
John R Melki	1,000,000	-	-	-	1,000,000	100,000	756,250	243,750
Phillip J Isaacs	250,000	-	-	-	250,000	-	203,116	46,884
Michael A Aicher	480,000	-	-	-	480,000	-	389,999	90,001
Anthony J Radford	240,000	-	-	-	240,000	-	130,000	110,000
Douglas S Millar	800,000	100,000	-	-	900,000	100,000	650,008	249,992
<b>Total</b>	<b>3,250,000</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>3,350,000</b>	<b>200,000</b>	<b>2,519,372</b>	<b>830,628</b>

**2017**

Name	Balance at 1 July 2016	Granted as compensa- tion (Options)	Converted on Repay- ment of loan	Other Changes	Balance at 30 June 2017	Total Options	Total vested and convertible at 30 June 2017	Unvested at 30 June 2017
Nickolaos Samaras	480,000	-	-	-	480,000	-	269,999	210,001
John R Melki	900,000	100,000	-	-	1,000,000	100,000	506,250	493,750
Phillip J Isaacs	250,000	-	-	-	250,000	-	140,622	109,378
Michael A Aicher	480,000	-	-	-	480,000	-	269,999	210,001
Anthony J Radford	240,000	-	-	-	240,000	-	70,000	170,000
Douglas S Millar	800,000	-	-	-	800,000	-	450,002	349,998
<b>Total</b>	<b>3,150,000</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>3,250,000</b>	<b>100,000</b>	<b>1,706,872</b>	<b>1,543,128</b>

# Directors' Report

for the financial year ended 30 June 2018

## REMUNERATION REPORT – AUDITED (Cont.)

### Shareholdings

Details of equity instruments (other than employee share ownership plan restricted shares) held directly, indirectly or beneficially by key management personnel are as follows:

#### 2018

Name	Balance at 1 July 2017	Granted as compensation	Received on conversion of restricted shares	Other changes	Balance at 30 June 2018	Balance held nomi- nally
Nickolaos Samaras	1,446,997	-	-	73,003	1,520,000	23,060
John R Melki	196,000	-	-	-	196,000	196,000
Phillip J Isaacs	895,127	-	-	403,000	1,298,127	434,914
Michael A Aicher	165,785	-	-	-	165,785	165,785
Anthony J Radford	107,000	-	-	-	107,000	-
Douglas S Millar	150,000	-	-	-	150,000	150,000
<b>Total</b>	<b>2,960,909</b>	<b>-</b>	<b>-</b>	<b>476,003</b>	<b>3,436,912</b>	<b>969,759</b>

#### 2017

Name	Balance at 1 July 2016	Granted as compensation	Received on conversion of restricted shares	Other changes	Balance at 30 June 2017	Balance held nomi- nally
Nickolaos Samaras	566,000	-	-	880,997	1,446,997	23,060
John R Melki	175,000	-	-	21,000	196,000	196,000
Phillip J Isaacs	640,213	-	-	254,914	895,127	31,914
Michael A Aicher	127,570	-	-	38,215	165,785	165,785
Anthony J Radford	-	-	-	107,000	107,000	-
Douglas S Millar	150,000	-	-	-	150,000	150,000
<b>Total</b>	<b>1,658,783</b>	<b>-</b>	<b>-</b>	<b>1,302,126</b>	<b>2,960,909</b>	<b>566,759</b>

#### (f) Service contracts

Service contracts have been entered into by the Company with key management personnel, describing the components and amounts of remuneration applicable on their initial appointment, including terms and performance criteria for performance-related cash bonuses. These contracts do not fix the amount of remuneration increases from year to year. Remuneration levels are reviewed generally each year by the Remuneration Committee to align with changes in job responsibilities and market salary expectations. All contracts are for an ongoing period.

All contracts can be terminated by either party with 3 months' notice (or one month in the case of Michael Aicher), subject to termination payments as described below:

# Directors' Report

for the financial year ended 30 June 2018

## REMUNERATION REPORT – AUDITED (Cont.)

(f) Service contracts (Cont.)

### John Melki

Director & Chief Executive Officer

Contract term:

Ongoing, commenced November 2014

Base salary:

\$286,200, exclusive of superannuation, to be reviewed annually by the Remuneration Committee

Termination payments:

Payment on early termination by the Group, other than for gross misconduct, equal to the base salary plus superannuation entitlements for three months.

### Michael Aicher

Executive Director – US Operations

Contract term:

Ongoing, commenced April 2014

Base salary:

\$US120,000, to be reviewed annually by the Remuneration Committee

Termination payments:

No payment on early termination. Contract is terminable by either party on one month's notice.

### Douglas Millar

Chief Scientific Officer

Contract term:

Ongoing, commenced November 2014

Base salary:

\$230,000, exclusive of superannuation, to be reviewed annually by the Remuneration Committee

Termination payments:

Payment on early termination by the Group, other than for gross misconduct, equal to the base salary plus superannuation for three months.

(g) Transactions with related parties

	Consolidated	
	2018	2017
	\$	\$
There were no related party transactions during the year	-	-

## Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Two methods have been applied to achieve this aim, the first being a performance-based bonus based on KPIs, and the second being the issue of options and ESOP shares to the majority of directors, executives and staff to encourage the alignment of personal and shareholder interests.

The following table shows the gross revenue, profits and dividends for the last five years for the consolidated entity, as well as the share prices at the end of the respective financial years. Analysis of the actual figures show ongoing losses as the consolidated entity continue to develop new products, commercialise its existing products and develop new markets and customers

# Directors' Report

for the financial year ended 30 June 2018

## REMUNERATION REPORT – AUDITED (Cont.)

The Board is of the opinion that these results can be attributed, in part, to the previously described remuneration policy and is satisfied with the results over the past five years.

	2018	2017	2016	2015	2014
	\$	\$	\$	\$	\$
Revenue	2,840,115	2,037,659	1,825,018	1,043,269	684,277
Net profit/(loss) attributable to owners of the parent entity	(3,253,809)	(2,670,622)	(3,026,598)	(2,659,120)	(1,728,487)
Share price at year end	0.37	0.395	0.53	0.497	-
Dividends paid (cents per share)	-	-	-	-	-

\*The Company was admitted to the official list on the ASX on 30 March 2015.

### Performance Conditions Linked to Remuneration

The Group seeks to emphasise reward incentives for results and continued commitment to the Group through the provision of various cash bonus reward schemes, specifically the incorporation of incentive payments based on the achievement of revenue and margin targets and continued employment with the Group. Incentive payments result where the Group returns operating revenue and margins that are greater than the prior year. This condition provides management with a performance target which focuses upon organic sales growth utilising existing group resources.

### Voting and Comments made at the Company's 2017 Annual General Meeting ('AGM')

The Company received 99.57% of "for" votes in relation to its remuneration report for the year ended 30 June 2017. The Company did not receive any specific feedback at the AGM regarding its remuneration policies.

This concludes the remuneration report which has been audited.

# Directors' Report

for the financial year ended 30 June 2018

## OPTIONS

There were 1,735,000 unissued ordinary shares of the company under option outstanding at the date of this report.

## INDEMNIFICATION OF OFFICERS AND AUDITORS

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the company.

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

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

## NON AUDIT SERVICES

During the financial year, the following fees for non-audit services were paid or payable to the auditor, BDO or their related practices:

	2018	2017
	\$	\$
<b>Taxation services</b>		
Tax compliance services	34,940	13,658
Total fees for non-audit services	<u>34,940</u>	<u>13,658</u>

On the advice of the Audit and Risk Committee, the directors are satisfied that the provision of non-audit services by the auditor, as set out above, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit and Risk Committee to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the non-audit services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.



# Directors' Report

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for the financial year ended 30 June 2018

## **AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 17.

This report is made in accordance with a resolution of directors.

A handwritten signature in black ink that reads "John Melki". The signature is written in a cursive, flowing style.

John Melki  
Director

Sydney  
28 August 2018

# Directors' Report

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for the financial year ended 30 June 2018



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## DECLARATION OF INDEPENDENCE BY MARTIN COYLE TO THE DIRECTORS OF GENETIC SIGNATURES LIMITED

As lead auditor of Genetic Signatures Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Genetic Signatures Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'M Coyle', is written over a faint, light blue circular stamp or watermark.

Martin Coyle  
Partner

**BDO East Coast Partnership**

Sydney, 28 August 2018

# Corporate Governance Statement

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## Corporate Governance Statement

The Board and Management of Genetic Signatures Limited (**GSS** or the **Company**) recognise the importance of good corporate governance within its organisation which promotes regulator and investor confidence and adds value for GSS's shareholders and other stakeholders alike. The Board of Directors are responsible for establishing the corporate governance framework of the Group. The Board guides and monitors the business and affairs of GSS on behalf of its shareholders by whom they are elected and to whom they are accountable.

GSS has adopted the following key charters and policies which are available collectively in the GSS Corporate Governance Charter located on the GSS website under 'Investors – Corporate Governance' at <http://geneticsignatures.com/investors/corporate-governance/>:

- Board Policy
- Diversity Policy
- Continuous Disclosure Policy
- Code of Conduct
- Share Trading Policy
- Insider Trading Policy
- Risk Management Policy

This Corporate Governance Statement (**Statement**) reports against the 3rd edition of the *ASX Corporate Governance Council's Principles and Recommendations* (**ASX Principles**) during the reporting period between 1 July 2017 and 30 June 2018. This Statement is current as at 28 August 2018 and has been approved by the Board.

