

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

**FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2016**

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2016.

DIRECTORS

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

Nickolaos Samaras

John R Melki

Phillip J Isaacs

Michael A Aicher

Robert J Birrell (resigned 21 August 2015)

Pat Noland (resigned 1 October 2015)

Anthony J Radford (appointed 15 September 2015)

PRINCIPAL ACTIVITIES

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

REVIEW OF OPERATIONS

Genetic Signatures achieved record sales revenues of over \$1.825 million in the financial year ended 30 June 2016 underscoring the success of its market penetration strategy and the market's acceptance of its *EasyScreen™* Detection Kits. Net cash used in operating activities was reduced by 8% on FY15 despite the significant company growth and expansion.

The Company posted a net loss for FY16 of \$3,026,598 representing a 13.8% increase on the previous year. The operating loss for FY16 includes a full twelve months' non-cash share based payments expense and depreciation of \$989,649, up from \$356,599 in FY15 which included only three months share based payments expense.

Expenses for FY16 totalled \$6,384,164 a 35.5% increase over last year (June 2015: \$4,712,491). The Research and Development Tax Concession resulted in \$969,095 in 2015 and it is anticipated that this years' amount will be \$1,429,887.

Sales revenue of \$1,825,018 showed a 74.9% increase over last year (2015: \$1,043,269). The net cash used in operating activities was reduced by 8% on FY15. The Company's net loss for the year to 30 June 2016 was \$3,026,598 compared to a net loss of \$2,659,120 for the previous corresponding period.

Genetic Signatures' current assets at 30 June 2016 were \$5,233,693 (June 2015: \$7,058,672), with current liabilities of \$1,276,099 (June 2015: \$737,783).

The Company's cash balance at the end of the period was \$2,564,254.

The Company's global expansion into the North American market commenced with establishing commercial operations in September. The Company has listed two clinical concentrator kits (SP001 and SP003) with the United States Food and Drug Administration (FDA), which represented an important step towards full product suite commercialisation in the US.

Analyte Specific Reagents (ASRs) were launched into the United States in June, which will allow for the uptake of Genetic Signatures 3Base™ technology in up to 11,000 CLIA certified laboratories in the US.

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Laboratories regulated under the Clinical Laboratory Improvement Act (CLIA) may purchase and use ASR products as building blocks to develop and validate proprietary tests for the diagnosis of infectious diseases

Genetic Signatures also exhibited at the largest microbiology meeting in the United States, ASMMicrobe, on 16-20 June 2016, where it launched the ASR product range.

Further European distributors were signed during the year, with the signing of distribution deals for Ireland and Poland expanding the market reach for the Company's EasyScreen™ products.

Genetic Signatures' Quality Management System (QMS) was certified by a Health Canada approved registrar in the March quarter, clearing the way for registered in vitro diagnostics (IVD) sales into the Canadian market.

Genetic Signatures' product performance was endorsed via two independent scientific presentations at the Australian Molecular Microbiology Meeting held in March 2016. The presentations demonstrated:

- Superior D. fragilis performance over other PCR assays with 100% sensitivity and specificity, and
- An increased number of infections detected with the EasyScreen™ Respiratory Detection Kit as compared to another respiratory assay.

A full time sales and support professional for Victoria and South Australia commenced in February, in order to provide local support for existing customers, while also giving the company's products greater exposure to a wider array of potential customers.

December quarter expansion activities focused on increasing the revenue-generating potential of the company via market share growth and an expanded product range, resulting in increased personnel and additional facilities for manufacturing and warehousing.

With the aim of promoting and growing more awareness of its products, GSS exhibited and presented a scientific paper at the 26th European Congress of Clinical Microbiology and Infectious Diseases (EC-CMID) in Amsterdam, Netherlands, 9-12 April 2016. The scientific paper reported the results of the initial validation work on the Antibiotic Resistance Panel (which detects ESBL and CPO resistance markers) which is in development.

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 (2015: NIL).

EVENTS SUBSEQUENT TO THE REPORTING DATE

On 2 September 2016 the Company announced that it had successfully completed an institutional placement to raise \$14 million through the issue of 29.8 million new shares. The placement will be completed in two tranches:

- The first tranche of new shares, being 10.9 million shares and raising \$5.1 million (\$4.8 million net of costs), was completed on Thursday, 8 September 2016 under the Company's capacity pursuant to ASX Listing Rule 7.1.
- The issue of the second tranche of new shares, being 18.9 million shares and raising \$8.9 million, is conditional on shareholder approval. The Company announced a meeting of shareholders on 12 September 2016 to be held on 13 October 2016 to seek this approval.

On 12 September 2016 the Company announced in conjunction with the placement, a share purchase plan to raise up to \$1 million.

