

# Annual Report 2019



# 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 **3base™** technology (the cornerstone of our *EasyScreen™* Pathogen Detection Kits), reduces the genetic complexity of infection detection in molecular testing. Our 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.

Our aim is to become a global leader in the supply of diagnostic solutions for the rapid detection of infectious diseases. This enables faster treatment and facilitates improved patient outcomes.

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 support over the past year.

The 2019 financial year has been another successful one for Genetic Signatures. The Company made strong progress with its commercialisation efforts and this has been reflected in impressive revenue performance. Genetic Signatures has focused on establishing the business in the US and Europe, as well as continuing to grow the Company's domestic revenue base. A key emphasis for Genetic Signatures in the year ahead includes securing FDA clearance, which will open the next phase of development in the US.

Genetic Signatures' revenue base grew by 71% to \$4.9 million in FY19, up from \$2.8 million in FY18, continuing a pattern of growth year on year. The Company achieved considerable traction with its expansion into Europe, underpinned by the increasing range of diagnostic kits with CE-IVD registration and the recent appointments to the European sales team.

International expansion remains a clear focus for the Company and we are optimistic FY20 will be a pivotal one in the Company's development. The Company has determined that signing a major contract in each significant overseas market are key milestones for FY20. Genetic Signatures' **3base™** technology provides a significant competitive advantage in capturing global market share, saving lives and improving patient outcomes.

While the Company's strategy in the near term remains focused on international commercialisation and progressing towards profitability, Genetic Signatures also continues to develop and launch new *EasyScreen™* detection kits.

The achievements of recent years would not have been possible without the hard work of both our executive and support teams across APAC, EMEA and North America and I would like to congratulate them on their progress to date.

Finally, let me take this opportunity to thank our shareholders for their ongoing support of Genetic Signatures and I look forward to continuing to share the journey going forward.



Dr Nick Samaras  
Chairman



A key emphasis for Genetic Signatures in the year ahead includes securing FDA clearance, which will open the next phase of development in the US.



# CEO Operations

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**Genetic Signatures made strong progress on its commercialisation strategy in FY19. The Company generated sales revenue of \$4.9 million, representing a 71% increase over FY18.**

The revenue growth has to date been driven by strong demand from our domestic customers, though it is expected that this will be supplemented by increasing traction in larger international markets in FY20 and beyond.

During the financial year, Genetic Signatures received TGA registration for its *EasyScreen*™ Respiratory Pathogen Detection Kit, our 3rd TGA registered product group, and secured a new major contract with Australian Clinical Laboratories, one of Australia's largest pathology service providers. The Company went on to receive significant repeat customer orders in response to a particularly severe domestic flu season. The APAC region was responsible for the majority of sales revenue in FY19.

Looking outside of APAC, Genetic Signatures continued to advance entry into EMEA and North America, our international target markets. The Company is committed to driving awareness of its **3base**™ technology through attendance at key industry conferences. A key highlight for the year was the 29th European Congress of Clinical Microbiology and Infectious Diseases (ECCMID) in April 2019. Medical Scientist, Rory Gough from St. Vincent's Hospital, SydPath, Sydney presented his findings using Genetic Signatures *EasyScreen*™ Enteric Protozoan Detection Kit, which led to significant interest from industry experts and prospective customers.

In EMEA, Genetic Signatures further expanded the suite of approved products. CE-IVD registration of the *EasyScreen*™ Respiratory Pathogen Detection Kit was achieved in FY19, which provides the European sales team a larger product range to market to pathology labs. The Company also appointed a number of senior sales executives in Europe who are cultivating a strong pipeline of trials and customer relationships. The Company has set a FY20 target to achieve CE-IVD and TGA approvals for its *EasyScreen*™ STI/Genital Pathogen Detection Kit and the *EasyScreen*™ Flavivirus/Alphavirus Detection Kit.

Similar momentum exists in North America, where the Company is approaching FDA clearance for the *EasyScreen*™ Enteric Protozoan Kit, with clearance

anticipated in FY20. Marketing efforts are also being undertaken to promote the Analyte Specific Reagent (ASR) solutions to larger laboratories, with some potential customers currently assessing the tests.

Genetic Signatures' Management Team remains focused on accelerating international commercialisation efforts and expanding the *EasyScreen*™ product range. With key sales executives and strategies in place, the Company is excited about the growth prospects in EMEA and North America, which are key target markets for FY20.

In addition to driving global sales of existing products, the Company also remains committed to expanding its current suite of diagnostic products. Additionally, the R&D team has been experimenting with new assays which are at various stages of development, including Meningitis (viral and bacterial) and Atypical Respiratory Kits. During FY20 the Company will advance current applications and develop additional kits to further broaden the product portfolio.

Over the course of the next financial year, Genetic Signatures will continue to drive international sales and pursue its commercialisation strategy. I look forward to updating you on all our accomplishments in the coming year.

Dr John Melki  
Managing Director and CEO

“

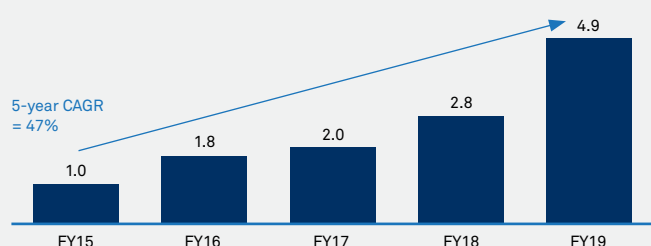
Over the course of the next financial year, Genetic Signatures will continue to drive international sales and pursue its commercialisation strategy.

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# Results

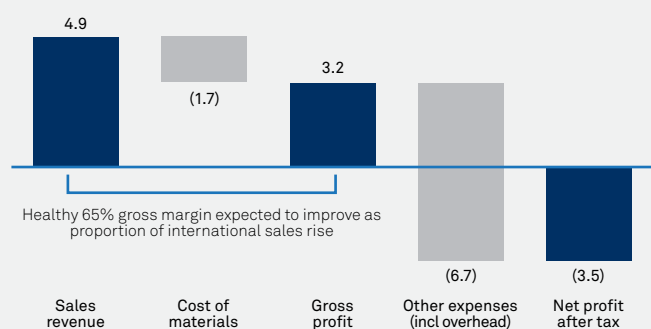
Genetic Signatures achieved sales revenues of \$4.9 million in the financial year ended 30 June 2019, underscoring the success of its market penetration strategy and the market's acceptance of its **3base™ EasyScreen™** Detection Kits.

## Revenue from operations (\$m)



The Company posted a net loss for FY19 of \$3.5m representing a 7% increase on the previous year. Losses are driven by increased expenses from more personnel, higher R&D costs, and regulatory costs - all investments in future growth. A graphical reconciliation is shown in the figure below:

## FY19 financial highlights (\$m)



Cash balance was \$6,311,555 at 30 June 2019, down from \$8,954,775 at 30 June 2018. Net assets stand at \$10,569,099 and include a receivable balance for R&D tax refund of \$2,146,943, which is expected to be received in 1H FY20.

# Commercialisation Update

## Commercialisation Strategy – 5 Key Pillars



Secure large contracts in EU/USA

With sales teams now in place and a growing international reputation, GSS is ready to execute on its international sales strategy



Expanding domestic revenue base

Secure additional customer contracts and drive awareness of new *EasyScreen*<sup>TM</sup> Kits



Regulatory approvals

More than 10 regulatory registrations received in the EU and AU. More registrations anticipated in the coming months, including the first FDA clearance



Clinical trials

Multiple global trials currently underway with prospective customers and to support regulatory approvals



Development of *EasyScreen*<sup>TM</sup> Kits

Continuous expansion of the *EasyScreen*<sup>TM</sup> portfolio with two new kits currently under development for undisclosed indications

In addition to gaining market share domestically, Genetic Signatures remains focused on accelerating sales in North America and Europe (a combined estimated 75% of global MDx revenue), the world's largest MDx markets.

Genetic Signatures leverages a hybrid of distribution and direct sales activities as part of its international commercialisation strategy. As such, the Company

made strong progress on driving awareness and customer interest during FY19. During the financial year, Genetic Signatures also made substantial progress in expanding the range of *EasyScreen*<sup>TM</sup> Kits available for sale across key global markets to drive further revenue and shareholder value.



# Commercialisation Update

## Asia Pacific commercialisation update



### Sales progress

Genetic Signatures has developed a strong foothold in the Australian market. The Company now has five *Easyscreen*<sup>™</sup> kits approved for sale in Australia, including the Enteric range (viral, bacterial and protozoan), Respiratory Pathogen and ESBL & CPO Detection Kits (antibiotic resistance). During the year, the Company progressed several trials with clinical labs and large hospitals that have further strengthened its existing and future domestic revenue growth.

APAC revenue increased to \$4.7 million in FY19, up +71% from \$2.7 million in FY18.

During FY19, Genetic Signatures announced a major new contract with a large Australian pathology service provider and launched two new products, the second generation *EasyScreen*<sup>™</sup> Respiratory Pathogen Detection Kit and the Genetic Signatures Automation System (GS1-HT). Australia went on to experience a relatively severe flu season in FY19, resulting in increased sales orders from this new customer.



**Regulatory approvals**

**Establish sales & technical team**

**Successful trials**

**Maiden sales**

**Revenue growth**

### Regulatory update

In May 2019, the Company received Australian Registration (TGA) for its *Easyscreen*<sup>™</sup> Respiratory Pathogen Detection Kit. The Company has received growing interest from prospective customers, where the ability to scale up throughput during peak flu season creates an attractive competitive advantage. During the financial year the Company also progressed the regulatory submission for the *Easyscreen*<sup>™</sup> STI/ Genital Pathogen Detection Kit. While the *Easyscreen*<sup>™</sup> Flavivirus/Alphavirus Detection Kit is being prepared for the regulatory phase.

# Commercialisation Update

## EMEA commercialisation update



### Sales progress

Europe represents ~35% of the global molecular diagnostics market and is, therefore, a key growth opportunity for Genetic Signatures. EMEA revenue increased to \$162,542 in FY19, up from \$77,723 in FY18. The increase in revenue reflected the growing product suite available for sale in the region. Towards the end of the financial year, Genetic Signatures appointed a number of key European senior sales executives. The new sales team completed training in Australia and undertook a 6-week intensive product training program in Europe. They have identified potential clients and are now in active sales mode.



Regulatory approvals

Establish sales & technical team

Successful trials

Maiden sales

Revenue growth

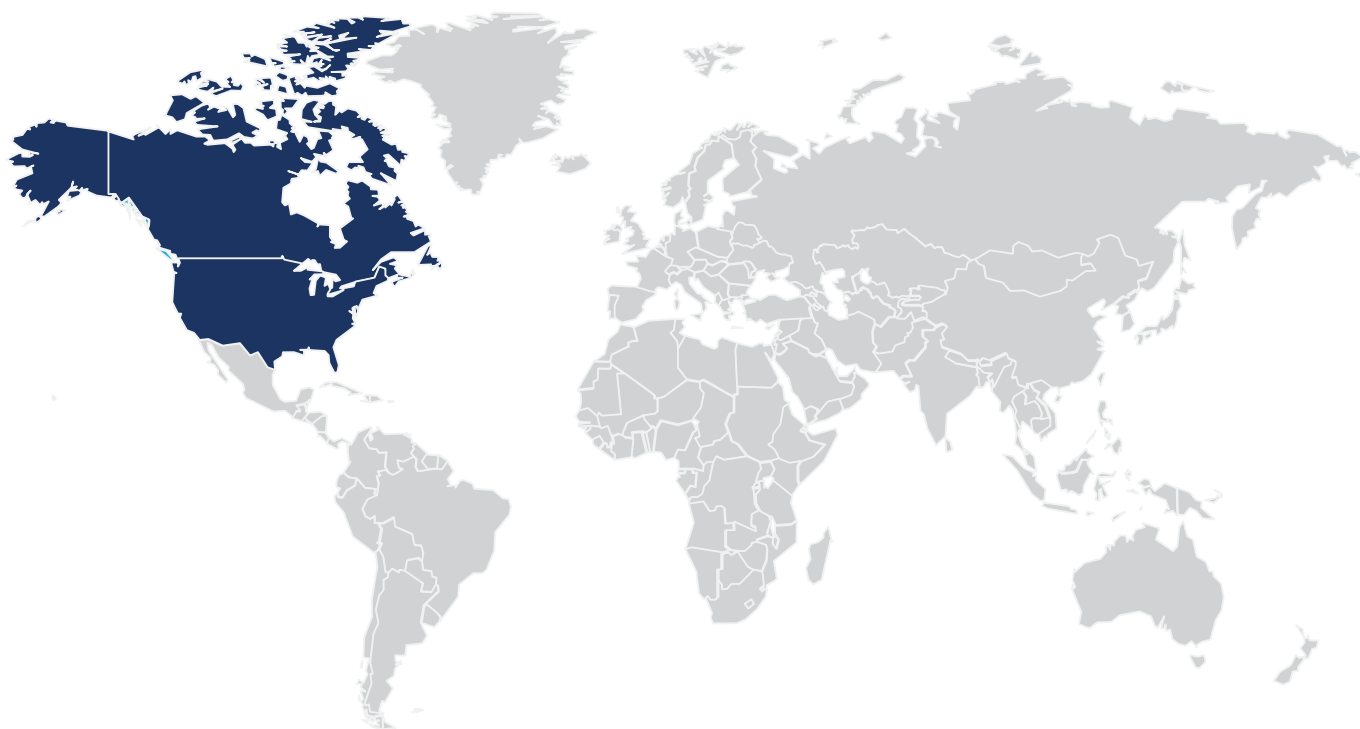
### Regulatory update

In December Genetic Signatures announced it had received CE-IVD mark for its *EasyScreen*<sup>TM</sup> Respiratory Pathogen Detection Kit. This expanded the product offering for Europe and will allow the new team to effectively market to pathology laboratories in Europe. Work continues on the regulatory submission for approval of the *EasyScreen*<sup>TM</sup> STI/Genital Pathogen Detection Kit. The *EasyScreen*<sup>TM</sup> Flavivirus/Alphavirus Detection Kit will follow this path along with other products identified as emerging areas of opportunity during the period.

