

## APPENDIX 4E - PRELIMINARY FINAL REPORT

For the year ended 30 June 2019

### 1. Details of Reporting Period

The financial information contained in this report is for the year ended 30 June 2019. Comparative amounts (unless otherwise indicated) relate to the year ended 30 June 2018.

### 2. Results for Announcement to the Market

	30 June 2019 \$	30 June 2018 \$	% increase (decrease)
Revenue from continuing operations	4,865,908	2,840,115	71.3%
Net loss from ordinary activities after tax attributable to members	(3,491,994)	(3,253,809)	7.3%
Net loss for the period attributable to members	(3,491,994)	(3,253,809)	7.3%
Losses per share (cents per share)	(3.36)	(3.13)	
Net Tangible Assets (cents per share)	10.16	12.89	

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 \$3,491,994 (FY18 loss \$3,253,809). 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 2019 Financial Report

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

## Company

### John Melki

Chief Executive Officer

[john.melki@geneticsignatures.com](mailto:john.melki@geneticsignatures.com)

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### Peter Manley

Chief Financial Officer

[peter.manley@geneticsignatures.com](mailto:peter.manley@geneticsignatures.com)

**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 2019**

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

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

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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 2019. This will hereafter be referred to as company, consolidated entity or group.

**DIRECTORS**

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

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

**PRINCIPAL ACTIVITIES**

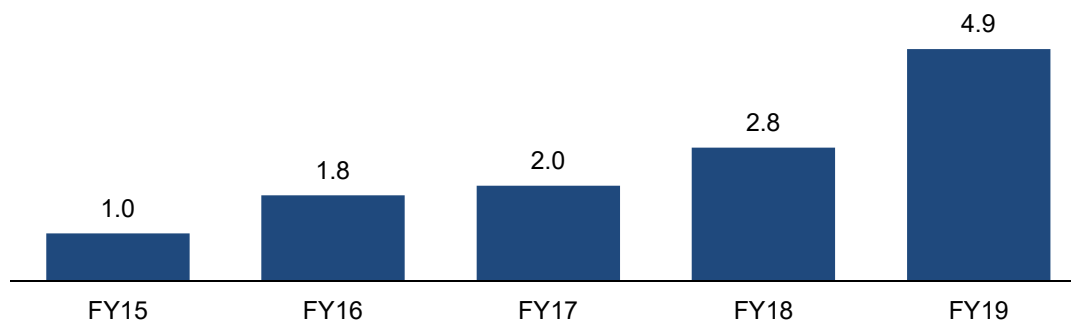
The principal activities of the Company during the financial year were the research and commercialisation of identifying individual genetic signatures to aid in the diagnosis of infectious diseases and the sale of associated products into the diagnostic and research marketplaces. There have been no significant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

**REVIEW OF OPERATIONS**

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

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

*Revenue from operations (\$m)*



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

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

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

***Commercialisation Progress by Market***

***Australia***

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

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

***Europe***

Europe (European Union and United Kingdom) represents ~20% of global molecular diagnostics market<sup>1</sup>

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

***North America***

Largest market opportunity globally, accounting for estimated 50-60% of test revenue<sup>1</sup>

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

***Looking Forward***

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

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

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<sup>1</sup> *World Market for Molecular Diagnostics, 5th. Edition (Infectious Disease, Oncology, Blood Screening, Pre-Natal and Other Areas) Kalorama Information*

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**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

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**STATE OF AFFAIRS**

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

**DIVIDENDS**

No dividends were paid or were payable during the year (2018: NIL).

**EVENTS SUBSEQUENT TO THE REPORTING DATE**

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

**LIKELY FUTURE DEVELOPMENTS**

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

**ENVIRONMENTAL COMPLIANCE**

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

**GENETIC SIGNATURES LIMITED**  
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**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

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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 16 years Dr. Samaras has focused his efforts on facilitating the international market expansion of a number of US biotechnology companies and developing commercial revenue channels outside of their traditional onshore markets.</p> <p>Dr. Samaras holds a BSc with Honours in Pathology and Immunology from Monash University and a PhD from the Department of Medicine at The University of Melbourne. He also holds postgraduate business qualifications which include an MBA from the School of Management at RMIT University and is a Fellow of the Australian Institute of Company Directors and the Australian Institute of Management.</p>
Special responsibilities:	Non-Executive Chairman; Chairman Nomination and Remuneration Committee; Member Audit & Risk Committee
Directorships of other listed companies:	Nil
Interests in shares and options:	1,520,000 ordinary shares 480,000 ESOP restricted shares

**GENETIC SIGNATURES LIMITED**  
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**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

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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 was in the sodium bisulphite conversion of DNA which is at the core of Genetic Signatures' technology.