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

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

LIKELY FUTURE DEVELOPMENTS

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

ENVIRONMENTAL COMPLIANCE

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

DIRECTORS

Name:	Nickolaos Samaras
Qualifications:	BSc (Hons), PhD, MBA, FAIM, FAICD
Experience:	<p>Dr. Samaras has had over 25 years' business experience in the global Life Sciences industry and is a recognised and respected industry expert. He has held a number of senior executive level positions in management, marketing, sales, and research and development. His roles have included appointments as Managing Director of Applied Biosystems Pty Ltd (now part of Thermo Fisher), and senior roles with Perkin Elmer and AMRAD Corporation (now part of CSL).</p> <p>Dr. Samaras is an experienced executive, non-executive and Board Chairman, having served on the boards of several biotechnology companies including one that was ASX-listed. For the past 11 years Dr. Samaras has focused his efforts on facilitating the international market expansion of a number of US biotechnology companies and developing commercial revenue channels outside of their traditional onshore markets.</p> <p>Dr. Samaras holds a BSc with Honors in Pathology and Immunology from Monash University and a PhD in Medical Biology from the Department of Medicine at The University of Melbourne. He also holds post-graduate business qualifications which include an MBA from the School of Management at RMIT University, and is a Fellow of the Australian Institute of Company Directors and the Australian Institute of Management.</p>
Special responsibilities:	Non-Executive Chairman; Chairman Nomination and Remuneration Committee; Member Audit & Risk Committee
Directorships of other listed companies:	Nil
Interests in shares and options:	566,000 ordinary shares and 480,000 ESOP restricted shares

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Directors Cont.

Name:	John R Melki
Qualifications:	BSc (Hons), PhD
Experience:	Dr. Melki has led the commercialisation efforts of Genetic Signatures as Chief Executive Officer since 2011. Dr Melki originally joined Genetic Signatures in 2003 where he was responsible for leading the commercialisation of two research products (worldwide) and five diagnostic products (locally and Europe) in the role of Senior Principal Research Scientist. He has authored 20 peer-reviewed articles and is listed as an inventor on eight patent applications. Dr. Melki received his BSc from the University of New South Wales and his PhD from the University of Sydney, where his thesis was awarded the Peter Bancroft Prize from the Medical School. His primary research focus for the last 20 years has been in the sodium bisulphite conversion of DNA which is at the core of Genetic Signatures' technology.
Special responsibilities:	Managing Director and Chief Executive Officer; Member Nomination and Remuneration Committee
Directorships of other listed companies:	Nil
Interests in shares and options:	175,000 ordinary shares and 900,000 ESOP restricted shares

Name:	Phillip J Isaacs
Qualifications:	MSc JP
Experience:	Mr. Isaacs holds an MSc in Biochemistry from the University of Sydney. He has worked as a Clinical Biochemist with the Commonwealth Department of Health and in commercial diagnostics as Managing Director of the Australian subsidiary of Technicon Equipment (the manufacturer of the first AutoAnalyzer using continuous flow analysis for the estimation of biochemicals in the bloodstream). 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 the Asia Pacific Cytoc Corporation which developed and sells the ThinPrep Pap Test and was responsible for the development of the Company in Asia Pacific. He was also the Founding Chairman of the Australian Proteome Analysis Facility (APAF) in Sydney.
Special responsibilities:	Non-Executive; Chairman of Audit & Risk Committee; Member Nomination and Remuneration Committee
Directorships of other listed companies:	Nil
Interests in shares and options:	640,213 ordinary shares and 250,000 ESOP restricted shares

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Directors Cont.

Name:	Michael A Aicher
Qualifications:	BSc, MBA
Experience:	Mr. Aicher has over 30 years of industry experience, and was CEO and founder of National Genetics Institute (NGI) which was acquired by Laboratory Corporation of America, Inc. (LabCorp) in 2000. More recently, Mr. Aicher led LabCorp's Western Division and was previously responsible for the Company'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 Ariosa Diagnostics, Inc. and Omicia, Inc. 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:	127,570 ordinary shares and 480,000 ESOP restricted shares

Name:	Anthony J Radford AO
Qualifications:	BSc (Hons) PhD DipCorpMan
Experience:	Dr. Anthony Radford has a PhD from La Trobe University, and was a member of the CSIRO team that invented the QuantiFERON method for Cellular Immune based diagnostics. He later joined AMRAD in pharmaceutical research and was Head of Development in 2000 when he left to co-found the diagnostic company Cellestis Limited, which listed on the ASX in 2001. Establishing offices and operations in the USA, Europe and Japan, Cellestis developed QuantiFERON –TB Gold, the worldwide benchmark for diagnosis of tuberculosis infection. Dr. Radford was CEO of Cellestis from founding until its acquisition by QIAGEN NV in 2011.
Special responsibilities:	Non-Executive; Member of Audit & Risk Committee
Directorships of other listed companies:	Nil
Interests in shares and options:	240,000 ESOP restricted shares

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Directors Cont.