### PRINCIPLE 1: Lay solid foundations for management and oversight

The Board has adopted a formal charter which sets out its role and responsibilities and that of Management. The Board's primary responsibilities are to set strategic objectives of the Company, review and provide oversight of GSS's risk management framework, set remuneration policies and practices, and review and monitor corporate governance framework and codes of conduct.

It is the role of Management to carry out and manage the day-to-day business and financial operations in line with the Board's expectations and the requisite delegation of authority by the Board. There is clear segregation between the Board and Management. Any functions that are not reserved for the Board, and not expressly reserved for shareholders in general meetings as set out within the Corporations Act 2001 (Cth) (**Corporations Act**) and ASX Listing Rules, are reserved for senior executives of the Company.

The Board has established the following two Committees to assist it to carry out its functions and has delegated certain authority to the Committees to empower each to carry out their role:

- Nomination and Remuneration Committee; and
- Audit and Risk Committee.

The Board requires that a majority of the members of each Committee should comprise of Non-Executive Directors. The Board has approved that, where necessary, Non-Executive Directors should meet during the year in absence of Management at such times as they determine necessary.

Prior to the appointment of new Directors, the Company will undertake appropriate background checks on the candidate and provide this information to shareholders as part of the Notice of Meeting of the Company's Annual General Meeting (**AGM**) for the election and/or re-election of Directors in accordance with GSS's Constitution, the Corporations Act and ASX Listing Rules.

The Company enters into a written agreement with each Director and senior executive which sets out the terms of their appointment, remuneration, and the expected time commitment for their role among other matters.

# Corporate Governance Statement

## Corporate Governance Statement (Cont.)

During the reporting period, Ms Anna Sandham held the role as Company Secretary of GSS. In accordance with the Board Policy, the Company Secretary is directly accountable to the Board, through the chairman, on all matters to do with the proper functioning of the Board.

The Board Policy sets out that the Board will undertake an annual performance evaluation of itself. During the reporting period, the Board did not complete a formal assessment as it was not considered necessary given the current nature and scale of business operations and current structure and activity of the Board, however the Board undertakes informal assessments of its performance and the performance of its Directors on a regular basis.

Senior executives are also subject to a formal performance review process on an annual basis. The focus of the performance review is to set specific objectives that are aligned with the Company's business objectives, and monitor performance against those objectives. A performance review of the CEO was undertaken during the reporting period by the Board. Performance reviews of other senior executives were undertaken by the CEO during the reporting period.

### **Diversity Policy**

It is the Board's belief that a diverse workforce provides the Company with a competitive advantage and that the Company's success is the result of the collective quality and experience of its employees. The Board has adopted a Diversity Policy which is designed to support the Company's commitment to diversity which includes gender, age, ethnicity and cultural background.

The Diversity Policy identifies several strategies to promote diversity including that the Board may set measurable objectives with respect to achieving gender equality. These strategies include developing and implementing programs i.e. mentoring and targeted training and development, reviewing succession plans, reviewing recruitment practices, and providing workplace flexibility. Given the current size, scale and nature of the Company's operations, the Board has not currently set measurable objectives with respect to gender diversity. However, the Board will continue to monitor its position in relation to this as the Company evolves.

## **PRINCIPLE 2: Structure the Board to add value**

The Board is currently comprised of five Directors as detailed in the table below:

Director	Status	Appointment Date	Length of Term (since ASX listing <sup>1</sup> )
Nickolaos (Nick) Samaras (Chairman)	Independent, Non-Executive	22 January 2008	~ 3 years, 5 months
Phillip Isaacs	Independent, Non-Executive	12 December 2003	~ 3 years, 5 months
Anthony Radford	Independent, Non-Executive	15 September 2015	~ 3 years
John Melki	Non-independent, Managing Director/ Chief Executive Officer (MD/CEO)	4 April 2014	~ 3 years, 5 months
Mike Aicher	Non-independent, Executive Director of U.S. Operations	16 May 2014	~ 3 years, 5 months

<sup>1</sup> GSS was admitted to the Official List of the ASX on 30 March 2015.

# Corporate Governance Statement

## Corporate Governance Statement (Cont.)

Details on the Board members and their qualifications are included in the Directors' Report within the Annual Report. During the reporting period, the following Directors were members of the Board Committees:

Nomination and Remuneration Committee	Audit and Risk Committee
<ul style="list-style-type: none"><li>Nickolaos (Nick) Samaras (Committee Chair)</li><li>John Melki</li><li>Phillip Isaacs</li><li>Anthony Radford</li></ul>	<ul style="list-style-type: none"><li>Phillip Isaacs (Committee Chair)</li><li>Nickolaos (Nick) Samaras</li><li>Anthony Radford</li></ul>

The Nomination and Remuneration Committee has been established to assess and make recommendations to the Board in relation to its composition and setting fair, responsible and competitive remuneration. The committee is currently comprised of a majority independent Directors, is chaired by an independent Director. The committee does not operate under a separate charter. However, its function role and composition is outlined within the Board Policy.

Details relating to the number of meetings held, and Director attendances at those meetings, are disclosed as part of the Directors' Report within the Annual Report.

The Board Policy sets out that the Board will determine the number of independent Directors that it considers appropriate to maintain. Currently the Board requires a majority of independent Directors and this has been maintained throughout the reporting period. Directors are considered to be independent when they are independent of Management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement. The Board assesses Director independence on an annual basis, or more often if it feels it is warranted, depending on disclosures made by individual Directors. In the context of Director independence, to be considered independent, a Non-Executive Director may not have a direct or indirect material relationship with the Company. The Board has determined that a material relationship is one which has, or has the potential to impair or inhibit a Director's exercise of judgement on behalf of the Company and its shareholders. On this basis, notwithstanding the longevity of tenure of its three Non-Executive Directors since prior to the Company's listing on the ASX, the Company believes that each continue to provide independent thought and advice to the Board and therefore consider each of its Non-Executive Directors to be independent. As such, a majority of the Board and its Chairman are independent. The role of the Chairman is clearly separated from that of the MD/CEO.

The Company considers that the Board is appropriately structured given the breadth of experience and skill set of each of the Directors, and their substantial experience and recognition in the MDx industry and other industries relevant to the Company's operations.

The Board continually assesses its membership and makes appointments to complement and enhance the existing skill base of the Board. The Board has established a Nomination and Remuneration Committee to assist it to carry out this function.

On the appointment of new Directors, the Company Secretary will arrange an induction for the new Director which includes the provision of information related to the Company's assets, financial strategic, operational and risk management position as well as meetings with Directors.

Directors are entitled to access information from the Board and Management that they consider necessary to enable them to carry out their role as a Director. Directors may also participate in professional development activities with the prior approval of the Board.



# Corporate Governance Statement

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## Corporate Governance Statement (Cont.)

The Board has determined that Directors are able to seek independent professional advice for Company related matters at the Company's expense, subject to the instruction and estimated cost being approved by the Chairman in advance as being necessary and reasonable.

### **PRINCIPLE 3: Act ethically and responsibly**

The Board and Management ensure that the business processes of GSS are conducted according to sound ethical principles. The Board has established a formal Code of Conduct in this regard which is available as part of the Corporate Governance Charter located on the Company's website.

All Directors, executives and employees of the Company are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

All GSS Directors, the Company Secretary, executives and employees of the Company are made aware of their obligations under the Corporations Act with regard to trading in the securities of the Company. In addition, the Company has established a Share Trading Policy and an Insider Trading Policy which are reviewed and updated on a regular basis as required, and sets out the Company's policy with respect to dealing in GSS securities. A copy of these policies are available as part of the Corporate Governance Charter located on the Company's website.

Board members who have, or may have, a conflict of interest in any activity of the Company or with regard to any decision before the Board, are required to notify the Board of that conflict. Where a Director has a conflict of interest, that Director will not be present to discuss matters relevant to that conflict, nor is entitled to vote on the matter.

### **PRINCIPLE 4: Safeguard integrity in corporate reporting**

The Board has established an Audit and Risk Committee which is comprised of three independent, Non-Executive Directors. The chair of the Audit and Risk Committee is not the Chairman of the Board.

The members of the Committee have significant financial and business backgrounds, expertise and qualifications, full particulars of which are contained in this annual report, as are details of meetings of this Committee.

Details relating to the number of meetings held, and Director attendances at those meetings, are disclosed as part of the Directors' Report within the Annual Report.

The main objective of the Committee is to assist the Board in reviewing any matters of significance affecting financial reporting and compliance of the consolidated entity including:

- exercising oversight of the accuracy and completeness of the financial statements;
- making informed decisions regarding accounting and compliance policies, practices and disclosures;
- reviewing the scope and results of operational risk reviews, compliance reviews, and external audits; and
- assessing the adequacy of the consolidated entity's internal control framework including accounting, compliance and operational risk management controls based on information provided or obtained.

The committee does not operate under a separate charter. However, its function role and composition is outlined within the Board Policy.

The chair of the committee meets with the auditors without Management in attendance on a regular basis so

# Corporate Governance Statement

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## Corporate Governance Statement (Cont.)

that there can be open and frank communication between the committee and the external auditor.

The committee has the power to conduct or authorise investigations into, or consult independent experts on, any matters within the committee's scope of responsibility.

The committee also considers the independence of the auditor. The Company requires that the audit partner be rotated every five years and, on an annual basis, the auditor provides a certificate to the Committee confirming their independence.