# Commercialisation Update

## North America commercialisation update

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### Sales progress

North America is the largest market opportunity globally, accounting for an estimated 40% of molecular diagnostics revenue.

Genetic Signatures continues to establish its entry into this major market with several labs trialling its ASR products, which incorporate the Company's proprietary 3base™ technology. The ASR kits are currently available for sale in the US, with a small amount of initial sales underway. Genetic Signatures is focused on securing its first major contract in FY20.



**Regulatory approvals**

**Establish sales & technical team**

**Successful trials**

**Maiden sales**

**Revenue growth**

### Regulatory update

Since the initial launch of the ASR product offering, the Company has expanded its product range to include reagents for Enteric, Respiratory, Flavivirus / Alphavirus, STI / Genital, ESBL & CPO and Meningitis.

In FY19 the Company progressed the regulatory submission for its *EasyScreen™* Enteric Protozoan Detection Kit, with US FDA clearance expected in FY20.

# Appendix: Table 1

 Trials underway
  Approval process underway
  Fully approved
  ASRs available for sale

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

| Product                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | AUS | EU | USA |
|--------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|-----|
| <b>EasyScreen™<br/>Respiratory</b><br>(RP004/5/7)                                    | (i) Influenza A<br>(ii) Influenza B<br>(iii) RSV - A/B<br>(iv) Human Metapneumovirus<br>(v) Parainfluenza 1/3<br>(vi) Parainfluenza 2<br>(vii) Rhinovirus<br>(viii) Enterovirus<br>(ix) Adenovirus<br>(x) <i>B. pertussis</i> / <i>B. parapertussis</i><br>(xi) <i>M. pneumonia</i><br>(xii) Parainfluenza 4                                                                                                                                                                                                                                                                                                                                                                           | ●   | ●  | ✓   |
| <b>EasyScreen™<br/>Respiratory</b><br>(RP003)                                        | (i) Coronavirus HKU-1<br>(ii) Coronavirus OC43<br>(iii) Coronavirus NL63/229E                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | ○   | ○  | ✓   |
| <b>EasyScreen™<br/>STI / Genital Detection Kit</b><br>(STI005)                       | (i) <i>Chlamydia trachomatis</i><br>(ii) <i>Neisseria gonorrhoeae</i> OpaC<br>(iii) <i>Neisseria gonorrhoeae</i> PorA<br>(iv) <i>Lymphogranuloma venereum</i> (LGV)<br>(v) <i>Mycoplasma genitalium</i><br>(vi) <i>Trichomonas vaginalis</i><br>(vii) <i>Ureaplasma urealyticum</i><br>(viii) <i>Ureaplasma parvum</i><br>(ix) <i>Candida</i> spp.<br>(x) <i>Mycoplasma hominis</i><br>(xi) <i>Streptococcus agalactiae</i><br>(xii) <i>Gardnerella vaginalis</i><br>(xiii) <i>Treponema pallidum</i><br>(xiv) Herpes simplex virus 1<br>(xv) Herpes simplex virus 2<br>(xvi) Varicella zoster virus                                                                                   | ○   | ○  | ✓   |
| <b>EasyScreen™<br/>Flavivirus / Alphavirus<br/>Pathogen Detection Kit</b><br>(FA001) | (i) Pan-Flavivirus<br>(ii) Pan-Alphavirus<br>(iii) Rift Valley Fever Virus (RVFV)<br>(iv) Pan-Dengue 1-4 (DENV)<br>(v) Eastern equine encephalitis virus (EEEV)<br>(vi) Zika Virus (ZIKV)<br>(vii) West Nile Virus (WNV)<br>(viii) Western equine encephalitis viruses (WEEV)<br>(ix) Yellow Fever Virus (YFV)<br>(x) Venezuelan Equine Encephalitis Virus (VEEV)<br>(xi) St Louis Encephalitis Virus (SLEV)<br>(xii) Tick Borne Encephalitis Virus (TBEV)<br>(xiii) Ross River Virus (RRV)<br>(xiv) Barmah Forest virus (BFV)<br>(xv) Japanese Encephalitis Virus (JEV)<br>(xvi) O'nyong'nyong virus (ONNV)<br>(xvii) Murray Valley encephalitis (MVE)<br>(xviii) Chikungunya (CHIKV) | ○   | ○  | ✓   |
| <b>EasyScreen™<br/>Meningitis (Viral / Bacterial)</b>                                | <i>Enterovirus</i><br><i>Parechovirus</i><br>HSV-1<br>HSV-2<br>CMV<br>EBV<br>VZV<br>HHV6<br><u>Bacterial:</u> <i>H. influenzae</i> , <i>S. pneumoniae</i> , <i>L. monocytogenes</i> , <i>M. pneumoniae</i> , <i>E. coli</i> , <i>M. tuberculosis</i> , <i>S. agalactiae</i> , <i>N. meningitidis</i> , <i>C. neoformans</i> , <i>BKV</i> , <i>JCV</i> , <i>HHV8</i> , <i>Toxoplasma</i>                                                                                                                                                                                                                                                                                                | ●   |    | ✓   |
| <b>EasyScreen™<br/>Atypical Respiratory</b>                                          | <i>B. pertussis</i><br><i>B. parapertussis</i><br><i>B. holmesii</i><br><i>L. pneumophila</i><br><i>L. longbeachae</i><br><i>C. psittaci</i><br><i>M. pneumoniae</i><br><i>P. jirovecii</i> (PCP)<br><i>C. pneumoniae</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                              | ●   |    |     |

# What is an ASR?

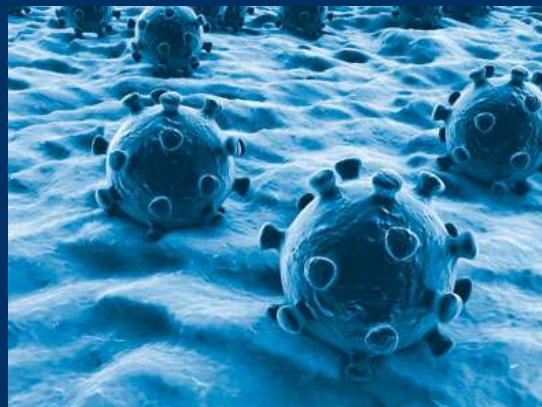
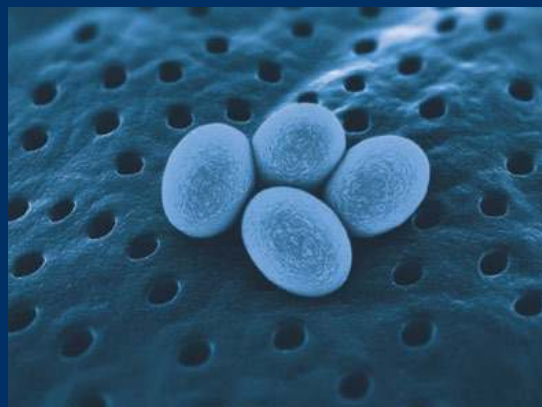
Analyte Specific Reagents (ASRs) are the building blocks of *EasyScreen™* kits that utilise Genetic Signatures' proprietary 3base™ technology.

The US Food and Drug Administration (FDA) defines them as *“antibodies, both polyclonal and monoclonal, specific receptor proteins, ligands, nucleic acid sequences, and similar reagents, which through specific binding or chemical reactions with substances in a specimen, are intended for use in a diagnostic application for identification and quantification of an individual chemical substance or ligand in biological specimens.”*

Any North American laboratory regulated by the Clinical Laboratory Improvement Act (CLIA) may purchase and use ASRs as building blocks to develop and validate ‘Laboratory Developed Tests’ (LDTs) for the diagnosis of infectious diseases, allowing testing to be undertaken prior to a product being cleared by the FDA.

Approximately 11,000 labs<sup>1</sup> are eligible to develop their own LDTs, though generally only the largest centralised lab’s will invest in their development.

These LDTs are commonly used in the US market and these kits represent approximately 20% of the US MDx market<sup>2</sup>.



<sup>1</sup> <https://www.acla.com/wp-content/uploads/2014/09/Alan-Mertz-Written-Statement-for-21st-Century-Cures-Hearing-2014-09-09.pdf>

<sup>2</sup> DeciBio Consulting



# Financial Report

For the financial year ended 30 June 2019

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# Directors' Report

## for the financial year ended 30 June 2019

The directors present their report, together with the financial statements, on the company and its controlled entities for the year ended 30 June 2019. 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

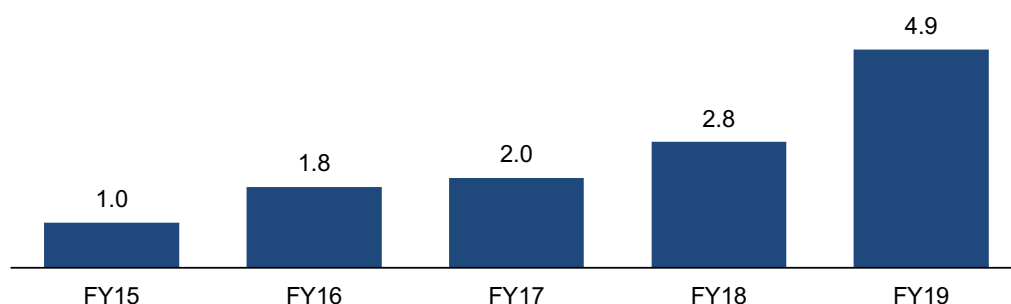
The principal activities of the Company during the financial year were the research and commercialisation of identifying individual genetic signatures to aid in the diagnosis of infectious diseases and the sale of associated products into the diagnostic and research marketplaces. There have been no significant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

### REVIEW OF OPERATIONS

Genetic Signatures has made strong progress on its commercialisation strategy during the year. This was started with the appointment of well qualified people into key positions, including Chief Financial Officer, Global Director of Sales & Marketing, and senior sales personnel in Europe.

In the financial year ending 30 June 2019, Genetic Signatures' revenue reached a total of \$4.9m representing a 71% increase over the previous year. The strong revenue growth highlights the result of the Group's targeted sales strategy and focus on product development, including recent regulatory approvals in Australia and Europe.

*Revenue from operations (\$m)*



The Company posted a net loss of \$3,491,994 in FY19, marginally higher than that reported in FY2018. This reflects the investment in future growth by Genetic Signatures.

Gross margins were maintained at a healthy 65%, which is expected to improve as the proportion of international sales rises. Employee benefits expense were up 37% vs. prior corresponding period to \$5,097,067 in FY19 as employee headcount was increased. This included recruitment of additional sales and support staff, which positions the Company well to drive sales. Scientific consumables also grew as the Group expanded its R&D and validation activities, both for additional targets within the current portfolio and new work in areas such as Meningitis and other analytes. Other expenses include costs associated with regulatory approval processes.

