

APPENDIX 4E - PRELIMINARY FINAL REPORT

For the year ended 30 June 2020

1. Details of Reporting Period

The financial information contained in this report is for the year ended 30 June 2020. Comparative amounts (unless otherwise indicated) relate to the year ended 30 June 2019.

2. Results for Announcement to the Market

	30 June 2020 \$'000	30 June 2019 \$'000	% increase (decrease)
Revenue from continuing operations	11,263	4,866	131%
Net loss from ordinary activities after tax attributable to members	(2,086)	(3,492)	(40)%
Net loss for the period attributable to members	(2,086)	(3,492)	(40)%
Losses per share (cents per share)	(1.64)	(3.36)	
Net Tangible Assets (cents per share)	31.7	10.2	

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

A new entity, Genetic Signatures UK Ltd, was established on 28 April 2020. No control was 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 \$2,086,000 (FY19 loss \$3,492,000). 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 2020 Financial Report

For personal use only

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

Company

John Melki

Chief Executive Officer

john.melki@geneticsignatures.com

T: +61 2 9870 7580

Peter Manley

Chief Financial Officer

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.

For personal use only

**GENETIC SIGNATURES
LIMITED**

(ABN: 30 095 913 205)

**FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2020**

For personal use only

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

The directors present their report, together with the financial statements, on the company and its controlled entities for the year ended 30 June 2020. 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
Michael A Aicher
Anthony J Radford
Phillip J Isaacs (retired November 2019)

PRINCIPAL ACTIVITIES

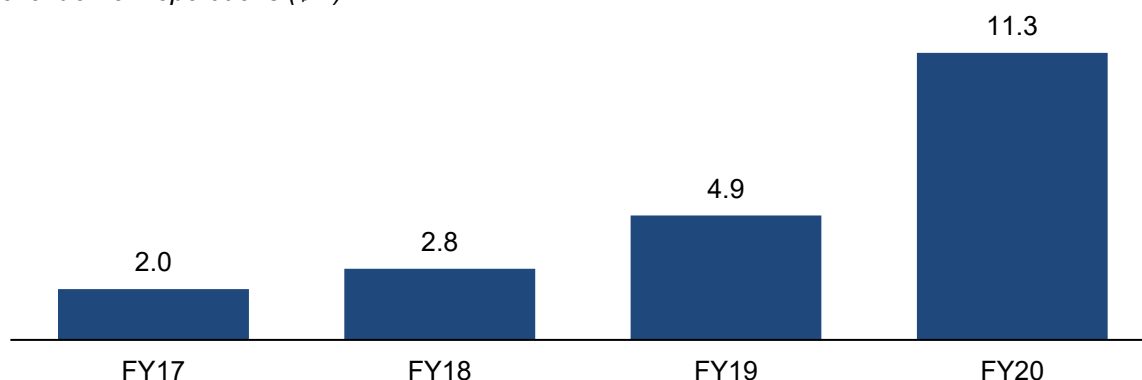
The principal activities of the Company during the financial year were the research and commercialisation of identifying individual genetic signatures to aid in the diagnosis of infectious diseases and the sale of associated products into the diagnostic and research marketplaces. There have been no significant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

REVIEW OF OPERATIONS

Genetic Signatures has had an outstanding year against the backdrop of the global COVID-19 pandemic. Company revenues have grown materially during FY20, largely due to domestic and European demand for the *EasyScreen*[™] SARS-CoV-2 Detection Kit. Genetic Signatures was able to leverage its internal capabilities to successfully develop a new test for SARS-CoV-2 and then to scale up manufacturing capacity to meet the significant increase in customer demand. This provided an opportunity for the Company to demonstrate its product offering to a wider range of laboratories, and to establish new users of the *EasyScreen*[™] tests in both Australia and Europe.

In the financial year ending 30 June 2020, Genetic Signatures' revenue was \$11,263,000 representing a 131% increase over the previous year. This revenue growth was driven by demand for *EasyScreen*[™] SARS-CoV-2 Detection Kit, following regulatory registrations in Europe and Australia. Sales to European customers represented approximately 10% of total sales for the year.

Revenue from operations (\$m)



The Company posted a net loss of \$2,086,000 in FY20, a \$1,406,000 improvement over FY2019. Genetic Signatures is pleased to report that its 2nd half result was a maiden profit for the Group of \$260,000, showing the impact of higher sales.

Gross margins were 62%, which is slightly lower than the previous year and impacted by pandemic induced higher prices for some raw materials, product mix and significantly higher transport costs. Margins should improve in future as the proportion of international sales rises. Employee benefits

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

expense were up 35% vs. prior corresponding period to \$6,671,000 as additional personnel were added to the teams in Europe, USA and locally across all functions. Scientific consumables increased 50% over prior year, reflecting the work done on SARS-CoV-2, continuing R&D projects, and initial clinical trial activity for the US FDA Enteric Protozoan submission. Depreciation and amortisation expenses appear high, but includes lease amortisation per the new accounting standard, AASB16.

Cash balance was \$31,176,000 at 30 June 2020. A capital raise for \$37.5m (placement and share purchase plan, both oversubscribed) was completed in December 2019 to accelerate our commercialisation strategy, and gave Genetic Signatures the funds to scale up for the increased demand from SARS-CoV-2 testing. Net operating cash outflows for the year were \$9,494,000 with a large proportion of those funds applied to inventory purchases to ensure the Group could meet its commitment to customers regarding supply. Genetic Signatures can proudly claim that none of its customers has been without product to undertake testing to date. Trade receivables balances are also higher due to the higher sales late in the year.

