

## APPENDIX 4E - PRELIMINARY FINAL REPORT

For the year ended 30 June 2017

### 1. Details of Reporting Period

The financial information contained in this report is for the year ended 30 June 2017. Comparative amounts (unless otherwise indicated) relate to the year ended 30 June 2016.

### 2. Results for Announcement to the Market

	30 June 2017 \$	30 June 2016 \$	% Increase (decrease)
Revenue from continuing operations	2,037,659	1,825,018	11.6%
Net loss from ordinary activities after tax attributable to members	(3,188,342)	(3,026,598)	5.3%
Net loss for the period attributable to members	(3,188,342)	(3,026,598)	5.3%
Losses per share (cents per share)	(3.3)	(4.2)	(21.4)%
Net Tangible Assets (cents per share)	15.3	6.4	239.16%

No dividends were paid during the financial year and none are proposed to be paid.

No control was gained over any new entities nor control lost over any existing entities of the group.

The company has no interest in any joint ventures at the date of this report.

### 3. Brief Explanation of Statutory and Operating Profit

Statutory Loss and Statutory Earnings per share are prepared in accordance with Australian Accounting Standards and the Corporations Act.

Statutory Loss after tax was \$3,188,342 (FY16 Loss \$3,026,598). A detailed review of operations is included in the Directors Report in the attached Financial Report.

### 4. Audit status

An unqualified, signed Audit Opinion is included with the attached Financial Report.

### 5. Attachments forming part of Appendix 4E

Genetic Signatures Limited 2017 Financial Report

For further information, see our website ([www.geneticsignatures.com](http://www.geneticsignatures.com)) or contact us as below:

<b>Company</b>
<b>John Melki</b> <b>Chief Executive Officer</b> <a href="mailto:john@geneticsignatures.com">john@geneticsignatures.com</a> T: +61 2 9870 7580

**About Genetic Signatures Limited:** Genetic Signatures is a specialist molecular diagnostics (MDx) company focused on the development and commercialisation of its proprietary platform technology, 3Base™. Genetic Signatures designs and manufactures a suite of real-time Polymerase Chain Reaction (PCR) based products for the routine detection of infectious diseases under the *EasyScreen*™ brand. Genetic Signatures' proprietary MDx 3Base™ platform technology provides high-volume hospital and pathology laboratories the ability to screen for a wide array of infectious pathogens, with a high degree of specificity, in a rapid throughput (time-to-result) environment. Genetic Signatures' current target markets are major hospital and pathology laboratories undertaking infectious disease screening.

**GENETIC SIGNATURES  
LIMITED**  
(ABN: 30 095 913 205)

**FINANCIAL REPORT  
FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2017**

**GENETIC SIGNATURES LIMITED**  
**ABN: 30 095 913 205**

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

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The directors present their report, together with the financial statements, on the company and its controlled entities for the year ended 30 June 2017. 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 achieved record sales revenues of \$2,037,659 in the financial year ended 30 June 2017, underscoring the success of its market penetration strategy and the market's acceptance of its *EasyScreen*<sup>™</sup> Detection Kits. Net cash used in operating activities was in line with FY16 despite significant organisation growth and expansion.

The Company posted a net loss for FY17 of \$3,188,342 representing a modest 5% increase on the previous year despite a significant increase in the research and development program. The operating loss for FY17 includes non-cash share based payments expense and depreciation of \$742,548, down from \$989,649 in FY16.

Expenses for FY17 totalled \$6,983,510, a 9% increase over last year (June 2016: \$6,384,164). The Research and Development Tax Concession resulted in \$1,429,887 received in 2016 and it is estimated that this year's amount will be \$1,497,917.

Genetic Signatures' current assets at 30 June 2017 were \$15,894,816 (June 2016: \$5,233,693), with current liabilities of \$1,184,259 (June 2016: \$1,276,099). In September 2016 the Company raised \$13,220,890 after costs from domestic and international institutional investors and received strong support from retail investors in a \$1,000,000 Share Purchase Plan. The Company is using these funds to further progress regulatory approvals for its products in Australia, Europe and the US in line with its broader US and European growth strategy. This includes the opening of office and warehouse facilities and hiring additional experienced sales teams in both regions. During this period Genetic Signatures also expanded its commercial operations in Australia and appointed a new Sales, Marketing and Support Manager to support local market growth.

The Company's cash balance at the end of the period was \$13,192,960.

**Product Progress**

- Successful launch of new *3base*<sup>™</sup> *EasyScreen*<sup>™</sup> STI detection kit:
  - Simultaneously detects the 12 most commonly encountered STIs and has superior multiple infection detection over existing hospital testing techniques;
  - With 1 million people contracting an STI daily (World Health Organisation) the potential global addressable STI testing market is estimated at US\$550,000,000 in 2017; and,

**GENETIC SIGNATURES LIMITED**  
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**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

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- First commercial customer secured - SydPath, a fully accredited private Pathology Lab of St. Vincent's hospital in Sydney will use the new STI Kit on an ongoing basis.
  - First sale and delivery of beta-release *3base™ EasyScreen™* Flavivirus and Alphavirus detection kit following successful Vanuatu Dengue Detection Clinical Trial with Port Villa Central Hospital.
  - First product trial of new *3base™ EasyScreen™* Extended Spectrum Beta-Lactamase (ESBL) and Carbapenemase-producing organisms (CPO) Detection Kit for rapid antibiotic resistance detection of bacteria such as E.coli and Klebsiella.
  - Full EU regulatory approval for complete enteric suite allows unrestricted sales in 22% of the global molecular diagnostics market.
  - *3base™* patent approval in US where focus is on completing scientific validation for FDA product approval.