Name:	Pat Noland (Resigned 1 October 2015)
Qualifications:	BA MBA
Experience:	<p>Mr. Noland has over 20 years of industry experience, and was Senior Vice Present at Laboratory Corporation of America (LabCorp).</p> <p>Mr. Noland was CEO and director of StrataDX, an anatomic pathology laboratory based in Lexington, Massachusetts. Mr. Noland joined StrataDX in 2011 after Linden Capital Partners acquired a controlling interest in the Company. During his tenure, Mr. Noland altered the Company's strategy to focus on the dermatology market and achieved industry leading growth rates. Prior to his tenure at StrataDX, Mr. Noland spent 17 years at LabCorp.</p> <p>In his last role at LabCorp, he served as Senior Vice President responsible for developing and implementing new partnerships-focused hospital strategy, designed to expand the available US market. Hospital services contributed approximately \$480 million to Company revenues in 2010. Previously, he held full profit and loss (P&L) responsibility for DIANON Systems, LabCorp's premium anatomic pathology brand, as well as a series of other senior leadership roles in strategic assignments. Mr. Noland began his LabCorp career in field sales and sales management in the Atlanta, Georgia market. He holds a master's degree in business administration from Kennesaw State University in Georgia, and a bachelor's of arts degree in advertising from the University of Georgia in Athens.</p>
Special responsibilities:	Non-Executive Director
Directorships of other listed companies:	Nil
Interests in shares and options:	150,000 ordinary shares and 200,000 ESOP restricted shares

Company Secretary
Name:

Anna Sandham

Experience:

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

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

DIRECTORS' MEETINGS

The number of meetings of the board of directors (including board committees) held during the year ended 30 June 2016, and the numbers of meetings attended by each director are set out below:

Name	Board		Audit & Risk Committee		Nomination and Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
Nickolaos Samaras	8	8	3	3	2	2
John R Melki	8	8	-	-	2	2
Phillip J Isaacs	8	7	3	3	2	2
Michael A Aicher	8	8	-	-	-	-
Anthony J Radford***	6	6	2	2	-	-
Robert J Birrell*	2	2	1	1	-	-
Pat Noland**	3	3	-	-	-	-

*resigned 21 August 2015

**resigned 1 October 2015

***appointed 15 September 2015

REMUNERATION REPORT - AUDITED

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

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

(b) Key management personnel

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

Name	Position Held
Nickolaos Samaras	Non-executive Chairman
John R Melki	Managing Director & Chief Executive Officer
Phillip J Isaacs	Non-executive Director
Michael A Aicher	Executive Director – US Operations
Anthony J Radford	Non-executive Director (Appointed 15 September 2015)
Robert J Birrell	Director & Chief Financial Officer (Resigned 21 August 2015)
Pat Noland	Non-executive Director (Resigned 1 October 2015)
Douglas S Millar	Chief Scientific Officer

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

REMUNERATION REPORT – AUDITED (Cont.)

(c) Details of Remuneration

Remuneration Policy

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

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

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

*resigned 21 August 2015

**resigned 1 October 2015

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

REMUNERATION REPORT – AUDITED (Cont.)

2015	Short-term employee benefits			Post-employment benefits			Total
	Cash salary and fees	Non-monetary benefits	Super-annuation	Long-term Benefits: Annual and long service leave	Termination benefits	Share-based payments	
	\$	\$	\$	\$	\$	\$	\$
Nickolaos Samaras	45,000	-	1,425	-	-	15,508	61,933
John R Melki	211,538	-	19,885	30,840	-	29,078	291,341
Phillip J Isaacs	10,000	-	238	-	-	8,077	18,315
Michael A Aicher	144,223	-	-	-	-	15,508	159,731
Robert J Birrell	184,616	-	17,348	13,461	-	19,386	234,811
Pat Noland	36,420	-	-	-	-	5,169	41,589
Douglas S Millar	188,461	-	17,921	20,793	-	25,847	253,022
Total key management personnel compensation	820,258	-	56,817	65,094	-	118,573	1,060,742

(d) Share-based payment

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

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

Set out below are the summaries of ESOP restricted share grants under the plan:

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

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

REMUNERATION REPORT – AUDITED (Cont.)

2015

Grant date	Name	Vesting date	Fair value per share at grant date	Value of shares at grant date	Granted during the year Number
26 March 2015	Nickolaos Samaras	25% on 31 March 2016; Then equal monthly amounts until 31 March 2019	\$0.40	\$192,000	480,000
26 March 2015	John R Melki	25% on 31 March 2016; Then equal monthly amounts until 31 March 2019	\$0.40	\$360,000	900,000
26 March 2015	Phillip J Isaacs	25% on 31 March 2016; Then equal monthly amounts until 31 March 2019	\$0.40	\$100,000	250,000
26 March 2015	Michael A Aicher	25% on 31 March 2016; Then equal monthly amounts until 31 March 2019	\$0.40	\$192,000	480,000
26 March 2015	Robert J Birrell	25% on 31 March 2016; Then equal monthly amounts until 31 March 2019	\$0.40	\$240,000	600,000
26 March 2015	Pat No-land	25% on 31 March 2016; Then equal monthly amounts until 31 March 2019	\$0.40	\$64,000	160,000
26 March 2015	Douglas S Millar	25% on 31 March 2016; Then equal monthly amounts until 31 March 2019	\$0.40	\$320,000	800,000
Total					3,670,000

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

REMUNERATION REPORT – AUDITED (Cont.)