Prior to Board approval of the Company's half year and annual financial reports, the CEO and Chief Financial Officer (**CFO**) must provide the Board with declarations required under section 295A of the Corporations Act and Recommendation 4.2 of the ASX Principles. The declarations confirm that in the opinion of the CEO and CFO, the financial records of GSS have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company.

For the financial year ended 30 June 2018, the CEO and CFO made a declaration in accordance with section 295A of the Corporations Act. The declaration was formed on the basis of a sound system of risk management and internal control which is operating effectively. An equivalent declaration was made for the half year ended 31 December 2017.

The company ensures that its external auditor, BDO East Coast Partnership, attends the AGM and is available to answer shareholder questions in relation to the audit.

### **PRINCIPLE 5: Make timely and balanced disclosure**

The Board is committed to inform its shareholders and the market of any major events that influence the Company in a timely and conscientious manner. The Board is responsible for ensuring that the Company complies with the continuous disclosure requirements as set out in ASX Listing Rule 3.1 and the Corporations Act. The Company has adopted a Continuous Disclosure Policy which is available as part of the Corporate Governance Charter located on the Company's website.

In accordance with the Continuous Disclosure Policy, market sensitive information is discussed, and ASX announcements are reviewed and approved by the Board prior to being released on the ASX announcements platform. The Company will also ensure that any ASX announcements are also placed on the Company's website shortly thereafter. All executives of the Company have been made aware of the Company's obligations with regard to the continuous disclosure regime and it is required that employees report any material price sensitive information to the Company Secretary if they become aware of such information.

The Company Secretary is responsible for the overall administration of the Continuous Disclosure Policy, including communications with the ASX.

### **PRINCIPLE 6: Respect the rights of security holders**

The Board ensures that its shareholders are fully informed of matters likely to be of interest to them. The Company provides information about itself and its governance via its website which includes key corporate governance policies and charters, ASX announcements, annual reports, half yearly reports, Director and Management bio's, analyst coverage, the contact details of its Share Registry, and investor presentations.

# Corporate Governance Statement

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## Corporate Governance Statement (Cont.)

Notices of shareholders meetings, annual and extraordinary, are distributed in a timely manner and are accompanied by all information that the Company has obtained.

Whilst the company does not have a dedicated investor relations program, it is committed to facilitating effective two-way communication with investors. This includes participation at industry events, investor presentations and meetings. The Company also encourages shareholders to contact its office in relation to any queries by telephone (T: +61 2 9870 7580), or email (E: [info@geneticsignatures.com](mailto:info@geneticsignatures.com)).

The Chairman encourages questions and comments at the AGM ensuring that shareholders have a chance to obtain direct response from the CEO and other Board members.

To encourage Shareholder engagement and participation at the AGM, Shareholders have the opportunity to attend the AGM, ask questions, participate in voting and meet the Board in person.

Shareholders who are unable to attend the AGM are encouraged to vote on the proposed motions by appointing a proxy via the proxy form that accompanies the notice of meeting. Shareholders have the opportunity to submit written questions to GSS and its external auditor, or make comments on the management of GSS. Presentations and speeches made by the Chair and CEO at the AGM will be made available on the ASX announcements platform, and the Company's website before the commencement of the meeting. The results of the general meeting will also be announced to the ASX immediately following the conclusion of the AGM.

Should shareholders wish to receive communications electronically including notices of general meetings, annual reports and other communication, they are encouraged to contact GSS's Share Registry, Boardroom Pty Limited by telephone on +61 2 9290 9600, or by email at [enquiries@boardroomlimited.com](mailto:enquiries@boardroomlimited.com).

## PRINCIPLE 7: Recognise and manage risk

The Board has delegated oversight responsibility for the risk management and internal control of risks for GSS to the Audit and Risk Committee. The committee is comprised of three independent, Non-Executive Directors and whilst it does not operate under a separate charter, its function, role and composition is outlined within the Board Policy and the Company's Risk Management Policy. The chair of the Audit and Risk Committee is considered to be independent.

Details relating to the number of meetings held, and Director attendances at those meetings, are disclosed as part of the Directors' Report within the Annual Report.

The Audit and Risk Committee's role includes:

- reviewing financial reporting principles, policies, controls and procedures, integrity of financial statements, and effectiveness of the Company's internal control and risk management framework;
- monitoring corporate risk assessment and the internal controls instituted;
- monitoring the establishment of an appropriate internal control framework, including information systems, and considering enhancements;
- reviewing reports on any misappropriation of funds, fraud and theft from the Company and action taken by Management;
- reviewing policies to avoid conflicts of interest between the Company and members of Management; and
- considering the security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown.

The Company's risk management framework provides a structured and disciplined approach to the Company's

# Corporate Governance Statement

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## Corporate Governance Statement (Cont.)

management of its key risks which include operational, strategic, and financial risk factors.

Due to the size, scale and nature of operations, the Board considers that an internal audit function is not required. It is the responsibility of Management to implement the risk management framework and manage operational and business risk. During the reporting period, the CEO and CFO have made representations to the committee on the system of risk management and internal compliance and control which implements the policies adopted by the Board. The CEO and CFO have also confirmed that a review of the risk management framework has been undertaken during the reporting period and represented that, to the best of their knowledge, the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

GSS's Prospectus dated 7 November 2014 (**Prospectus**) outlines the Company's exposure to a number of business, industry, and general risks identified by the Board. The Board continually monitors these risks and do not believe the risks outlined in the Prospectus to have significantly changed since the Company's listing to the ASX in March 2015. This includes the following material economic and social sustainability risks as recognised by the Company:

- **Product liability risks** – Adverse events could expose the Company to product liability claims or litigation, resulting in the removal of the regulatory approval for the relevant products and/or monetary damages being awarded against the Company.
- **Intellectual property rights** – If third party patents or patent applications contain claims infringed by the Company's technology and these claims are valid, the Company may be unable to obtain licenses to these patents at a reasonable cost, if at all, and may also be unable to develop or obtain alternative technology. If such licenses cannot be obtained at a reasonable cost, the business could be significantly impacted. Further, the enforceability of the patents owned by the Company may be challenged and the Company's patents could be partially or wholly invalidated following challenges by third parties.
- **Infringement of third party intellectual property** – A third party may accuse the Company of infringing its intellectual property rights and the Company may incur significant costs in defending any legal action commenced against the Company. Typically, patent litigation in the pharmaceutical and biotechnology industry is expensive. Costs that the Company incurs in defending third party infringement actions would involve significant monetary expenses and diversion of management's and technical personnel's time.
- **Trade secrets** – The Company relies on its trade secrets, which include information relating to the manufacture, development and administration of its diagnostic products. The protective measures that the Company employs may not provide adequate protection for its trade secrets. This could erode the Company's competitive advantage and materially harm its business.

The Company does not believe that it has any material exposure to environmental sustainability risks which has been determined having regard to its primary business operations which is the development and commercialisation of its proprietary platform technology providing high-volume hospital and pathology laboratories the ability to screen for a wide array of infectious pathogens.

To mitigate the risks as set out above, the Board and Management continually monitor these risks at various Board and internal Management meetings throughout the year and have established methods to mitigate the risks which include having appropriate insurance programs in place, adequate security is in place to protect its intellectual property and trade secrets, undertaking detailed due diligence with respect to product research and development and ensuring that the appropriate patents and licences required by the Company have been obtained and are current. Other financial risks and methods that the company has adopted to mitigate such risks are also detailed within the Notes to the Financial Statements within the Annual Report.

# Corporate Governance Statement

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## Corporate Governance Statement (Cont.)

### **PRINCIPLE 8: Remunerate fairly and responsibly**

The Board has established a Nomination and Remuneration Committee to assess and make recommendations to the Board regarding Board composition with a view to ensuring it is able to operate effectively and efficiently, to adequately discharge its responsibilities and duties, and advise and assist the Board to ensure that Genetic Signatures has fair, responsible and competitive remuneration arrangements and other employee policies and procedures which attract, motivate and retain appropriately skilled persons.

The committee is currently comprised of a majority independent Directors and is chaired by an independent Director. The committee does not operate under a separate charter. However, its function role and composition is outlined within the Board Policy.

The committee has access to senior Management of the Company and may consult independent experts where the Committee considers it appropriate to carry out its duties.

Details relating to the number of meetings held, and Director attendances at those meetings, are disclosed as part of the Directors' Report within the Annual Report.

The Company's remuneration policy is described in the Remuneration Report as part of the Directors' Report within the Annual Report which sets out the structure of remuneration of Non-Executive Director's, and that of Executive Directors. The policy is structured to provide remuneration to Non-Executive Directors at market rates for comparable companies for time commitment and responsibilities, and the remuneration for Executives to be based on merit including length of service, skills and experience. Currently the Company pays set fees, including superannuation to its Non-Executive Directors.

The Company has established an Employee Share Ownership Plan and an Equity Incentive Plan which is open to employees and Directors who have a significant role in the continued development and success of the Company. It is a requirement under the Share Trading Policy that the Board, Directors, Executives, Company Secretary and any other person who is entitled to receive shares, equity performance rights and/or options as part of the Employee Share Ownership Plan or the Equity Incentive Plan, are prohibited in entering into hedging arrangements with respect to the securities, that would operate to limit the economic risk associated with holding those securities.