**Special responsibilities:** Managing Director and Chief Executive Officer

**Directorships of other listed companies:** Nil

**Interests in shares and options:** 196,000 ordinary shares,  
900,000 ESOP restricted shares,  
300,000 options over ordinary 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:** 1,553,127 ordinary shares



**GENETIC SIGNATURES LIMITED**  
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**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

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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  
480,000 ESOP restricted shares

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

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

**Directorships of other listed companies:** Nil

**Interests in shares and options:** 170,000 ordinary shares  
70,000 ESOP restricted shares

**Company Secretary**  
**Name:** **Peter Manley**

**Experience:** Peter Manley was appointed Company Secretary of Genetic Signatures in March 2019. Peter is an experienced company secretary who also holds the position of Chief Financial Officer. Previous roles include CFO & Company Secretary for listed life sciences companies AtCor Medical Holdings Limited (now Cardiex Ltd) and Sirtex Medical Ltd.

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**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

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**DIRECTORS' MEETINGS**

The number of meetings of the board of directors (including board committees) held during the year ended 30 June 2019, and the numbers of meetings attended by each director are set out below:

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

**REMUNERATION REPORT - AUDITED**

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

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

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

**1 REMUNERATION PRINCIPLES AND KEY MANAGEMENT PERSONNEL**

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

The Board's remuneration policy determines the nature and amount of remuneration for Board members and senior executives of the Company. The policy, setting the terms and conditions for the Executive Directors and other senior executives, was developed by the Remuneration & Nomination Committee and approved by the Board. The Board ensures that the Company's remuneration levels are appropriate in the markets in which it operates and are applied, and seen to be applied, fairly.

**Non-executive directors**

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

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

**GENETIC SIGNATURES LIMITED**  
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**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

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

**Executive directors and senior executives**

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

*Alignment to company and shareholders' interests:*

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

*Alignment to program participants' interests:*

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

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

**1.2 Key management personnel**

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

**Non-executive directors**

Dr Nickolaos Samaras - Chairman  
Phillip J Isaacs  
Dr Anthony J Radford AO

**Executive directors**

Dr John R Melki - Managing Director & Chief Executive Officer  
Michael A Aicher - Executive Director, US Operations

**Other executives**

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

**2 NON-EXECUTIVE DIRECTOR REMUNERATION**

**2.1 Directors' Fees**

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

**Board fees per annum**

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

**Superannuation**

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

**Share-based payments**

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

**GENETIC SIGNATURES LIMITED**  
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**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

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

**2.2 Non-executive director remuneration**

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

**3 EXECUTIVE REMUNERATION**

The executive pay and reward framework has four components:

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

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

**Base pay**

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

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

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

**Benefits**

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

**Retirement Benefits**

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

**Short term incentives**

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

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

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

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

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**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

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

**Long term incentives**

Genetic Signatures Equity Incentive Plan (EIP)

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

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

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

Genetic Signatures Employee Share Ownership Plan (ESOP)

Restricted shares were offered and funded by an interest free loan from the Group at the time of listing. Restricted shares have vested and can be converted to ordinary shares following repayment of the loan. The restricted shares are subject to a service condition of continuous employment from grant date to the relevant vesting date, otherwise the restricted shares will lapse. Restricted shares may be released following the payment of the outstanding loan prior to lapsing.

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

**Relationship between Remuneration Policy and Company Performance**

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

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

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

	2019	2018	2017	2016	2015
	\$	\$	\$	\$	\$
Revenue	4,865,908	2,840,115	2,037,659	1,825,018	1,043,269
Net profit/(loss) attributable to owners of the parent entity	(3,491,994)	(3,253,809)	(2,670,622)	(3,026,598)	(2,659,120)
Share price at year end	1.35	0.37	0.395	0.53	0.497
Dividends paid (cents per share)	-	-	-	-	-

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

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

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

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

**3.1 Executive director remuneration**

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

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

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

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

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**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

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

**Short term incentives**

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

**4 EQUITY DISCLOSURES**

**4.1 Key Management Personnel Share Movements**

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

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

**4.2 Share Based Payments**

Details of restricted shares and options held directly, indirectly or beneficially by key management personnel are as follows, terms and conditions are summarised in section 3 (Long term incentives):