(e) Equity instruments held by key management personnel

Employee Share Ownership Plan Holdings

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

2016

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

*Resigned 21 August 2015

**Resigned 1 October 2015

2015

Name	Balance at 1 July 2014	Granted as compensa- tion	Converted on Repay- ment of loan	Other Changes	Balance at 30 June 2015	Total vested and convertible at 30 June 2015	Unvested at 30 June 2015
Nickolaos Samaras	-	480,000	-	-	480,000	-	480,000
John R Melki	-	900,000	-	-	900,000	-	900,000
Phillip J Isaacs	-	250,000	-	-	250,000	-	250,000
Michael A Aicher	-	480,000	-	-	480,000	-	480,000
Robert J Birrell	-	600,000	-	-	600,000	-	600,000
Pat Noland	-	160,000	-	-	160,000	-	160,000
Douglas S Millar	-	800,000	-	-	800,000	-	800,000
Total	-	3,670,000	-	-	3,670,000	-	3,670,000

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

REMUNERATION REPORT – AUDITED (Cont.)

Shareholdings

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

2016

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

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

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

2015

Name	Balance at 1 July 2014	Granted as compensation	Received on con- version of re- stricted shares	Other changes	Balance at 30 June 2015	Balance held nominally
Nickolaos Samaras	525,000	-	-	-	525,000	-
John R Melki	175,000	-	-	-	175,000	175,000
Phillip J Isaacs	640,213	-	-	-	640,213	-
Michael A Aicher	-	-	-	127,570	127,570	58,785
Robert J Birrell	910,888	-	-	-	910,888	152,250
Pat Noland	-	-	-	150,000	150,000	150,000
Douglas S Millar	150,000	-	-	-	150,000	150,000
Total	2,401,101	-	-	277,570	2,678,671	686,035

(f) Service contracts

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

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

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

REMUNERATION REPORT – AUDITED (Cont.)

(f) Service contracts (Cont.)

John Melki

Director & Chief Executive Officer

Contract term: Ongoing, commenced November 2014
Base salary: \$250,000, 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 month's notice.

Robert Birrell

Director & Chief Financial Officer

Contract term: Commenced November 2014, resigned 21 August 2015
Base salary: \$200,000, exclusive of superannuation, to be reviewed annually by the Remuneration Committee
Termination payments: Payment on early termination by the Group, other than for gross misconduct, equal to the base salary plus superannuation for three months.

Douglas Millar

Chief Scientific Officer

Contract term: Ongoing, commenced November 2014
Base salary: \$200,000, exclusive of superannuation, to be reviewed annually by the Remuneration Committee
Termination payments: Payment on early termination by the Group, other than for gross misconduct, equal to the base salary plus superannuation for three months.

(g) Transactions with related parties

	Consolidated	
	2016	2015
	\$	\$
The company controlled by Nickolaos Samaras was paid for consultancy services	-	30,000
The company controlled by Michael Aicher was paid for consultancy services	-	142,848

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 2016

OPTIONS

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

INDEMNIFICATION OF OFFICERS AND AUDITORS

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

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

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

NON AUDIT SERVICES

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

	2016 \$	2015 \$
Taxation services		
Tax compliance services	40,760	17,645
Investigating Accountant's Report – prospectus	-	38,000
Accounting advisory services	-	10,967
Total fees for non-audit services	<u>40,760</u>	<u>66,612</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 2016

AUDITOR'S INDEPENDENCE DECLARATION

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

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

A handwritten signature in black ink that reads "John Melki". The signature is written in a cursive, flowing style.

John Melki
Director

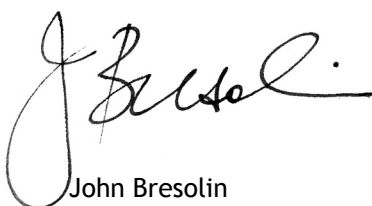
Sydney
28 September 2016

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

As lead auditor of Genetic Signatures Limited for the year ended 30 June 2016, 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 year.



John Bresolin
Partner

BDO East Coast Partnership

Sydney, 28 September 2016

Corporate Governance Statement

The Board of Directors is responsible for establishing the corporate governance framework of the Group. The Board guides and monitors the business and affairs of Genetic Signatures on behalf of its shareholders by whom they are elected and to whom they are accountable.

The Company's corporate governance reflects the ASX Corporate Governance Council's principles and recommendations. The following commentary summarises the Company's compliance with the ASX Corporate Governance Council's recommendations.

PRINCIPLE 1

Lay solid foundations for management and oversight

The Board has adopted a formal charter that sets out their responsibilities. This charter is posted on the Company's website www.geneticsignatures.com. The Board sets objectives, goals and strategic direction along with a policy framework which management then works within to manage day-to-day business. The Board monitors this on a regular basis. There is clear segregation between the Board and management. Any functions not reserved for the Board and not expressly reserved for members by the Corporations Act and ASX Listing Rules are reserved for senior executives.

Senior executives are subject to a formal performance review process on an annual basis. The focus of the performance review is to set specific objectives, and monitor performance against them for each executive, that are aligned with the Company's business objectives.