# Directors' Report

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## for the financial year ended 30 June 2019

Cash balance was \$6,311,555 at 30 June 2019, down from \$8,954,775 at 30 June 2018. Net assets stand at \$10,569,099 and include a receivable balance for R&D tax refund of \$2,146,943, which is expected to be received in 1<sup>st</sup> half 2020.

### **Commercialisation Progress by Market**

#### *Australia*

Represents approximately 1-2% of the world molecular diagnostic market<sup>1</sup>

- Major new contract with a large Australian pathology service
- Launched two new products, the second generation *EasyScreen*<sup>TM</sup> Respiratory Pathogen Detection Kit and the GSS Automation System (GS1-HT)
- Received TGA registration for Genetic Signatures' *EasyScreen*<sup>TM</sup> Respiratory Pathogen Detection Kit
- Progressed Australian submissions of the *EasyScreen*<sup>TM</sup> STI / Genital Detection Kit
- Other new kits currently under development

#### *Europe*

Europe (European Union and United Kingdom) represents ~35% of global molecular diagnostics market

- Achieved European registration (CE-IVD) for the *EasyScreen*<sup>TM</sup> Respiratory Pathogen Detection Kit
- First sale of reagent kits to a UK customer.
- Increased investment into European sales to coincide with regulatory improvements and increased activity, this includes additional distributors, managed warehouse allowing rapid local delivery and recruitment of additional sales and support staff.
- European applications for *EasyScreen*<sup>TM</sup> STI / Genital Detection Kit are being finalised.

#### *North America*

Largest market opportunity globally, accounting for estimated 40% of test revenue<sup>1</sup>

- Progress towards securing FDA clearance for *EasyScreen*<sup>TM</sup> Enteric Protozoan Detection Kit.
- Several labs assessing the potential for ASR products available for sale in the US.
- Investment into US sales to increase as the Group approaches and gain US FDA clearance.

### **Looking Forward**

The Group sees the year ahead as a pivotal one in the Company's development, and has set itself the following milestones for FY2020:

- Sign a major contract in each significant overseas market
- US FDA clearance for the *EasyScreen*<sup>TM</sup> Enteric Protozoan detection kit
- CE-IVD and TGA registration for *EasyScreen*<sup>TM</sup> STI/Genital Pathogen detection kits
- CE-IVD and TGA registration for *EasyScreen*<sup>TM</sup> Flavivirus/Alphavirus detection kits
- New products.

# Directors' Report

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for the financial year ended 30 June 2019

## **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 (2018: 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 2019

## 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<br>480,000 ESOP restricted shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

# Directors' Report

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for the financial year ended 30 June 2019

|                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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 was in the sodium bisulphite conversion of DNA which is at the core of Genetic Signatures' technology. |
| Special responsibilities:                | Managing Director and Chief Executive Officer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Directorships of other listed companies: | Nil                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Interests in shares and options:         | 196,000 ordinary shares,<br>900,000 ESOP restricted shares,<br>300,000 options over ordinary 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:         | 1,553,127 ordinary shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

# Directors' Report

for the financial year ended 30 June 2019

|                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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<br>480,000 ESOP restricted shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Name:                                    | <b>Anthony J Radford AO FTSE</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. He is a Fellow of the Australian Academy of Technology and Engineering, and a recipient of their Clunies Ross Prize.                                                                                             |
| Special responsibilities:                | Non-Executive; Member of Audit & Risk Committee and Nomination & Remuneration Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Directorships of other listed companies: | Nil                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Interests in shares and options:         | 170,000 ordinary shares<br>70,000 ESOP restricted shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Company Secretary Name:                  | <b>Peter Manley</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Experience:                              | Peter Manley was appointed Company Secretary of Genetic Signatures in March 2019. Peter is an experienced company secretary who also holds the position of Chief Financial Officer. Previous roles include CFO & Company Secretary for listed life sciences companies AtCor Medical Holdings Limited (now Cardiex Ltd) and Sirtex Medical Ltd.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

# Directors' Report

for the financial year ended 30 June 2019

ended 30 June 2019, and the numbers of meetings attended by each director are set out below:

| Name              | Board |          | Audit & Risk Committee |          | Nomination & Remuneration Committee |          |
|-------------------|-------|----------|------------------------|----------|-------------------------------------|----------|
|                   | Held  | Attended | Held                   | Attended | Held                                | Attended |
| Nickolaos Samaras | 9     | 9        | 3                      | 3        | 2                                   | 2        |
| John R Melki      | 9     | 9        | -                      | -        | -                                   | -        |
| Phillip J Isaacs  | 9     | 5        | 3                      | 2        | 2                                   | 2        |
| Michael A Aicher  | 9     | 9        | -                      | -        | -                                   | -        |
| Anthony J Radford | 9     | 9        | 3                      | 3        | 2                                   | 2        |

## REMUNERATION REPORT - AUDITED

The remuneration report is set out under the following main headings:

1. Remuneration principles and key management personnel
2. Non-executive director remuneration
3. Executive remuneration
4. Equity disclosures
5. Employment agreements

The information provided includes remuneration disclosures that are required under AASB 124 – Related Party Disclosures. These disclosures have been transferred from the financial report and have been audited.

### 1 REMUNERATION PRINCIPLES AND KEY MANAGEMENT PERSONNEL

#### 1.1 Policy for determining the nature and amount of key management personnel remuneration

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. 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.

#### Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed with reference to market rates for comparable companies. The chairman's fees are determined independently to the fees of non-executive directors. The Chairman is not present at any discussions relating to determination of his own remuneration. Non-executive directors are entitled to receive share options, following approval by the shareholders of Genetic Signatures Limited.

Non-executive directors' fees are captured within an aggregate directors' pool limit, which is periodically recommended for approval by shareholders. The pool stands at \$250,000 excluding share-based payments which are subject to separate shareholder approval. The pool has not been changed since listing in 2015.

# Directors' Report

for the financial year ended 30 June 2019

## Executive directors and senior executives

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives, and the creation of value for shareholders. The Board ensures that executive reward satisfies the following key criteria.

*Alignment to company and shareholders' interests:*

- Has company growth as a core component of plan design
- Focuses on sustained long-term growth in shareholder wealth
- Attracts and retains high calibre executives
- Total remuneration is comparable to market standards.

*Alignment to program participants' interests:*

- Rewards capability and experience
- Reflects competitive reward for contribution to growth in company value
- Provides a clear structure for earning rewards
- Provides recognition for contribution.

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives.

## 1.2 Key management personnel

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

### Non-executive directors

Dr Nickolaos Samaras - Chairman

Phillip J Isaacs

Dr Anthony J Radford AO

### Executive directors

Dr John R Melki - Managing Director & Chief Executive Officer

Michael A Aicher - Executive Director, US Operations

### Other executives

Peter L Manley (appointed 23 October 2018) - Chief Financial Officer/Company Secretary

## 2 NON-EXECUTIVE DIRECTOR REMUNERATION

### 2.1 Directors' Fees

The current remuneration is unchanged from prior year. Fees are inclusive of committee fees.

#### Board fees per annum

|                                           |                                                |
|-------------------------------------------|------------------------------------------------|
| Chairman                                  | \$60,000                                       |
| Non-executive director (Australian based) | \$45,000                                       |
| Non-executive director (overseas)         | 40,000 (USD, EUR or GBP depending on location) |

#### Superannuation

Superannuation contributions for Australian-based non-executive directors are in addition to the Board fees and are calculated at a rate of 9.5% of the base fee, as required under the statutory superannuation guarantee. Directors may elect to salary sacrifice additional payments to their fund.

#### Share-based payments

Non-executive directors are not entitled to any performance related remuneration but may receive option or equity grants if approved by shareholders.

# Directors' Report

for the financial year ended 30 June 2019

## 2.2 Non-executive director remuneration

| Non-executive directors |      | Cash salary<br>and fees | Super-<br>annuation | Share-based<br>payments | Total   |
|-------------------------|------|-------------------------|---------------------|-------------------------|---------|
|                         | Year | \$                      | \$                  | \$                      | \$      |
| Nickolaos Samaras       | 2019 | 60,000                  | 5,700               | 9,724                   | 75,424  |
|                         | 2018 | 60,000                  | 5,700               | 8,450                   | 74,150  |
| Phillip J Isaacs        | 2019 | 45,000                  | 4,275               | 1,514                   | 50,789  |
|                         | 2018 | 24,275                  | 25,000              | 4,401                   | 53,676  |
| Anthony J Radford       | 2019 | 29,456                  | 19,819              | 6,934                   | 56,209  |
|                         | 2018 | 29,456                  | 19,819              | 13,866                  | 63,141  |
| Total                   | 2019 | 134,456                 | 29,794              | 18,172                  | 182,422 |
|                         | 2018 | 113,731                 | 50,519              | 26,717                  | 190,967 |

## 3 EXECUTIVE REMUNERATION

The executive pay and reward framework has four components:

- Base pay and benefits
- Other remuneration such as superannuation
- Short-term performance incentives, and
- Long-term incentives through participation in the Genetic Signatures Employee Incentive Plan

The combination of these comprises the executive's total remuneration.

### Base pay

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executive's discretion.

Executives are offered a market competitive base pay that comprises the fixed component of pay and rewards. Base pay for executive directors and senior executives is reviewed annually to ensure the executive's pay is aligned with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases included in any executives' contracts.

### Benefits

Executives may receive benefits including parking, car allowances or health insurance.

### Retirement Benefits

Statutory superannuation payments are made to a fund selected by Australian based executives. Executives may also elect to salary sacrifice additional payments to their fund. No other retirement benefits are offered.

### Short term incentives

Each executive may have a target short-term incentive (STI) opportunity depending on the accountabilities of the role and impact on the organisation or business unit performance.

Each year the remuneration committee considers the appropriate financial targets and KPI's to link the STI plan and the level of payout if targets are met. This includes setting any maximum payout under the STI plan, and minimum levels of performance to trigger payment of STI.

For the year ended 30 June 2019, the KPI's linked to STI plans were based on group, individual and personal objectives. The KPI's required performance growing sales revenue, with particular emphasis on progress in overseas markets.

The remuneration committee is responsible for assessing whether KPI's are met. To help make this assessment, the committee receives detailed reports on performance from management.

# Directors' Report

for the financial year ended 30 June 2019

The short-term bonus payments may be adjusted up or down in line with under or over achievement against the target performance levels. This is at the discretion of the remuneration committee.

## **Long term incentives**

### Genetic Signatures Equity Incentive Plan (EIP)

Options are issued to executives (including the CEO) with the aim of aligning executive interests with those of shareholders. The proportion of long-term incentives increases with the level of seniority of the executive.

Options are granted under the EIP. The Plan is open to those employees and Directors whom the Directors believe have a significant role to play in the continued development of the Group's activities.

Options are granted under the Plan for no consideration. They are granted for a 15-year period, and 25% of each new tranche vests and is exercisable after each of the first four anniversaries of the date of the grant. 400,000 options were issued in 2019 to key management personnel.

### Genetic Signatures Employee Share Ownership Plan (ESOP)

Restricted shares were offered and funded by an interest free loan from the Group at the time of listing. Restricted shares have vested and can be converted to ordinary shares following 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. Restricted shares may be released following the payment of the outstanding loan prior to lapsing.

No new shares were issued under this Plan during the year. An offer to extend expiring loans was offered to all participants in 2019. Three of five Directors took this option, whilst two elected to pay their loan balance due.

## **Relationship between Remuneration Policy and Company Performance**

The remuneration policy has been tailored to align shareholders, directors and executives' goals. 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 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.

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.

|                                                               | 2019        | 2018        | 2017        | 2016        | 2015        |
|---------------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|
|                                                               | \$          | \$          | \$          | \$          | \$          |
| Revenue                                                       | 4,865,908   | 2,840,115   | 2,037,659   | 1,825,018   | 1,043,269   |
| Net profit/(loss) attributable to owners of the parent entity | (3,491,994) | (3,253,809) | (2,670,622) | (3,026,598) | (2,659,120) |
| Share price at year end                                       | 1.35        | 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.

## **Voting and Comments made at the Company's 2018 Annual General Meeting ('AGM')**

The Company received 68.7% of "for" votes in relation to its remuneration report for the year ended 30 June 2018, resulting in a first strike against the Company. Feedback from a larger shareholder raised concern about incentive payments being made in FY2018 despite the lack of progress in overseas markets. Directors have responded and taken this feedback into account when setting the performance targets for FY2019.