# Financial Report

## Statement of profit or loss and other comprehensive income for financial year ended 30 June 2018

		Consolidated	
	Note	2018 \$	2017 restated \$
<b>Sales Revenue</b>		2,840,115	2,037,659
Other income	2	2,383,622	2,275,229
Cost of goods sold		(999,699)	(602,422)
Employee benefits expense		(3,723,856)	(3,055,968)
Directors' and consultancy fees		(493,523)	(385,309)
Depreciation and amortisation expenses		(631,795)	(478,699)
Finance Costs	3	(525)	(423)
Rental expenses relating to operating leases		(305,433)	(210,590)
Scientific consumables		(983,101)	(1,121,118)
Travel and accommodation		(284,073)	(258,790)
Other expenses		(1,055,541)	(870,191)
Loss before income tax		(3,253,809)	(2,670,622)
Income tax benefit	4	-	-
Loss attributable to members of the entity		<b>(3,253,809)</b>	<b>(2,670,622)</b>
Other comprehensive income			
Items that maybe reclassified subsequently to profit or loss:			
Foreign Currency translation of foreign operations		(25,257)	(18,191)
Total comprehensive income for the year, net of tax		<b>(3,279,066)</b>	<b>(2,688,812)</b>
<b>Earnings (loss) per share</b>		<b>2018 cents</b>	<b>2017 cents</b>
Basic and diluted loss per share to ordinary equity holders of the company		(3.13)	(2.78)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes

# Financial Report

## Statement of financial position as at 30 June 2018

		Consolidated	
	Note	2018 \$	2017 restated \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	8,954,775	13,192,960
Trade and other receivables	6	761,957	441,341
Inventory		1,181,059	762,598
Government grant receivable	7	2,560,761	2,015,637
<b>Total Current Assets</b>		<b>13,458,552</b>	<b>16,412,536</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	8	1,149,969	1,262,397
<b>Total Non-Current Assets</b>		<b>1,149,969</b>	<b>1,262,397</b>
<b>Total Assets</b>		<b>14,608,521</b>	<b>17,674,933</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	9	773,910	836,313
Provisions	10	425,008	347,946
<b>Total Current Liabilities</b>		<b>1,198,918</b>	<b>1,184,259</b>
<b>Non-Current Liabilities</b>			
Provisions	10	10,547	5,542
<b>Total Non-Current Liabilities</b>		<b>10,547</b>	<b>5,542</b>
<b>Total Liabilities</b>		<b>1,209,465</b>	<b>1,189,801</b>
<b>Net Assets</b>		<b>13,399,056</b>	<b>16,485,132</b>
<b>Equity</b>			
Issued capital	11	46,777,792	46,777,792
Reserves	12	957,036	865,803
Accumulated losses		(34,335,772)	(31,158,463)
<b>Total Equity</b>		<b>13,399,056</b>	<b>16,485,132</b>

The above Consolidated statement of financial position should be read in conjunction with the accompanying notes

# Financial Report

## Statement of changes in equity for financial year ended 30 June 2018

Consolidated	Issued Capital	Share based payments reserve	Foreign currency translation reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2016</b>	<b>32,547,402</b>	<b>725,052</b>	<b>12,949</b>	<b>(28,605,698)</b>	<b>4,679,705</b>
Loss attributable to members of the entity	-	-	-	(3,188,342)	(3,188,342)
Restatement of comparatives (note 27)	-	-	-	517,720	517,720
Other comprehensive income	-	-	(18,191)	-	(18,191)
Total comprehensive income for the year	-	-	(18,191)	(2,670,622)	(2,688,812)
<i>Transactions with owners in their capacity as owners:</i>	-	-	-	-	-
Contributions of equity, net of transaction costs (note 11)	14,230,390	-	-	-	14,230,390
Forfeiture of share-based payments (note 12)	-	(117,857)	-	117,857	-
Share-based payments (note 12)	-	263,850	-	-	263,850
<b>Balance at 30 June 2017 restated</b>	<b>46,777,792</b>	<b>871,045</b>	<b>(5,242)</b>	<b>(31,158,463)</b>	<b>16,485,132</b>
Loss attributable to members of the entity	-	-	-	(3,253,809)	(3,253,809)
Other comprehensive income	-	-	(25,257)	-	(25,257)
Total comprehensive income for the year	-	-	(25,257)	(3,253,809)	(3,279,066)
<i>Transactions with owners in their capacity as owners:</i>	-	-	-	-	-
Contributions of equity, net of transaction costs (note 11)	-	-	-	-	-
Forfeiture of share-based payments (note 12)	-	(76,500)	-	76,500	-
Share-based payments (note 12)	-	192,990	-	-	192,990
<b>Balance at 30 June 2018</b>	<b>46,777,792</b>	<b>987,534</b>	<b>(30,498)</b>	<b>(34,335,772)</b>	<b>13,399,056</b>

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

# Financial Report

## Statement of cash flows for financial year ended 30 June 2018

	Note	Consolidated 2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		2,901,945	2,283,581
Payments to suppliers and employees		(8,446,886)	(6,505,688)
Interest received		253,079	220,352
Research and development concession received		1,598,301	1,429,887
Net cash used in operating activities	18(b)	<u>(3,693,561)</u>	<u>(2,571,868)</u>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment	8	<u>(519,367)</u>	<u>(1,011,625)</u>
Net cash used in investing activities		<u>(519,367)</u>	<u>(1,011,625)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares, net of costs	11	-	15,018,473
Proceeds from conversion of employee share ownership plan restricted shares	11	-	9,500
Share issue costs	11	<u>-</u>	<u>(797,583)</u>
Net cash provided by financing activities		<u>-</u>	<u>14,230,390</u>
<b>Net increase in cash and cash equivalents</b>		(4,212,928)	10,646,897
Cash and cash equivalents at beginning of financial year		13,192,960	2,564,254
Exchange differences on cash and cash equivalents		<u>(25,257)</u>	<u>(18,191)</u>
<b>Cash and cash equivalents at end of financial year</b>	18(a)	<u><b>8,954,775</b></u>	<u><b>13,192,960</b></u>

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

# Financial Report

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## Notes to the financial statements for the financial year ended 30 June 2018

### ***Note 1: Statement of Significant Accounting policies***

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The financial report has been prepared on an accrual basis and is based on historical costs, modified, where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1(w).

#### **(a) Going Concern**

The company incurred losses for the year to 30 June 2018 of \$3,253,809 (2017: \$2,670,622-restated), leading to net operating cash outflows of \$3,693,561 (2017: \$2,571,868). The ability of the company to continue as a going concern is dependent on the entity being able to generate sufficient revenue from successfully developing genetic signatures research.

The financial report has been prepared on a going concern basis, as during the previous year, the Company was able to raise \$15 million (gross) in cash via the issue of ordinary shares. At balance date the Company held \$8,954,775 in cash reserves. It should also be noted that the Company carries no debt. The directors are confident that given the amount of cash on hand at year-end, plus the ongoing ability of the Company to increase its sales, it has sufficient funds to operate as a going concern for the foreseeable future.

#### **(b) Basis of Consolidation**

The consolidated financial statements comprise the financial statements of Genetic Signatures Limited and its subsidiary, Genetic Signatures US Ltd. Subsidiaries are entities (including structured entities) over which the group has control. The group has control over an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to use its power to affect those returns. Subsidiaries are consolidated from the date on which control is transferred to the group and are deconsolidated from the date that control ceases.

All intercompany balances and transactions, including unrealised profits arising from intragroup transactions have been eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.



# Financial Report

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## Notes to the financial statements for the financial year ended 30 June 2018

### ***Note 1: Statement of Significant Accounting Policies (continued)***

#### **(c) Income tax**

The income tax expenses/(benefit) for the year comprise current income tax expense/(benefit) and deferred tax expenses/(benefit).

Current income tax expenses charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities/assets are therefore measured at the amounts expected to be paid to /recovered from the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investment in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

# Financial Report

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## Notes to the financial statements for the financial year ended 30 June 2018

### **Note 1: Statement of Significant Accounting Policies (continued)**

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

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

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the income statements during the financial period in which are incurred.

#### **Depreciation**

The depreciable amount of all fixed assets is depreciated on a straight line basis over their estimated useful lives to the company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable asset are:

<b>Class of fixed asset</b>	<b>Depreciation rate</b>
Plant and equipment	2.5 – 13.5 years

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

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

#### **(e) Goods and Services Tax**

Revenues, expenses and assets are recognised net of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included within other receivables or payables in the statements of financial position.

Cash flows are presented on a gross basis, except for the GST component of investing and financing activities which are recoverable from, or payable to ATO are disclosed as operating cash flows.

# Financial Report

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## Notes to the financial statements for the financial year ended 30 June 2018

### **Note 1: Statement of Significant Accounting Policies (continued)**

#### **(f) Financial instruments**

##### *Initial recognition and measurement*

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or the sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs except where the instrument is not classified at fair value through profit or loss. Transaction costs related to instruments classified at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

##### *Classification and subsequent measurement*

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- i. the amount at which the financial asset or financial liability is measured at initial recognition;
- ii. less principal repayments;
- iii. plus, or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- iv. less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

##### *(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 and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period, which will be classified as non-current assets.

##### *(ii) Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

# Financial Report

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## Notes to the financial statements for the financial year ended 30 June 2018

### **Note 1: Statement of Significant Accounting Policies (continued)**

#### **(f) Financial instruments (continued)**

##### *Fair Value*

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

##### *Impairment*

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

##### *Derecognition*

Financial assets are de-recognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the company no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are de-recognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability, which is extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

#### **(g) Revenue recognition**

Revenue from the sale of goods is recognised when control of the goods has passed to the buyer, the amount of revenue can be measured reliably and it is probable that it will be received by the company.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

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

Grant revenue is recognised when it is received or when the right to receive payment is established.