Commercialisation Progress by Market

Australia

Represents approximately 1-2% of the world molecular diagnostic market¹

- TGA registration and launch of *EasyScreen*[™] SARS-CoV-2 Detection Kit
- New customers adopt *EasyScreen*[™] SARS-CoV-2 test
- Production capacity further increased to meet current demand and more production expansion underway
- Application lodged with TGA for STI / Genital Pathogen Detection Kit to be included on ARTG
- Alphavirus / Flavivirus clinical trials deferred due to COVID-19
- Continued development of other new kits.

Europe

Europe (European Union and United Kingdom) represents ~35% of global molecular diagnostics market¹

- Achieved European registration (CE-IVD) for the *EasyScreen*[™] SARS-CoV-2 Detection Kit, and product launched
- New customers established, including 3 new European distributors
- Additional sales and support staff appointed
- European applications for *EasyScreen*[™] STI / Genital Pathogen Detection Kit lodged.

North America

Largest market opportunity globally, accounting for estimated 40% of test revenue¹

- Emergency Use Authorisation (EUA) application submitted to the FDA for the *EasyScreen*[™] SARS-CoV-2 Detection Kit
- Permitted to supply *EasyScreen*[™] SARS-CoV-2 Detection Kit to USA laboratories certified to perform high complexity testing under a Section IVc exemption² following notification to FDA on the Company's intent to do so
- Initial clinical work has now commenced for FDA clearance of the *EasyScreen*[™] Enteric Protozoan Detection Kit
- New sales team appointed with strong pedigree in the industry.

¹ World Market for Molecular Diagnostics, 5th. Edition (Infectious Disease, Oncology, Blood Screening, Pre-Natal and Other Areas) Kalorama Information, Published: 1/9/2013 & company estimates

² The FDA is permitting manufacturers that have or will submit an EUA for a SARS-CoV-2 test to supply their test prior to receiving the EUA. The FDA describes this marketing route in Section IV.C. of their Policy for Coronavirus Disease-2019 Tests During the Public Health Emergency (Revised)² Under the exemption the manufacturer must have validated the kit and is required to notify the FDA of their intent to supply the test. The use of the test is limited to laboratories that have been certified under CLIA (Clinical Laboratory Improvement Amendments) to perform high complexity testing and the laboratory is required to disclaim the status of the test on all results that are issued using the test. (<https://www.fda.gov/regulatory-information/search-fda-guidance-documents/policy-coronavirus-disease-2019-tests-during-public-health-emergency-revised>)

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Looking Forward

Genetic Signatures sees the year ahead as an opportunity to consolidate its gains and grow the business, particularly in international markets. Encouragingly, first quarter FY2021 is on track to report sales growth of more than 25% above fourth quarter FY2020.

The COVID-19 pandemic has also given the Group a chance to demonstrate its technology and broader syndromic testing platform to a greater range of laboratories and hospitals, and the Group is already preparing for when the COVID-19 restrictions are lifted. As such the following milestones have been set for FY2021:

- US FDA Emergency Use Authorisation (EUA) for the *EasyScreen*™ SARS-CoV-2 Detection Kit
- First North American contracts
- FDA submission for the *EasyScreen*™ Enteric Protozoan Detection Kit
- CE-IVD and TGA registration for *EasyScreen*™ STI / Genital Pathogen Detection Kits
- CE-IVD and TGA registration for *EasyScreen*™ Flavivirus / Alphavirus Detection Kits
- Commence development of new instrumentation.

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 (2019: NIL).

EVENTS SUBSEQUENT TO THE REPORTING DATE

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the consolidated entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Other than the above, 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
ABN: 30 095 913 205

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

DIRECTORS

Name: **Nickolaos Samaras**
Qualifications: BSc (Hons), PhD, MBA, FAIM, FAICD
Experience: 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). 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. Dr. Samaras holds a BSc with Honours in Pathology and Immunology from Monash University and a PhD from the Department of Medicine The University of Melbourne. He also holds postgraduate business qualifications which include an MBA from the School of Management RMIT University and is a Fellow of the Australian Institute of Company Directors and the Australian Institute of Management.

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: 2,024,016 ordinary shares

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: 1,096,000 ordinary shares,
300,000 options over ordinary shares

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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: 240,000 ordinary shares

Name: **Phillip J Isaacs (retired November 2019)**
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:

Directorships of other listed companies: Nil

Interests in shares and options: 1,602,143 ordinary shares

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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: 645,785 ordinary 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.

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

DIRECTORS' MEETINGS

The number of meetings of the board of directors (including board committees) held during the year ended 30 June 2020, 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	7	7	2	2	2	2
John R Melki	7	7	-	-	-	-
Anthony J Radford	7	7	2	2	2	2
Michael A Aicher	7	7	-	-	-	-
Phillip J Isaacs (ret. Nov 2019)	2	2	1	1	1	1

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
ABN: 30 095 913 205

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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
Dr Anthony J Radford AO
Phillip J Isaacs (retired November 2019)

Executive directors

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

Other executives

Peter L Manley - 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
ABN: 30 095 913 205

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2.2 Non-executive director remuneration

Non-executive directors	Year	Cash salary and fees \$	Super-annuation \$	Share-based payments \$	Total \$
Nickolaos Samaras	2020	60,000	5,700	-	65,700
	2019	60,000	5,700	9,724	75,424
Anthony J Radford	2020	45,000	4,275	1,553	50,828
	2019	29,456	19,819	6,934	56,209
Phillip J Isaacs	2020	18,750	1,781	-	20,531
	2019	45,000	4,275	1,514	50,789
Total	2020	123,750	11,756	1,553	137,059
	2019	134,456	29,794	18,172	182,422

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 2020, 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.

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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. No options were issued in 2020 to key management personnel as at the date of this report.