# Directors' Report

for the financial year ended 30 June 2019

|                                                     | Year        | Fixed remuneration         |                             |                       |                                                         |                | Variable remuneration                   |                                         | Total          | Remuneration proportions |               |               |
|-----------------------------------------------------|-------------|----------------------------|-----------------------------|-----------------------|---------------------------------------------------------|----------------|-----------------------------------------|-----------------------------------------|----------------|--------------------------|---------------|---------------|
|                                                     |             | Cash salary and fees<br>\$ | Non-monetary benefits<br>\$ | Super-annuation<br>\$ | Long-term benefits: Annual and long service leave<br>\$ | Subtotal       | Short term incentive <sup>2</sup><br>\$ | Share-based payments <sup>3</sup><br>\$ |                | Fixed %                  | At risk STI % | At risk LTI % |
| John R Melki - CEO                                  | 2019        | 291,717                    | 4,894                       | 24,228                | 15,180                                                  | 336,019        | -                                       | 54,366                                  | <b>390,385</b> | 86%                      | -             | 14%           |
|                                                     | 2018        | 274,518                    | 4,894                       | 28,923                | 15,296                                                  | 323,631        | 29,938                                  | 22,233                                  | <b>375,802</b> | 86%                      | 8%            | 6%            |
| Michael A Aicher <sup>1</sup><br>Executive Director | 2019        | 167,691                    | -                           | -                     | -                                                       | 167,691        | -                                       | 9,724                                   | <b>177,415</b> | 95%                      | 0%            | 5%            |
|                                                     | 2018        | 154,779                    | -                           | -                     | -                                                       | 154,779        | -                                       | 8,450                                   | <b>163,229</b> | 95%                      | 0%            | 5%            |
| Peter L Manley<br>(commenced Oct 2018)              | 2019        | 142,788                    | -                           | 23,289                | 2,531                                                   | 168,608        | -                                       | 11,782                                  | <b>180,390</b> | 93%                      | 0%            | 7%            |
|                                                     | 2018        | -                          | -                           | -                     | -                                                       | -              | -                                       | -                                       | -              | -                        | -             | -             |
| <b>Total</b>                                        | <b>2019</b> | <b>602,196</b>             | <b>4,894</b>                | <b>47,517</b>         | <b>17,711</b>                                           | <b>672,318</b> | <b>-</b>                                | <b>75,872</b>                           | <b>748,190</b> |                          |               |               |
|                                                     | <b>2018</b> | <b>429,297</b>             | <b>4,894</b>                | <b>28,923</b>         | <b>15,296</b>                                           | <b>478,410</b> | <b>29,938</b>                           | <b>30,683</b>                           | <b>539,031</b> |                          |               |               |

1 M Aicher is paid in USD. Changes in base pay are attributable to the weaker AUD against the USD through FY19 (Ave rate FY19: 0.7156, FY18: 0.7753).

2 Cash bonus is the amount paid or payable for the respective financial year.

3 This represents the proportional fair value of options on issue not yet vested or vested during the reporting period. Options are valued using a Black-Scholes model as described in Note 17 to the accounts.

# Directors' Report

for the financial year ended 30 June 2019

## Short term incentives

|             | STI potential<br>\$ | Percentage of base<br>% | Paid<br>% | Forfeited<br>% |
|-------------|---------------------|-------------------------|-----------|----------------|
| J.R. Melki  | 119,200             | 40                      | -         | 100            |
| M.A. Aicher | -                   | -                       | -         | -              |
| P.L. Manley | -                   | -                       | -         | -              |

## 4 EQUITY DISCLOSURES

### 4.1 Key Management Personnel Share Movements

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

| Name         | Balance at<br>1 July 2018 | Granted as<br>compensation | Received on<br>conversion of<br>restricted shares | Other<br>changes | Balance at<br>30 June<br>2019 | Balance<br>held<br>nominally |
|--------------|---------------------------|----------------------------|---------------------------------------------------|------------------|-------------------------------|------------------------------|
| N. Samaras   | 1,520,000                 | -                          | -                                                 | -                | 1,520,000                     | 23,060                       |
| J.R. Melki   | 196,000                   | -                          | -                                                 | -                | 196,000                       | 196,000                      |
| P.J. Isaacs  | 1,303,127                 | -                          | 250,000                                           | -                | 1,553,127                     | 689,914                      |
| M.A. Aicher  | 165,785                   | -                          | -                                                 | -                | 165,785                       | 165,785                      |
| A.J. Radford | 107,000                   | -                          | 170,000                                           | (107,000)        | 170,000                       | -                            |
| P.L. Manley  | -                         | -                          | -                                                 | -                | -                             | -                            |
| <b>Total</b> | <b>3,291,912</b>          | <b>-</b>                   | <b>420,000</b>                                    | <b>(107,000)</b> | <b>3,604,912</b>              | <b>1,074,759</b>             |

### 4.2 Share Based Payments

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 3 (Long term incentives):

#### Employee Share Ownership Plan Holdings

| Name         | Balance at<br>1 July 2018 | Converted<br>on<br>Repayment<br>of loan | Other<br>Changes | Balance at<br>30 June<br>2019 | Total vested<br>and<br>convertible<br>at 30 June<br>2019 | Unvested at<br>30 June<br>2019 |
|--------------|---------------------------|-----------------------------------------|------------------|-------------------------------|----------------------------------------------------------|--------------------------------|
| N. Samaras   | 480,000                   | -                                       | -                | 480,000                       | 480,000                                                  | -                              |
| J.R. Melki   | 900,000                   | -                                       | -                | 900,000                       | 900,000                                                  | -                              |
| P.J. Isaacs  | 250,000                   | (250,000)                               | -                | -                             | -                                                        | -                              |
| M.A. Aicher  | 480,000                   | -                                       | -                | 480,000                       | 480,000                                                  | -                              |
| A.J. Radford | 240,000                   | (170,000)                               | -                | 70,000                        | 20,000                                                   | 50,000                         |
| P.L. Manley  | -                         | -                                       | -                | -                             | -                                                        | -                              |
| <b>Total</b> | <b>2,350,000</b>          | <b>(420,000)</b>                        | <b>-</b>         | <b>1,930,000</b>              | <b>1,880,000</b>                                         | <b>50,000</b>                  |

# Directors' Report

for the financial year ended 30 June 2019

## Employee Incentive Plan

|            | Balance at 1 July 2018 |                          | Granted during the year |                          | Exercised during the year |                          | Forfeited during the year |                          | Balance at 30 June 2019 |                          | Unvested at 30 June 2019 |
|------------|------------------------|--------------------------|-------------------------|--------------------------|---------------------------|--------------------------|---------------------------|--------------------------|-------------------------|--------------------------|--------------------------|
|            | No.                    | Value <sup>1</sup><br>\$ | No.                     | Value <sup>1</sup><br>\$ | No.                       | Value <sup>2</sup><br>\$ | No.                       | Value <sup>2</sup><br>\$ | No.                     | Value <sup>1</sup><br>\$ | No.                      |
| J.R Melki  | 100,000                | 39,039                   | 200,000                 | 93,484                   | -                         | -                        | -                         | -                        | 300,000                 | 132,523                  | 250,000                  |
| P.L Manley | -                      | -                        | 200,000                 | 188,007                  | -                         | -                        | -                         | -                        | 200,000                 | 188,007                  | 200,000                  |

1 This represents the total value of the options over the life of the options from grant date using a Black-Scholes valuation method. The amount is allocated against remuneration over the vesting period (total allocation vests in 4 equal tranches from the 1<sup>st</sup> anniversary of the issue date).

2 Value equals the difference between the exercise price and the closing share price per the ASX on the date of exercise/forfeiture multiplied by the number of options.

# Directors' Report

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for the financial year ended 30 June 2019

## 5 EMPLOYMENT AGREEMENTS

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:

### John Melki

Director & Chief Executive Officer

|                       |                                                                                                                                                         |
|-----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|
| Contract term:        | Ongoing, commenced November 2014                                                                                                                        |
| Base salary:          | \$298,000, 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 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 months' notice. |

### Peter Manley

Chief Financial Officer

|                       |                                                                                                                                            |
|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| Contract term:        | Ongoing, commenced October 2018                                                                                                            |
| Base salary:          | \$220,000, 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. |

This concludes the remuneration report which has been audited.

# Directors' Report

for the financial year ended 30 June 2019

## OPTIONS

There were 2,767,500 unissued ordinary shares of the company under option outstanding at the date of this report. During the financial year 1,320,000 new options were issued, 107,500 were exercised, and 180,000 were forfeited.

## INDEMNIFICATION OF OFFICERS AND AUDITORS

Genetic Signatures Ltd paid an insurance premium during the financial year, for Directors' & Officers Liability insurance cover.

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:

|                                   | 2019          | 2018          |
|-----------------------------------|---------------|---------------|
|                                   | \$            | \$            |
| Tax compliance services           | 15,700        | 34,940        |
| Other non-audit services          | 11,500        | -             |
| Total fees for non-audit services | <u>27,200</u> | <u>34,940</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 2019

## **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 30.

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 2019

# Directors' Report

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for the financial year ended 30 June 2019



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Fax: +61 2 9240 9821  
[www.bdo.com.au](http://www.bdo.com.au)

Level 11, 1 Margaret St  
Sydney NSW 2000  
Australia

## 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 2019, 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 'Martin Coyle', with a stylized flourish at the end.

Martin Coyle  
Partner

**BDO East Coast Partnership**

Sydney, 28 August 2019

# Financial Report

## Consolidated statement of profit or loss and other comprehensive income for the financial year ended 30 June 2019

|                                                                                                | Note      | Consolidated<br>2019<br>\$ | 2018<br>\$            |
|------------------------------------------------------------------------------------------------|-----------|----------------------------|-----------------------|
| <b>Sales Revenue</b>                                                                           | <b>2</b>  | 4,865,908                  | 2,840,115             |
| Other income                                                                                   | <b>4</b>  | 2,327,437                  | 2,383,622             |
| Cost of materials used                                                                         |           | (1,686,153)                | (999,699)             |
| Employee benefits expense                                                                      |           | (5,097,067)                | (3,723,856)           |
| Directors' and consultancy fees                                                                |           | (267,974)                  | (493,523)             |
| Depreciation and amortisation expenses                                                         |           | (470,751)                  | (631,795)             |
| Finance Costs                                                                                  | <b>5</b>  | (519)                      | (525)                 |
| Rental expenses relating to operating leases                                                   |           | (281,671)                  | (305,433)             |
| Scientific consumables                                                                         |           | (1,175,156)                | (983,101)             |
| Travel and accommodation                                                                       |           | (346,868)                  | (284,073)             |
| Other expenses                                                                                 |           | (1,359,180)                | (1,055,541)           |
| Loss before income tax                                                                         |           | (3,491,994)                | (3,253,809)           |
| Income tax benefit                                                                             | <b>6</b>  | -                          | -                     |
| Loss attributable to members of the entity                                                     |           | <b>(3,491,994)</b>         | <b>(3,253,809)</b>    |
| Other comprehensive income<br>Items that maybe reclassified subsequently to<br>profit or loss: |           |                            |                       |
| Foreign Currency translation of foreign operations                                             |           | (13,749)                   | (25,257)              |
| Total comprehensive income for the year, net of<br>tax                                         |           | <b>(3,505,743)</b>         | <b>(3,279,066)</b>    |
| <b>Earnings (loss) per share</b>                                                               |           | <b>2019<br/>cents</b>      | <b>2018<br/>cents</b> |
| Basic and diluted loss per share to ordinary equity<br>holders of the company                  | <b>28</b> | (3.36)                     | (3.13)                |