Employee Share Ownership Plan Holdings

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

**GENETIC SIGNATURES LIMITED**  
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**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

Employee Incentive Plan

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

- 1 This represents the total value of the options over the life of the options from grant date using a Black-Scholes valuation method. The amount is allocated against remuneration over the vesting period (total allocation vests in 4 equal tranches from the 1<sup>st</sup> anniversary of the issue date).
- 2 Value equals the difference between the exercise price and the closing share price per the ASX on the date of exercise/forfeiture multiplied by the number of options.



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

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

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

**5 EMPLOYMENT AGREEMENTS**

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

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

**John Melki**

Director & Chief Executive Officer

Contract term: Ongoing, commenced November 2014  
Base salary: \$298,000, exclusive of superannuation, to be reviewed annually by the Remuneration Committee.  
Termination payments: Payment on early termination by the Group, other than for gross misconduct, equal to the base salary plus superannuation entitlements for three months.

**Michael Aicher**

Executive Director – US Operations

Contract term: Ongoing, commenced April 2014  
Base salary: \$US120,000, to be reviewed annually by the Remuneration Committee.  
Termination payments: No payment on early termination. Contract is terminable by either party on one months' notice.

**Peter Manley**

Chief Financial Officer

Contract term: Ongoing, commenced October 2018  
Base salary: \$220,000, exclusive of superannuation, to be reviewed annually by the Remuneration Committee.  
Termination payments: Payment on early termination by the Group, other than for gross misconduct, equal to the base salary plus superannuation for three months.

This concludes the remuneration report which has been audited.

**GENETIC SIGNATURES LIMITED**  
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**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

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**OPTIONS**

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

**INDEMNIFICATION OF OFFICERS AND AUDITORS**

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

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

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

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

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

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

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

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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 18.

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  
28 August 2019

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

As lead auditor of Genetic Signatures Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

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

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



Martin Coyle  
Partner

**BDO East Coast Partnership**

Sydney, 28 August 2019

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

**FINANCIAL REPORT**

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**GENETIC SIGNATURES LIMITED****ABN: 30 095 913 205****CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

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

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

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2019**

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

<b>Consolidated</b>	<b>Issued Capital \$</b>	<b>Share based payments reserve \$</b>	<b>Foreign currency translation reserve \$</b>	<b>Accumulated losses \$</b>	<b>Total \$</b>
<b>Balance at 1 July 2017</b>	<b>46,777,792</b>	<b>871,045</b>	<b>(5,242)</b>	<b>(31,158,463)</b>	<b>16,485,132</b>
Loss attributable to members of the entity	-	-	-	(3,253,809)	(3,253,809)
Other comprehensive income	-	-	(25,257)	-	(25,257)
Total comprehensive income for the year	-	-	(25,257)	(3,253,809)	(3,279,066)
<i>Transactions with owners in their capacity as owners:</i>	-	-	-	-	-
Contributions of equity, net of transaction costs (note 14)	-	-	-	-	-
Forfeiture of share-based payments (note 15)	-	(76,500)	-	76,500	-
Share-based payments (note 15)	-	192,990	-	-	192,990
<b>Balance at 30 June 2018</b>	<b>46,777,792</b>	<b>987,535</b>	<b>(30,499)</b>	<b>(34,335,772)</b>	<b>13,399,056</b>
Loss attributable to members of the entity	-	-	-	(3,491,994)	(3,491,994)
Other comprehensive income	-	-	(13,749)	-	(13,749)
Total comprehensive income for the year	-	-	(13,749)	(3,491,994)	(3,505,743)
<i>Transactions with owners in their capacity as owners:</i>	-	-	-	-	-
Contributions of equity, net of transaction costs (note 14)	250,198	-	-	-	250,198
Forfeiture of share-based payments (note 15)	-	(27,777)	-	-	(27,777)
Share-based payments (note 15)	-	453,365	-	-	453,365
<b>Balance at 30 June 2019</b>	<b>47,027,990</b>	<b>1,413,123</b>	<b>(44,248)</b>	<b>(37,827,766)</b>	<b>10,569,099</b>