#### **(h) Trade and other payables**

Accounts payable represent the principal amounts outstanding at the reporting date plus, where applicable, any accrued interest.

#### **(i) Impairment**

At each reporting date, the company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the

# Financial Report

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## Notes to the financial statements for the financial year ended 30 June 2018

### ***Note 1: Statement of Significant Accounting Policies (continued)***

#### **(i) Impairment (continued)**

asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### **(j) Cash and cash equivalents**

For the purposes of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions and net of bank overdrafts.

#### **(k) Inventories**

Inventories are measured at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate portion of variable and fixed overheads, the latter being allocated on the basis of normal operation capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### **(l) Trade and other receivables**

Trade receivables are initially recognized at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognized at amortised cost, less any provision for impairment.

#### **(m) Finance costs**

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including interest on convertible notes.

#### **(n) Employee benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have



# Financial Report

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## Notes to the financial statements for the financial year ended 30 June 2018

### **Note 1: Statement of Significant Accounting Policies (continued)**

#### **(n) Employee benefits (continued)**

been measured at the present value of the estimated future cash outflows to be made for those benefits.

#### **(o) Provisions**

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

#### **(p) Leases**

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expense in the period in which they are incurred.

#### **(q) Share-based payments**

Equity-settled share-based payments with employees and others providing similar services are measured at fair value of the equity instrument at the grant date. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in note 15.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest.

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

The financial information for the parent entity, Genetic Signatures Limited, disclosed in note 19, has been prepared on the same basis as the consolidated financial statements.

#### **(s) Earnings per share**

Basic earnings per share are calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year.

#### **(t) Foreign currency translation**

The financial statements are presented in Australian dollars, which is Genetic Signatures Limited's functional and presentation currency.

##### *Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

# Financial Report

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## Notes to the financial statements for the financial year ended 30 June 2018

### ***Note 1: Statement of Significant Accounting Policies (continued)***

#### **(t) Foreign currency translation (continued)**

##### *Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

#### **(u) Comparative figures**

Comparative figures have been adjusted to conform to changes in presentation for the current financial year where required by accounting standards or as a result of changes in accounting policy.

Some of the amounts reported for the previous period have been restated to correct an error. Detailed information about these adjustments can be found in note 27.

# Financial Report

## Notes to the financial statements for the financial year ended 30 June 2018

### Note 1: Statement of Significant Accounting Policies (continued)

#### (v) New accounting standards and interpretations issued but not yet effective

The Australian Accounting Standards Board has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods and which the Company has decided not to early adopt. A discussion of those future requirements and their impact on the Company is as follows:

New/revised pronouncement	Nature of change	Mandatory and anticipated date of application for the Group	Likely impact on initial application
AASB 9 <i>Financial Instruments</i>	<p>AASB 9</p> <ul style="list-style-type: none"> <li>- replaces AASB 139 <i>Financial Instruments: Recognition and Measurement</i>;</li> <li>- require entities to classify financial assets and liabilities using a new method. This is expected to result in changes in the way the value of financial instruments are recognised and forecasted.</li> <li>- Financial assets including trade receivables will be subject to a new impairment model based on the concept of 'expected loss'. This new model will require entities to recognise losses related to doubtful debts earlier. The new standard also prescribes new hedging rules and guidance on recognition and derecognition of financial instruments.</li> <li>- The Group will apply the new standard for all accounting periods starting on and after 1 July 2018 to all applicable items recognised. The cumulative effect of the initial application will be recognised as an adjustment to the opening balance of retained earnings.</li> </ul>	1 July 2018	<i>The impact of the new standard to the Group has been assessed based on the financial assets and liabilities currently recognised. It is anticipated that the adoption may affect both the value of trade debtors and the provision for doubtful debts. In adopting the expected loss model, the carrying value of trade receivables is expected to decrease, while the provision for doubtful debts and the associated expense is expected to increase. Notwithstanding the above, the magnitude of the movement is likely to be low and the impact is not expected to be material.</i>
AASB 15 <i>Revenue from Contracts with Customers</i>	<p>AASB 15:</p> <ul style="list-style-type: none"> <li>- replaces AASB 118 <i>Revenue</i>, AASB 111 <i>Construction Contracts</i> and some revenue-related Interpretations;</li> <li>- establishes a new revenue recognition model;</li> <li>- changes the basis for deciding whether revenue is to be recognised over time or at a point in time;</li> <li>- provides new and more detailed guidance on specific topics (e.g., multiple element arrangements, variable pricing, rights of return, warranties and licensing); and</li> <li>- expands and improves disclosures about revenue.</li> </ul>	1 July 2018	<i>Management has commenced assessing the impact of AASB15 by reviewing current arrangements with key customers. Based on the work performed to date the findings indicate that the application of AASB15 will not have a material impact on the recognition of revenue or an impact on the financial statements for 30 June 2019 based on the current arrangements with the Group's major customers. Revenues from product sales are recognized when the customer obtains control of the Company's product, which occurs at a point in time, typically upon delivery to the customer. Management will continue to consider the implications of AASB15 on acceptance of any new arrangements with the Group's customers.</i>
AASB 16 <i>Leases</i>	<p>AASB 16:</p> <ul style="list-style-type: none"> <li>- replaces AASB 117 <i>Leases</i> and some lease-related Interpretations</li> </ul>	1 July 2019	<i>Management has completed an assessment by reviewing all leases. Based on the work performed to date the findings</i>

# Financial Report

## Notes to the financial statements for the financial year ended 30 June 2018

<ul style="list-style-type: none"> <li>- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases</li> <li>- provides new guidance on the application of the definition of lease and on sale and lease back accounting</li> <li>- largely retains the existing lessor accounting requirements in AASB 117</li> <li>- requires new and different disclosures about leases.</li> </ul>	<i>indicate that the application of AASB16 will not have a material impact on the recognition of expenses for rent, depreciation or financing costs or on the recognition of leased assets or lease liabilities. Currently all leases are for a term of less than 12 months.</i>
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### (w) Critical Accounting Estimates and Judgments

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

#### *Key estimates – valuation of employee share option plan shares*

At each reporting date, the entity revises its estimate of the number of rights that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to the original estimates, is recognised in profit or loss with a corresponding adjustment to equity. The fair value is measured at grant date and recognised over the period during which the employee becomes unconditionally entitled to the restricted shares.

#### *Judgements- research and development claim*

Judgement is required in determining the amount of grant revenue relating to the research and development claim. There are certain transactions and calculations undertake during the ordinary course of business for which the ultimate tax determination may be subject to change. The company calculates its research and development claim based on the company's understanding of the tax law. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the profit or loss in the year in which such determination is made.

	Consolidated	
	2018 \$	2017 restated \$
<b>Note 2: Other income</b>		
Interest income	229,982	251,342
Government Grant (R&D Rebate)	2,143,424	2,015,637
Other income	10,216	8,250
<b>Total other income</b>	<b>2,383,622</b>	<b>2,275,229</b>
	Consolidated	
	2018 \$	2017 \$
<b>Note 3: Expenses</b>		
<i>Finance costs</i>		
Interest charges	525	423
<i>Superannuation expense</i>		
Defined contribution superannuation expense	248,723	201,438
<i>Items included in other expenses include</i>		
Write off of assets - patents	139,076	138,445

# Financial Report

## Notes to the financial statements for the financial year ended 30 June 2018

### Note 4: Income tax

	Consolidated	
	2018 \$	2017 restated \$
<b>Numerical reconciliation of income tax benefit to prima facie tax payable</b>		
Prima facie income tax (benefit) on loss from ordinary activities (30%)	(976,142)	(801,187)
Add/(less)tax effect of:		
- non-deductible items	1,536,121	1,130,327
- tax losses not brought to account	(532,249)	(262,559)
- temporary differences not brought to account	(27,730)	(66,581)
<b>Income tax benefit attributable to entity</b>	<u>-</u>	<u>-</u>

Potential deferred tax assets attributable to tax losses carried forward for the company, have not been brought to account as the directors believe it is not appropriate to regard realisation of the deferred tax asset as probable. The benefit will only be obtained if:

- The group derives future assessable income of a nature and amount sufficient to enable the benefits from the deductions for the losses to be realised;
- The group continues to comply with the conditions for deductibility imposed by the law;
- The losses are available under the continuity of ownership or same business tests;
- No changes in tax legislation adversely affect the company in realising the benefit from the deductions for the losses.

The total amount of unused tax losses for which no deferred tax asset has been recognised is \$7,632,346, tax effected at 30% \$2,289,704. (2017: \$10,954,897– tax effected \$3,286,454).

### Note 5: Cash and cash equivalents

	Consolidated	
	2018 \$	2017 \$
Cash at bank and on hand	<u>8,954,775</u>	<u>13,192,960</u>

Cash at bank and on hand bears floating interest rates. The interest rate relating to cash and cash equivalents for the year was between 1.75% and 2.5% (2017: between 1.4% and 2.5%).

Genetics Signatures Limited has an unused credit card facility with the bank at the year-end date of \$60,000 (2017: \$60,000).

