

**HUMAN GENETIC SIGNATURES
PTY LIMITED**

(ABN: 30 095 913 205)

**FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2014**

HUMAN GENETIC SIGNATURES PTY LIMITED
ABN: 30 095 913 205

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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General information

The financial report covers Human Genetic Signatures Pty Limited ("the Company") as an individual entity for the year ended 30 June 2014. The financial report is presented in Australian dollars, which is Human Genetic Signatures Pty Limited functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Human Genetic Signatures Pty Limited is a company limited by shares, incorporated and domiciled in Australia and is a for-profit company. Its registered office and principal place of business are:

Registered office
Level 11
1 Margaret Street
Sydney NSW 2000

Principal place of business
Virology Research Laboratory
Level 3, Clinical Sciences Building, Prince of Wales
Hospital
Randwick NSW 2031, Australia

A description of the nature of the company's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 12 August 2014. The directors have the power to amend and reissue the financial report.

HUMAN GENETIC SIGNATURES PTY LIMITED
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DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2014.

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
Robert J Birrell
Phillip J Isaacs

John R Melki (appointed 4 April 2014)
Michael A Aicher (appointed 16 May 2014)

Principal Activities

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

Results

The net loss for the financial year after providing for income tax amounted to \$1,728,487 (2013: loss \$2,014,401)

Significant changes in the state of affairs

During the year the company raised \$3.44 million through the issue of ordinary shares and convertible notes. In addition, all convertible notes were converted into 10,387,336 ordinary shares.

Dividends

No dividends were paid or were payable during the year (2013: NIL)

Events Subsequent to the Reporting Date

There has not arisen in the interval between the end of the financial year and the date of this report any 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 regulations

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

Shares under option

HUMAN GENETIC SIGNATURES PTY LIMITED
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DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

There were no unissued ordinary shares of the company under option outstanding at the date of this report.

Shares issued on the exercise of options

904,667 shares of the company were issued on the exercise of options during the year ended 30 June 2014.

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.

Indemnification of officer or auditor

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

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

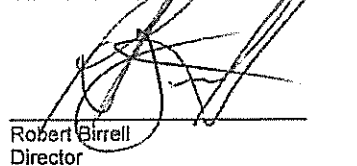
The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Auditors' Independence Declaration

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

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Robert Birrell
Director

Sydney, 12 August 2014



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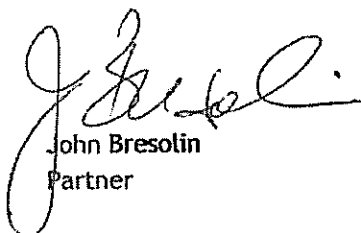
Level 11, 1 Margaret St
Sydney NSW 2000

Australia

DECLARATION OF INDEPENDENCE BY JOHN BRESOLIN TO THE DIRECTORS OF HUMAN GENETIC SIGNATURES PTY LIMITED

As lead auditor of Human Genetic Signatures Pty Limited for the year ended 30 June 2014, 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.



John Bresolin
Partner

BDO East Coast Partnership

Sydney, 12 August 2014

HUMAN GENETIC SIGNATURES PTY LIMITED
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**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

	Note	2014 \$	2013 \$
Sales Revenue		684,277	256,977
Other income	2	15,587	23,600
Changes in inventories and raw materials used		(356,012)	(104,630)
Employee benefits expense	3	(978,075)	(1,286,194)
Directors' and consultancy fees		(376,615)	(201,120)
Depreciation and amortisation expenses		(103,880)	(56,020)
Finance Costs	3	(289,296)	(305,972)
Rental expenses relating to operating leases		(85,545)	(86,028)
Scientific consumables		(250,686)	(293,359)
Travel and accommodation		(58,090)	(62,986)
Other expenses	3	(538,377)	(427,659)
Loss before income tax		<u>(2,336,712)</u>	<u>(2,543,391)</u>
Income tax benefit	4	608,225	528,990
Loss attributable to members of the entity		<u>(1,728,487)</u>	<u>(2,014,401)</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u>(1,728,487)</u>	<u>(2,014,401)</u>

The accompanying notes form part of these financial statements.