**Products in Development**

- Product development pipeline includes tests for:
  - Second generation respiratory virus;
  - Atypical pneumonia; and,
  - Meningitis.
- Additional products being readied for sale:
  - Antibiotic resistance panel; and,
  - Flavivirus (including Chikungunya, Zika, Dengue, West Nile, Yellow Fever etc.).
- Product expansion will drive revenue and market share growth.

**Commercialisation Progress by Market**

*Australia*

- New Sales and Marketing Director appointment to support growth.
- Two new products released, further products being readied for release.
- Product expansion will drive revenue and market share growth.
- Australia forms base for EU and US approvals and release.
- Presented and exhibited at three Australian conferences.
- Dedicated R&D labs and network of clinical partners driving new product development:
  - Five *EasyScreen™* products for Gastroenteritis and two *EasyScreen™* Sample Preparation products have TGA approval; and,
  - Two more *EasyScreen™* kits are being validated for TGA approval.

*Europe*

- Addressable market of ~US\$435M.
- Western Europe represents ~20% of global molecular diagnostics market.
- Expanding team to work with European Director and distributors.
- Trials underway and more planned.
- Full EU regulatory approval for complete enteric suite allows unrestricted sales in 31 countries with a collective market value estimated at \$86M per year.
- Exhibited and presentation at the 27<sup>th</sup> European Congress of Clinical Microbiology and Infectious Diseases (ECCMID).

*North America*

- Up to ~US\$1,265M addressable market.
- US represents 50-60% of global molecular diagnostics market.
- Analyte Specific Reagents (specialist sales) launched at largest US microbiology conference, allows *3base™* sales to thousands of CLIA-certified laboratories
- Two Sample Preparation kits have been listed with the FDA *3base™* patent approval in US where focus is on completing scientific validation for FDA product approval.

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**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

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- First products preparing for full FDA approval, allowing unrestricted sales in US.
  - Trials planned to commence in current quarter.
  - Exhibited at three US infectious diseases conferences

**Commercial Outlook**

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

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

Having now received full regulatory approval for the Company's Enteric Viral Detection solution in Europe and Australia, we will continue to work on securing similar approvals for our STI and respiratory products whilst ongoing regulatory developments in the US remain on course.

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

Furthermore, following positive early interest in our 3base™ EasyScreen™ Flavivirus and STI Detection Kits, the Company is now focusing on accelerated validation and development of its current and new product range, including advancing research and development of three new diagnostic products. A number of new product global trials are either now underway or will shortly commence.

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

**STATE OF AFFAIRS**

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

**DIVIDENDS**

No dividends were paid or were payable during the year (2016: 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.

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**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

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**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 15 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:	1,446,997 ordinary shares and 480,000 ESOP restricted shares

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**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

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**Directors Cont.**

**Name:** **John R Melki**  
**Qualifications:** BSc (Hons), PhD  
**Experience:** Dr. Melki has led the commercialisation efforts of Genetic Signatures as Chief Executive Officer since 2011. Dr. Melki originally joined Genetic Signatures in 2003 where he was responsible for leading the commercialisation of two research products (worldwide) and five diagnostic products (locally and Europe) in the role of Senior Principal Research Scientist. He has authored 20 peer-reviewed articles and is listed as an inventor on eight patent applications. Dr. Melki received his BSc from the University of New South Wales and his PhD from the University of Sydney, where his thesis was awarded the Peter Bancroft Prize from the Medical School. His primary research focus for the last 20 years has been in the sodium bisulphite conversion of DNA which is at the core of Genetic Signatures' technology.

**Special responsibilities:** Managing Director and Chief Executive Officer; Member Nomination and Remuneration Committee

**Directorships of other listed companies:** Nil

**Interests in shares and options:** 196,000 ordinary shares and 1,000,000 ESOP restricted shares

**Name:** **Phillip J Isaacs**  
**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:** 895,127 ordinary shares and 250,000 ESOP restricted shares



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**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

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**Directors Cont.**

**Name:** **Michael A Aicher**  
**Qualifications:** BSc, MBA  
**Experience:** Mr. Aicher has over 30 years of industry experience, and was CEO and founder of National Genetics Institute (NGI) which was acquired by Laboratory Corporation of America, Inc. (LabCorp) in 2000. Mr. Aicher led LabCorp's Esoteric Business Units, which generated more than \$1 billion in annual revenue. Prior to NGI, Mr. Aicher served in a number of executive leadership roles at Central Diagnostics Laboratory. He currently serves as a director on boards of Alveo Technologies and Fabric Genomics. He is certified by the University of California at Berkeley as a Global Biotechnology Executive and is a recipient of Ernst & Young's "Entrepreneur of the Year" award for emerging technologies.  
Mr. Aicher received a BS in Business Administration from the University of Redlands and an MBA in Economics from Columbus University.

**Special responsibilities:** Executive Director – US Operations

**Directorships of other listed companies:** Nil

**Interests in shares and options:** 165,785 ordinary shares and 480,000 ESOP restricted shares

**Name:** **Anthony J Radford AO**  
**Qualifications:** BSc (Hons) PhD DipCorpMan  
**Experience:** Dr. Anthony Radford has a PhD from La Trobe University, and was a member of the CSIRO team that invented the QuantiFERON method for Cellular Immune based diagnostics. He later joined AMRAD in pharmaceutical research and was Head of Development in 2000 when he left to co-found the diagnostic company Cellestis Limited, which listed on the ASX in 2001. Establishing offices and operations in the USA, Europe and Japan, Cellestis developed QuantiFERON –TB Gold, the worldwide benchmark for diagnosis of tuberculosis infection. Dr. Radford was CEO of Cellestis from founding until its acquisition by QIAGEN NV in 2011.