PRINCIPLE 2

Structure the Board to add value

Details on the Board members and their qualifications are included in the Directors' Report. The Board has a policy of maintaining a majority of independent directors and this has been implemented in a structured and considered manner. The current Board composition is three independent Non-Executive Directors (NEDs) and two Executive Directors and thus the Company complies with ASX Recommendation 2.4. The Company considers that the Board is appropriately structured given the extensive knowledge of each of the directors regarding the Company and its business and their substantial experience and recognition in the MDx industry and other industries relevant to the Company's operations.

The Board has resolved that a majority of the members

of each Board committee should be NEDs. The Board has approved that, where necessary, NEDs should meet during the year in absence of management at such times as they determine necessary.

Directors are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement. The Board assesses director independence on an annual basis, or more often if it feels it is warranted, depending on disclosures made by individual Directors. In the context of director independence, to be considered independent a NED may not have a direct or indirect material relationship with the Company. The Board has determined that a material relationship is one which has, or has the potential to, impair or inhibit a Director's exercise of judgement on behalf of the Company and its shareholders. The Board has concluded that all NEDs are independent.

The Board continually assesses its membership and makes appointments to complement and enhance the existing skill base of the Board. The Board has established a Remuneration and Nominations Committee comprising a majority of non-executive directors.

The Company's Constitution provides that:

- the maximum number of Directors shall be ten unless amended by a resolution at a General Meeting of Shareholders;
- one third of the Directors (excluding the Managing Director and rounded down) must retire from office at the Annual General Meeting (AGM) each year; such retiring Directors are eligible for re-election;
- Directors appointed to fill casual vacancies must submit to election at the next general meeting; and
- the number of Directors necessary to constitute a quorum is not less than two Directors currently in office.

Corporate Governance Statement (Cont.)

PRINCIPLE 3

Promote ethical and responsible decision-making

The Board and management ensure that the business processes of Genetic Signatures are conducted according to sound ethical principles. The Board has established a formal Code of Conduct in this regard. This code is posted on the Company's website.

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

All Directors and employees of the Company are made aware of their obligations under the Corporations Act 2001 (Cth) with regard to trading in the securities of the Company. In addition, the Company has adopted a Share Trading Policy, which is reviewed and updated on a regular basis as required. This policy is posted on the Company's website.

Board members who have or may have a conflict of interest in any activity of the Company or with regard to any decision before the Board, notify the Board of such and a decision is made as to whether the Board member concerned is to be excluded from making decisions that relates to the particular matter.

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

Diversity Policy

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. Principally in relation to the stage of development of the company, the company does not have a formal diversity policy, however the company is committed to diversity and recognises the benefits arising from employee and board diversity and the importance of benefiting from all available talent.

PRINCIPLE 4

Safeguard integrity in financial reporting

The Board has established an Audit and Risk Committee. Mr Phillip Isaacs has been appointed to chair the Committee and Dr Nick Samaras and Dr Tony Radford are the other independent directors on the Committee.

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

Committee.

The Committee has a formal charter, which is posted on the Company's website. The charter is reviewed annually to ensure that it is in line with emerging market practices which are in the best interests of shareholders.

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

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

"Compliance" refers to compliance with laws and regulations, internal compliance guidelines, policies and procedures, and other prescribed internal standards of behaviour.

The Chairman of the Committee meets with the auditors without management in attendance so that there can be open and frank communication between the Committee and the auditor.

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

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

The Chief Executive Officer and Chief Financial Officer have certified to the committee that the Group's financial reports present a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with relevant accounting standards.

Corporate Governance Statement (Cont.)

PRINCIPLE 5

Make timely and balanced disclosure

The Board is committed to inform its shareholders and the market of any major events that influence the Company in a timely and conscientious manner. The Board is responsible for ensuring that the Company complies with the continuous disclosure requirements as set out in ASX Listing Rule 3.1 and the Corporations Act 2001. The Company's Communication Protocols have been posted on the Company's website.

Any market sensitive information is discussed by the Board before it is approved to be released to the market. The Company's procedure is to lodge the information with the ASX and make it available on the Company's website shortly thereafter. All executives of the Company have been made aware of the Company's obligations with regard to the continuous disclosure regime.

PRINCIPLE 6

Respect the rights of shareholders

The Board ensures that its shareholders are fully informed of matters likely to be of interest to them. The Company provides all obligatory information such as annual reports, half yearly reports and other ASX required reports in accordance with the law and regulations.

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

The Company is always available to be contacted by shareholders for any query that the shareholders may have. The queries can be submitted by telephone or email to the Company's office.

The chairman encourages questions and comments at the AGM ensuring that shareholders have a chance to obtain direct response from the CEO and other appropriate Board members. The Company requests that the auditors attend the AGM and are available to answer any questions with regard to the conduct of the audit and their report.

PRINCIPLE 7

Recognise and manage risk

The Board has delegated the responsibility for the establishment and maintenance of a framework for risk oversight and the management of risk for the Group to the Audit and Risk Committee.

The Committee's role is to provide a direct link between the Board and the external function of the Company.

This includes:

- Monitoring corporate risk assessment and the internal controls instituted;
- Monitoring the establishment of an appropriate internal control framework, including information systems, and considering enhancements;
- Reviewing reports on any defalcations, frauds and thefts from the Company and action taken by managements;
- Reviewing policies to avoided conflicts of interest between the Company and members of management; and
- Considering the security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown.