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. All loans have now been repaid and restriction removed from the shares.

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 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.

	2020	2019	2018	2017	2016
	\$	\$	\$	\$	\$
Revenue	11,263	4,866	2,840	2,038	1,825
Net profit/(loss) attributable to owners of the parent entity	(2,086)	(3,492)	(3,254)	(2,671)	(3,027)
Share price at year end	2.15	1.35	0.37	0.395	0.53
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 2019 Annual General Meeting ('AGM')

The Company received 93.5% of "for" votes in relation to its remuneration report for the year ended 30 June 2019. No issues were raised with Directors concerning the Report.

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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 ² \$	Share-based payments ³ \$	Total \$	Fixed %	At risk STI %	At risk LTI %
John R Melki - CEO	2020	308,137	16,320	25,047	27,351	376,855	148,070	38,902	563,827	67%	26%	7%
	2019	291,717	4,894	24,228	15,180	336,019	-	54,366	390,385	86%	0%	14%
Michael A Aicher ¹ Executive Director	2020	178,097	-	-	-	178,907	-	-	178,907	100%	0%	0%
	2019	167,691	-	-	-	167,691	-	9,724	177,415	95%	0%	5%
Peter L Manley (commenced Oct 2018)	2020	220,636	-	22,778	18,051	261,465	45,000	95,981	402,446	65%	11%	24%
	2019	142,788	-	23,289	2,531	168,608	-	11,782	180,390	93%	0%	7%
Total	2020	707,680	16,320	47,825	45,402	817,227	193,070	134,883	1,145,180			
	2019	602,196	4,894	47,517	17,711	672,318	-	75,872	748,190			

1 M Aicher is paid in USD. Changes in base pay are attributable to the weaker AUD against the USD through FY20 (Ave rate FY20: 0.6707, FY19: 0.7156).

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 18 to the accounts.

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Short term incentives

	STI potential \$	Percentage of base %	Paid %	Forfeited %
J.R. Melki	155,000	44	95	5
M.A. Aicher	-	-	-	-
P.L Manley	45,000	20	100	-

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 2019	Granted as compensation	Received on conversion of restricted shares	Other changes	Balance at 30 June 2020	Balance held nominally
N. Samaras	1,520,000	-	480,000	24,016	2,024,016	1,393,000
J.R Melki	196,000	-	900,000	-	1,096,000	1,096,000
M.A Aicher	165,785	-	480,000	-	645,785	645,785
A.J Radford	170,000	-	70,000	-	240,000	240,000
P.J Isaacs (ret Nov 19)	1,553,127	-	-	49,016	1,602,143	738,930
P.L Manley	-	-	-	20,408	20,408	20,408
Total	3,604,912	-	1,930,000	93,440	5,628,352	4,134,123

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 2019	Converted on Repayment of loan	Other Changes	Balance at 30 June 2020	Total vested and convertible at 30 June 2020	Unvested at 30 June 2020
N. Samaras	480,000	(480,000)	-	-	-	-
J.R Melki	900,000	(900,000)	-	-	-	-
M.A Aicher	480,000	(480,000)	-	-	-	-
A.J Radford	70,000	(70,000)	-	-	-	-
P.J Isaacs	-	-	-	-	-	-
P.L Manley	-	-	-	-	-	-
Total	1,930,000	(1,930,000)	-	-	-	-

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Employee Incentive Plan

	Balance at 1 July 2019		Granted during the year		Exercised during the year		Forfeited during the year		Balance at 30 June 2020		Unvested at 30 June 2020
	No.	Value ¹ \$	No.	Value ¹ \$	No.	Value ² \$	No.	Value ² \$	No.	Value ¹ \$	No.
J.R Melki	300,000	132,523	-	-	-	-	-	-	300,000	132,523	175,000
P.L Manley	200,000	188,007	-	-	-	-	-	-	200,000	188,007	150,000

- 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 1st 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 2020

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: \$350,000, 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: \$225,920, 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
ABN: 30 095 913 205

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

OPTIONS

There were 3,278,750 unissued ordinary shares of the company under option outstanding at the date of this report. During the financial year 1,145,000 new options were issued, 311,250 were exercised, and 322,500 were forfeited.

INDEMNIFICATION OF OFFICERS AND AUDITORS

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

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

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

NON-AUDIT SERVICES

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

	2020	2019
	\$	\$
Tax compliance services	17,340	15,700
Other non-audit services	9,300	11,500
Total fees for non-audit services	<u>26,640</u>	<u>27,200</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 2020

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.

Rounding of Amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts. Amounts in this report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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



John Melki
Director

Sydney
28 August 2020

For personal use only

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 2020, 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
Director

BDO Audit Pty Ltd

Sydney, 28 August 2020

For personal use only

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

FINANCIAL REPORT

	Page
CONTENTS	
Consolidated Statement of Profit or Loss and Other Comprehensive Income	20
Consolidated Statement of Financial Position	21
Consolidated Statement of Changes in Equity	22
Consolidated Statement of Cash Flows	23
Notes to the Consolidated Financial Statements	24
Directors' Declaration	49
Independent Auditor's Report	50