HUMAN GENETIC SIGNATURES PTY LIMITED
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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	2014 \$	2013 \$
Assets			
Current Assets			
Cash and cash equivalents	5	1,852,707	147,473
Trade and other receivables	6	124,575	88,559
Other assets	7	-	31,735
Current tax assets	8	607,122	528,727
Total Current Assets		<u>2,584,404</u>	<u>796,494</u>
Non-Current Assets			
Plant and equipment	9	395,310	118,360
Total Non-Current Assets		<u>395,310</u>	<u>118,360</u>
Total Assets		<u>2,979,714</u>	<u>914,854</u>
Liabilities			
Current Liabilities			
Trade and other payables	10	186,848	177,897
Provisions	11	181,946	89,172
Total Current Liabilities		<u>368,794</u>	<u>267,069</u>
Non-Current Liabilities			
Provisions	11	1,681	40,177
Borrowings	12	-	3,923,739
Total Non-Current Liabilities		<u>1,681</u>	<u>3,577,760</u>
Total Liabilities		<u>370,475</u>	<u>4,230,985</u>
Net Assets/(liabilities)		<u>2,609,239</u>	<u>(3,316,131)</u>
Equity			
Issued capital	13	25,545,553	17,891,696
Reserves	14	-	1,135,534
Accumulated losses		(22,936,314)	(22,343,361)
Total Equity		<u>2,609,239</u>	<u>(3,316,131)</u>

The accompanying notes form part of these financial statements

HUMAN GENETIC SIGNATURES PTY LIMITED
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STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Issued Capital	Reserves	Accumulated losses	Total
	\$	\$	\$	\$
Balance at 1 July 2012	17,891,696	600,214	(20,328,960)	(1,837,050)
Total comprehensive income attributable to members of the entity	-	-	(2,014,401)	(2,014,401)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 18)	-	535,320	-	535,320
Balance at 30 June 2013	17,891,696	1,135,534	(22,343,361)	(3,316,131)
Total comprehensive income attributable to members of the entity	-	-	(1,728,487)	(1,728,487)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 13)	7,653,857	-	-	7,653,857
Share-based payments (note 18)		(1,135,534)	1,135,534	-
Balance at 30 June 2014	25,545,553	-	(22,936,314)	2,609,239

The accompanying notes form part of these financial statements.

HUMAN GENETIC SIGNATURES PTY LIMITED
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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Note	2014 \$	2013 \$
Cash flows from operating activities			
Receipts from customers		709,154	283,773
Payments to suppliers and employees		(2,608,178)	(1,920,417)
Interest received		15,560	12,639
Research and development concession received		528,727	437,096
Net cash used in operating activities	20(b)	<u>(1,354,737)</u>	<u>(1,186,909)</u>
Cash flows from investing activities			
Purchase of plant and equipment	9	<u>(380,831)</u>	<u>(69,377)</u>
Net cash used in investing activities		<u>(380,831)</u>	<u>(69,377)</u>
Cash flows from financing activities			
Proceeds from issue of convertible notes	12	500,000	1,000,000
Proceeds from issue of shares, net of costs	13	2,748,002	-
Proceeds from conversion of employee share options	13	192,800	-
Net cash provided by financing activities		<u>3,440,802</u>	<u>1,000,000</u>
Net increase / (decrease) in cash and cash equivalents		1,705,234	(256,286)
Cash and cash equivalents at beginning of financial year		<u>147,473</u>	<u>403,759</u>
Cash and cash equivalents at end of financial year	20(a)	<u>1,852,707</u>	<u>147,473</u>

The accompanying notes form part of these financial statements

HUMAN GENETIC SIGNATURES PTY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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(u).

(a) Going Concern

The company incurred losses for the year to 30 June 2014 of \$1,728,487 (2013: \$2,014,401), leading to net operating cash outflows of \$1,354,737 (2013: \$1,186,909). The ability of the company to continue as a going concern is dependent on the continued support of major shareholders, new capital raisings and the entity being able to generate sufficient revenue from successfully developing human genetic signatures research.

These conditions indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern

The financial report has been prepared on a going concern basis, as the directors are confident that the Company will continue to receive financial support from its major shareholders and new shareholders via a capital raising that it currently undertaking, until such time that it generates sufficient revenues to the extent that the Company can fully support itself. The directors believe this will occur in the next 12 to 24 months. During the year, the company was able to raise \$3.44 million in cash via the issue of convertible notes and equity.