Under its charter, the Audit and Risk Committee must have at least three members, a majority of whom must be independent and all of whom must be non-executive Directors. The members of the Audit and Risk Committee are Phillip Isaacs (chairman), Nick Samaras and Tony Radford and thus the Company complies with ASX Recommendation 4.1.

The Chief Executive Officer and Chief Financial Officer have made representations to the Committee on the system of risk management and internal compliance and control which implements the policies adopted by the Board. The Chief Executive Officer and Chief Financial Officer have also represented that, to the best of their knowledge, the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Corporate Governance Statement (Cont.)

PRINCIPLE 8

Remunerate fairly and responsibly

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

The Company's remuneration policy is described in the Remuneration Report contained within the Directors' Report.

The Committee has access to senior management of the Company and may consult independent experts where the Committee considers it appropriate to carry out its duties.

Currently the Company pays directors' fees to the NEDs.

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

FINANCIAL REPORT

	Page
CONTENTS	
Statement of Profit or Loss and Other Comprehensive Income	23
Statement of Financial Position	24
Statement of Changes in Equity	25
Statement of Cash Flows	26
Notes to the Financial Statements	27-49
Directors' Declaration	50
Independent Auditor's Report	51

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

		Consolidated	
	Note	2016	2015
		\$	\$
Sales Revenue		1,825,018	1,043,269
Other income	2	1,532,548	1,010,102
Cost of goods sold		(461,530)	(395,146)
Employee benefits expense		(3,392,865)	(1,825,050)
Directors' and consultancy fees		(461,250)	(408,199)
Depreciation and amortisation expenses		(399,309)	(205,553)
Finance Costs	3	(1,126)	(454)
Rental expenses relating to operating leases		(186,717)	(139,307)
Scientific consumables		(554,578)	(350,818)
Travel and accommodation		(167,359)	(160,179)
Other expenses		(759,430)	(1,227,785)
Loss before income tax		<u>(3,026,598)</u>	<u>(2,659,120)</u>
Income tax benefit	4	-	-
Loss attributable to members of the entity		<u>(3,026,598)</u>	<u>(2,659,120)</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u>(3,026,598)</u>	<u>(2,659,120)</u>
Earnings per share		2016	2015
		cents	cents
Basic and diluted earnings per share to ordinary equity holders of the company		<u>(4.2)</u>	<u>(5.2)</u>

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

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

		Consolidated	
	Note	2016	2015
		\$	\$
Assets			
Current Assets			
Cash and cash equivalents	5	2,564,254	5,461,686
Trade and other receivables	6	485,216	436,401
Inventory		754,336	191,489
Government grant receivable	7	1,429,887	969,095
Total Current Assets		5,233,693	7,058,672
Non-Current Assets			
Property, plant and equipment	8	729,471	741,441
Total Non-Current Assets		729,471	741,441
Total Assets		5,963,164	7,800,112
Liabilities			
Current Liabilities			
Trade and other payables	9	931,286	443,341
Provisions	10	344,813	294,442
Total Current Liabilities		1,276,099	737,783
Non-Current Liabilities			
Provisions	10	7,360	5,360
Total Non-Current Liabilities		7,360	5,360
Total Liabilities		1,283,459	743,143
Net Assets		4,679,705	7,056,969
Equity			
Issued capital	11	32,547,402	32,501,357
Reserves	12	738,001	151,046
Accumulated losses		(28,605,698)	(25,595,434)
Total Equity		4,679,705	7,056,969

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

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Consolidated	Issued Capital	Reserves	Accumulated losses	Total
	\$	\$	\$	\$
Balance at 1 July 2014	25,545,553	-	(22,936,314)	2,609,239
Profit or loss	-	-	(2,659,120)	(2,659,120)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	25,545,553	-	(25,595,434)	(49,881)
<i>Transactions with owners in their capacity as owners:</i>	-	-	-	-
Contributions of equity, net of transaction costs	6,955,804	-	-	6,955,804
Share-based payments (note 12)	-	151,046	-	151,046
Balance at 30 June 2015	32,501,357	151,046	(25,595,434)	7,056,969
Profit or loss	-	-	(3,026,598)	(3,026,598)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(3,026,598)	(3,026,598)
<i>Transactions with owners in their capacity as owners:</i>	-	12,949	-	12,949
Contributions of equity, net of transaction costs (note 11)	46,045	-	-	46,045
Forfeiture of share-based payments (note 12)	-	(16,334)	16,334	-
Share-based payments (note 12)	-	590,340	-	590,340
Balance at 30 June 2016	32,547,402	738,001	(28,605,698)	4,679,705