### Note 6: Trade and other receivables

	Consolidated	
	2018 \$	2017 \$
<b>Current</b>		
Trade debtors (a)	451,437	277,574
Other receivables (b)	310,520	163,767
	<u>761,957</u>	<u>441,341</u>



# Financial Report

## Notes to the financial statements for the financial year ended 30 June 2018

### Note 6: Trade and other receivables (Continued)

**a. Past due but not impaired and impairment of receivables**

Customers with balances past due without provisions for impairment of receivables amount to \$NIL as at 30 June 2018 (\$NIL as at 30 June 2017). The company has recognised a loss of \$NIL (2017: \$NIL) in profit or loss in respect of impairment of receivables for the year ended 30 June 2018.

**b. Other receivables**

These amounts relate to prepayments, accrued interest and net GST refunds receivable. None of these receivables are impaired or past due but not impaired.

**c. Fair value and credit risk**

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

Information about the Company's exposure to fair value and credit risk in relation to trade and other receivables is provided in note 22.

### Note 7: Government grant receivable

	Consolidated	
	2018	2017 restated
	\$	\$
Research & Development tax concession	2,560,761	2,015,637

### Note 8: Property, plant and equipment

	Consolidated	
	2018	2017
	\$	\$
Plant and equipment:		
At cost	3,456,931	2,937,564
Less: accumulated depreciation	(2,306,962)	(1,675,167)
	<b>1,149,969</b>	<b>1,262,397</b>

Movement in plant and equipment is as follows:

	Plant & equipment	Total
	\$	\$
Cost at 1 July 2017	2,937,564	2,937,564
Additions	519,367	519,367
Disposals	-	-
Cost at 30 June 2018	3,456,931	3,456,931
Accumulated depreciation 1 July 2017	(1,675,167)	(1,675,167)
Depreciation expense	(631,795)	(631,795)
Disposal of assets	-	-
Accumulated depreciation 30 June 2018	(2,306,962)	(2,306,962)
<b>Carrying amount 30 June 2018</b>	<b>1,149,969</b>	<b>1,149,969</b>

# Financial Report

## Notes to the financial statements for the financial year ended 30 June 2018

### Note 8: Property, plant and equipment (Continued)

	Plant & equipment	Total
	\$	\$
Cost at 1 July 2016	1,925,939	1,925,939
Additions	1,011,625	1,011,625
Disposals	-	-
Cost at 30 June 2017	2,937,564	2,937,564
Accumulated depreciation 1 July 2016	(1,196,468)	(1,196,468)
Depreciation expense	(478,699)	(478,699)
Disposal of assets	-	-
Accumulated depreciation 30 June 2017	(1,675,167)	(1,675,167)
<b>Carrying amount 30 June 2017</b>	<b>1,262,397</b>	<b>1,262,397</b>

### Consolidated

### Note 9: Trade and other payables

	2018	2017
	\$	\$
<b>Current – unsecured</b>		
Trade creditors	541,892	617,256
Other creditors	232,018	219,057
	773,910	836,313

### Note 10: Provisions

	2018	2017
	\$	\$
<b>Current</b>		
Employee benefits	425,008	347,946
<b>Non-Current</b>		
Employee benefits	10,547	5,542

### Note 11: Issued capital

	2018	2017
	\$	\$
103,922,937 ordinary shares (2017: 104,282,937)	46,773,792	46,773,792
4,000 fully paid founder shares (2017: 4,000)	4,000	4,000
	46,777,792	46,777,792
<i>Movement in ordinary share capital</i>		
Opening balance	46,773,792	32,543,402
Issue of new ordinary shares	-	15,018,473
Employee Share Plan	-	9,500
Buy-back of employee share plan shares	-	-
Less: share issue costs	-	(797,583)
Closing balance	46,773,792	46,773,792

# Financial Report

## Notes to the financial statements for the financial year ended 30 June 2018

### Note 11: Issued capital (Continued)

	2018	2017
Movement in ordinary share capital	No.	No.
Opening balance	104,282,937	72,869,434
Issue of new ordinary shares	-	31,954,197
Employee Share Plan	-	-
Buy-back of employee share plan shares	(360,000)	(540,694)
Closing balance	103,922,937	104,282,937

All fully paid ordinary shares and founder shares have equal voting rights, of one vote per share, and subject to the prior rights of preference shares, have equal rights to receive dividends in proportion to the number of ordinary shares and founder shares held.

### Note 12: Reserves

#### Share based payments reserve

	Consolidated	
	2018	2017
	\$	\$
Balance 1 July	871,044	725,051
Transferred to accumulated losses upon forfeiture	(76,500)	(117,857)
Share-based payment expenses	192,990	263,850
Balance 30 June	987,534	871,044

The share-based payments reserve is used to recognised the fair value of equity benefits provided to employees and Directors as part of their compensation.

#### Foreign currency translation reserve

	Consolidated	
	2018	2017
	\$	\$
Balance 1 July	(5,241)	12,949
Arising from translation of US subsidiary	(25,257)	(18,191)
Balance 30 June	(30,498)	(5,242)

The foreign currency translation reserve is used to recognise the exchange difference on the translation of the US subsidiary into AUD.

### Note 13: Leasing Commitments

#### Operating lease commitments

Non-cancellable operation leases contracted for but not capitalised in the financial statements

Minimum lease payments payable:

-	Not later than one year	102,773	45,297
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The operating lease commitment relates to the company's currently licensed research and development premises with The Heart Research Institute and other premises used for production and storage. Either party can terminate the licence agreement by providing 60 days' written notice to the other party.

# Financial Report

## Notes to the financial statements for the financial year ended 30 June 2018

### Note 14: Key management personnel disclosures

Short-term employee benefits	769,566	713,261
Non-monetary benefits	9,788	-
Short term incentive	51,438	32,000
Post-employment benefits	103,006	122,978
Long-term benefits	27,887	68,124
Termination benefits	-	-
Share based payments	76,861	157,928
	<u>1,038,546</u>	<u>1,094,291</u>

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

### Note 15: Share-based payments

Options were issued during the year, pursuant to the Equity Incentive Plan. Fair values at grant date are determined using a Black-Scholes Option Pricing Model that takes into account the exercise price, the term of the option, the share price at the grant date, the expected volatility of the underlying share, and risk free interest rate for the term of the option. The model inputs for options granted during the year ended 30 June 2018 are noted below:

Grant date	Expiry date	Vesting period	Conversion price	Share price	Expected volatility	Expected dividend yield	Fair value	Average Risk free rate
October 2017	Oct 2032	48 months	\$0.34	\$0.37	75%	-	\$0.17	2.76%
October 2017	Oct 2032	48 months	\$0.34	\$0.38	75%	-	\$0.17	2.76%

The company was admitted to the official list on ASX on 30 March 2015. Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

# Financial Report

## Notes to the financial statements for the financial year ended 30 June 2018

2018 Grant date	Vesting date	Value of share at grant date	Balance at beginning of the year	Granted during the year (Options)	Converted during the year	Expired/ Forfeited during the year	Balance at the end of the year Number	Vested and con- vertible at year end	Unvested at year end	Weighted aver- age fair value of shares at year end	Weighted aver- age remaining contractual life of shares
October 2017	25% on each anniversary to October 2021	\$0.17	-	250,000	-	-	250,000	-	250,000	\$0.17	14.32 years
October 2017	25% on each anniversary to October 2021	\$0.18	-	455,000	-	-	455,000	-	455,000	\$0.17	14.32 years
June 2017	25% on each anniversary to June 2021	\$0.38	200,000	-	-	-	200,000	50,000	150,000	\$0.16	14.00 years
November 2016	25% on each anniversary to November 2020	\$0.46	100,000	-	-	-	100,000	25,000	75,000	\$0.18	13.43 years
October 2016	25% on each anniversary to October 2020	\$0.55	730,000	-	-	-	730,000	182,500	547,500	\$0.24	12.71 years
April 2016	25% April 2017 then monthly to April 2020	\$0.49	240,000	-	-	-	240,000	130,000	110,000	\$0.26	1.79 years
November 2015	25% Nov 2016 then monthly to November 2019	\$0.45	200,000	-	-	(200,000)	-	-	-	-	-
March 2015	25% March 2016 then monthly to March 2019	\$0.40	3,455,000	-	-	(160,000)	3,295,000	2,677,208	617,792	\$0.25	0.74 years
<b>Total</b>			<b>4,925,000</b>	<b>705,000</b>	<b>-</b>	<b>(360,000)</b>	<b>5,270,000</b>	<b>3,064,708</b>	<b>2,205,292</b>	<b>\$0.20</b>	

# Financial Report

## Notes to the financial statements for the financial year ended 30 June 2018

2017											
Grant date	Vesting date	Value of share at grant date	Balance at beginning of the year	Granted during the year (Options)	Converted during the year	Expired/ Forfeited during the year	Balance at the end of the year Number	Vested and convertible at year end	Unvested at year end	Weighted average fair value of shares at year end	Weighted average remaining contractual life of shares
June 2017	25% on each anniversary to June 2021	\$0.38	-	200,000	-	-	200,000	-	200,000	\$0.17	15.00 years
November 2016	25% on each anniversary to November 2020	\$0.46	-	100,000	-	-	100,000	-	100,000	\$0.19	14.43 years
October 2016	25% on each anniversary to October 2020	\$0.55	-	750,000	-	(20,000)	730,000	-	730,000	\$0.25	13.71 years
April 2016	25% April 2017 then monthly to April 2020	\$0.49	240,000	-	-	-	240,000	70,000	170,000	\$0.25	2.79 years
November 2015	25% Nov 2016 then monthly to November 2019	\$0.45	200,000	-	-	-	200,000	79,169	120,831	\$0.21	2.39 years
March 2015	25% March 2016 then monthly to March 2019	\$0.40	4,075,000	-	(23,750)	(596,250)	3,455,000	1,940,890	1,514,110	\$0.24	1.74 years
<b>Total</b>			<b>4,515,000</b>	<b>1,050,000</b>	<b>(23,750)</b>	<b>(616,250)</b>	<b>4,925,000</b>	<b>2,090,059</b>	<b>2,834,941</b>	<b>\$0.24</b>	



# Financial Report

## Notes to the financial statements for the financial year ended 30 June 2018

### Note 16: Contingent liabilities

The company does not have any material contingent liabilities at year-end (2017: nil).