**Special responsibilities:** Non-Executive; Member of Audit & Risk Committee

**Directorships of other listed companies:** Nil

**Interests in shares and options:** 107,000 ordinary shares and 240,000 ESOP restricted shares

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**DIRECTORS' REPORT**  
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Company Secretary  
Name:

**Anna Sandham**

Experience:

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

**DIRECTORS' MEETINGS**

The number of meetings of the board of directors (including board committees) held during the year ended 30 June 2017, and the numbers of meetings attended by each director are set out below:

Name	Board		Audit & Risk Committee		Nomination and Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
Nickolaos Samaras	11	11	3	3	2	2
John R Melki	11	11	-	-	2	2
Phillip J Isaacs	11	11	3	3	2	2
Michael A Aicher	11	11	-	-	-	-
Anthony J Radford	11	11	3	3	-	-

**REMUNERATION REPORT - AUDITED**

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

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

(b) Key management personnel

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

Name	Position Held
Nickolaos Samaras	Non-executive Chairman
John R Melki	Managing Director & Chief Executive Officer
Phillip J Isaacs	Non-executive Director
Michael A Aicher	Executive Director – US Operations
Anthony J Radford	Non-executive Director
Douglas S Millar	Chief Scientific Officer

**GENETIC SIGNATURES LIMITED**  
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**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

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**REMUNERATION REPORT – AUDITED (Cont.)**

(c) Details of Remuneration

**Remuneration Policy**

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

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

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

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**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

**REMUNERATION REPORT – AUDITED (Cont.)**

2016	Short-term employee benefits			Post-employment benefits			Total
	Cash salary and fees	Non-monetary benefits	Super-annuation	Long-term Benefits: Annual and long service leave	Termination benefits	Share-based payments	
	\$	\$	\$	\$	\$	\$	\$
Nickolaos Samaras	60,000	-	5,700	-	-	61,196	126,896
John R Melki	259,615	-	24,663	22,214	-	114,742	421,234
Phillip J Isaacs	10,000	-	38,134	-	-	31,873	80,007
Michael A Aicher	164,760	-	-	-	-	61,196	225,956
Anthony J Radford	11,301	-	27,707	-	-	38,412	77,420
Robert J Birrell*	39,230	-	13,347	-	101,264	10,898	164,739
Pat Noland**	-	-	-	-	-	4,303	4,303
Douglas S Millar	207,692	-	19,731	14,959	-	101,993	344,375
<b>Total key management personnel compensation</b>	<b>752,598</b>	<b>-</b>	<b>129,282</b>	<b>37,173</b>	<b>101,264</b>	<b>424,613</b>	<b>1,444,930</b>

\*resigned 21 August 2015

\*\*resigned 1 October 2015

(d) Share-based payment

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

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

Set out below are the summaries of ESOP (2016) restricted share and option grants (2017) under the plans:

**2017**

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

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**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

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**REMUNERATION REPORT – AUDITED (Cont.)**

**2016**

Grant date	Name	Vesting date	Fair value per share at grant date	Value of share at grant date	Granted during the year Number
19 Nov 2015	Pat Noland	25% on 19 November 2016; Then equal monthly amounts until 19 November 2019	\$0.45	\$42,833	200,000
14 April 2016	Anthony J Radford	25% on 14 April 2017; Then equal monthly amounts until 14 April 2020	\$0.49	\$59,237	240,000
<b>Total</b>					<b><u>440,000</u></b>

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**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

**REMUNERATION REPORT – AUDITED (Cont.)**

(e) Equity instruments held by key management personnel

Employee Share Ownership Plan Holdings

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

**2017**

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

**2016**

Name	Balance at 1 July 2015	Granted as compensa- tion	Converted on Repay- ment of loan	Other Changes	Balance at 30 June 2016	Total vested and convertible at 30 June 2016	Unvested at 30 June 2016
Nickolaos Samaras	480,000	-	-	-	480,000	150,000	330,000
John R Melki	900,000	-	-	-	900,000	281,250	618,750
Phillip J Isaacs	250,000	-	-	-	250,000	78,125	171,875
Michael A Aicher	480,000	-	-	-	480,000	150,000	330,000
Anthony J Radford	-	240,000	-	-	240,000	-	240,000
Robert J Birrell	600,000	-	(150,000)	(450,000)	-	-	-
Pat Noland	160,000	200,000	-	(360,000)	-	-	-
Douglas S Millar	800,000	-	-	-	800,000	250,000	550,000
<b>Total</b>	<b>3,670,000</b>	<b>440,000</b>	<b>(150,000)</b>	<b>(810,000)</b>	<b>3,150,000</b>	<b>909,375</b>	<b>2,240,625</b>

\*Resigned 21 August 2015

\*\*Resigned 1 October 2015

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**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

**REMUNERATION REPORT – AUDITED (Cont.)**

Shareholdings

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

**2017**

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

**2016**

Name	Balance at 1 July 2015	Granted as compensation	Received on conversion of restricted shares	Other changes	Balance at 30 June 2016	Balance held nomi- nally
Nickolaos Samaras	525,000	-	-	41,000	566,000	20,000
John R Melki	175,000	-	-	-	175,000	175,000
Phillip J Isaacs	640,213	-	-	-	640,213	-
Michael A Aicher	127,570	-	-	-	127,570	58,785
Anthony J Radford	-	-	-	-	-	-
Robert J Birrell*	910,888	-	150,000	(1,060,888)	-	-
Pat Noland**	150,000	-	-	(150,000)	-	-
Douglas S Millar	150,000	-	-	-	150,000	150,000
<b>Total</b>	<b>2,678,671</b>	<b>-</b>	<b>150,000</b>	<b>(1,169,888)</b>	<b>1,658,783</b>	<b>403,785</b>

\*As at date ceased to be a director 21 August 2015

\*\*As at date ceased to be a director 1 October 2015

(f) Service contracts

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

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

**GENETIC SIGNATURES LIMITED**  
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**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

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**REMUNERATION REPORT – AUDITED (Cont.)**

(f) Service contracts (Cont.)