Should the company be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the company be unable to continue as a going concern and meet its debts as and when they fall due.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 1: Statement of Significant Accounting Policies (continued)

(b) Income tax

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

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

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

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

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

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

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

Amounts received or receivable in relation to R&D tax offsets are credited against the asset to which the R&D relates or to tax expense if no asset exists. The amount is recognised only when it is probable that it will be received and can be reliably measured.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 1: Statement of Significant Accounting Policies (continued)

(c) 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 they are incurred.

Depreciation

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

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

Class of fixed asset	Depreciation rate
Plant and equipment	2.5 – 13.5 years

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

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

(d) 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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 1: Statement of Significant Accounting Policies (continued)

(e) Financial instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

Amortised cost is calculated as:

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

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

(i) Loans and receivables

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

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 1: Statement of Significant Accounting Policies (continued)

(e) Financial instruments (continued)

(ii) Financial liabilities

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

Fair Value

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

Impairment

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

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

Derecognition

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

(f) Revenue

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

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

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

(g) Trade and other payables

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 1: Statement of Significant Accounting Policies (continued)

(h) 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 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.

(i) Intangibles

Patents and trademarks

The cost of patents and trademarks is expensed as incurred as at this stage of the company's development it is not probable that the project will be successful.

(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) Scientific equipment and consumables

The cost of scientific equipment and consumables purchased is expensed to the statement of profit and loss and other comprehensive income as it is consumed.

(l) Trade and other receivables

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 1: Statement of Significant Accounting Policies (continued)

(m) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognized as profit or loss over the period of the borrowings using the effective interest rate method.

The carrying amount of convertible notes classified as borrowings is subject to re-estimation at each reporting date. In the event the company revises its estimates of payments or receipts, the carrying amount of the borrowings is adjusted to reflect actual and revised estimated cash flows. The company recalculates the carrying amount by computing the present value of estimated future cash flows at the convertible notes originally effective interest rate. The adjustment is recognized in profit or loss as income or expense.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

(n) Finance costs

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

(o) 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.

(p) 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.

(q) Leases

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 1: Statement of Significant Accounting Policies (continued)

(r) 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.

At each reporting date, the Company revised its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss over the remaining vesting period, with corresponding adjustment to the employee option reserve.

Equity-settled share-based transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

(s) Comparative figures

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

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

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

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and 2012-6 Amendments to Australian Accounting Standards arising from AASB 9

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2017 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The company will adopt this standard from 1 July 2017 but the impact of its adoption is yet to be assessed by the company.

HUMAN GENETIC SIGNATURES PTY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 1: Statement of Significant Accounting Policies (continued)

(u) 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 convertible notes

There have been certain assumptions made under the initial valuation of the convertible loan note, these include:

- Discount rate
- Various redemption scenarios

The directors have applied the most appropriate of these variables in relation to the entity to calculate the initial valuation.

Key estimates – valuation of share options

At each reporting date, the entity revises its estimate of the number of options 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 options or rights.

Judgements- research and development claim

Judgement is required in determining the amount of income tax 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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	2014 \$	2013 \$
Note 2: Other income		
Interest income	15,560	12,639
Other income	27	10,961
Total other income	<u>15,587</u>	<u>23,600</u>

Note 3: Expenses

<i>Finance costs</i>		
Interest charges payable on convertible notes	<u>289,296</u>	<u>305,972</u>
<i>Superannuation expense</i>		
Defined contribution superannuation expense	<u>71,663</u>	<u>58,605</u>
<i>Items included in other expenses are</i>		
Patents expense	<u>219,891</u>	<u>248,155</u>

Note 4: Income tax

The components of tax revenue comprise:

Research and development claim	607,122	528,990
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Numerical reconciliation of income tax benefit to prima facie tax payable

Prima facie income tax (benefit) on loss from ordinary activities (30%)	(701,014)	(763,017)
Add tax effect of:		
- non-deductible items	557,504	679,339
- tax losses not recognised	149,758	108,524
Less tax effect of :		
- temporary differences not brought to account	(7,351)	(24,846)
- R & D Offset received or receivable	(607,122)	(528,990)
Income tax (benefit) attributable to entity	<u>(608,225)</u>	<u>(528,990)</u>

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

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

HUMAN GENETIC SIGNATURES PTY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 4: Income tax (continued)

The total amount of unused tax losses for which no deferred tax asset has been recognised is \$9,327,468 (tax effected at 30% \$2,798,240) (2013: \$8,828,280 – tax effected \$2,648,484).