For personal use only

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 2020**

	Note	Consolidated 2020 \$'000s	2019 \$'000s
Sales Revenue	2	11,263	4,866
Other income	4	2,910	2,327
Cost of materials used		(4,305)	(1,686)
Employee benefits expense		(6,671)	(4,933)
Directors' and consultancy fees		(443)	(432)
Depreciation and amortisation expenses		(883)	(471)
Finance Costs	5	(33)	(1)
Scientific consumables		(1,769)	(1,175)
Travel and accommodation		(327)	(347)
Other expenses		(1,828)	(1,640)
Loss before income tax		<u>(2,086)</u>	<u>(3,492)</u>
Income tax benefit	6	-	-
Loss attributable to members of the entity		<u>(2,086)</u>	<u>(3,492)</u>
Other comprehensive income/(loss) Items that maybe reclassified subsequently to profit or loss:			
Foreign Currency translation of foreign operations		(111)	(14)
Total comprehensive income/(loss) for the year, net of tax		<u>(2,197)</u>	<u>(3,506)</u>
Earnings (loss) per share		2020 cents	2019 cents
Basic and diluted loss per share to ordinary equity holders of the company	29	<u>(1.64)</u>	<u>(3.36)</u>

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

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	Consolidated 2020 \$'000s	2019 \$'000s
Assets			
Current Assets			
Cash and cash equivalents	7	31,176	6,312
Trade and other receivables	8	5,223	862
Inventory	9	7,252	1,354
Government grant receivable	10	2,554	2,147
Total Current Assets		46,205	10,675
Non-Current Assets			
Property, plant and equipment	11	2,776	1,455
Right of Use Assets - Leases	12	734	-
Total Non-Current Assets		3,510	1,455
Total Assets		49,715	12,130
Liabilities			
Current Liabilities			
Trade and other payables	13	2,368	1,051
Lease liabilities	12	313	-
Provisions	14	657	491
Total Current Liabilities		3,338	1,542
Non-Current Liabilities			
Lease liabilities	12	428	-
Provisions	14	20	19
Total Non-Current Liabilities		448	19
Total Liabilities		3,786	1,561
Net Assets		45,929	10,569
Equity			
Issued capital	15	84,013	47,028
Reserves	16	1,830	1,369
Accumulated losses		(39,914)	(37,828)
Total Equity		45,929	10,569

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 2020

Consolidated	Issued Capital \$'000s	Share based payments reserve \$'000s	Foreign currency translation reserve \$'000s	Accumulated losses \$'000s	Total \$'000s
Balance at 1 July 2018	46,778	988	(30)	(34,336)	13,400
Loss attributable to members of the entity	-	-	-	(3,492)	(3,492)
Other comprehensive income/(loss)	-	-	(14)	-	(14)
Total comprehensive income/(loss) for the year	-	-	(14)	(3,492)	(3,506)
<i>Transactions with owners in their capacity as owners:</i>	-	-	-	-	-
Contributions of equity, net of transaction costs (note 15)	250	-	-	-	250
Forfeiture of share-based payments (note 16)	-	(28)	-	-	(28)
Share-based payments (note 16)	-	453	-	-	453
Balance at 30 June 2019	47,028	1,413	(44)	(37,828)	10,569
Loss attributable to members of the entity	-	-	-	(2,086)	(2,086)
Other comprehensive income/(loss)	-	-	(111)	-	(111)
Total comprehensive income/(loss) for the year	-	-	(111)	(2,086)	(2,197)
<i>Transactions with owners in their capacity as owners:</i>	-	-	-	-	-
Contributions of equity, net of transaction costs (note 15)	35,608	-	-	-	35,608
Repayment of loans against shares (note 15)	1,234	-	-	-	1,234
Share issues on conversion of options	143	-	-	-	143
Forfeiture of share-based payments (note 16)	-	(59)	-	-	(59)
Share-based payments (note 16)	-	631	-	-	631
Balance at 30 June 2020	84,013	1,985	(155)	(39,914)	45,929

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 2020

	Note	Consolidated 2020 \$'000s	2019 \$'000s
Cash flows from operating activities			
Receipts from customers		8,882	5,229
Payments to suppliers and employees		(20,619)	(10,227)
Interest received		129	168
Lease costs (interest)		(33)	-
Research and development concession received		2,147	2,561
Net cash used in operating activities	25(b)	<u>(9,494)</u>	<u>(2,269)</u>
Cash flows from investing activities			
Purchase of plant and equipment	11	<u>(2,350)</u>	<u>(610)</u>
Net cash used in investing activities		<u>(2,350)</u>	<u>(610)</u>
Cash flows from financing activities			
Proceeds from issue of shares, net of costs	15	37,500	201
Proceeds from conversion of employee share ownership plan restricted shares	15	1,234	55
Proceeds from exercise of options	15	143	-
Share issue costs	15	(1,892)	(6)
Lease costs (principal)		(299)	-
Net cash provided by financing activities		<u>36,686</u>	<u>250</u>
Net increase/(decrease) in cash and cash equivalents		24,842	(2,629)
Cash and cash equivalents at beginning of financial year		6,312	8,955
Exchange differences on cash and cash equivalents		22	(14)
Cash and equivalents at end of financial year	25(a)	<u>31,176</u>	<u>6,312</u>

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

For personal use only

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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(v).

(a) Going Concern

The Consolidated Entity incurred losses for the year to 30 June 2020 of 2,086,000 (2019: \$3,492,000), leading to net operating cash outflows of \$9,494,000 (2019: \$2,269,000). 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 131% and has produced a profit of \$260,000 in the second half of the financial year. At balance date the Consolidated Entity held \$31,176,000 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 subsidiaries, Genetic Signatures US Ltd and Genetic Signatures UK 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.

For personal use only

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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 measured 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 2020

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:

Class of fixed asset	Depreciation rate
Plant and equipment	1-10 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 comparing the net proceeds with the carrying amount prior to disposal. Any gains or losses are included in the statement of profit or loss and 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 2020

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. These assumptions include recent sales, historical collection rates and forward looking information, including consideration for the potential impact of the COVID-19 pandemic.