**John Melki**

Director & Chief Executive Officer

Contract term: Ongoing, commenced November 2014  
Base salary: \$265,000, 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.

**Douglas Millar**

Chief Scientific Officer

Contract term: Ongoing, commenced November 2014  
Base salary: \$212,000, exclusive of superannuation, to be reviewed annually by the Remuneration Committee  
Termination payments: Payment on early termination by the Group, other than for gross misconduct, equal to the base salary plus superannuation for three months.

(g) Transactions with related parties

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
There were no related party transactions during the year	\$ -	\$ -

This concludes the remuneration report which has been audited.



**GENETIC SIGNATURES LIMITED**  
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**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

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**OPTIONS**

There were 1,030,000 unissued ordinary shares of the company under option outstanding at the date of this report.

**INDEMNIFICATION OF OFFICERS AND AUDITORS**

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

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

	2017	2016
	\$	\$
<b>Taxation services</b>		
Tax compliance services	13,658	40,760
Total fees for non-audit services	<u>13,658</u>	<u>40,760</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*.

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**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

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**AUDITOR'S INDEPENDENCE DECLARATION**

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

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

A handwritten signature in black ink that reads "John Melki". The signature is written in a cursive style with a large initial 'J'.

John Melki  
Director

Sydney  
30 August 2017

## 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 2017, 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 financial year.



**Martin Coyle**  
Partner

**BDO East Coast Partnership**

Sydney, 30 August 2017

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## Corporate Governance Statement

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

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

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

This Corporate Governance Statement (**Statement**) reports against the 3rd edition of the *ASX Corporate Governance Council's Principles and Recommendations (ASX Principles)* during the reporting period between 1 July 2016 and 30 June 2017. This Statement is current as at 29 August 2017 and has been approved by the Board.

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

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

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

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

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

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

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

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

**GENETIC SIGNATURES LIMITED**  
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## Corporate Governance Statement (Cont.)

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

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

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

### **Diversity Policy**

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

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

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

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

<b>Director</b>	<b>Status</b>	<b>Appointment Date</b>	<b>Length of Term (since ASX listing<sup>1</sup>)</b>
Nickolaos (Nick) Samaras (Chairman)	Independent, Non-Executive	22 January 2008	~ 2 years, 5 months
Phillip Isaacs	Independent, Non-Executive	12 December 2003	~ 2 years, 5 months
Anthony Radford	Independent, Non-Executive	15 September 2015	~ 2 years
John Melki	Non-independent, Managing Director/ Chief Executive Officer ( <b>MD/CEO</b> )	4 April 2014	~ 2 years, 5 months
Mike Aicher	Non-independent, Executive Director of U.S. Operations	16 May 2014	~ 2 years, 5 months

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

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## Corporate Governance Statement (Cont.)

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

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

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

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

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

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

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

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

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

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

## **Corporate Governance Statement (Cont.)**

in advance as being necessary and reasonable.

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

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

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

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

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

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

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

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

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

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

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

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

The chair of the committee meets with the auditors without Management in attendance so that there can be open and frank communication between the committee and the external auditor.

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

## **Corporate Governance Statement (Cont.)**

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

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

For the financial year ended 30 June 2016, the CEO and CFO made a declaration in accordance with section 295A of the Corporations Act. The declaration was formed on the basis of a sound system of risk management and internal control which is operating effectively. An equivalent declaration was made for the half year ended 31 December 2016 and the year ended 30 June 2017.

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

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

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

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

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

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

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

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

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



## **Corporate Governance Statement (Cont.)**

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

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

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

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

### **PRINCIPLE 7: Recognise and manage risk**

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

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

The Audit and Risk Committee's role includes:

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

The Company's risk management framework provides a structured and disciplined approach to the Company's management of its key risks which include operational, strategic, and financial risk factors.

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

## **Corporate Governance Statement (Cont.)**

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

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

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

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

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

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

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

The committee has access to senior Management of the Company and may consult independent experts where

## **Corporate Governance Statement (Cont.)**

the Committee considers it appropriate to carry out its duties.

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

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

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

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**FINANCIAL REPORT**

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**GENETIC SIGNATURES LIMITED**  
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**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

	Note	Consolidated	
		2017 \$	2016 \$
<b>Sales Revenue</b>		2,037,659	1,825,018
Other income	<b>2</b>	1,757,509	1,532,548
Cost of goods sold		(602,422)	(461,530)
Employee benefits expense		(3,055,968)	(3,392,865)
Directors' and consultancy fees		(385,309)	(461,250)
Depreciation and amortisation expenses		(478,699)	(399,309)
Finance Costs	<b>3</b>	(423)	(1,126)
Rental expenses relating to operating leases		(210,590)	(186,717)
Scientific consumables		(1,121,118)	(554,578)
Travel and accommodation		(258,790)	(167,359)
Other expenses		(870,191)	(759,430)
Loss before income tax		<u>(3,188,342)</u>	<u>(3,026,598)</u>
Income tax benefit	<b>4</b>	-	-
Loss attributable to members of the entity		<u><b>(3,188,342)</b></u>	<u><b>(3,026,598)</b></u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u><b>(3,188,342)</b></u>	<u><b>(3,026,598)</b></u>
<b>Earnings per share</b>		<b>2017 cents</b>	<b>2016 cents</b>
Basic and diluted earnings per share to ordinary equity holders of the company		<u>(3.3)</u>	<u>(4.2)</u>

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

**GENETIC SIGNATURES LIMITED**  
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**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2017**