	2014 \$	2013 \$
Note 5: Cash and cash equivalents		
Cash at bank and on hand	<u>1,852,707</u>	<u>147,473</u>

Cash at bank and on hand bears floating interest rates. The interest rate relating to cash and cash equivalents for the year was between 2.5% and 3.1% (2013: between 2.6% and 3.5%)

Human Genetics Signatures Pty Limited has an unused credit card facility with the bank at the year-end date of \$40,000 (2013: \$40,000).

Note 6: Trade and other receivables

Current

Trade debtors (a)	66,773	48,371
Other debtors (b)	<u>57,802</u>	<u>40,188</u>
	<u>124,575</u>	<u>88,559</u>

a. Past due but not impaired

As of 30 June 2014, no trade receivables were past due but not impaired. These amounts relate to customers who have no recent history of default.

b. Other receivables

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

c. Fair value and credit risk

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

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

Note 7: Other assets

Deposit for capital purchase	<u>-</u>	<u>31,735</u>
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Note 8: Current tax assets

Research & Development tax concession	<u>607,122</u>	<u>528,727</u>
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HUMAN GENETIC SIGNATURES PTY LIMITED
ABN: 30 095 913 205

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	2014	2013
	\$	\$
Note 9: Plant and Equipment		
Plant and equipment:		
At cost	1,645,115	1,264,284
Less: accumulated depreciation	<u>(1,249,805)</u>	<u>(1,145,924)</u>
	<u>395,310</u>	<u>118,360</u>

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Plant and equipment	Total
	\$	\$
Cost at 1 July 2013	1,264,284	1,264,284
Additions	<u>380,831</u>	<u>380,831</u>
Cost at 30 June 2014	<u>1,645,115</u>	<u>1,645,115</u>
Accumulated depreciation 1 July 2013	(1,145,924)	(1,145,924)
Depreciation expenses	<u>(103,881)</u>	<u>(103,881)</u>
Accumulated depreciation 30 June 2014	<u>(1,249,805)</u>	<u>(1,249,805)</u>
Carrying amount 30 June 2014	<u>395,310</u>	<u>395,310</u>

	Plant and equipment	Total
	\$	\$
Cost at 1 July 2012	1,194,907	1,194,907
Additions	<u>69,377</u>	<u>69,377</u>
Cost at 30 June 2013	<u>1,264,284</u>	<u>1,264,284</u>
Accumulated depreciation 1 July 2012	(1,089,904)	(1,089,904)
Depreciation expenses	<u>(56,020)</u>	<u>(56,020)</u>
Accumulated depreciation 30 June 2013	<u>(1,145,924)</u>	<u>(1,145,924)</u>
Carrying amount 30 June 2013	<u>118,360</u>	<u>118,360</u>

	2014	2013
	\$	\$
Note 10: Trade and other payables		
Current – unsecured		
Trade creditors	86,970	127,776
Other creditors	<u>99,878</u>	<u>50,121</u>
	<u>186,848</u>	<u>177,897</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	2014 \$	2013 \$
Note 11: Provisions		
Current		
Employee benefits	181,946	89,172
Non-Current		
Employee benefits	1,681	40,177
Note 12: Borrowings – Non-Current		
Convertible notes facility at amortised cost	-	3,923,739

Convertible notes issued during FY2013

As at 1 July 2012 there were 2,550 convertible notes on issue with a face value of \$2,550,000. On 21 December 2012, HGS issued 500 convertible notes with a face value of \$1,000 to Asia Union Investments Pty Limited (AUI) for total proceeds of \$500,000. On the 22 April 2013 a further 500 convertible notes were issued to AUI for total proceeds of \$500,000. The resultant aggregate of \$3,550,000 of convertible notes are interest bearing at 10% per annum and entitle the note holders to convert the face value of the notes to ordinary shares in the Company at the maturity date, 31 July 2014, or such later date agreed in writing by the Company and the holders of 50% or more of the Convertible Notes.