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

GENETIC SIGNATURES PTY LIMITED
ABN: 30 095 913 205

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	Consolidated 2016 \$	2015 \$
Cash flows from operating activities			
Receipts from customers		1,887,511	989,771
Payments to suppliers and employees		(5,512,147)	(4,433,042)
Interest received		83,230	41,007
Research and development concession received		969,095	607,122
Net cash used in operating activities	18(b)	<u>(2,572,311)</u>	<u>(2,795,142)</u>
Cash flows from investing activities			
Purchase of plant and equipment	8	<u>(371,166)</u>	<u>(551,683)</u>
Net cash used in investing activities		<u>(371,166)</u>	<u>(551,684)</u>
Cash flows from financing activities			
Proceeds from issue of shares, net of costs	11	-	6,955,804
Proceeds from conversion of employee share ownership plan restricted shares	11	60,000	-
Public offer expenditure and share issue costs		<u>(13,955)</u>	<u>-</u>
Net cash provided by financing activities		<u>46,045</u>	<u>6,955,804</u>
Net increase in cash and cash equivalents		(2,897,432)	3,608,979
Cash and cash equivalents at beginning of financial year		<u>5,461,686</u>	<u>1,852,707</u>
Cash and cash equivalents at end of financial year	18(a)	<u>2,564,254</u>	<u>5,461,686</u>

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

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Note 1: Statement of Significant Accounting policies

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

Basis of preparation

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

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

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

(a) Going Concern

The company incurred losses for the year to 30 June 2016 of \$3,026,598 (2015: \$2,659,120), leading to net operating cash outflows of \$2,572,311 (2015: \$2,795,141). 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 genetic signatures research.

The financial report has been prepared on a going concern basis, as the directors acknowledge that the company will continue to receive financial support from its major shareholders and new shareholders via a capital raising that it is currently being undertaken. Subsequent to balance date, the Company has completed Tranche 1 of the capital raising for \$5.1 million, which net of costs is sufficient to fund the Company's working capital requirements for at least 12 months from the date of this report. The Company also has in place further arrangements to raise an additional \$8.9 million in Tranche 2. In addition, the Company has announced a share purchase plan to raise up to \$1 million.

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Note 1: Statement of Significant Accounting Policies (continued)

(b) Basis of Consolidation

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

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

(c) Income tax

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

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

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

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

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

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

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

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Note 1: Statement of Significant Accounting Policies (continued)

(d) Property, plant and equipment

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

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be 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.

(e) Goods and Services Tax

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

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

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

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Note 1: Statement of Significant Accounting Policies (continued)

(f) Financial instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

Amortised cost is calculated as:

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

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

(i) Loans and receivables

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

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

(ii) Financial liabilities

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

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Note 1: Statement of Significant Accounting Policies (continued)

(f) Financial instruments (continued)

Fair Value

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

Impairment

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

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

Derecognition

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

(g) Revenue recognition

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

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

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

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

(h) Trade and other payables

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

(i) Impairment

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

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Note 1: Statement of Significant Accounting Policies (continued)

(i) Impairment (continued)

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

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

(j) Cash and cash equivalents

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

(k) Inventories

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

(l) Trade and other receivables

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

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

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

(m) Finance costs

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

(n) Employee benefits

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

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Note 1: Statement of Significant Accounting Policies (continued)

(n) Employee benefits (continued)

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

(o) Provisions

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

(p) Leases

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

(q) Share-based payments

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

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

(r) Parent entity financial information

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

(s) Earnings per share

Basic earnings per share are calculated by dividing:

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

(t) Foreign currency translation

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

Foreign currency transactions

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

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

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Note 1: Statement of Significant Accounting Policies (continued)

(t) Foreign currency translation (continued)

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

(u) Comparative figures

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

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

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

New/revised pronouncement	Superseded pronouncement	Nature of change	Effective date	Likely impact on initial application
AASB 116 <i>Property, Plant and Equipment</i> and AASB 138 <i>Intangible Assets</i> .	AASB 116 AASB 138	This Standard amends AASB 116 and AASB 138 to: (a) establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset; (b) clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset; and (c) clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 January 2016	<i>The Group is yet to undertake a detailed assessment of the impact of AASB 116 and AASB 138. However, based on the Group's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2017.</i>
AASB 15 <i>Revenue from Contracts with Customers</i>		AASB 15: - replaces AASB 118 <i>Revenue</i> , AASB 111 <i>Construction Contracts</i> and some revenue-related Interpretations; - establishes a new revenue recognition model; - changes the basis for deciding whether revenue is to be recognised over time or at a point in time; - provides new and more detailed guidance on specific topics (e.g., multiple element arrangements, variable pricing, rights of return, warranties and licensing); and - expands and improves disclosures about revenue.	1 January 2017 <i>(however note that both the IASB & AASB have recently issued Exposure Drafts, proposing to defer the effective date to 1 January 2018)</i>	<i>The Group is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the Group's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.</i>

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Note 1: Statement of Significant Accounting Policies (continued)