	Note	Consolidated	
		2017	2016
		\$	\$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	13,192,960	2,564,254
Trade and other receivables	6	441,341	485,216
Inventory		762,598	754,336
Government grant receivable	7	1,497,917	1,429,887
<b>Total Current Assets</b>		<u>15,894,816</u>	<u>5,233,693</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	8	1,262,397	729,471
<b>Total Non-Current Assets</b>		<u>1,262,397</u>	<u>729,471</u>
<b>Total Assets</b>		<u>17,157,213</u>	<u>5,963,164</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	9	836,313	931,286
Provisions	10	347,946	344,813
<b>Total Current Liabilities</b>		<u>1,184,259</u>	<u>1,276,099</u>
<b>Non-Current Liabilities</b>			
Provisions	10	5,542	7,360
<b>Total Non-Current Liabilities</b>		<u>5,542</u>	<u>7,360</u>
<b>Total Liabilities</b>		<u>1,189,801</u>	<u>1,283,459</u>
<b>Net Assets</b>		<u>15,967,412</u>	<u>4,679,705</u>
<b>Equity</b>			
Issued capital	11	46,777,792	32,547,402
Reserves	12	865,803	738,001
Accumulated losses		(31,676,183)	(28,605,698)
<b>Total Equity</b>		<u>15,967,412</u>	<u>4,679,705</u>

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

**GENETIC SIGNATURES LIMITED**  
**ABN: 30 095 913 205**

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

Consolidated	Issued Capital	Reserves	Accumulated losses	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2015</b>	<b>32,501,357</b>	<b>151,046</b>	<b>(25,595,434)</b>	<b>7,056,969</b>
Profit or (loss)	-	-	(3,026,598)	(3,026,598)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(3,026,598)	(3,026,598)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 11)	46,045	-	-	46,045
Forfeiture of share-based payments (note 12)	-	(16,334)	16,334	-
Share-based payments (note 12)	-	590,340	-	590,340
<b>Balance at 30 June 2016</b>	<b>32,547,402</b>	<b>738,001</b>	<b>(28,605,698)</b>	<b>4,679,705</b>
Profit or (loss)	-	-	(3,188,342)	(3,188,342)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(3,188,342)	(3,188,342)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 11)	14,230,390	-	-	14,230,390
Forfeiture of share-based payments (note 12)	-	(117,857)	117,857	-
Share-based payments (note 12)	-	263,849	-	263,849
<b>Balance at 30 June 2017</b>	<b>46,777,792</b>	<b>865,803</b>	<b>(31,676,183)</b>	<b>15,967,412</b>

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

**GENETIC SIGNATURES PTY LIMITED**  
**ABN: 30 095 913 205**

**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

	Note	Consolidated	
		2017	2016
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		2,283,581	1,887,511
Payments to suppliers and employees		(6,505,688)	(5,512,147)
Interest received		220,352	83,230
Research and development concession received		1,429,887	969,095
Net cash used in operating activities	<b>18(b)</b>	<u>(2,571,868)</u>	<u>(2,572,311)</u>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment	<b>8</b>	<u>(1,011,625)</u>	<u>(371,166)</u>
Net cash used in investing activities		<u>(1,011,625)</u>	<u>(371,166)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares, net of costs	<b>11</b>	15,018,473	-
Proceeds from conversion of employee share ownership plan restricted shares	<b>11</b>	9,500	60,000
Share issue costs		<u>(797,583)</u>	<u>(13,955)</u>
Net cash provided by financing activities		<u>14,230,390</u>	<u>46,045</u>
<b>Net increase in cash and cash equivalents</b>		10,646,897	(2,897,432)
Cash and cash equivalents at beginning of financial year		2,564,254	5,461,686
Exchange differences on cash and cash equivalents		<u>(18,191)</u>	<u>-</u>
<b>Cash and cash equivalents at end of financial year</b>	<b>18(a)</b>	<u><b>13,192,960</b></u>	<u><b>2,564,254</b></u>

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



**GENETIC SIGNATURES LIMITED**  
**ABN: 30 095 913 205**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

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

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

**Basis of preparation**

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

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

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

**(a) Going Concern**

The company incurred losses for the year to 30 June 2017 of \$3,188,342 (2016: \$3,026,598), leading to net operating cash outflows of \$2,571,868 (2016: \$2,572,311). The ability of the company to continue as a going concern is dependent on the entity being able to generate sufficient revenue from successfully developing genetic signatures research.

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

**(b) Basis of Consolidation**

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

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

**GENETIC SIGNATURES LIMITED**  
**ABN: 30 095 913 205**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

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**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), research and development claim 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 together with the research and development claim submitted for 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.

**GENETIC SIGNATURES LIMITED**  
**ABN: 30 095 913 205**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

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

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

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

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

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

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

**Depreciation**

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

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

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

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

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

**(e) Goods and Services Tax**

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

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

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

**GENETIC SIGNATURES LIMITED**  
**ABN: 30 095 913 205**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

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

**(f) Financial instruments**

*Initial recognition and measurement*

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

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

*Classification and subsequent measurement*

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

Amortised cost is calculated as:

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

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

*(i) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

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

*(ii) Financial liabilities*

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

**GENETIC SIGNATURES LIMITED**  
**ABN: 30 095 913 205**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

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

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

*Fair Value*

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

*Impairment*

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

The directors have the power to amend and reissue these financial statements.