Convertible notes issued during FY2014

On 27 August 2013, HGS issued 50 convertible notes with a face value of \$1,000 to Dazane Pty Ltd for total proceeds of \$50,000. On the 21 November 2013 a further 450 convertible notes were issued to AUI for total proceeds of \$450,000. The resultant aggregate of \$4,050,000 of convertible notes are interest bearing at 10% per annum. On 14 March 2014, the total \$4,050,000 of convertible notes was converted to a total of 10,387,336 ordinary shares.

Note 13: Issued capital

32,524,708 ordinary shares (2013: 17,049,960)	25,541,553	17,887,696
4,000 fully paid founder shares (2013: 4,000)	4,000	4,000
	<u>25,545,553</u>	<u>17,891,696</u>
<i>Movement in ordinary share capital</i>	No.	\$
Opening balance	17,049,960	17,887,696
Conversion of convertible notes	10,387,336	4,713,053
Issue of new ordinary shares	4,663,371	2,798,004
Conversion and exercise of options	904,667	192,800
Less: share issue costs	-	(50,000)
Closing balance	<u>33,005,334</u>	<u>25,541,553</u>

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 14: Share based payments reserve	2014	2013
	\$	\$
Balance 1 July	1,135,534	600,214
Transferred to accumulated losses upon expiration	(1,135,534)	535,320
Balance 30 June	-	1,135,534

The share-based payments reserve is used to recognised the fair value of options issued but not exercised.

Note 15: Contingent liabilities

Arising from an agreement made historically with Australian Government Department of Industry ("AusIndustry"), in the event of certain conditions not being met, the Company has an obligation to repay some of or the entire grant which amounts to \$1,580,000. At reporting date the conditions had been met by Human Genetic Signatures Pty Limited, and therefore no liability for repayment of grant has been recognised.

Note 16: Leasing Commitments

No finance leases are currently held by the company

Operating lease commitments

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

Minimum lease payments payable:-

-- Not later than one year	5,720	17,160
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Note 17: Key management personnel disclosures

KMP Shareholdings (ordinary shares)

	Balance at the beginning of Year	Conversion into/new shares issued during the year	Balance at the end of the year
30 June 2014			
Mr John Melki	-	116,667	116,667
Mr Doug Millar	-	100,000	100,000
Mr Nick Samaras	-	350,000	350,000
Mr Rob Birrell	388,590	217,169	605,759
Mr Michael Aicher	-	-	-
Mr Phill Isaacs	276,809	66,667	343,476
Total	665,399	850,503	1,515,902
	Balance at the beginning of Year	Other changes during the year	Balance at the end of the year
30 June 2013			
Mr John Melki	-	-	-
Mr Doug Millar	-	-	-
Mr Nick Samaras	-	-	-
Mr Rob Birrell	388,590	-	388,590
Mr Phill Isaacs	276,809	-	276,809
Total	665,399	-	665,399

HUMAN GENETIC SIGNATURES PTY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 17: Interests of key management personnel (Continued)

KMP Shareholdings (Options)

30 June 2014	Balance at the beginning of Year	Expired during the year	Balance at the end of the year
Mr John Melki	700,000	(700,000)	-
Mr Doug Millar	600,000	(600,000)	-
Mr Nick Samaras	600,000	(600,000)	-
Mr Rob Birrell	600,000	(600,000)	-
Mr Phill Isaacs	400,000	(400,000)	-
Total	2,900,000	(2,900,000)	-

KMP Shareholdings (ordinary shares)

30 June 2013	Balance at the beginning of Year	Other changes during the year	Balance at the end of the year
Mr John Melki	700,000	-	700,000
Mr Doug Millar	600,000	-	600,000
Mr Nick Samaras	600,000	-	600,000
Mr Rob Birrell	600,000	-	600,000
Mr Phill Isaacs	400,000	-	400,000
Total	2,900,000	-	2,900,000

Other KMP transactions

There have been no other transactions involving instruments other than those disclosed in the tables above. For details of other transactions with KMP, refer to Note 21: Related Party Transactions.

Compensation

The aggregate compensation made to directors and other members of key management personnel of the company is set out below:

	2014	2013
	\$	\$
Short-term employee benefits	608,815	492,489
Share based payments	-	534,211
	<u>608,815</u>	<u>1,026,700</u>

Related party transactions

Related party transactions are set out in note 21.