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



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

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

	Note	Consolidated 2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		5,229,325	2,901,945
Payments to suppliers and employees		(10,226,620)	(8,446,886)
Interest received		167,555	253,079
Research and development concession received		2,560,761	1,598,301
Net cash used in operating activities	<b>23(b)</b>	<u>(2,268,979)</u>	<u>(3,693,561)</u>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment	<b>11</b>	<u>(610,687)</u>	<u>(519,367)</u>
Net cash used in investing activities		<u>(610,687)</u>	<u>(519,367)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares, net of costs	<b>14</b>	201,300	-
Proceeds from conversion of employee share ownership plan restricted shares	<b>14</b>	54,550	-
Share issue costs	<b>14</b>	<u>(5,652)</u>	-
Net cash provided by financing activities		<u>250,198</u>	<u>-</u>
<b>Net decrease in cash and cash equivalents</b>		<b>(2,629,468)</b>	<b>(4,212,928)</b>
Cash and cash equivalents at beginning of financial year		8,954,775	13,192,960
Exchange differences on cash and cash equivalents		<u>(13,752)</u>	<u>(25,257)</u>
<b>Cash and equivalents at end of financial year</b>	<b>23(a)</b>	<u><b>6,311,555</b></u>	<u><b>8,954,775</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 CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

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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 Consolidated Entity incurred losses for the year to 30 June 2019 of \$3,491,994 (2018: \$3,253,809), leading to net operating cash outflows of \$2,268,979 (2018: \$3,693,561). The ability of the Consolidated Entity to continue as a going concern is dependent on the entity being able to generate sufficient revenue from successfully developing genetic signatures research.

The financial report has been prepared on a going concern basis, as during the year, the Consolidated Entity has successfully grown sales by 70% and reduced operating cash outflows by \$1,424,582. At balance date the Consolidated Entity held \$6,311,555 in cash reserves and carries no debt. The directors are confident that, given the amount of cash on hand at year-end, plus the ongoing ability of the Consolidated Entity to increase its sales, and to raise capital as needed, it has sufficient funds to operate as a going concern for the foreseeable future.

**(b) Basis of Consolidation**

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

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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) and deferred tax expenses/(benefit).

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

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

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

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

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

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

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

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

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

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

*Depreciation*

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

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

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

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

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

**(e) Goods and Services Tax**

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

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

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

**(f) Financial instruments**

*Classification*

The Group classifies financial assets as either:

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

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

*Recognition and derecognition*

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

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

*Measurement*

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

*(i) Loans and receivables*

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

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

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

*(ii) Financial liabilities*

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

*(iii) Equity instruments*

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

The Group does not currently hold any equity investments.

*Fair Value*

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

*Impairment*

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

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

**(g) Revenue recognition**

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

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

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

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

**(h) Trade and other payables**

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

**(i) Impairment**

At each reporting date, the company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

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

**(j) Cash and cash equivalents**

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

**(k) Inventories**

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

**(l) Trade and other receivables**

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

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

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**Note 1: Statement of Significant Accounting Policies (continued)**

**(m) Finance costs**

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

**(n) Employee benefits**

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

**(o) Provisions**

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

**(p) Leases**

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

**(q) Share-based payments**

Equity-settled share-based payments with employees and others providing similar services are measured at fair value of the equity instrument at the grant date. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in note 16.

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

**(r) Parent entity financial information**

The financial information for the parent entity, Genetic Signatures Limited, disclosed in note 25, has been prepared on the same basis as the consolidated financial statements.

**(s) Earnings per share**

Basic earnings per share are calculated by dividing:

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

**(t) Foreign currency translation**

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

*Foreign currency transactions*

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**Note 1: Statement of Significant Accounting Policies (continued)**

*Foreign operations*

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

**(u) New, revised or amending Accounting Standards and Interpretations adopted**

*i. AASB15 – Revenue from contracts with customers*

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

Sale of Goods – Test Kits and Consumables

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

Sale of Goods – Equipment

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

Sale of Goods – Service

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

*ii. AASB9 – Financial Instruments*

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

Impairment

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



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

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

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

New/revised pronouncement	Nature of change	Mandatory date of application for the Group	Likely impact on initial application
AASB 16 Leases	<p>AASB 16:</p> <ul style="list-style-type: none"> <li>- replaces AASB 117 Leases and some lease-related interpretations</li> <li>- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases</li> <li>- provides new guidance on the application of the definition of lease and on sale and lease back accounting</li> <li>- largely retains the existing lessor accounting requirements in AASB 117</li> <li>- requires new and different disclosures about leases.</li> </ul>	1 July 2019	<p><i>Management has completed an assessment by reviewing all leases. Based on the work performed to date the findings indicate that the application of AASB16 will not have a material impact on the recognition of expenses for rent, depreciation or financing costs or on the recognition of leased assets or lease liabilities. Currently the majority of leases are for a term of less than 12 months.</i></p>