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

# Financial Report

## Consolidated statement of financial position as at 30 June 2019

|                                      | Note | Consolidated<br>2019<br>\$ | 2018<br>\$        |
|--------------------------------------|------|----------------------------|-------------------|
| <b>Assets</b>                        |      |                            |                   |
| <b>Current Assets</b>                |      |                            |                   |
| Cash and cash equivalents            | 7    | 6,311,555                  | 8,954,775         |
| Trade and other receivables          | 8    | 862,418                    | 761,957           |
| Inventory                            | 9    | 1,353,672                  | 1,181,059         |
| Government grant receivable          | 10   | 2,146,943                  | 2,560,761         |
| <b>Total Current Assets</b>          |      | <b>10,674,588</b>          | <b>13,458,552</b> |
| <b>Non-Current Assets</b>            |      |                            |                   |
| Property, plant and equipment        | 11   | 1,455,448                  | 1,149,969         |
| <b>Total Non-Current Assets</b>      |      | <b>1,455,448</b>           | <b>1,149,969</b>  |
| <b>Total Assets</b>                  |      | <b>12,130,036</b>          | <b>14,608,521</b> |
| <b>Liabilities</b>                   |      |                            |                   |
| <b>Current Liabilities</b>           |      |                            |                   |
| Trade and other payables             | 12   | 1,051,278                  | 773,910           |
| Provisions                           | 13   | 490,397                    | 425,008           |
| <b>Total Current Liabilities</b>     |      | <b>1,541,675</b>           | <b>1,198,918</b>  |
| <b>Non-Current Liabilities</b>       |      |                            |                   |
| Provisions                           | 13   | 19,262                     | 10,547            |
| <b>Total Non-Current Liabilities</b> |      | <b>19,262</b>              | <b>10,547</b>     |
| <b>Total Liabilities</b>             |      | <b>1,560,937</b>           | <b>1,209,465</b>  |
| <b>Net Assets</b>                    |      | <b>10,569,099</b>          | <b>13,399,056</b> |
| <b>Equity</b>                        |      |                            |                   |
| Issued capital                       | 14   | 47,027,990                 | 46,777,792        |
| Reserves                             | 15   | 1,368,875                  | 957,036           |
| Accumulated losses                   |      | (37,827,766)               | (34,335,772)      |
| <b>Total Equity</b>                  |      | <b>10,569,099</b>          | <b>13,399,056</b> |

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

# Financial Report

## Consolidated statement of changes in equity for the financial year ended 30 June 2019

| Consolidated                                                 | Issued<br>Capital<br>\$ | Share based<br>payments<br>reserve<br>\$ | Foreign<br>currency<br>translation<br>reserve<br>\$ | Accumulated<br>losses<br>\$ | Total<br>\$       |
|--------------------------------------------------------------|-------------------------|------------------------------------------|-----------------------------------------------------|-----------------------------|-------------------|
| <b>Balance at 1 July 2017</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 14)  | -                       | -                                        | -                                                   | -                           | -                 |
| Forfeiture of share-based payments (note 15)                 | -                       | (76,500)                                 | -                                                   | 76,500                      | -                 |
| Share-based payments (note 15)                               | -                       | 192,990                                  | -                                                   | -                           | 192,990           |
| <b>Balance at 30 June 2018</b>                               | <b>46,777,792</b>       | <b>987,535</b>                           | <b>(30,499)</b>                                     | <b>(34,335,772)</b>         | <b>13,399,056</b> |
| Loss attributable to members of the entity                   | -                       | -                                        | -                                                   | (3,491,994)                 | (3,491,994)       |
| Other comprehensive income                                   | -                       | -                                        | (13,749)                                            | -                           | (13,749)          |
| Total comprehensive income for the year                      | -                       | -                                        | (13,749)                                            | (3,491,994)                 | (3,505,743)       |
| <i>Transactions with owners in their capacity as owners:</i> |                         |                                          |                                                     |                             |                   |
| Contributions of equity, net of transaction costs (note 14)  | 250,198                 | -                                        | -                                                   | -                           | 250,198           |
| Forfeiture of share-based payments (note 15)                 | -                       | (27,777)                                 | -                                                   | -                           | (27,777)          |
| Share-based payments (note 15)                               | -                       | 453,365                                  | -                                                   | -                           | 453,365           |
| <b>Balance at 30 June 2019</b>                               | <b>47,027,990</b>       | <b>1,413,123</b>                         | <b>(44,248)</b>                                     | <b>(37,827,766)</b>         | <b>10,569,099</b> |

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

# Financial Report

## Consolidated statement of cash flows for the financial year ended 30 June 2019

|                                                                             | Note  | Consolidated<br>2019<br>\$ | 2018<br>\$         |
|-----------------------------------------------------------------------------|-------|----------------------------|--------------------|
| <b>Cash flows from operating activities</b>                                 |       |                            |                    |
| Receipts from customers                                                     |       | 5,229,325                  | 2,901,945          |
| Payments to suppliers and employees                                         |       | (10,226,620)               | (8,446,886)        |
| Interest received                                                           |       | 167,555                    | 253,079            |
| Research and development concession received                                |       | 2,560,761                  | 1,598,301          |
| Net cash used in operating activities                                       | 23(b) | <u>(2,268,979)</u>         | <u>(3,693,561)</u> |
| <b>Cash flows from investing activities</b>                                 |       |                            |                    |
| Purchase of plant and equipment                                             | 11    | <u>(610,687)</u>           | <u>(519,367)</u>   |
| Net cash used in investing activities                                       |       | <u>(610,687)</u>           | <u>(519,367)</u>   |
| <b>Cash flows from financing activities</b>                                 |       |                            |                    |
| Proceeds from issue of shares, net of costs                                 | 14    | 201,300                    | -                  |
| Proceeds from conversion of employee share ownership plan restricted shares | 14    | 54,550                     | -                  |
| Share issue costs                                                           | 14    | <u>(5,652)</u>             | <u>-</u>           |
| Net cash provided by financing activities                                   |       | <u>250,198</u>             | <u>-</u>           |
| <b>Net decrease in cash and cash equivalents</b>                            |       | (2,629,468)                | (4,212,928)        |
| Cash and cash equivalents at beginning of financial year                    |       | 8,954,775                  | 13,192,960         |
| Exchange differences on cash and cash equivalents                           |       | <u>(13,752)</u>            | <u>(25,257)</u>    |
| <b>Cash and equivalents at end of financial year</b>                        | 23(a) | <u>6,311,555</u>           | <u>8,954,775</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 2019

### **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 Consolidated Entity incurred losses for the year to 30 June 2019 of \$3,491,994 (2018: \$3,253,809), leading to net operating cash outflows of \$2,268,979 (2018: \$3,693,561). The ability of the Consolidated Entity 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 year, the Consolidated Entity has successfully grown sales by 70% and reduced operating cash outflows by \$1,424,582. At balance date the Consolidated Entity held \$6,311,555 in cash reserves and carries no debt. The directors are confident that, given the amount of cash on hand at year-end, plus the ongoing ability of the Consolidated Entity to increase its sales, and to raise capital as needed, 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 2019

### **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.

#### **(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 measure reliably. All other repairs and maintenance expenses are charged to the income statements during the financial period in which are incurred.

# Financial Report

## Notes to the financial statements for the financial year ended 30 June 2019

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

#### *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.

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

##### *Classification*

The Group classifies financial assets as either:

- Those to be measured subsequently at fair value; or
- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will be either recorded in profit & loss or other comprehensive income.

##### *Recognition and derecognition*

Purchases and sales of financial assets are recognised on the date the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

# Financial Report

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## Notes to the financial statements for the financial year ended 30 June 2019

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

#### *Measurement*

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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

Loans and receivables are assets held for collection of contractual cashflows where those cashflows represent payment of principal and interest 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.

Any interest income from these financial assets is included in finance income using the effective interest rate method.

#### *(ii) Financial liabilities*

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

#### *(iii) Equity instruments*

The group subsequently measures all equity investments at fair value. Changes in the fair value of financial assets are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments are not reported separately from other changes in fair value.

The Group does not currently hold any equity investments.

#### *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 Group assesses whether there is objective evidence that a financial instrument has been impaired. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group applies the AASB9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

# Financial Report

## Notes to the financial statements for the financial year ended 30 June 2019

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

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

Revenue from the sale of goods is recognised when control of the goods has passed to the buyer. Further detail is explained in Note 1(u).

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 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.

The Group applies the AASB9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. Trade receivables and contract assets have shared credit risk characteristics and, as such, the expected loss rates for trade receivables are a reasonable approximation of loss rates for contract assets. Losses incurred in the last 3 years represent less than 0.01% of receivables and are immaterial. Therefore, no impairment has been recorded.

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

# Financial Report

## Notes to the financial statements for the financial year ended 30 June 2019

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

#### **(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 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 16.

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 25, 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

## Notes to the financial statements for the financial year ended 30 June 2019

### **Note 1: Statement of Significant Accounting Policies (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) New, revised or amending Accounting Standards and Interpretations adopted**

##### *i. AASB15 – Revenue from contracts with customers*

The consolidated entity has adopted *AASB15 – Revenue from contracts with customers* for the current financial year. This has resulted in changes to accounting policies but has not resulted in any change to prior year comparative figures.

#### Sale of Goods – Test Kits and Consumables

The Group manufactures and sells test kits for use in pathology laboratories. It also purchases disposable items for resale that are used by the pathology laboratories in conjunction with the test kits. Sales are recognised when control of the products has transferred, being the point in time when the products are delivered to the customer's specified location, the amount of revenue can be measured reliably, and it is probable that payment will be received by the Group.

#### Sale of Goods – Equipment

The consolidated entity provides equipment to customers if required which may be as an outright sale or be a placement of Group owned assets at a customer site for which the customer may pay an agreed fee per test. Where the equipment is sold the sale is recognised when control of the products has transferred, being the point in time when the products are delivered to the customer's specified location, the amount of revenue can be measured reliably, and it is probable that payment will be received by the Group. In the event the Group supplies Group owned equipment, the asset's ownership does not transfer to the customer. Instead the customer may be charged a fee per test that is recognised at the same time as the Test Kit is recognised. In the event the customer ceases to use Genetic Signatures products these assets will be withdrawn.

#### Sale of Goods – Service

If a customer has purchased or is using Group owned equipment there may be a service charge levied to maintain the equipment. Revenue is recognised over time in the period that the service is rendered.

##### *ii. AASB9 – Financial Instruments*

The consolidated entity has adopted *AASB9 – Financial Instruments* for the current financial year. This has resulted in a change to accounting policy with regards impairment but has not resulted in any change to prior year comparative figures.

#### Impairment

The Group applies the AASB9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. Refer to Note 1(l) for further information

# Financial Report

## Notes to the financial statements for the financial year ended 30 June 2019

### 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 date of application for the Group | Likely impact on initial application                                                                                                                                                                                                                                                                                                                                                                          |
|---------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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> <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> | 1 July 2019                                 | <i>Management has completed an assessment by reviewing all leases. Based on the work performed to date the findings 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 the majority of leases are for a term of less than 12 months.</i> |

#### (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 or options.

##### *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.

# Financial Report

## Notes to the financial statements for the financial year ended 30 June 2019

### Note 2: Revenue

#### *Disaggregation of revenue*

The disaggregation of revenue from contracts with customers is as follows:

|                                      | Asia<br>Pacific<br>\$ | EMEA<br>\$     | Americas<br>\$ | Total<br>\$      |
|--------------------------------------|-----------------------|----------------|----------------|------------------|
| <b>Consolidated - 2019</b>           |                       |                |                |                  |
| <i>Revenue lines</i>                 |                       |                |                |                  |
| Reagents & consumables               | 4,671,204             | 145,494        | 2,172          | 4,818,870        |
| Equipment sales & rental             | -                     | 17,048         | -              | 17,048           |
| Service contracts                    | 29,990                | -              | -              | 29,990           |
|                                      | <u>4,701,194</u>      | <u>162,542</u> | <u>2,172</u>   | <u>4,865,908</u> |
| <i>Timing of revenue recognition</i> |                       |                |                |                  |
| Goods transferred at a point in time | 4,671,204             | 162,542        | 2,172          | 4,835,918        |
| Services transferred over time       | 29,990                | -              | -              | 29,990           |
|                                      | <u>4,701,194</u>      | <u>162,542</u> | <u>2,172</u>   | <u>4,865,908</u> |
| <b>Consolidated - 2018</b>           |                       |                |                |                  |
| <i>Revenue lines</i>                 |                       |                |                |                  |
| Reagents & consumables               | 2,684,178             | 77,723         | 14,214         | 2,776,115        |
| Equipment sales & rental             | 39,000                | -              | -              | 39,000           |
| Service contracts                    | 25,000                | -              | -              | 25,000           |
|                                      | <u>2,748,178</u>      | <u>77,723</u>  | <u>14,214</u>  | <u>2,840,115</u> |
| <i>Timing of revenue recognition</i> |                       |                |                |                  |
| Goods transferred at a point in time | 2,723,178             | 77,723         | 14,214         | 2,815,115        |
| Services transferred over time       | 25,000                | -              | -              | 25,000           |
|                                      | <u>2,748,178</u>      | <u>77,723</u>  | <u>14,214</u>  | <u>2,840,115</u> |

### Note 3: 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 2019 there were two customers (2018: two) that each contributed over 10% of the consolidated entity's external revenue.