Note 18: Share-based payments

Human Genetic Signatures Pty Limited ("HGS") grants rights under the HGS Employee Performance Rights Share Plan. Membership of the Plan is open to those senior employees and those Directors of HGS whom, the Directors believe have a significant role to play in the continued development of the Group's activities.

Rights are granted for no consideration. Rights will vest and automatically convert to ordinary shares in the company following the satisfaction of the relevant service conditions. Service

HUMAN GENETIC SIGNATURES PTY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 18: Share-based payments (Continued)

conditions applicable to each issue of rights are determined by the HGS Board at the time of the grant.

During the year, agreement was received from major shareholder to allow the option holders of the 50 cent strike price options to either pay up in full, pay up in part and receive 1 share for every 6 options residually held, or pay nothing and receive one share for every 6 options held. The holders of the \$1.00 strike price options have allowed those to lapse.

At 30 June 2014, all the share options have either expired or been exercised. Total paid up capital of \$192,800 was received and 904,667 new ordinary shares were issued.

Performance rights

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

2014

Grant date	Vesting date	Value of right at grant date	Balance at beginning of the year Number	Granted during the year Number	Vested during the year Number	Expired during the year Number	Balanced at the end of the year Number
May 2010	31 Dec 2010	\$0.47	-	-	-	-	-
April 2011	30 June 2014	\$0.47	3,430,000	-	-	(3,430,000)	-
May 2012	30 June 2014	\$0.47	40,000	-	-	(40,000)	-
Aug 2012	30 June 2014	\$0.47	30,000	-	-	(30,000)	-
Mar 2013	30 June 2014	\$0.47	50,000	-	-	(50,000)	-
Total			3,550,000	-	-	3,550,000	-

2013

Grant date	Vesting date	Value of right at grant date	Balance at beginning of the year Number	Granted during the year Number	Vested during the year Number	Expired during the year Number	Balanced at the end of the year Number
May 2010	31 Dec 2010	\$0.47	2,860,680	-	-	(2,860,680)	-
April 2011	30 June 2014	\$0.47	3,430,000	-	-	-	3,430,000
May 2012	30 June 2014	\$0.47	40,000	-	-	-	40,000
Aug 2012	30 June 2014	\$0.47	-	30,000	-	-	30,000
Mar 2013	30 June 2014	\$0.47	-	50,000	-	-	50,000
Total			6,330,680	80,000	-	(2,860,680)	3,550,000

HUMAN GENETIC SIGNATURES PTY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 19: Auditors remuneration

	2014 \$	2013 \$
Auditors' remuneration:		
Audit of financial statements	22,000	14,500
Tax compliance	16,650	9,500
Corporate secretarial	2,025	3,190
Accounting advisory	11,875	-
	<u>52,550</u>	<u>27,190</u>

Note 20: Cash Flow Information

(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	1,852,707	147,473
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(b) Reconciliation of Loss after Income Tax to net Cash Flows from Operations

Loss after income tax	(1,728,487)	(2,014,401)
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Non cash flows included within loss

Depreciation	103,880	56,020
Share based payments expenses	-	535,320
Interest on convertible notes	289,296	305,972

Changes in operating assets and liabilities:

(Increase) in receivables and tax assets	(114,411)	(114,851)
Decrease/(Increase) in other assets	31,733	(31,735)
Decrease in inventories	-	6,923
Increase in provisions	54,299	13,330
Increase in payables	8,953	56,513

Net cash outflow from operating activities	<u>(1,354,737)</u>	<u>(1,186,909)</u>
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HUMAN GENETIC SIGNATURES PTY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 21: Related party transactions

Related parties

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

Key management personnel:

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

Key Management personnel include:

Nickolaos Samaras - Director
Robert J Birrell - Director
Phillip J Isaacs – Director
Michael A Aicher - Director
John Melki – Director and Chief Executive Officer
Doug Millar – Chief Scientific Officer

For details of disclosures relating to key management personnel, refer to Note 17.

(b) Transactions with related parties:

	2014	2013
	\$	\$
The company controlled by Nick Samaras was paid for consultancy services	40,000	40,000
The company controlled by Mike Aicher was paid for consultancy services	32,234	-
The company controlled by Rob Birrell was paid for consultancy services	99,000	94,800

Note 22: Financial risk management

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

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are shown at their net fair value.