### Note 17: Auditors remuneration

	Consolidated	
	2018	2017
	\$	\$
<i>BDO East Coast Partnership</i>		
Audit and review of financial statements	63,881	64,400
Tax compliance	34,940	13,658
	<u>98,821</u>	<u>78,058</u>

### Note 18: Cash Flow Information

	Consolidated	
	2018	2017 restated
	\$	\$
<b>(a) Reconciliation of Cash</b>		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash on hand and at bank	8,954,775	13,192,960
<b>(b) Reconciliation of Loss after Income Tax to net Cash outflows from Operations</b>		
Loss after income tax	(3,253,809)	(2,670,622)
<i>Non cash flows included within loss</i>		
Depreciation	631,795	478,699
Share based payments expenses	192,990	263,850
<i>Changes in operating assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	(320,618)	43,874
(Increase)/decrease in government grant receivable	(545,123)	(585,750)
(Increase) in inventories	(418,461)	(8,262)
Increase in provisions	82,067	1,315
Decrease in payables	(62,402)	(94,972)
Net cash outflow from operating activities	<u>(3,693,561)</u>	<u>(2,571,868)</u>

# Financial Report

## Notes to the financial statements for the financial year ended 30 June 2018

### Note 19: Parent Entity Financial Information

#### (a) Summary financial information:

The individual financial statements for the Parent entity show the following aggregate amounts:

	2018 \$	2017 restated \$
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	8,924,960	13,115,726
Trade and other receivables	2,669,779	1,801,514
Inventory	1,181,059	762,598
Government grant receivable	2,560,761	2,015,637
<b>Total Current Assets</b>	<b>15,336,559</b>	<b>17,695,475</b>
<b>Non-Current Assets</b>		
Plant and equipment	1,148,117	1,260,618
<b>Total Non-Current Assets</b>	<b>1,148,117</b>	<b>1,260,618</b>
<b>Total Assets</b>	<b>16,484,676</b>	<b>18,956,093</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Trade and other payables	760,380	823,313
Provisions	425,008	347,946
<b>Total Current Liabilities</b>	<b>1,185,388</b>	<b>1,171,259</b>
<b>Non-Current Liabilities</b>		
Provisions	10,547	5,542
<b>Total Non-Current Liabilities</b>	<b>10,547</b>	<b>5,542</b>
<b>Total Liabilities</b>	<b>1,195,935</b>	<b>1,176,801</b>
<b>Net Assets</b>	<b>15,288,741</b>	<b>17,779,292</b>
<b>Equity</b>		
Issued capital	46,777,792	46,777,792
Reserves	987,533	880,900
Accumulated losses	(32,275,818)	(29,879,400)
<b>Total Equity</b>	<b>15,288,741</b>	<b>17,779,292</b>
<b>Loss for the year</b>	<b>(2,683,356)</b>	<b>(2,156,266)</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>	<b>(2,683,356)</b>	<b>(2,156,266)</b>

#### (b) Summary financial information:

The Parent entity did not have any contingent liabilities as at 30 June 2018 or 30 June 2017.

# Financial Report

## Notes to the financial statements for the financial year ended 30 June 2018

### Note 20: Subsidiaries

	Country of incorporation	Equity holding in subsidiaries	
		2018 %	2017 %
<b>a) Parent entity</b>			
Genetic Signatures Limited	Australia		
<b>b) Controlled entities</b>			
Genetic Signatures US Ltd	USA	100%	100%

### Note 21: Related party transactions

#### Related parties

##### (a) The company's main related parties are as follows:

Key management personnel:

Any persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

Key Management personnel include:

Nickolaos Samaras – Director  
John Melki – Director and Chief Executive Officer  
Michael A Aicher – Director  
Phillip J Isaacs – Director  
Anthony J Radford – Director  
Douglas S Millar – Chief Scientific Officer

For details of disclosures relating to key management personnel, refer to Note 14.

##### (b) Transactions with related parties:

	Consolidated	
	2018	2017
	\$	\$
There were no related party transactions during the year	-	-

# Financial Report

## Notes to the financial statements for the financial year ended 30 June 2018

### Note 22: Financial risk management

The company's financial instruments consist mainly of deposits with banks, and accounts receivable and payable. The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are shown at their net fair value.

#### *Net Fair Value*

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties at arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have material impact on the amounts estimated.

	<b>Net Carry- ing Value 2018</b>	<b>Net Fair Value 2018</b>	<b>Net Carry- ing Value 2017</b>	<b>Net Fair Value 2017</b>
<b>Financial assets</b>	\$	\$	\$	\$
Cash and cash equivalents	8,954,775	8,954,775	13,192,960	13,192,960
Trade and other receivables	761,957	761,957	441,341	441,341
Total Financial Assets	<u>9,716,732</u>	<u>9,716,732</u>	<u>13,634,301</u>	<u>13,634,301</u>
 <b>Financial Liabilities</b>				
Trade creditors	541,892	541,892	617,256	617,256
Other creditors	232,018	232,018	219,057	219,057
Total Financial Liabilities	<u>773,910</u>	<u>773,910</u>	<u>836,313</u>	<u>836,313</u>

The values disclosed in the above table have been determined based on the following methodologies:

(i) Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value.

#### *Interest Rate Risk*

The company's main interest rate risk arises from the cash balance which is invested at variable rates.

#### *Sensitivity*

Significant changes in market interest rates may have an effect on the Company's income and operating cash flows. The Company manages its cash flow interest rate risk by placing excess funds in term deposits.

Based on the cash held at reporting date, the sensitivity to a 1% increase or decrease in interest rates would increase/(decrease) after tax profit by \$89,547 (2017: \$131,929).

# Financial Report

## Notes to the financial statements for the financial year ended 30 June 2018

### Note 22: Financial risk management (Continued)

#### Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposure to domestic customers, including outstanding receivables and committed transactions. The Company has no significant concentrations of credit risk. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The majority of customers have long term relationships with the Company and sales are secured with supply contracts. Sales are secured by letters of credit when deemed appropriate. The Company has policies that limit the maximum amount of credit exposure to any one financial institution.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates. The table below summarises the assets which are subject to credit risk.

	Consolidated	
	2018	2017
Financial assets	\$	\$
Cash and cash equivalents	8,954,775	13,192,960
Trade and other receivables	761,957	441,341
Total Financial Assets	<u>9,716,732</u>	<u>13,634,301</u>

#### Liquidity Risk

Liquidity Risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The company manages this risk through the following mechanisms

- preparing forward-looking cash flow analysis in relation to its operational, development and financing activities;
- obtaining funding from a variety of sources either through convertible notes or equity raisings;
- only investing surplus cash with major financial institutions.

#### Financial liability maturity analysis

	Within 1 Year	1 to 5 Years	Total
2018	\$	\$	\$
<b>Financial liabilities due for payment</b>			
Trade and other payables	<u>773,910</u>	<u>-</u>	<u>773,910</u>
Total expected outflows	<u>773,910</u>	<u>-</u>	<u>773,910</u>
	Within 1 Year	1 to 5 Years	Total
<b>2017</b>	\$	\$	\$
<b>Financial liabilities due for payment</b>			
Trade and other payables	<u>836,313</u>	<u>-</u>	<u>836,313</u>
Total expected outflows	<u>836,313</u>	<u>-</u>	<u>836,313</u>

# Financial Report

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## Notes to the financial statements for the financial year ended 30 June 2018

### **Note 23: Capital Risk Management**

The company's objective when managing capital is to safeguard the ability to continue as a going concern so that they can provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure.

Management effectively manages the company's capital by assessing the company's financial risks and adjusting its capital structure in response to changes in these risks and the market.

There were no externally imposed capital requirements during the year.

### **Note 24: Events Subsequent to Reporting Date**

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

### **Note 25: Financial Reporting Segments**

The company is operated under one business segment which was the research and commercialisation of identifying individual genetic signatures to identify diseases and disabilities predominantly based within one geographical location being Sydney, Australia.

#### *Major customers*

During the year ended 30 June 2018 there were two customers (2017: three) that each contributed over 10% of the consolidated entity's external revenue.

### **Geographic locations**

#### *North America*

The Group's North American business includes the United States and Canada. The Group proposes to sell products in this region and is currently having its products evaluated by the US FDA. Operations are currently based in California, USA.

#### *Australia*

The Group's head office and manufacturing operation is based in Sydney, Australia.

All revenue is generated within the Australian entity and all non-current assets are held within the Australian entity.