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

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

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

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

*Judgements- research and development claim*

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

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**Note 2: Revenue**

*Disaggregation of revenue*

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

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

**Note 3: Financial Reporting Segments**

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

*Major customers*

During the year ended 30 June 2019 there were two customers (2018: two) that each contributed over 10% of the consolidated entity's external revenue.

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

**Geographic locations**

*Asia Pacific*

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

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

*EMEA*

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

*Americas*

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

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

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

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

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Note 6: Income tax</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%)	(1,047,980)	(976,142)
Add/(less)tax effect of:		
- non-deductible items	1,641,408	1,536,121
- tax losses not brought to account	(542,699)	(532,249)
- temporary differences not brought to account	(50,729)	(27,730)
<b>Income tax benefit attributable to entity</b>	<b>-</b>	<b>-</b>

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

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

The total amount of unused tax losses for which no deferred tax asset has been recognised is \$7,434,426, tax effected at 30% \$2,230,328. (2018: \$7,632,346 - tax effected \$2,289,704).

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<b>Note 7: Cash and cash equivalents</b>	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and on hand	<u>6,311,555</u>	<u>8,954,775</u>

Cash at bank and on hand bears floating interest rates. The interest rate relating to cash and cash equivalents for the year was between nil% and 2.5% (2018: between nil% and 2.5%).

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

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

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

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

**b. Other receivables**

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

**c. Fair value and credit risk**

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

Information about the Company's exposure to fair value and credit risk in relation to trade and other receivables is provided in note 26.

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

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

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**Note 11: Property, plant and equipment**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Plant and equipment:		
At cost	4,209,916	3,456,931
Less: accumulated depreciation	(2,754,468)	(2,306,962)
	<b>1,455,448</b>	<b>1,149,969</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 2017	2,937,564	2,937,564
Additions	519,367	519,367
Disposals	-	-
Cost at 30 June 2018	3,456,931	3,456,931
Accumulated depreciation 1 July 2017	(1,675,167)	(1,675,167)
Depreciation expense	(631,795)	(631,795)
Disposal of assets	-	-
Accumulated depreciation 30 June 2018	(2,306,962)	(2,306,962)
<b>Carrying amount 30 June 2018</b>	<b>1,149,969</b>	<b>1,149,969</b>

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

**Note 12: Trade and other payables**

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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<b>Note 13: Provisions</b>	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Employee benefits	490,397	425,008
<b>Non-Current</b>		
Employee benefits	19,262	10,547

<b>Note 14: Issued capital</b>	<b>Number</b>	<b>\$</b>
<b>Opening balance at 1 July 2017:</b>	<b>104,286,937</b>	<b>46,777,792</b>
Movement in ordinary share capital		
Buy-back of employee share plan shares	(360,000)	-
<b>Closing balance at 30 June 2018</b>	<b>103,926,937</b>	<b>46,777,792</b>
Movement in ordinary share capital		
Repayment of loans over employee share plan shares	-	201,300
Exercise of employee share options	107,500	54,550
Less: Share issue costs		(5,652)
<b>Closing balance as at 30 June 2019</b>	<b>104,034,437</b>	<b>47,027,990</b>

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

**Note 15: Reserves**

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

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

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

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**Note 16: Related party transactions**

**Related parties**

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

Key management personnel:

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

Key Management personnel include:

Nickolaos Samaras – Director  
John R Melki – Director and Chief Executive Officer  
Michael A Aicher – Director  
Phillip J Isaacs – Director  
Anthony J Radford – Director  
Peter L Manley – Chief Financial Officer/Company Secretary

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

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

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

**Note 17: Share-based payments**

Options were issued during the year, pursuant to the Equity Incentive Plan. Fair values at grant date are determined using a Black-Scholes Option Pricing Model that takes into account the exercise price, the term of the option, the share price at the grant date, the expected volatility of the underlying share, and risk free interest rate for the term of the option. The model inputs for options granted during the year ended 30 June 2019 are noted below:

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

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



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*Employee Share Ownership Plan Shares*