# Financial Report

## Notes to the financial statements for the financial year ended 30 June 2019

### Note 3: Financial Reporting Segments (continued)

#### Geographic locations

##### *Asia Pacific*

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.

##### *EMEA*

This business comprises Eastern and Western Europe, Middle East including Israel, and Africa. The Group is represented by employees in UK, Germany and Netherlands but does not have an office.

##### *Americas*

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.

|                                               | Asia<br>Pacific | EMEA      | Americas  | Total       |
|-----------------------------------------------|-----------------|-----------|-----------|-------------|
|                                               | \$              | \$        | \$        | \$          |
| <b>Consolidated - 2019</b>                    |                 |           |           |             |
| Trade sales                                   | 4,701,194       | 162,542   | 2,172     | 4,865,908   |
| Intersegment sales                            | -               | -         | -         | -           |
| Total sales                                   | 4,701,194       | 162,542   | 2,172     | 4,865,908   |
| Other revenue                                 | 2,148,216       | -         | -         | 2,148,216   |
| Segment revenue                               | 6,849,410       | 162,542   | 2,172     | 7,014,124   |
| Segment result                                | (1,780,634)     | (578,552) | (633,406) | (2,992,592) |
| Unallocated revenue less unallocated expenses |                 |           |           | (499,402)   |
| Loss before income tax                        |                 |           |           | (3,491,994) |
| Income tax                                    |                 |           |           | -           |
| Net loss                                      |                 |           |           | (3,491,994) |
| <b>Consolidated - 2018</b>                    |                 |           |           |             |
| Trade sales                                   | 2,748,178       | 77,723    | 14,214    | 2,840,115   |
| Intersegment sales                            | -               | -         | -         | -           |
| Total sales                                   | 2,748,178       | 77,723    | 14,214    | 2,840,115   |
| Other revenue                                 | 2,143,424       | -         | -         | 2,143,424   |
| Segment revenue                               | 4,891,602       | 77,723    | 14,214    | 4,983,539   |
| Segment result                                | (2,170,138)     | (333,390) | (562,782) | (3,066,310) |
| Unallocated revenue less unallocated expenses |                 |           |           | (187,499)   |
| Loss before income tax                        |                 |           |           | (3,253,809) |
| Income tax                                    |                 |           |           | -           |
| Net loss                                      |                 |           |           | (3,253,809) |

# Financial Report

## Notes to the financial statements for the financial year ended 30 June 2019

|                               | Consolidated     |                  |
|-------------------------------|------------------|------------------|
|                               | 2019             | 2018             |
|                               | \$               | \$               |
| <b>Note 4: Other income</b>   |                  |                  |
| Interest income               | 168,668          | 229,982          |
| Government Grant (R&D Rebate) | 2,148,216        | 2,143,424        |
| Other income                  | 10,553           | 10,216           |
| <b>Total other income</b>     | <b>2,327,437</b> | <b>2,383,622</b> |

|                                             | Consolidated |         |
|---------------------------------------------|--------------|---------|
|                                             | 2019         | 2018    |
|                                             | \$           | \$      |
| <b>Note 5: Expenses</b>                     |              |         |
| <i>Finance costs</i>                        |              |         |
| Interest charges                            | 519          | 525     |
| <i>Superannuation expense</i>               |              |         |
| Defined contribution superannuation expense | 290,001      | 248,723 |
| Items included in other expenses include:   |              |         |
| Patents – lodgement and maintenance         | 127,809      | 139,076 |
| Foreign exchange loss                       | 61,118       | 85,138  |

| <b>Note 6: Income tax</b>                                                        |              |           |
|----------------------------------------------------------------------------------|--------------|-----------|
|                                                                                  | Consolidated |           |
|                                                                                  | 2019         | 2018      |
|                                                                                  | \$           | \$        |
| <b>Numerical reconciliation of income tax benefit to prima facie tax payable</b> |              |           |
| Prima facie income tax (benefit) on loss from ordinary activities (30%)          | (1,047,980)  | (976,142) |
| Add/(less) tax effect of:                                                        |              |           |
| - non-deductible items                                                           | 1,641,408    | 1,536,121 |
| - tax losses not brought to account                                              | (542,699)    | (532,249) |
| - temporary differences not brought to account                                   | (50,729)     | (27,730)  |
| <b>Income tax benefit attributable to entity</b>                                 | <b>-</b>     | <b>-</b>  |

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 \$7,434,426, tax effected at 30% \$2,230,328. (2018: \$7,632,346 - tax effected \$2,289,704).

# Financial Report

## Notes to the financial statements for the financial year ended 30 June 2019

| <b>Note 7: Cash and cash equivalents</b> | <b>Consolidated</b> |                  |
|------------------------------------------|---------------------|------------------|
|                                          | <b>2019</b>         | <b>2018</b>      |
|                                          | <b>\$</b>           | <b>\$</b>        |
| Cash at bank and on hand                 | <u>6,311,555</u>    | <u>8,954,775</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 nil% and 2.5% (2018: between nil% and 2.5%).

Genetics Signatures Limited has an unused credit card facility with the bank at the year-end date of \$57,000 (2018: \$57,000).

| <b>Note 8: Trade and other receivables</b> | <b>Consolidated</b>   |                       |
|--------------------------------------------|-----------------------|-----------------------|
|                                            | <b>2019</b>           | <b>2018</b>           |
|                                            | <b>\$</b>             | <b>\$</b>             |
| <b>Current</b>                             |                       |                       |
| Trade debtors (a)                          | 716,623               | 451,437               |
| Other receivables (b)                      | <u>145,795</u>        | <u>310,520</u>        |
|                                            | <u><b>862,418</b></u> | <u><b>761,957</b></u> |

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

Customers with balances past due without provisions for impairment of receivables amount to \$58,195 as at 30 June 2019 (\$NIL as at 30 June 2018). The company has recognised a loss of \$NIL (2018: \$NIL) in profit or loss in respect of impairment of receivables for the year ended 30 June 2019.

**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 26.

| <b>Note 9: Inventory</b> | <b>Consolidated</b>     |                         |
|--------------------------|-------------------------|-------------------------|
|                          | <b>2019</b>             | <b>2018</b>             |
|                          | <b>\$</b>               | <b>\$</b>               |
| Raw materials            | 947,447                 | 707,294                 |
| Work in progress         | 58,893                  | -                       |
| Finished goods           | <u>347,332</u>          | <u>473,765</u>          |
|                          | <u><b>1,353,672</b></u> | <u><b>1,181,059</b></u> |

| <b>Note 10: Government grant receivable</b> | <b>Consolidated</b> |                  |
|---------------------------------------------|---------------------|------------------|
|                                             | <b>2019</b>         | <b>2018</b>      |
|                                             | <b>\$</b>           | <b>\$</b>        |
| Research & Development tax concession       | <u>2,146,943</u>    | <u>2,560,761</u> |

# Financial Report

## Notes to the financial statements for the financial year ended 30 June 2019

### Note 11: Property, plant and equipment

|                                | Consolidated<br>2019<br>\$ | 2018<br>\$       |
|--------------------------------|----------------------------|------------------|
| Plant and equipment:           |                            |                  |
| At cost                        | 4,209,916                  | 3,456,931        |
| Less: accumulated depreciation | (2,754,468)                | (2,306,962)      |
|                                | <u>1,455,448</u>           | <u>1,149,969</u> |

Movement in plant and equipment is as follows:

|                                       | Plant &<br>equipment<br>\$ | Total<br>\$             |
|---------------------------------------|----------------------------|-------------------------|
| Cost at 1 July 2017                   | 2,937,564                  | 2,937,564               |
| Additions                             | 519,367                    | 519,367                 |
| Disposals                             | -                          | -                       |
| Cost at 30 June 2018                  | <u>3,456,931</u>           | <u>3,456,931</u>        |
| 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 | <u>(2,306,962)</u>         | <u>(2,306,962)</u>      |
| <b>Carrying amount 30 June 2018</b>   | <u><b>1,149,969</b></u>    | <u><b>1,149,969</b></u> |

|                                            |                         |                         |
|--------------------------------------------|-------------------------|-------------------------|
| Cost at 1 July 2018                        | 3,456,931               | 3,456,931               |
| Additions                                  | 610,687                 | 610,687                 |
| Transfer from inventory (reclassification) | 210,000                 | 210,000                 |
| Disposals                                  | (67,702)                | (67,702)                |
| Cost at 30 June 2019                       | <u>4,209,916</u>        | <u>4,209,916</u>        |
| Accumulated depreciation 1 July 2018       | (2,306,962)             | (2,306,962)             |
| Depreciation expense                       | (470,751)               | (470,751)               |
| Disposal of assets                         | 23,245                  | 23,245                  |
| Accumulated depreciation 30 June 2019      | <u>(2,754,468)</u>      | <u>(2,754,468)</u>      |
| <b>Carrying amount 30 June 2019</b>        | <u><b>1,455,448</b></u> | <u><b>1,455,448</b></u> |

### Note 12: Trade and other payables

|                            | Consolidated<br>2019<br>\$ | 2018<br>\$     |
|----------------------------|----------------------------|----------------|
| <b>Current – unsecured</b> |                            |                |
| Trade creditors            | 565,241                    | 541,892        |
| Other creditors            | 486,037                    | 232,018        |
|                            | <u>1,051,278</u>           | <u>773,910</u> |

# Financial Report

## Notes to the financial statements for the financial year ended 30 June 2019

### Note 13: Provisions

|                    | Consolidated |         |
|--------------------|--------------|---------|
|                    | 2019         | 2018    |
|                    | \$           | \$      |
| <b>Current</b>     |              |         |
| Employee benefits  | 490,397      | 425,008 |
| <b>Non-Current</b> |              |         |
| Employee benefits  | 19,262       | 10,547  |

### Note 14: Issued capital

|                                                    | Number             | \$                |
|----------------------------------------------------|--------------------|-------------------|
| <b>Opening balance at 1 July 2017:</b>             | <b>104,286,937</b> | <b>46,777,792</b> |
| Movement in ordinary share capital                 |                    |                   |
| Buy-back of employee share plan shares             | (360,000)          | -                 |
| <b>Closing balance at 30 June 2018</b>             | <b>103,926,937</b> | <b>46,777,792</b> |
| Movement in ordinary share capital                 |                    |                   |
| Repayment of loans over employee share plan shares | -                  | 201,300           |
| Exercise of employee share options                 | 107,500            | 54,550            |
| Less: Share issue costs                            |                    | (5,652)           |
| <b>Closing balance as at 30 June 2019</b>          | <b>104,034,437</b> | <b>47,027,990</b> |

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 held.

### Note 15: Reserves

|                                                   | Consolidated |          |
|---------------------------------------------------|--------------|----------|
|                                                   | 2019         | 2018     |
|                                                   | \$           | \$       |
| <b>Share based payments reserve</b>               |              |          |
| Balance 1 July                                    | 987,535      | 871,045  |
| Transferred to accumulated losses upon forfeiture | (27,777)     | (76,500) |
| Share-based payment expenses                      | 453,365      | 192,990  |
| Balance 30 June                                   | 1,413,123    | 987,535  |

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

|                                             | Consolidated |          |
|---------------------------------------------|--------------|----------|
|                                             | 2019         | 2018     |
|                                             | \$           | \$       |
| <b>Foreign currency translation reserve</b> |              |          |
| Balance 1 July                              | (30,499)     | (5,242)  |
| Arising from translation of US subsidiary   | (13,749)     | (25,257) |
| Balance 30 June                             | (44,248)     | (30,499) |

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

# Financial Report

## Notes to the financial statements for the financial year ended 30 June 2019

### Note 16: 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 R Melki – Director and Chief Executive Officer  
Michael A Aicher – Director  
Phillip J Isaacs – Director  
Anthony J Radford – Director  
Peter L Manley – Chief Financial Officer/Company Secretary

For details of disclosures relating to key management personnel, refer to Note 18.

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

There were no related party transactions during the year other than transactions with key management personnel as part of their remuneration.