For personal use only

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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 which usually occurs on delivery. This revenue is classified into 3 categories, being:

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 under a lease arrangement. 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 enters a lease, an assessment will be made as to the classification of that lease. A lease will be classified as a finance lease if it transfers substantially all of the risks and rewards associated with the underlying asset. Otherwise the lease will be classified as an operating lease. Where the lease meets the definition of a finance lease revenue 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. Operating lease income will be recognised as income over time per the terms of the agreement with the customer, which may be as a cost per test or a periodic rental value.

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.

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.

For personal use only

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 1: Statement of Significant Accounting Policies (continued)

(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 include raw materials and all items available for resale, including equipment (defined in 1(g)) and goods in transit. 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.

(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 in respect of lease liabilities.

(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 of low value items or for a period of less than 12 months, where substantially all the risks and benefits remain with the lessor, are charged as expense in the period in which they are incurred.

For personal use only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 1: Statement of Significant Accounting Policies (continued)

(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 18.

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 26, 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.

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. AASB16 – Leases

The Group has elected to apply AASB 16 on a modified retrospective basis, and therefore, the comparative information has not been restated and continues to be reported under the preceding standard, AASB 117. This means AASB 16 is applied retrospectively with an adjustment to opening equity on the initial application date, as opposed to the previous accounting period. As a major component of the right of use assets recognised by the Group relates to a new lease agreement which took effect in August 2019, the transition exercise on adopting AASB 16 resulted in an immaterial adjustment to the opening balance of equity as at 1 July 2019, and therefore, no restatement has been recognised.

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

The Group leases business premises (offices and laboratories) and office equipment. Rental contracts are typically for a fixed period of 12 months to 60 months and may include extension options. From 1 July 2019 leases are recognised as a right of use asset and a corresponding liability at the date at which the lease is available for use by the Group. Assets and liabilities are measured on a present value basis.

Lease payments are discounted using the interest rate implicit in the lease. Where a rate cannot be readily determined from the lease (generally the case) then the lessee's incremental borrowing rate will be used, being the rate the lessee would have to pay to borrow the funds to obtain the equivalent asset. As the Group does not have any borrowings the incremental borrowing rate has been determined using a build-up approach whereby the risk-free rate is adjusted for credit risk, considering factors such as term, country, and currency.

The Group has no variable lease payments in its leases, nor do any of the leases have an option to extend the term.

Right of use assets are depreciated on a straight-line basis over the term of the lease.

Payments associated with short term leases (with a term <12 months), and leases of low value (<US\$5,000) are recognised on a straight-line basis as an expense in the profit & loss. Refer to note 12 for further information pertaining to the Group's right of use assets and liabilities.

(v) 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 undertaken during the ordinary course of business for which the ultimate tax determination may be subject to change. The company calculates its research and development claim based on the company's understanding of the tax law. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the profit or loss in the year in which such determination is made.

Judgements - COVID-19 pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 2: Revenue

Disaggregation of revenue

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product and geographical regions

	Asia Pacific \$'000s	EMEA \$'000s	Americas \$'000s	Total \$'000s
Consolidated - 2020				
<i>Revenue lines</i>				
Reagents & consumables	9,430	770	3	10,203
Equipment sales & rental	663	337	-	1,000
Service contracts	60	-	-	60
	10,153	1,107	3	11,263
<i>Timing of revenue recognition</i>				
Goods transferred at a point in time	10,093	1,107	3	11,203
Services transferred over time	60	-	-	60
	10,153	1,107	3	11,263
Consolidated - 2019				
<i>Revenue lines</i>				
Reagents & consumables	4,671	146	2	4,819
Equipment sales & rental	-	17	-	17
Service contracts	30	-	-	30
	4,701	163	2	4,866
<i>Timing of revenue recognition</i>				
Goods transferred at a point in time	4,671	163	2	4,836
Services transferred over time	30	-	-	30
	4,701	163	2	4,866

Note 3: Financial Reporting Segments

The Group is operated under one business segment which was the research and commercialisation of identifying individual genetic signatures to identify diseases and disabilities.

Major customers

During the year ended 30 June 2020 there were two customers (2019: two) that each contributed over 10% of the consolidated entity's external revenue.

For personal use only

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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 was 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.

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.

Consolidated - 2020	Asia Pacific \$'000s	EMEA \$'000s	Americas \$'000s	Total \$'000s
Trade sales	10,153	1,107	3	11,263
Intersegment sales	-	-	-	-
Total sales	10,153	1,107	3	11,263
Other revenue	2,554	-	-	2,554
Segment revenue	12,707	1,107	3	13,817
Segment result	23	(515)	(952)	(1,444)
Unallocated revenue less unallocated expenses				(642)
Loss before income tax				(2,086)
Income tax				-
Net loss				(2,086)
Consolidated - 2019				
Trade sales	4,701	163	2	4,866
Intersegment sales	-	-	-	-
Total sales	4,701	163	2	4,866
Other revenue	2,148	-	-	2,148
Segment revenue	6,849	163	2	7,014
Segment result	(1,781)	(579)	(633)	(2,993)
Unallocated revenue less unallocated expenses				(499)
Loss before income tax				(3,492)
Income tax				-
Net loss				(3,492)

For personal use only

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Consolidated	
	2020	2019
	\$'000s	\$'000s
Note 4: Other income		
Interest income	271	169
Government Grant (R&D Rebate)	2,554	2,148
Other income	85	10
Total other income	2,910	2,327

	Consolidated	
	2020	2019
	\$'000s	\$'000s
Note 5: Expenses		
<i>Finance costs</i>		
Interest charges	33	1
<i>Superannuation expense</i>		
Defined contribution superannuation expense (including non-executive Directors)	339	290
Items included in other expenses include:		
Patents – lodgement and maintenance	153	128
Foreign exchange loss	133	61

	Consolidated	
	2020	2019
	\$'000s	\$'000s
Note 6: Income tax		
Numerical reconciliation of income tax benefit to prima facie tax payable		
Prima facie income tax (benefit) on loss from ordinary activities (27.5%)	(947)	(1,048)
Add/(less)tax effect of:		
- non-deductible items	1,862	1,641
- tax losses not brought to account	(587)	(543)
- temporary differences not brought to account	(328)	(51)
Income tax benefit attributable to entity	-	-

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 \$6,813,092, tax effected at 27.5% \$1,873,600 (2019: \$7,434,000 - tax effected \$2,230,000).