# Financial Report

## Notes to the financial statements for the financial year ended 30 June 2018

### Note 26. Earnings per share

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>restated</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax	(3,253,809)	(2,670,622)
Loss after income tax attributable to the owners of Genetic Signatures Limited	(3,253,809)	(2,670,622)
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	103,954,585	96,056,399
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	-	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	103,954,585	96,056,399
	<b>Cents</b>	<b>Cents</b>
Basic loss per share	(3.13)	(2.78)
Diluted loss per share	(3.13)	(2.78)

### Note 27. Restatement of comparatives

During the preparation of the research and development ('R&D') claim calculation for the current financial year, an error was identified in respect to the prior year calculation whereby an amount of eligible expenditure was incorrectly excluded from the calculation. The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

<b>Statement of profit or loss (Extract)</b>	<b>2017 Reported</b>	<b>Adjustments</b>	<b>2017 Restated</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
R&D Grant Income	1,497,917	517,720	2,015,637
<b>Loss before income tax</b>	<b>(3,188,342)</b>	<b>517,720</b>	<b>(2,670,622)</b>
<b>Statement of comprehensive income (Extract)</b>			
Loss before income tax	(3,188,342)	517,720	(2,670,622)
Other comprehensive income for the period	-	-	-
<b>Total comprehensive income for the period</b>	<b>(3,188,342)</b>	<b>517,720</b>	<b>(2,670,622)</b>

Basic and diluted earnings per share for the prior year have also been restated. The amount of the correction for both basic and diluted earnings per share was an increase of \$0.52 cents per share.

# Financial Report

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## Notes to the financial statements for the financial year ended 30 June 2018

### Note 27. Restatement of comparatives (Continued)

#### Statement of financial position (Extract)

Government grant receivable	<u>1,497,917</u>	<u>517,720</u>	<u>2,015,637</u>
<b>Total assets</b>	<b><u>17,157,213</u></b>	<b><u>517,720</u></b>	<b><u>17,674,933</u></b>
<b>Net assets</b>	<b><u>15,967,412</u></b>	<b><u>517,720</u></b>	<b><u>16,485,132</u></b>
Accumulated losses	<u>(31,676,183)</u>	<u>517,720</u>	<u>(31,158,463)</u>
<b>Total Equity</b>	<b><u>15,967,412</u></b>	<b><u>517,720</u></b>	<b><u>16,485,132</u></b>

# Financial Report

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## Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declaration required by section 295A of the Corporation Act 2001. Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink that reads "John Melki". The signature is written in a cursive, flowing style.

John Melki  
Director

Sydney, 28 August 2018

# Independent Auditor's Report

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## INDEPENDENT AUDITOR'S REPORT

To the members of Genetic Signatures Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Genetic Signatures Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# Independent Auditor's Report



## Accounting for share-based payment arrangements

Key audit matter	How the matter was addressed in our audit
<p>As disclosed in note 15, the Group has an extensive amount of restricted shares and options on issue to key management personnel and employees pursuant to the Group's Equity Incentive Plan ('EIP'). The restricted shares on issue have been funded by limited recourse loans pursuant to the employee share ownership plan ('ESOP'). Both issuances have been accounted for as share-based payment arrangements.</p> <p>Share-based payment arrangements are a complex accounting area which include assumptions utilised in the fair value calculation and estimation regarding the number of restricted shares and options that are ultimately expected to vest.</p> <p>Due to these factors, we considered this matter to be significant to our audit.</p>	<p>To determine whether the share-based payment arrangements had been appropriately accounted for and disclosed, we undertook, amongst others, the following audit procedures:</p> <ul style="list-style-type: none"><li>• Considered whether the Group used an appropriate model in valuing the restricted shares and options.</li><li>• Reviewed the individual EIP agreements, market announcements and board minutes to ensure all new EIP restricted shares or options issued during the year had been accounted for.</li><li>• Evaluated management's assumptions used in the calculation being interest rate, volatility, the expected vesting period, the probability of achievement and the number of restricted shares and options expected to vest.</li><li>• Evaluated the adequacy and accuracy of the disclosure of the share-based payment arrangements within the financial report including disclosures comprising key management personnel remuneration.</li></ul>

## Other information

The directors are responsible for the other information. The other information comprises the information in the Directors' Report (excluding the audited Remuneration Report section) for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual Report to Shareholders, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report to Shareholders, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

# Independent Auditor's Report

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## **Responsibilities of the directors for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf)

This description forms part of our auditor's report.

## **Report on the Remuneration Report**

### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report under the heading 'Remuneration Report' for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Genetic Signatures Limited, for the year 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

### **Responsibilities**

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### **BDO East Coast Partnership**

BDO  


Martin Coyle  
Partner

Sydney, 28 August 2018



# Shareholder Information

## Additional Information Required Under ASX Listing Rules

The additional information required by the Australian Securities Exchange (ASX) and not shown elsewhere in this report is set out below. The information is current at **15 October 2018**.

### Issued Capital

As at 15 October 2018, the company had 103,926,937 fully paid shares on issue.

### Distribution of Equity Securities

Analysis of numbers of equity security holders for GSS fully paid ordinary shares (including the escrowed shares) by size of holding:

#### Securities

Employee Share Plan  
Employee Share Plan - Restricted  
Fully Paid Ordinary Shares  
Fully Paid Ordinary Shares ASX Escrowed 24 Months  
Fully Paid Ordinary Shares Company Escrowed until 26/03/2019  
Fully Paid Ordinary Shares Vol Escrowed 24 Months

Holdings Ranges	Holders	Total Units	%
1-1,000	42	14,727	0.014
1,001-5,000	177	565,511	0.544
5,001-10,000	108	929,809	0.895
10,001-100,000	307	11,649,221	11.209
100,001-99,999,999,999	84	90,767,669	87.338
<b>Totals</b>	<b>718</b>	<b>103,926,937</b>	<b>100.000</b>

### Unmarketable Parcel of Shares

The number of individual shareholders holding less than a marketable parcel of shares was 31 (a total of 3,899 shares held by 31 shareholders).

807 fully paid ordinary shares comprise a marketable parcel at GSS' closing share price of \$0.62 as at 15 October 2018.

# Shareholder Information

## Equity Security Holders

The names of the twenty largest holders of quoted securities are listed below:

Name/Address 1	Balance as at 15-10-2018	%
1. ASIA UNION INVESTMENTS PTY LTD	38,194,090	36.751%
2. CITICORP NOMINEES PTY LIMITED	17,891,113	17.215%
3. UBS NOMINEES PTY LTD	6,501,119	6.255%
4. DR NICK SAMARAS AND ASSOCIATED ENTITIES	2,000,000	1.92%
5. BRAHAM CONSOLIDATED PTY LTD	1,610,013	1.549%
6. MR PHILLIP ISAACS AND ASSOCIATED ENTITIES	1,548,127	1.49%
7. CAPITAL CONCERNS PTY LIMITED <LOGUE FAMILY SUPER FUND A/C>	1,325,000	1.275%
8. DR JOHN MELKI	1,096,000	1.05%
9. DOUG MILLAR	950,000	0.914%
10. NATIONAL NOMINEES LIMITED <DB A/C>	893,580	0.860%
11. BRAHAM INVESTMENTS PTY LTD <BRAHAM STAFF SUPER FUND A/C>	815,143	0.784%
12. IDOLLINK PTY LTD <MCKEITH SUPER FUND A/C>	776,914	0.748%
13. DAZANE PTY LTD	752,544	0.724%
14. S LOADER PTY LTD <S LOADER SF A/C>	723,384	0.696%
15. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	650,084	0.626%
16. MR ALISTAIR DAVID STRONG	650,000	0.625%
17. MIKE ANTON AICHER	645,785	0.621%
18. UBEAMION APS	625,953	0.602%
19. PERSHING AUSTRALIA NOMINEES PTY LTD <BLUE OCEAN EQUITIES A/C>	561,916	0.541%
20. QUICKINVEST PTY LTD <QUICKINVEST STAFF S/F A/C>	558,862	0.538%
<b>Total Securities of Top 20 Holdings</b>	<b>78,769,627</b>	<b>75.79%</b>
<b>Total of Securities</b>	<b>103,926,937</b>	

# Shareholder Information

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## Substantial Holders

Substantial holders in the company as advised to the company via substantial shareholder notices lodged with the ASX are set out below:

Substantial holders	Number of Ordinary Shares Held	% of total shares issued
Asia Union and Christopher Abbott	38,274,590	36.83%
Deutsche Bank AG	14,893,618	14.24%

## On-Market Buy Back

There is no current on-market buy back.

## Voting Rights

The voting rights attached to ordinary shares are set out below:

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each shares shall have one vote.

There are no other classes of equity securities.

## Voluntary Escrow

There are no shares subject to voluntary escrow.

## Stock Exchange Listing

GSS securities are only listed on the ASX.

## Company Secretary:

Anna Sandham

## Share Registry

BoardRoom Pty Limited  
Level 12, 225 George Street  
Sydney NSW 2000  
T: 1300 737 760 (within Australia)  
T: +61 2 9290 9600 (from overseas)

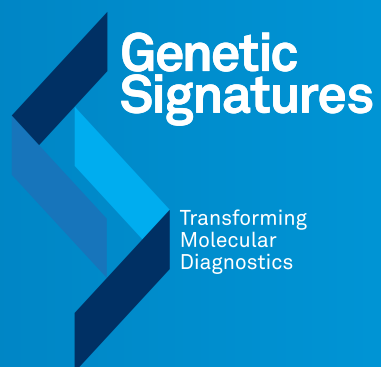
## Principal registered office in Australia

Level 12, 680 George Street  
Sydney NSW 2000













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