### Note 17: 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 2019 are noted below:

| Grant date | Expiry date | Vesting period (mths) | Exercise price | Share price at issue date | Fair value at issue date | Est. volatility | Expected dividend yield | Average risk-free rate |
|------------|-------------|-----------------------|----------------|---------------------------|--------------------------|-----------------|-------------------------|------------------------|
| Aug 18     | Aug 33      | 48                    | \$0.53         | \$0.52                    | \$0.45                   | 75%             | -                       | 3.00%                  |
| Nov 18     | Nov 33      | 48                    | \$0.53         | \$0.66                    | \$0.47                   | 82%             | -                       | 2.53%                  |
| Feb 19     | Feb 34      | 48                    | \$0.84         | \$0.95                    | \$0.87                   | 83%             | -                       | 2.53%                  |
| May 19     | May 34      | 48                    | \$1.10         | \$1.04                    | \$0.94                   | 83%             | -                       | 2.53%                  |

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 2019

### Employee Share Ownership Plan Shares

Set out below are the summaries of restricted shares and options granted under the plan:

2019

| Grant date                                                     | Exercise price | Balance at beginning of the year | Granted during the year | Converted during the year | Expired/ Forfeited during the year | Balance at the end of the year Number | Vested and convertible at year end |
|----------------------------------------------------------------|----------------|----------------------------------|-------------------------|---------------------------|------------------------------------|---------------------------------------|------------------------------------|
| <b>Options</b>                                                 |                |                                  |                         |                           |                                    |                                       |                                    |
| October 2016                                                   | \$0.52         | 730,000                          | -                       | (100,000)                 | (140,000)                          | 490,000                               | 245,000                            |
| November 2016                                                  | \$0.52         | 100,000                          | -                       | -                         | -                                  | 100,000                               | 50,000                             |
| June 2017                                                      | \$0.39         | 200,000                          | -                       | -                         | -                                  | 200,000                               | 100,000                            |
| October 2017                                                   | \$0.34         | 455,000                          | -                       | (7,500)                   | -                                  | 447,500                               | 106,250                            |
| October 2017                                                   | \$0.38         | 250,000                          | -                       | -                         | -                                  | 250,000                               | 62,500                             |
| August 2018                                                    | \$0.53         | -                                | 770,000                 | -                         | (40,000)                           | 730,000                               | -                                  |
| November 2018                                                  | \$0.53         | -                                | 200,000                 | -                         | -                                  | 200,000                               | -                                  |
| February 2019                                                  | \$0.84         | -                                | 150,000                 | -                         | -                                  | 150,000                               | -                                  |
| May 2019                                                       | \$1.10         | -                                | 200,000                 | -                         | -                                  | 200,000                               | -                                  |
| <b>Total</b>                                                   |                | <b>1,735,000</b>                 | <b>1,320,000</b>        | <b>(107,500)</b>          | <b>(180,000)</b>                   | <b>2,767,500</b>                      | <b>563,750</b>                     |
| Weighted average option exercise price                         |                | \$0.44                           | \$0.65                  | \$0.51                    | \$0.52                             | \$0.53                                | \$0.45                             |
| Weighted average remaining contractual life of options (years) |                |                                  |                         |                           |                                    | 13.56                                 |                                    |
| <b>Restricted Shares</b>                                       |                |                                  |                         |                           |                                    |                                       |                                    |
| March 2015                                                     | \$0.40         | 3,295,000                        | -                       | (295,000)                 | -                                  | 3,000,000                             | 3,000,000                          |
| April 2016                                                     | \$0.49         | 240,000                          | -                       | (170,000)                 | -                                  | 70,000                                | 20,000                             |
| <b>Total</b>                                                   |                | <b>3,535,000</b>                 | <b>-</b>                | <b>(465,000)</b>          | <b>-</b>                           | <b>3,070,000</b>                      | <b>3,020,000</b>                   |
| Weighted average option exercise price                         |                | \$0.41                           | \$ -                    | \$0.43                    | \$ -                               | \$0.40                                | \$0.40                             |
| Weighted average remaining contractual life of options (years) |                |                                  |                         |                           |                                    | 0.74                                  |                                    |

# Financial Report

## Notes to the financial statements for the financial year ended 30 June 2019

### 2018

| Grant date                                                     | Exercise price | Balance at beginning of the year | Granted during the year | Converted during the year | Expired/ Forfeited during the year | Balance at the end of the year | Vested and convertible at year end |
|----------------------------------------------------------------|----------------|----------------------------------|-------------------------|---------------------------|------------------------------------|--------------------------------|------------------------------------|
| <b>Options</b>                                                 |                |                                  |                         |                           |                                    |                                |                                    |
| October 2016                                                   | \$0.52         | 730,000                          | -                       | -                         | -                                  | 730,000                        | 182,500                            |
| November 2016                                                  | \$0.52         | 100,000                          | -                       | -                         | -                                  | 100,000                        | 25,000                             |
| June 2017                                                      | \$0.39         | 200,000                          | -                       | -                         | -                                  | 200,000                        | 50,000                             |
| October 2017                                                   | \$0.34         | -                                | 455,000                 | -                         | -                                  | 455,000                        | -                                  |
| October 2017                                                   | \$0.38         | -                                | 250,000                 | -                         | -                                  | 250,000                        | -                                  |
| <b>Total</b>                                                   |                | <b>1,030,000</b>                 | <b>705,000</b>          | -                         | -                                  | <b>1,735,000</b>               | <b>257,500</b>                     |
| Weighted average option exercise price                         |                | \$0.49                           | \$0.35                  | \$ -                      | \$ -                               | \$0.44                         | \$0.49                             |
| Weighted average remaining contractual life of options (years) |                |                                  |                         |                           |                                    | 13.79                          |                                    |
| <b>Restricted Shares</b>                                       |                |                                  |                         |                           |                                    |                                |                                    |
| March 2015                                                     | \$0.40         | 3,455,000                        | -                       | -                         | (160,000)                          | 3,295,000                      | 2,677,208                          |
| November 2015                                                  | \$0.45         | 200,000                          | -                       | -                         | (200,000)                          | -                              | -                                  |
| April 2016                                                     | \$0.49         | 240,000                          | -                       | -                         | -                                  | 240,000                        | 130,000                            |
| <b>Total</b>                                                   |                | <b>3,895,000</b>                 | -                       | -                         | <b>(360,000)</b>                   | <b>3,535,000</b>               | <b>2,807,208</b>                   |
| Weighted average option exercise price                         |                | \$0.41                           | \$ -                    | -                         | \$0.43                             | \$0.41                         | \$0.40                             |
| Weighted average remaining contractual life of options (years) |                |                                  |                         |                           |                                    | 1.74                           |                                    |

Restricted shares were offered and funded by an interest free loan from the Group at the time of listing. Restricted shares have vested and can be converted to ordinary shares following repayment of the loan. An offer to extend expiring loans by 12 months was offered to all participants in 2019, and the majority of holders took up this offer.

# Financial Report

## Notes to the financial statements for the financial year ended 30 June 2019

### Note 18: Key management personnel disclosures

|                              | 2019           | 2018           |
|------------------------------|----------------|----------------|
|                              | \$             | \$             |
| Short-term employee benefits | 736,652        | 543,028        |
| Non-monetary benefits        | 4,894          | 4,894          |
| Short term incentive         | 3,220          | 29,938         |
| Post-employment benefits     | 77,310         | 79,442         |
| Long-term benefits           | 17,711         | 15,296         |
| Termination benefits         | -              | -              |
| Share based payments         | 94,044         | 57,400         |
|                              | <u>933,831</u> | <u>729,998</u> |

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

### Note 19: Leasing Commitments

Operating lease commitments

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

Minimum lease payments payable:

|                                                   | 2019           | 2018           |
|---------------------------------------------------|----------------|----------------|
|                                                   | \$             | \$             |
| Not later than one year                           | 104,625        | 102,773        |
| Later than one year but not later than five years | 8,708          | -              |
|                                                   | <u>113,333</u> | <u>102,773</u> |

The operating lease commitments relate to the company's currently licensed research and development premises with The Heart Research Institute and office equipment.

### Note 20: Contingent liabilities

The company does not have any material contingent liabilities at year-end (2018: nil).

### Note 21: 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 22: Auditors remuneration

|                                          | Consolidated<br>2019 | 2018          |
|------------------------------------------|----------------------|---------------|
|                                          | \$                   | \$            |
| <i>BDO East Coast Partnership</i>        |                      |               |
| Audit and review of financial statements | 66,140               | 63,881        |
| Other non-audit services                 | 11,500               | -             |
| Tax compliance                           | 15,700               | 34,940        |
|                                          | <u>93,340</u>        | <u>98,821</u> |

# Financial Report

## Notes to the financial statements for the financial year ended 30 June 2019

### Note 23: Cash Flow Information

|                                                                                                                                                                     | Consolidated<br>2019<br>\$ | 2018<br>\$         |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|--------------------|
| <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                                                                                                                                            | 6,311,555                  | 8,954,775          |
| <b>(b) Reconciliation of Loss after Income Tax to net Cash outflows from Operations</b>                                                                             |                            |                    |
| Loss after income tax                                                                                                                                               | (3,491,994)                | (3,253,809)        |
| <i>Non cash flows included within loss</i>                                                                                                                          |                            |                    |
| Depreciation                                                                                                                                                        | 470,751                    | 631,795            |
| Share based payments expenses                                                                                                                                       | 425,589                    | 192,990            |
| Loss on disposal of assets                                                                                                                                          | 44,457                     | -                  |
| Transfer inventory to fixed assets                                                                                                                                  | (210,000)                  | -                  |
| <i>Changes in operating assets and liabilities:</i>                                                                                                                 |                            |                    |
| (Increase) in trade and other receivables                                                                                                                           | (100,460)                  | (320,618)          |
| Decrease/(increase) in government grant receivable                                                                                                                  | 413,818                    | (545,123)          |
| (Increase) in inventories                                                                                                                                           | (172,613)                  | (418,461)          |
| Increase in provisions                                                                                                                                              | 74,104                     | 82,067             |
| Increase/(decrease) in payables                                                                                                                                     | 277,369                    | (62,402)           |
| Net cash outflow from operating activities                                                                                                                          | <u>(2,268,979)</u>         | <u>(3,693,561)</u> |

### Note 24: Subsidiaries

|                               | Country<br>of incorporation | Equity holding in<br>subsidiaries |           |
|-------------------------------|-----------------------------|-----------------------------------|-----------|
|                               |                             | 2019<br>%                         | 2018<br>% |
| <b>a) Parent entity</b>       |                             |                                   |           |
| Genetic Signatures Limited    | Australia                   |                                   |           |
| <b>b) Controlled entities</b> |                             |                                   |           |
| Genetic Signatures US Ltd     | USA                         | 100%                              | 100%      |

# Financial Report

## Notes to the financial statements for the financial year ended 30 June 2019

### Note 25: Parent Entity Financial Information

#### (a) Summary financial information:

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

|                                                | 2019<br>\$         | 2018<br>\$         |
|------------------------------------------------|--------------------|--------------------|
| <b>Assets</b>                                  |                    |                    |
| <b>Current Assets</b>                          |                    |                    |
| Cash and cash equivalents                      | 6,216,641          | 8,924,960          |
| Trade and other receivables                    | 3,491,398          | 2,669,779          |
| Inventory                                      | 1,353,672          | 1,181,059          |
| Government grant receivable                    | 2,146,943          | 2,560,761          |
| <b>Total Current Assets</b>                    | <b>13,208,654</b>  | <b>15,336,559</b>  |
| <b>Non-Current Assets</b>                      |                    |                    |
| Plant and equipment                            | 1,453,497          | 1,148,117          |
| <b>Total Non-Current Assets</b>                | <b>1,453,497</b>   | <b>1,148,117</b>   |
| <b>Total Assets</b>                            | <b>14,662,151</b>  | <b>16,484,676</b>  |
| <b>Liabilities</b>                             |                    |                    |
| <b>Current Liabilities</b>                     |                    |                    |
| Trade and other payables                       | 1,046,855          | 760,380            |
| Provisions                                     | 490,397            | 425,008            |
| <b>Total Current Liabilities</b>               | <b>1,537,252</b>   | <b>1,185,388</b>   |
| <b>Non-Current Liabilities</b>                 |                    |                    |
| Provisions                                     | 19,262             | 10,547             |
| <b>Total Non-Current Liabilities</b>           | <b>19,262</b>      | <b>10,547</b>      |
| <b>Total Liabilities</b>                       | <b>1,556,514</b>   | <b>1,195,935</b>   |
| <b>Net Assets</b>                              | <b>13,105,637</b>  | <b>15,288,741</b>  |
| <b>Equity</b>                                  |                    |                    |
| Issued capital                                 | 47,027,990         | 46,777,792         |
| Reserves                                       | 1,413,123          | 987,535            |
| Accumulated losses                             | (35,335,476)       | (32,476,586)       |
| <b>Total Equity</b>                            | <b>13,105,637</b>  | <b>15,288,741</b>  |
| <b>Loss for the year</b>                       | <b>(2,858,890)</b> | <b>(2,597,186)</b> |
| <b>Other comprehensive income</b>              | <b>-</b>           | <b>-</b>           |
| <b>Total comprehensive income for the year</b> | <b>(2,858,890)</b> | <b>(2,597,186)</b> |

#### (b) Summary financial information:

The Parent entity did not have any contingent liabilities as at 30 June 2019 or 30 June 2018.