For personal use only

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 7: Cash and cash equivalents	Consolidated	
	2020	2019
	\$'000s	\$'000s
Cash at bank and on hand	16,176	6,312
Cash on deposit (maturity < 12 months)	15,000	-
	31,176	6,312

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 1.8% (2019: 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 (2019: \$57,000).

Note 8: Trade and other receivables	Consolidated	
	2020	2019
	\$'000s	\$'000s
Current		
Trade debtors (a)	4,649	716
Other receivables (b)	574	146
	5,223	862

a. Past due but not impaired and impairment of receivables

Customers with balances past due without provisions for impairment of receivables amount to \$502,000 as at 30 June 2020 (\$58,000 as at 30 June 2019). The company has recognised a loss of \$NIL (2019: \$NIL) in profit or loss in respect of impairment of receivables for the year ended 30 June 2020.

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 27.

Note 9: Inventory	Consolidated	
	2020	2019
	\$'000s	\$'000s
Raw materials	2,423	947
Work in progress	170	59
Finished goods	2,911	348
Stock in transit	1,748	-
	7,252	1,354

For personal use only

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 10: Government grant receivable	Consolidated	
	2020	2019
	\$'000s	\$'000s
Research & Development tax concession	2,554	2,147

Note 11: Property, plant and equipment	Consolidated	
	2020	2019
	\$'000s	\$'000s
Plant and equipment:		
At cost	5,928	4,210
Less: accumulated depreciation	(3,152)	(2,755)
	2,776	1,455

Movement in plant and equipment is as follows:

	Plant & equipment \$'000s	Total \$'000s
Cost at 1 July 2018	3,457	3,457
Additions	611	611
Transfer from inventory (reclassification)	210	210
Disposals	(68)	(68)
Cost at 30 June 2019	4,210	4,210
Accumulated depreciation 1 July 2018	(2,307)	(2,307)
Depreciation expense	(471)	(471)
Disposal of assets	23	23
Accumulated depreciation 30 June 2019	(2,755)	(2,755)
Carrying amount 30 June 2019	1,455	1,455

Cost at 1 July 2019	4,210	4,210
Additions	2,350	2,350
Disposals	(632)	(632)
Cost at 30 June 2020	5,928	5,928
Accumulated depreciation 1 July 2019	(2,755)	(2,755)
Depreciation expense	(577)	(577)
Disposal of assets	180	180
Accumulated depreciation 30 June 2020	(3,152)	(3,152)
Carrying amount 30 June 2020	2,776	2,776

For personal use only

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 12: Right of use assets - leases

	Consolidated	
	2020	2019
	\$'000s	\$'000s
(i) Amounts recognised in the statement of financial position		
<i>Right of use assets</i>		
Buildings	728	-
Equipment	6	-
	734	-
<i>Lease liabilities</i>		
Current	313	-
Non-current	428	-
	741	-
(ii) Amounts recognised in the statement of profit or loss		
<i>Amortisation charge of right of use assets</i>		
Buildings	303	-
Equipment	2	-
	305	-
Interest expense (included in finance costs)	33	-
Expenses related to short-term leases (included in other expenses)	94	-
	94	-

Offsetting the amortisation and finance expenses above was a decrease in rent expense of \$212,000. The impact on the statement of cashflows was a \$299,000 reduction in operation cashflows relating to the principal component of lease payments now disclosed in financing cashflows

Note 13: Trade and other payables

	Consolidated	
	2020	2019
	\$'000s	\$'000s
Current – unsecured		
Trade creditors	1,779	565
Other creditors	589	486
	2,368	1,051

Note 14: Provisions

	Consolidated	
	2020	2019
	\$'000s	\$'000s
Current		
Employee benefits	657	491
Non-Current		
Employee benefits	20	19

For personal use only

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 15: Issued capital

	Number	\$'000s
Opening balance at 1 July 2018:	103,926,937	46,778
Movement in ordinary share capital		
Repayment of loans over employee share plan shares	-	201
Exercise of employee share options	107,500	55
Less: Share issue costs	-	(6)
Closing balance at 30 June 2019	104,034,437	47,028
Movement in ordinary share capital		
Share placement	35,714,286	35,000
Share Purchase Plan	2,551,023	2,500
Repayment of loans over employee share plan shares	-	1,234
Exercise of employee share options	311,250	143
Less: Share issue costs	-	(1,892)
Closing balance as at 30 June 2020	142,610,996	84,013

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

Note 16: Reserves

	Consolidated	
	2020	2019
	\$'000s	\$'000s
Share based payments reserve		
Balance 1 July	1,413	988
Transferred to accumulated losses upon forfeiture	(59)	(28)
Share-based payment expenses	631	453
Balance 30 June	<u>1,985</u>	<u>1,413</u>

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

	Consolidated	
	2020	2019
	\$'000s	\$'000s
Foreign currency translation reserve		
Balance 1 July	(44)	(30)
Arising from translation of US subsidiary	(111)	(14)
Balance 30 June	<u>(155)</u>	<u>(44)</u>

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

For personal use only

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 17: 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
Anthony J Radford – Director
Phil Isaacs – Director (retired November 2019)
Peter L Manley – Chief Financial Officer/Company Secretary

For details of disclosures relating to key management personnel, refer to Note 19.