Net Fair Value

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

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have material impact on the amounts estimated. Given the businesses negative earnings, a net tangible asset approach applied to value the Convertible Notes.

HUMAN GENETIC SIGNATURES PTY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 22: Financial risk management (continued)

	Net Carrying Value 2014	Net Fair Value 2014	Net Carrying Value 2013	Net Fair Value 2013
Financial assets	\$	\$	\$	\$
Cash and cash equivalents	1,852,707	1,852,707	147,473	147,473
Trade and other receivables	124,575	124,575	120,294	120,294
Total Financial Assets	<u>1,977,282</u>	<u>1,977,282</u>	<u>267,767</u>	<u>267,767</u>
 Financial Liabilities				
Trade creditors	86,970	86,970	127,776	127,776
Other creditors	99,879	99,879	50,121	50,121
Convertible notes	-	-	3,537,583	229,896
Total Financial Liabilities	<u>186,849</u>	<u>186,849</u>	<u>3,715,480</u>	<u>407,793</u>

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

- (i) Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value.
- (ii) Given the businesses negative earnings, a net tangible asset approach applied to value the Convertible notes. The net assets as at 30 June 2014 would share between ordinary shareholders, founder shareholders and convertible note holders.

Interest Rate Risk

The company's main interest rate risk arises from its cash balance which is invested at variable rates. The convertible notes incurred interest at the agreed rate of 10% per annum until the date they are converted.

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 balance date, the sensitivity to a 1% increase or decrease in interest rates would increase/(decrease) after tax loss by \$18,527 (2013: \$1,475).

Liquidity Risk

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

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

HUMAN GENETIC SIGNATURES PTY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 22: Financial risk management (Continued)

Credit risk

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

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

	2014	2013
	\$	\$
Financial assets		
Cash and cash equivalents	1,852,707	147,473
Trade and other receivables	124,575	120,294
Total Financial Assets	<u>1,977,282</u>	<u>267,767</u>

Financial liability and financial asset maturity analysis

	Within 1 Year	1 to 5 Years	Total
2014	\$	\$	\$
Financial liabilities due for payment			
Convertible notes plus interest	-	-	-
Trade and other payables	186,848	-	186,848
Total expected outflows	<u>186,849</u>	<u>-</u>	<u>186,849</u>

	Within 1 Year	1 to 5 Years	Total
2013	\$	\$	\$
Financial liabilities due for payment			
Convertible notes plus interest	-	3,956,245	3,956,245
Trade and other payables	177,897	-	177,897
Total expected outflows	<u>177,897</u>	<u>3,956,245</u>	<u>4,134,142</u>

HUMAN GENETIC SIGNATURES PTY LIMITED
ABN: 30 095 913 205

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note 23: Capital Risk Management

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

Management effectively manages the company's capital by assessing the company's financial risks and adjusting its capital structure in response to changes in these risks and the market. These responses include the issue of convertible notes to its principal shareholder and equity to sophisticated investors until such time as the company has a significant capital raising from new shareholders.

There were no changes to the company's approach to capital management nor were there any externally imposed capital requirements during the year.

Note 24: Events Subsequent to Reporting Date

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

Note 25: Financial Reporting Segments

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

During the year ended 30 June 2014, approximately 60% of the company's revenue was derived from two major Sydney hospitals.

HUMAN GENETIC SIGNATURES PTY LIMITED
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DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the company's financial position as at 30 June 2014 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.

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

Director

Robert Birrell

Sydney, 12 August 2014



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INDEPENDENT AUDITOR'S REPORT

To the members of Human Genetic Signatures Pty Limited

Report on the Financial Report

We have audited the accompanying financial report of Human Genetic Signatures Pty Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Human Genetic Signatures Pty Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Human Genetic Signatures Pty Limited is in accordance with the *Corporations Act 2001*, including:
 - (a) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1(a) in the financial report, which indicates that the ability of the company to continue as a going concern is dependent upon the future successful raising of necessary funding through equity and the company being able to generate sufficient revenue from successfully developing human genetic signatures research. These conditions, along with other matters as set out in Note 1(a), indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO East Coast Partnership



John Bresolin
Partner

Sydney, 12 August 2014