*Derecognition*

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

**(g) Revenue recognition**

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

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

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

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

**(h) Trade and other payables**

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

**(i) Impairment**

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

**GENETIC SIGNATURES LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

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

**(i) Impairment (continued)**

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

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

**(j) Cash and cash equivalents**

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

**(k) Inventories**

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

**(l) Trade and other receivables**

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

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

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

**(m) Finance costs**

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

**(n) Employee benefits**

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

**GENETIC SIGNATURES LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

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

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

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

**(o) Provisions**

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

**(p) Leases**

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

**(q) Share-based payments**

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

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

**(r) Parent entity financial information**

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

**(s) Earnings per share**

Basic earnings per share are calculated by dividing:

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

**(t) Foreign currency translation**

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

*Foreign currency transactions*

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

**GENETIC SIGNATURES LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

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

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

*Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which

approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

**(u) Comparative figures**

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



**GENETIC SIGNATURES LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

**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:

<b>New/revised pronouncement</b>	<b>Super-seded pronouncement</b>	<b>Nature of change</b>	<b>Effective date</b>	<b>Likely impact on initial application</b>
AASB 15 <i>Revenue from Contracts with Customers</i>		AASB 15: <ul style="list-style-type: none"> <li>- replaces AASB 118 <i>Revenue</i>, AASB 111 <i>Construction Contracts</i> and some revenue-related Interpretations;</li> <li>- establishes a new revenue recognition model;</li> <li>- changes the basis for deciding whether revenue is to be recognised over time or at a point in time;</li> <li>- provides new and more detailed guidance on specific topics (e.g., multiple element arrangements, variable pricing, rights of return, warranties and licensing); and</li> <li>- expands and improves disclosures about revenue.</li> </ul>	1 January 2018	<i>The Group is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the Group's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.</i>
AASB 16 <i>Leases</i>	AASB 117 <i>Leases</i>	AASB 16: <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 January 2019	<i>The Group is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the Group's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.</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

**GENETIC SIGNATURES LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

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

**(w) Critical Accounting Estimates and Judgments (continued)**

value is measured at grant date and recognised over the period during which the employee becomes unconditionally entitled to the restricted shares.

*Judgements- research and development claim*

Judgement is required in determining the amount of grant revenue relating to the research and development claim. There are certain transactions and calculations undertaken 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.

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Note 2: Other income</b>		
Interest income	251,342	91,779
Government Grant (R&D Rebate)	1,497,917	1,429,887
Other income	8,250	10,882
<b>Total other income</b>	<b>1,757,509</b>	<b>1,532,548</b>

**Note 3: Expenses**

*Finance costs*

Interest charges	423	1,126
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*Superannuation expense*

Defined contribution superannuation expense	201,438	194,337
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*Items included in other expenses are*

Write off of assets - patents	138,445	119,300
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**Note 4: Income tax**

**Consolidated**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Numerical reconciliation of income tax benefit to prima facie tax payable</b>		
Prima facie income tax (benefit) on loss from ordinary activities (30%)	(1,251,571)	(907,979)
Add tax effect of:		
- non-deductible items	1,130,327	703,453
- tax losses and deductible temporary differences not recognised	187,825	245,970
Less tax effect of:		
- temporary differences not brought to account	(66,581)	(41,444)
<b>Income tax benefit attributable to entity</b>	<b>-</b>	<b>-</b>

**GENETIC SIGNATURES LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

**Note 4: Income tax (Continued)**

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 with 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 \$10,954,897, tax effected at 30% \$3,286,454. (2016: \$10,288,179 – tax effected \$3,086,454).

**Note 5: Cash and cash equivalents**

**Consolidated**

	<b>2017</b>	<b>2016</b>
	\$	\$
Cash at bank and on hand	13,192,960	2,564,254

Cash at bank and on hand bears floating interest rates. The interest rate relating to cash and cash equivalents for the year was between 1.4% and 2.72% (2016: between 1.4% and 2.55%).

Genetics Signatures Limited has an unused credit card facility with the bank at the year-end date of \$60,000 (2016: \$40,000).

**Note 6: Trade and other receivables**

**Consolidated**

	<b>2017</b>	<b>2016</b>
	\$	\$
<b>Current</b>		
Trade debtors (a)	277,574	358,870
Other receivables (b)	163,767	126,346
	<b>441,341</b>	<b>485,216</b>

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

Customers with balances past due without provisions for impairment of receivables amount to \$NIL as at 30 June 2017 (\$NIL as at 30 June 2016). The company has recognised a loss of \$NIL (2016: \$NIL) in profit or loss in respect of impairment of receivables for the year ended 30 June 2017.

**b. Other receivables**

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

**c. Fair value and credit risk**

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

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

**GENETIC SIGNATURES LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

<b>Note 7: Government grant receivable</b>	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Research & Development tax concession	1,497,917	1,429,887

**Note 8: Property, plant and equipment**

Plant and equipment:

At cost	2,937,565	1,925,939
Less: accumulated depreciation	(1,675,168)	(1,196,468)
	<b>1,262,397</b>	<b>729,471</b>

Movement in plant and equipment is as follows:

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

	<b>Plant &amp; equipment</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>
Cost at 1 July 2015	2,196,798	2,196,798
Additions	389,063	389,063
Disposals	(659,922)	(659,922)
Cost at 30 June 2016	1,925,939	1,925,939
Accumulated depreciation 1 July 2015	(1,455,357)	(1,455,357)
Depreciation expense	(399,309)	(399,309)
Disposal of assets	658,198	658,198
Accumulated depreciation 30 June 2016	(1,196,468)	(1,196,468)
<b>Carrying amount 30 June 2016</b>	<b>729,471</b>	<b>729,471</b>

<b>Note 9: Trade and other payables</b>	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Current – unsecured</b>		
Trade creditors	617,256	573,032
Other creditors	219,057	358,254
	<b>836,313</b>	<b>931,286</b>

**GENETIC SIGNATURES LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

**Note 10: Provisions**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Employee benefits	347,946	344,813
<b>Non-Current</b>		
Employee benefits	5,542	7,360