(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 18: 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 2020 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
Nov 19	Nov 34	48	\$0.98	\$1.02	\$0.93	82%	-	2.53%
Mar 20	Mar 35	48	\$1.13	\$1.00	\$0.90	82%	-	2.75%

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

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Employee Share Ownership Plan Shares

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

2020

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
Options							
October 2016	\$0.52	490,000	-	(141,250)	(47,500)	301,250	213,750
November 2016	\$0.52	100,000	-	-	-	100,000	75,000
June 2017	\$0.39	200,000	-	(100,000)	(100,000)	-	-
October 2017	\$0.34	447,500	-	(37,500)	(22,500)	387,500	175,000
October 2017	\$0.38	250,000	-	-	-	250,000	125,000
August 2018	\$0.53	730,000	-	(32,500)	(72,500)	625,000	145,000
November 2018	\$0.53	200,000	-	-	-	200,000	50,000
February 2019	\$0.84	150,000	-	-	-	150,000	37,500
May 2019	\$1.10	200,000	-	-	-	200,000	50,000
November 2019	\$0.98	-	945,000	-	(80,000)	865,000	-
March 2020	\$1.13	-	200,000	-	-	200,000	-
Total		2,767,500	1,145,000	(311,250)	(322,500)	3,278,750	871,250
Weighted average option exercise price		\$0.53	\$1.01	\$0.46	\$0.58	\$0.70	\$0.51
Weighted average remaining contractual life of options (years)						14.28	
Restricted Shares							
March 2015	\$0.40	3,000,000	-	(3,000,000)	-	-	-
April 2016	\$0.49	70,000	-	(70,000)	-	-	-
Total		3,070,000	-	(3,070,000)	-	-	-
Weighted average option exercise price		\$0.40	\$ -	\$0.40	\$ -	\$ -	\$ -
Weighted average remaining contractual life of options (years)							

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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
Options							
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	-
Total		1,735,000	1,320,000	(107,500)	(180,000)	2,767,500	563,750
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	
Restricted Shares							
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
Total		3,535,000	-	(465,000)	-	3,070,000	3,020,000
Weighted average option exercise price		\$0.41	\$ -	\$0.43	\$ -	\$0.40	\$0.40
Weighted average remaining contractual life of options (years)						0.74	

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. All loans outstanding were repaid in FY20 and the restriction lifted.

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 19: Key management personnel disclosures

	2020	2019
	\$	\$
Short-term employee benefits	831,430	736,652
Non-monetary benefits	16,320	4,894
Short term incentive	193,070	-
Post-employment benefits	59,581	77,310
Long-term benefits	45,402	17,711
Termination benefits	-	-
Share based payments	136,436	94,044
	<u>1,282,239</u>	<u>930,611</u>

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

Note 20: Leasing Commitments

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

Minimum lease payments payable:

	2020	2019
	\$'000s	\$'000s
Not later than one year	3	104
	<u>3</u>	<u>104</u>

The operating lease commitments relate to the company's manufacturing facilities in Sydney, which are on a 12-month basis.

Note 21: Events Subsequent to Reporting Date

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the consolidated entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Other than the above, 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: Subsidiaries

	Country of incorporation	Equity holding in subsidiaries	
		2020	2019
		%	%
a) Parent entity			
Genetic Signatures Limited	Australia		
b) Controlled entities			
Genetic Signatures USA Ltd	USA	100%	100%
Genetic Signatures UK Ltd	UK	100%	-

For personal use only

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 23: Auditors remuneration	Consolidated	
	2020	2019
	\$	\$
<i>BDO</i> ¹		
Audit and review of financial statements	74,138	66,140
Other non-audit services		
Tax compliance services	17,340	15,700
Consulting services	9,300	11,500
Total non-audit services	<u>26,640</u>	<u>27,200</u>
Total audit and non-audit services	<u>100,778</u>	<u>93,340</u>

¹ The BDO entity performing the audit of the Group transitioned from BDO East Coast Partnership to BDO Audit Pty Ltd in June 2020. The disclosure includes amounts received or due and receivable by BDO East Cost Partnership, BDO Audit Pty Ltd and their respective related entities.

Note 24: Contingent liabilities

The company does not have any material contingent liabilities at year-end (2019: nil).

Note 25: Cash Flow Information	Consolidated	
	2020	2019
	\$'000s	\$'000s
(a) Reconciliation of Cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash on hand and at bank	31,176	6,312
(b) Reconciliation of Loss after Income Tax to net Cash outflows from Operations		
Loss after income tax	(2,086)	(3,492)
<i>Non cash flows included within loss</i>		
Depreciation	577	471
Share based payments expenses	572	425
Loss on disposal of assets	26	44
Amortisation of leases	306	-
Transfers between inventory and fixed assets	(448)	(210)
<i>Changes in operating assets and liabilities:</i>		
(Increase) in trade and other receivables	(4,360)	(100)
(Increase)/decrease in government grant receivable	(407)	414
(Increase) in inventories	(5,899)	(173)
Increase in provisions	908	74
Increase in payables	1,317	277
Net cash outflow from operating activities	<u>(9,494)</u>	<u>(2,269)</u>

For personal use only

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 26: Parent Entity Financial Information

(a) Summary financial information:

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

	2020	2019
	\$'000s	\$'000s
Assets		
Current Assets		
Cash and cash equivalents	31,010	6,217
Trade and other receivables	10,885	3,491
Inventory	5,505	1,354
Government grant receivable	2,554	2,147
Total Current Assets	<u>49,954</u>	<u>13,209</u>
Non-Current Assets		
Plant and equipment	2,622	1,453
Right of use assets	734	-
Total Non-Current Assets	<u>3,356</u>	<u>1,453</u>
Total Assets	<u>53,310</u>	<u>14,662</u>
Liabilities		
Current Liabilities		
Trade and other payables	2,361	1,047
Provisions	657	490
Leases	313	-
Total Current Liabilities	<u>3,331</u>	<u>1,537</u>
Non-Current Liabilities		
Leases	428	-
Provisions	20	19
Total Non-Current Liabilities	<u>448</u>	<u>19</u>
Total Liabilities	<u>3,779</u>	<u>1,556</u>
Net Assets	<u>49,531</u>	<u>13,106</u>
Equity		
Issued capital	84,013	47,028
Reserves	1,985	1,413
Accumulated losses	(36,467)	(35,335)
Total Equity	<u>49,531</u>	<u>13,106</u>
Loss for the year	(1,132)	(2,859)
Other comprehensive income/(loss)	-	-
Total comprehensive income/(loss) for the year	<u>(1,132)</u>	<u>(2,859)</u>

(b) Summary financial information:

The Parent entity did not have any contingent liabilities as at 30 June 2020 or 30 June 2019.

For personal use only

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 27: Financial risk management

The company's financial instruments consist mainly of deposits with banks, accounts receivable and payable, and lease liabilities. 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.

	Net Carrying Value 2020	Net Fair Value 2020	Net Carrying Value 2019	Net Fair Value 2019
	\$'000s	\$'000s	\$'000s	\$'000s
Financial assets				
Cash and cash equivalents	31,176	31,176	6,312	6,312
Trade and other receivables	6,971	6,971	862	862
Total Financial Assets	<u>38,147</u>	<u>38,147</u>	<u>7,174</u>	<u>7,174</u>
Financial Liabilities				
Trade creditors	1,779	1,779	565	565
Other creditors	589	589	486	486
Lease liabilities	741	741	-	-
Total Financial Liabilities	<u>3,109</u>	<u>3,109</u>	<u>1,051</u>	<u>1,051</u>

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

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. The fair value of lease liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

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 loss by \$311,000 (2019: \$63,000).

For personal use only

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposure to domestic and international customers, including outstanding receivables and committed transactions. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The majority of customers have long term relationships with the Company and sales are secured with supply contracts. Sales are secured by letters of credit when deemed appropriate. The Company has policies that limit the maximum amount of credit exposure to any one financial institution.

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

	Consolidated	
	2020	2019
Financial assets	\$'000s	\$'000s
Cash and cash equivalents	31,176	6,312
Trade and other receivables	6,971	862
Total Financial Assets	<u>38,147</u>	<u>7,174</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(l).

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.

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Financial liability maturity analysis (undiscounted payments)

	Weighted average interest rate	Within 1 Year	1 to 5 Years	Total contractual cash flows	Total Carrying amount
2020	%	\$'000s	\$'000s	\$'000s	\$'000s
Financial liabilities due for payment					
Trade and other payables	-	2,368	-	2,368	2,368
Lease liabilities	4.5%	368	441	809	741
Total expected outflows		<u>2,736</u>	<u>441</u>	<u>3,177</u>	<u>3,109</u>
	Weighted average interest rate	Within 1 Year	1 to 5 Years	Total contractual cash flows	Total Carrying amount
2019		\$'000s	\$'000s	\$'000s	\$'000s
Financial liabilities due for payment					
Trade and other payables	-%	1,051	-	1,051	1,051
Total expected outflows		<u>1,051</u>	<u>-</u>	<u>1,051</u>	<u>1,051</u>

Note 28: 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.

For personal use only

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 29. Earnings per share

	Consolidated	
	2020	2019
	\$'000s	\$'000s
Loss after income tax	<u>(2,086)</u>	<u>(3,492)</u>
Loss after income tax attributable to the owners of Genetic Signatures Limited	<u><u>(2,086)</u></u>	<u><u>(3,492)</u></u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	126,937,639	103,992,875
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><u>126,937,639</u></u>	<u><u>103,992,875</u></u>
	Cents	Cents
Basic loss per share	(1.64)	(3.36)
Diluted loss per share	(1.64)	(3.36)

For personal use only

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

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 2020 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 2020

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 2020, 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 2020 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 (including Independence Standards)* (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.

For personal use only

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 2, the Group recognised revenue of \$11,263,000 during the financial year ended 30 June 2020 (2019: \$4,866,000).</p> <p>Due to the significant increase in revenue during the year and the financial significance of revenue to the users of the financial report, the recognition of revenue was considered a key audit matter.</p>	<p>Our audit procedures for addressing this key audit matter included, but were not limited to, the following:</p> <ul style="list-style-type: none">• Assessing the revenue recognition policies for all material sources of revenue to ensure compliance with <i>AASB 15: Revenue from Contracts with Customers</i>.• Obtaining external sales confirmations from key customers and agreeing these balances to the revenue recognised by the Group during the financial year.• Substantively testing a sample of revenue transactions throughout the financial year by tracing sales invoices to supporting sales documentation, shipping documentation and cash receipts.• Comparing trends in monthly sales and gross margins in comparison to the prior period, budget and our expectations.• Performing detailed cut-off testing to ensure that revenue transactions around the year end had been recorded in the correct period including the recognition of volume rebates.

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 2020, 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:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 2020.

In our opinion, the Remuneration Report of Genetic Signatures Limited, for the year ended 30 June 2020, 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 Audit Pty Ltd

BDO


Martin Coyle
Director

Sydney, 28 August 2020

For personal use only