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

**2019**

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

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

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

**GENETIC SIGNATURES LIMITED**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**Note 18: Key management personnel disclosures**

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

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

**Note 19: Leasing Commitments**

Operating lease commitments

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

Minimum lease payments payable:

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

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

**Note 20: Contingent liabilities**

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

**Note 21: Events Subsequent to Reporting Date**

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

**Note 22: Auditors remuneration**

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**Note 23: Cash Flow Information**

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

**Note 24: Subsidiaries**

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

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**Note 25: Parent Entity Financial Information**

**(a) Summary financial information:**

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

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

**(b) Summary financial information:**

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

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**Note 26: Financial risk management**

The company's financial instruments consist mainly of deposits with banks, and accounts receivable and payable. The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are shown at their net fair value.

*Net Fair Value*

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

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

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

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

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

*Interest Rate Risk*

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

*Sensitivity*

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

Based on the cash held at reporting date, the sensitivity to a 1% increase or decrease in interest rates would increase/(decrease) after tax profit by \$63,116 (2018: \$89,547).

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**Note 26: Financial risk management (continued)**

*Credit risk*

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

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

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

The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables. Further detail is explained in Note 1(u).

*Liquidity Risk*

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

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

**Note 26: Financial risk management (continued)**

*Financial liability maturity analysis*

	<b>Within 1 Year</b>	<b>1 to 5 Years</b>	<b>Total</b>
<b>2019</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial liabilities due for payment</b>			
Trade and other payables	1,051,278	-	1,051,278
Total expected outflows	<u>1,051,278</u>	<u>-</u>	<u>1,051,278</u>
	<b>Within 1 Year</b>	<b>1 to 5 Years</b>	<b>Total</b>
<b>2018</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial liabilities due for payment</b>			
Trade and other payables	773,910	-	773,910
Total expected outflows	<u>773,910</u>	<u>-</u>	<u>773,910</u>

**Note 27: Capital Risk Management**

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

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

There were no externally imposed capital requirements during the year.



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**Note 28. Earnings per share**

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

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**DIRECTORS' DECLARATION**

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



John Melki  
Director

Sydney, 28 August 2019

## INDEPENDENT AUDITOR'S REPORT

To the members of Genetic Signatures Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Genetic Signatures Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

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

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

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

## Key audit matters

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

### Revenue Recognition

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

## Accounting for share-based payment arrangements

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As disclosed in Note 17, the Group issued further share options during the period in addition to granting an extension of the repayment terms on the existing limited recourse loans over restricted shares on issue to employees and key management personnel pursuant to the Group's Equity Incentive Plan ('EIP').</p> <p>These share-based payment arrangements are a complex accounting area which include assumptions utilised in the fair value calculation and estimation regarding the number of restricted shares and options that are ultimately expected to vest. The arrangements are also used to incentivise and motivate employees and key management personnel and are therefore considered of high interest to shareholders.</p> <p>Due to these factors, we considered this area a key audit matter.</p>	<p>To determine whether the share-based payment arrangements had been appropriately accounted for and disclosed, we undertook, amongst others, the following audit procedures:</p> <ul style="list-style-type: none"> <li>• Considered whether the Group used an appropriate model in valuing the restricted shares and options.</li> <li>• Reviewed the individual EIP agreements, market announcements and board minutes to ensure all new EIP restricted shares or options issued during the year had been accounted for.</li> <li>• Substantively tested a sample of limited recourse loans repaid during the financial year to cash receipts and supporting documentation.</li> <li>• Evaluated management's assumptions used in the calculation being interest rate, volatility, the expected vesting period, the probability of achievement and the number of restricted shares and options expected to vest.</li> <li>• Evaluated the adequacy and accuracy of the disclosure of the share-based payment arrangements within the financial report including disclosures comprising key management personnel remuneration.</li> </ul>

### Other information

The directors are responsible for the other information. The other information comprises the information in the Directors' Report (excluding the audited Remuneration Report section) for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual Report to Shareholders, which is expected to be made available to us after that date.

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

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



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

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

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

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

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

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

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

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

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

This description forms part of our auditor's report.

## **Report on the Remuneration Report**

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

We have audited the Remuneration Report included in the directors' report under the heading 'Remuneration Report' for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Genetic Signatures Limited, for the year 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

### **Responsibilities**

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



**BDO East Coast Partnership**

BDO  


Martin Coyle  
Partner

Sydney, 28 August 2019