**Note 11: Issued capital**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
104,282,937 ordinary shares (2016: 72,869,434)	46,773,792	32,543,402
4,000 fully paid founder shares (2016: 4,000)	4,000	4,000
	46,777,792	32,547,402
<i>Movement in ordinary share capital</i>	<b>\$</b>	<b>\$</b>
Opening balance	32,543,402	32,497,357
Issue of new ordinary shares	15,018,473	-
Employee Share Plan	9,500	60,000
Buy-back of employee share plan shares	-	-
Less: share issue costs	(797,583)	(13,955)
Closing balance	46,773,792	32,543,402
<i>Movement in ordinary share capital</i>	<b>No.</b>	<b>No.</b>
Opening balance	72,869,434	72,934,990
Issue of new ordinary shares	31,954,197	-
Employee Share Plan	-	440,000
Buy-back of employee share plan shares	(540,694)	(505,556)
Closing balance	104,282,937	72,869,434

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

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

**Note 12: Reserves**

**Share based payments reserve**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Balance 1 July	725,051	151,046
Transferred to accumulated losses upon forfeiture	(117,857)	(16,334)
Share-based payment expenses	263,849	590,340
Balance 30 June	871,043	725,051

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

**Foreign currency translation reserve**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Balance 1 July	12,949	-
Arising from translation of US subsidiary	(18,190)	12,949
Balance 30 June	(5,241)	12,949

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

**Note 13: Leasing Commitments**

Operating lease commitments

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

Minimum lease payments payable:

- Not later than one year	45,297	28,970
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The operating lease commitment relates to the company's currently licensed research and development premises with St Vincent's Hospital, Sydney, Limited and The Victor Chang Cardiac Research Institute. Either party can terminate the licence agreement by providing 60 days' written notice to the other party.

**Note 14: Key management personnel disclosures**

Short-term employee benefits	713,261	752,598
Short term incentive	32,000	-
Post-employment benefits	122,978	129,282
Long-term benefits	68,124	37,173
Termination benefits	-	101,264
Share based payments	157,928	424,613
	1,094,291	1,444,930

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

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

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**Note 15: Share-based payments**

Options were issued during the year, pursuant to the Equity Incentive Plan. Fair values at grant date are determined using a Black-Scholes Option Pricing Model that takes into account the exercise price, the term of the option, the share price at the grant date, the expected volatility of the underlying share, and risk free interest rate for the term of the option. The model inputs for options granted during the year ended 30 June 2017 are noted below:

Grant date	Expiry date	Vesting period	Conversion price	Share price	Expected volatility	Expected dividend yield	Fair value	Average Risk free rate
October 2016	Oct 2031	48 months	\$0.52	\$0.55	75%	-	\$0.25	2.72%
November 2016	Nov 2031	48 months	\$0.52	\$0.46	75%	-	\$0.19	2.72%
June 2017	June 2032	48 months	\$0.39	\$0.38	75%	-	\$0.17	2.75%

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.

**GENETIC SIGNATURES LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

*Employee Share Ownership Plan Shares*

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

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



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<b>2016</b>											
Grant date	Vesting date	Value of share at grant date	Balance at beginning of the year	Granted during the year	Convertible during the year	Expired/ Forfeited during the year	Balance at the end of the year	Vested and convertible at year end	Unvested at year end	Weighted average fair value of shares at year end	Weighted average remaining contractual life of shares
November 2015	25% Nov 2016 then monthly to November 2019	\$0.45	-	200,000	-	-	200,000	-	200,000	\$0.21	3.39 years
April 2016	25% April 2017 then monthly to April 2020	\$0.49	-	240,000	-	-	240,000	-	240,000	\$0.25	3.79 years
March 2015	25% March 2016 then monthly to March 2019	\$0.40	4,675,000	-	(150,000)	(450,000)	4,075,000	1,328,436	2,746,564	\$0.24	2.74 years
<b>Total</b>			<b>4,675,000</b>	<b>440,000</b>	<b>(150,000)</b>	<b>(450,000)</b>	<b>4,515,000</b>	<b>1,328,436</b>	<b>3,186,564</b>	<b>\$0.24</b>	

**GENETIC SIGNATURES LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

**Note 16: Contingent liabilities**

The company does not have any material contingent liabilities at year-end.

**Note 17: Auditors remuneration**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<i>BDO East Coast Partnership</i>		
Audit and review of financial statements	64,400	56,000
Tax compliance	13,658	40,760
	78,058	96,760

**Note 18: Cash Flow Information**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>

**(a) Reconciliation of Cash**

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	13,192,960	2,564,254
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**(b) Reconciliation of Loss after Income Tax to net Cash Flows from Operations**

Loss after income tax	(3,188,342)	(3,026,598)
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*Non cash flows included within loss*

Depreciation	478,699	399,309
Share based payments expenses	263,849	590,339

*Changes in operating assets and liabilities:*

(Increase) in trade and other receivables	43,875	(48,815)
(Increase) in current tax and other assets	(68,030)	(460,791)
(Increase) in inventories	(8,262)	(562,846)
Increase in provisions	1,315	49,145
Increase in payables	(94,972)	487,946

Net cash outflow from operating activities	(2,571,868)	(2,572,311)
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**GENETIC SIGNATURES LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