# Financial Report

## Notes to the financial statements for the financial year ended 30 June 2019

### Note 26: 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 9 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<br/>Carrying<br/>Value 2019</b> | <b>Net Fair<br/>Value 2019</b> | <b>Net<br/>Carrying<br/>Value 2018</b> | <b>Net Fair<br/>Value 2018</b> |
|------------------------------|----------------------------------------|--------------------------------|----------------------------------------|--------------------------------|
| <b>Financial assets</b>      | \$                                     | \$                             | \$                                     | \$                             |
| Cash and cash equivalents    | 6,311,555                              | 6,311,555                      | 8,954,775                              | 8,954,775                      |
| Trade and other receivables  | 862,418                                | 862,418                        | 761,957                                | 761,957                        |
| Total Financial Assets       | <u>7,173,973</u>                       | <u>7,173,973</u>               | <u>9,716,732</u>                       | <u>9,716,732</u>               |
| <b>Financial Liabilities</b> |                                        |                                |                                        |                                |
| Trade creditors              | 565,241                                | 565,241                        | 541,892                                | 541,892                        |
| Other creditors              | 486,037                                | 486,037                        | 232,018                                | 232,018                        |
| Total Financial Liabilities  | <u>1,051,278</u>                       | <u>1,051,278</u>               | <u>773,910</u>                         | <u>773,910</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 \$63,116 (2018: \$89,547).

# Financial Report

## Notes to the financial statements for the financial year ended 30 June 2019

### *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.

|                             | <b>Consolidated</b> |                  |
|-----------------------------|---------------------|------------------|
|                             | <b>2019</b>         | <b>2018</b>      |
| <b>Financial assets</b>     | <b>\$</b>           | <b>\$</b>        |
| Cash and cash equivalents   | 6,311,555           | 8,954,775        |
| Trade and other receivables | 862,418             | 761,957          |
| Total Financial Assets      | <u>7,173,973</u>    | <u>9,716,732</u> |

The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables. Further detail is explained in Note 1(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 including equity issues;
- only investing surplus cash with major financial institutions.

# Financial Report

## Notes to the financial statements for the financial year ended 30 June 2019

### *Financial liability maturity analysis*

|                                              | <b>Within 1<br/>Year</b> | <b>1 to 5<br/>Years</b> | <b>Total</b>     |
|----------------------------------------------|--------------------------|-------------------------|------------------|
| <b>2019</b>                                  | <b>\$</b>                | <b>\$</b>               | <b>\$</b>        |
| <b>Financial liabilities due for payment</b> |                          |                         |                  |
| Trade and other payables                     | <u>1,051,278</u>         | <u>-</u>                | <u>1,051,278</u> |
| Total expected outflows                      | <u>1,051,278</u>         | <u>-</u>                | <u>1,051,278</u> |
|                                              | <b>Within 1<br/>Year</b> | <b>1 to 5<br/>Years</b> | <b>Total</b>     |
| <b>2018</b>                                  | <b>\$</b>                | <b>\$</b>               | <b>\$</b>        |
| <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>   |

### **Note 27: 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.

# Financial Report

## Notes to the financial statements for the financial year ended 30 June 2019

### Note 28. Earnings per share

|                                                                                           | <b>Consolidated</b> |               |
|-------------------------------------------------------------------------------------------|---------------------|---------------|
|                                                                                           | <b>2019</b>         | <b>2018</b>   |
|                                                                                           | <b>\$</b>           | <b>\$</b>     |
| Loss after income tax                                                                     | (3,491,994)         | (3,253,809)   |
| Loss after income tax attributable to the owners of Genetic Signatures Limited            | (3,491,994)         | (3,253,809)   |
|                                                                                           | <b>Number</b>       | <b>Number</b> |
| Weighted average number of ordinary shares used in calculating basic earnings per share   | 103,992,875         | 103,954,585   |
| 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 | 103,992,875         | 103,954,585   |
|                                                                                           | <b>Cents</b>        | <b>Cents</b>  |
| Basic loss per share                                                                      | (3.36)              | (3.13)        |
| Diluted loss per share                                                                    | (3.36)              | (3.13)        |

# 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 2019 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 2019

# Independent Auditor's Report

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Australia

## 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 2019, 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 2019 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.

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

# Independent Auditor's Report



## 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.

### Revenue Recognition

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | How the matter was addressed in our audit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>As disclosed in Note 1 (u), the Group's revenue is derived primarily from the sale of products used in the routine detection of infectious diseases with revenue being recognised at a point in time when the customer obtains control of the Group's product which typically occurs upon delivery to the customer.</p> <p>The recognition of revenue was considered a key audit matter as it is a key performance indicator to the users of the financial statements and as such is of high interest to stakeholders.</p> | <p>To determine whether revenue was appropriately accounted for and disclosed within the financial statements, we undertook, amongst others, the following audit procedures:</p> <ul style="list-style-type: none"><li>• Evaluated the revenue recognition policies for all material sources of revenue and from our detailed testing performed below, ensured that revenue was being recognised appropriately, in line with Australian Accounting Standards and policies disclosed within the financial statements. This included ensuring that revenue was recognised in accordance with the requirements of AASB 15: Revenue from Contracts with Customers.</li><li>• Substantively tested a sample of revenue transactions throughout the financial year, tracing sales invoices to supporting sales documentation, shipping documentation and cash receipts.</li><li>• Detailed analytical procedures were performed in respect to trends in sales and gross margins in comparison to the prior period, budget and our expectations.</li><li>• Performed detailed cut-off testing to ensure that revenue transactions around the year end had been recorded in the correct period.</li></ul> |

# Independent Auditor's Report



## Accounting for share-based payment arrangements

| <i>Key audit matter</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <i>How the matter was addressed in our audit</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>As disclosed in Note 17, the Group issued further share options during the period in addition to granting an extension of the repayment terms on the existing limited recourse loans over restricted shares on issue to employees and key management personnel pursuant to the Group's Equity Incentive Plan ('EIP').</p> <p>These 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. The arrangements are also used to incentivise and motivate employees and key management personnel and are therefore considered of high interest to shareholders.</p> <p>Due to these factors, we considered this area a key audit matter.</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>• Substantively tested a sample of limited recourse loans repaid during the financial year to cash receipts and supporting documentation.</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 2019, 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.

# Independent Auditor's Report

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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.

## **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 2019.

In our opinion, the Remuneration Report of Genetic Signatures Limited, for the year 30 June 2019, 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.

# Independent Auditor's Report

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BDO East Coast Partnership

BDO  


Martin Coyle  
Partner

Sydney, 28 August 2019

# 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 **08 October 2019**.

### Issued Capital

As at 08 October 2019, the company had 104,059,437 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 - Restricted  
Fully Paid Ordinary Shares  
Fully Paid Ordinary Shares Company Escrowed

| Holdings Ranges | Holders    | Total Units        | %             |
|-----------------|------------|--------------------|---------------|
| 1-1,000         | 94         | 51,805             | 0.05          |
| 1,001-5,000     | 186        | 589,093            | 0.57          |
| 5,001-10,000    | 118        | 1,006,727          | 0.97          |
| 10,001-100,000  | 341        | 12,169,973         | 11.70         |
| 100,001-        | 83         | 90,241,839         | 86.72         |
| <b>Totals</b>   | <b>822</b> | <b>104,059,437</b> | <b>100.00</b> |

### Unmarketable Parcel of Shares

The number of individual shareholders holding less than a marketable parcel of shares was 36 (a total of 3,526 shares held by 36 shareholders).

786 fully paid ordinary shares comprise a marketable parcel at GSS' closing share price of \$1.05 as at 08 October 2019.

# Shareholder Information

## Equity Security Holders

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

| Name/Address 1                                                | Balance as at<br>08-10-2019 | %              |
|---------------------------------------------------------------|-----------------------------|----------------|
| 1. ASIA UNION INVESTMENTS PTY LTD                             | 37,857,387                  | 36.381%        |
| 2. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA         | 18,934,528                  | 18.196%        |
| 3. UBS NOMINEES PTY LTD                                       | 5,294,246                   | 5.088%         |
| 4. DR NICK SAMARAS AND ASSOCIATED ENTITIES                    | 2,000,000                   | 1.922%         |
| 5. BRAHAM CONSOLIDATED PTY LTD                                | 1,610,013                   | 1.547%         |
| 6. MR PHILLIP ISAACS AND ASSOCIATED ENTITIES                  | 1,553,127                   | 1.493%         |
| 7. CAPITAL CONCERNS PTY LIMITED <LOGUE FAMILY SUPER FUND A/C> | 1,328,810                   | 1.277%         |
| 8. J P MORGAN NOMINEES AUSTRALIA PTY LIMITED                  | 1,281,700                   | 1.232%         |
| 9. DR JOHN MELKI                                              | 1,096,000                   | 1.053%         |
| 10. S LOADER PTY LTD <S LOADER SF A/C>                        | 1,057,380                   | 1.016%         |
| 11. DR DOUG MILLAR                                            | 870,000                     | 0.836%         |
| 12. BRAHAM INVESTMENTS PTY LTD <BRAHAM STAFF SUPER FUND A/C>  | 815,143                     | 0.783%         |
| 13. IDOLLINK PTY LTD <MCKEITH SUPER FUND A/C>                 | 776,914                     | 0.747%         |
| 14. DAZANE PTY LTD                                            | 752,544                     | 0.723%         |
| 15. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED                 | 699,321                     | 0.672%         |
| 16. MR ALISTAIR DAVID STRONG                                  | 650,000                     | 0.625%         |
| 17. MIKE ANTON AICHER                                         | 645,785                     | 0.621%         |
| 18. LUJETA PTY LTD <MARGARET A/C>                             | 600,000                     | 0.577%         |
| 19. QUICKINVEST PTY LTD <QUICKINVEST STAFF S/F A/C>           | 558,862                     | 0.537%         |
| 20. BURTOH VENTURES PTY LIMITED                               | 500,000                     | 0.480%         |
| 21. MR GREGORY PAUL YEATMAN                                   | 500,000                     | 0.480%         |
| <b>Total Securities of Top 20 Holdings</b>                    | <b>79,381,760</b>           | <b>76.285%</b> |
| <b>Total of Securities</b>                                    | <b>104,059,437</b>          |                |

# Shareholder Information

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## Substantial Holders

| Substantial holders                                | Number of Ordinary Shares Held | % of total shares issued |
|----------------------------------------------------|--------------------------------|--------------------------|
| ASIA UNION INVESTMENTS PTY LTD                     | 37,857,387                     | 36.381%                  |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA | 18,934,528                     | 18.196%                  |

## 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:

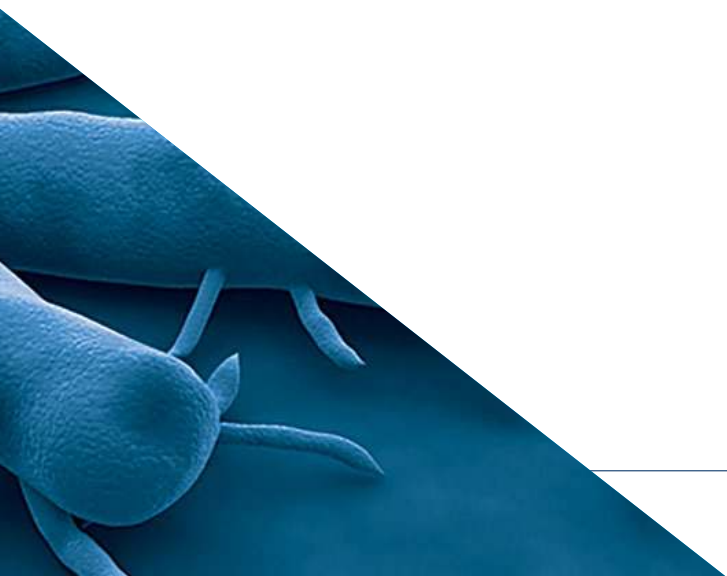
Peter Manley

## 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

7 Eliza St  
Newtown NSW 2042





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