**Note 19: Parent Entity Financial Information**

**(a) Summary financial information:**

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

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	13,115,726	2,560,902
Trade and other receivables	1,801,514	1,184,599
Inventory	762,598	754,246
Government grant receivable	1,497,917	1,429,887
<b>Total Current Assets</b>	<b>17,177,755</b>	<b>5,929,634</b>
<b>Non-Current Assets</b>		
Plant and equipment	1,260,618	728,908
<b>Total Non-Current Assets</b>	<b>1,260,618</b>	<b>728,908</b>
<b>Total Assets</b>	<b>18,438,373</b>	<b>6,658,542</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Trade and other payables	823,313	874,907
Provisions	347,946	344,813
<b>Total Current Liabilities</b>	<b>1,171,259</b>	<b>1,219,720</b>
<b>Non-Current Liabilities</b>		
Provisions	5,542	7,360
<b>Total Non-Current Liabilities</b>	<b>5,542</b>	<b>7,360</b>
<b>Total Liabilities</b>	<b>1,176,801</b>	<b>1,227,080</b>
<b>Net Assets</b>	<b>17,261,572</b>	<b>5,431,462</b>
<b>Equity</b>		
Issued capital	46,777,792	32,547,402
Reserves	880,900	725,051
Accumulated losses	(30,397,120)	(27,840,991)
<b>Total Equity</b>	<b>17,261,572</b>	<b>5,431,462</b>
<b>Loss for the year</b>	<b>(2,673,986)</b>	<b>(2,346,225)</b>
<b>Other comprehensive income</b>	-	-
<b>Total comprehensive income for the year</b>	<b>(2,673,986)</b>	<b>(2,346,225)</b>

**(b) Summary financial information:**

The Parent entity did not have any contingent liabilities as at 30 June 2017 or 30 June 2016.

**GENETIC SIGNATURES LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

**Note 20: Subsidiaries**

	Country of incorporation	Equity holding in subsidiaries	
		2017 %	2016 %
<b>a) Parent entity</b>			
Genetic Signatures Limited	Australia		
<b>b) Controlled entities</b>			
Genetic Signatures US Ltd	USA	100%	100%

**Note 21: Related party transactions**

**Related parties**

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

Key management personnel:

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

Key Management personnel include:

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

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

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

	Consolidated	
	2017 \$	2016 \$
There were no related party transactions during the year	-	-

**GENETIC SIGNATURES LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

**Note 22: Financial risk management**

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

*Net Fair Value*

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

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

	<b>Net Carry- ing Value 2017</b>	<b>Net Fair Value 2017</b>	<b>Net Carry- ing Value 2016</b>	<b>Net Fair Value 2016</b>
<b>Financial assets</b>	\$	\$	\$	\$
Cash and cash equivalents	13,192,960	13,192,960	2,564,254	2,564,254
Trade and other receivables	441,341	441,341	485,216	485,216
Total Financial Assets	<u>13,634,301</u>	<u>13,634,301</u>	<u>3,049,470</u>	<u>3,049,470</u>
 <b>Financial Liabilities</b>				
Trade creditors	613,256	613,256	573,032	573,032
Other creditors	219,057	219,057	358,254	358,254
Total Financial Liabilities	<u>836,313</u>	<u>836,313</u>	<u>931,286</u>	<u>931,286</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 \$131,929 (2016: \$25,642).

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

**Note 22: Financial risk management (Cont.)**

*Liquidity Risk*

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

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

*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 in note 23 summarises the assets which are subject to credit risk.

**Note 23: Financial risk management**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
<b>Financial assets</b>	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	13,192,960	2,564,254
Trade and other receivables	441,341	485,216
<b>Total Financial Assets</b>	<b>13,634,301</b>	<b>3,049,470</b>

*Financial liability maturity analysis*

	<b>Within 1 Year</b>	<b>1 to 5 Years</b>	<b>Total</b>
<b>2017</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial liabilities due for payment</b>			
Trade and other payables	836,313	-	836,313
Total expected outflows	836,313	-	836,313
<b>2016</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial liabilities due for payment</b>			
Trade and other payables	931,286	-	931,286
Total expected outflows	931,286	-	931,286

**GENETIC SIGNATURES LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

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**Note 24: 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. These responses have included a capital raising during the year from new and existing shareholders that raised \$15m before costs.

There were no externally imposed capital requirements during the year.

**Note 25: 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 26: 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 2017 there were three customers (2016: three) that each contributed over 10% of the consolidated entity's external revenue.

**Geographic locations**

*North America*

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

*Australia*

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

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

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

**Note 27. Earnings per share**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax	<u>(3,188,342)</u>	<u>(3,026,598)</u>
Loss after income tax attributable to the owners of Genetic Signatures Limited	<u>(3,188,342)</u>	<u>(3,026,598)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	96,056,399	72,832,195
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	<u>-</u>	<u>-</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>96,056,399</u>	<u>72,832,195</u>
	<b>Cents</b>	<b>Cents</b>
Basic loss per share	(3.3)	(4.2)
Diluted loss per share	(3.3)	(4.2)



**GENETIC SIGNATURES LIMITED**  
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**DIRECTORS' DECLARATION**

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the 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 2017 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



John Melki  
Director

Sydney, 30 August 2017

## 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 2017, 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 2017 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

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

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

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

## Key audit matters

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

### Accounting for share-based payment arrangements

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>During the year, the Group issued options to key management personnel and employees pursuant to the Equity Incentive Plan ('EIP'). Restricted shares were also issued in the prior year, funded by limited recourse loans pursuant to the employee share ownership plan ('ESOP'). Both issuances have been accounted for as share-based payment arrangements.</p> <p>Share-based payment arrangements are a complex accounting area which include assumptions utilised in the fair value calculation and estimation regarding the number of options that are expected to become exercisable. We consider the Group's calculation of the share-based payment arrangements to be a key audit matter.</p> <p>Refer to note 15 of the financial report for a description of the accounting policy and significant estimates and judgements applied to these arrangements.</p>	<p>To determine whether 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 options.</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 options expected to vest.</li> <li>• Reviewed market announcements and board minutes to ensure all the new EIP shares or options issued during the year have been accounted for.</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 Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

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

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

If, based on the work we have performed, 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.



## **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\\_files/ar2.pdf](http://www.auasb.gov.au/auditors_files/ar2.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 for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Genetic Signatures Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.



### **Responsibilities**

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

### **BDO East Coast Partnership**

BDO  


**Martin Coyle**

**Partner**

Sydney, 30 August 2017