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

New/revised pronouncement	Superseded pronouncement	Nature of change	Effective date	Likely impact on initial application
AASB 16 <i>Leases</i>	AASB 117 <i>Leases</i>	AASB 16: <ul style="list-style-type: none"> - replaces AASB 117 <i>Leases</i> and some lease-related Interpretations - requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases - provides new guidance on the application of the definition of lease and on sale and lease back accounting - largely retains the existing lessor accounting requirements in AASB 117 - requires new and different disclosures about leases. 	1 January 2019	<i>The Group is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the Group's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.</i>
AASB 2016-1 <i>Amendments to Australian Accounting Standards Recognition of deferred tax assets for unrealised losses</i>	AASB 112 <i>Income Taxes</i>	These amendments arise from the issuance of International Financial Reporting Standard Recognition of Deferred Tax Assets for Unrealised Losses by the International Accounting Standards Board (IASB) in January 2016. This Standard amends AASB 112 Income Taxes (July 2004) and AASB 112 Income Taxes (August 2015) to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.	1 January 2017	<i>The Group is yet to undertake a detailed assessment of the impact of AASB 112. However, based on the Group's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2018.</i>
AASB 2015-1 <i>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle</i>		These amendments arise from the issuance of Annual Improvements to IFRSs 2012-2014 Cycle in September 2014 by the IASB. Among other improvements, the amendments clarify that when an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution (or vice-versa), the accounting guidance in paragraphs 27-29 of AASB 5 Non-current Assets Held for Sale and Discontinued Operations does not apply. The amendments also state that when an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer highly probable, it should cease held-for-distribution accounting and apply the guidance in paragraphs 27-29 of AASB 5.	30 June 2017	<i>When these amendments are first adopted for the year ending 30 June 2017, it is unlikely there will be material impact on the financial statements. However, the full assessment of this is yet to be determined.</i>

(w) Critical Accounting Estimates and Judgments

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

Key estimates – valuation of employee share option plan shares

At each reporting date, the entity revises its estimate of the number of rights that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to the original estimates, is recognised in profit or loss with a corresponding adjustment to equity. The fair

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Note 1: Statement of Significant Accounting Policies (continued)

(w) Critical Accounting Estimates and Judgments (continued)

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

Judgements- research and development claim

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

	Consolidated	
	2016	2015
	\$	\$
Note 2: Other income		
Interest income	91,779	41,007
Government Grant (R&D Rebate)	1,429,887	969,095
Other income	10,882	-
Total other income	1,532,548	1,010,102
Note 3: Expenses		
<i>Finance costs</i>		
Interest charges	1,126	454
<i>Superannuation expense</i>		
Defined contribution superannuation expense	194,337	130,206
<i>Items included in other expenses are</i>		
IPO costs expensed	-	562,109
Write off of assets - patents	119,300	114,208
	119,300	676,317

	Consolidated	
	2016	2015
	\$	\$
Note 4: Income tax		
Numerical reconciliation of income tax benefit to prima facie tax payable		
Prima facie income tax (benefit) on loss from ordinary activities (30%)	(907,979)	(797,736)
Add tax effect of:		
- non-deductible items	703,453	539,206
- tax losses and deductible temporary differences not recognised	245,970	244,415
Less tax effect of:		
- temporary differences not brought to account	(41,444)	34,115
Income tax benefit attributable to entity	-	-

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Note 4: Income tax (Continued)

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

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

The total amount of unused tax losses for which no deferred tax asset has been recognised is \$10,288,179, tax effected at 30% \$3,086,454. (2015: \$10,189,234 – tax effected \$3,056,770).

Note 5: Cash and cash equivalents

Consolidated

	2016	2015
	\$	\$
Cash at bank and on hand	<u>2,564,254</u>	<u>5,461,686</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 1.4% and 2.55% (2015: between 2.0% and 2.75%).

Genetics Signatures Limited has an unused credit card facility with the bank at the year-end date of \$40,000 (2015: \$40,000).

Note 6: Trade and other receivables

Consolidated

	2016	2015
	\$	\$
Current		
Trade debtors (a)	358,870	252,352
Provision for impairment	-	(31,352)
Other receivables (b)	<u>126,346</u>	<u>215,401</u>
	<u>485,216</u>	<u>436,401</u>

a. Past due but not impaired and impairment of receivables

Customers with balances past due without provisions for impairment of receivables amount to \$NIL as at 30 June 2016 (\$3,088 as at 30 June 2015). The company has recognised a loss of \$NIL (2015: \$31,352) in profit or loss in respect of impairment of receivables for the year ended 30 June 2016.

b. Other receivables

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

c. Fair value and credit risk

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

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

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Note 7: Government grant receivable

	Consolidated	
	2016	2015
	\$	\$
Research & Development tax concession	1,429,887	969,095

Note 8: Property, plant and equipment

Plant and equipment:

At cost	1,925,939	2,196,798
Less: accumulated depreciation	(1,196,468)	(1,455,357)
	729,471	741,441

Movement in plant and equipment is as follows:

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

	Plant & equipment	Total
	\$	\$
Cost at 1 July 2014	1,645,115	1,645,115
Additions	551,683	551,683
Cost at 30 June 2015	2,196,798	2,196,798
Accumulated depreciation 1 July 2014	(1,249,805)	(1,249,805)
Depreciation expense	(205,552)	(205,552)
Accumulated depreciation 30 June 2015	(1,455,357)	(1,455,357)
Carrying amount 30 June 2015	741,441	741,441

Note 9: Trade and other payables

	Consolidated	
	2016	2015
	\$	\$
Current – unsecured		
Trade creditors	573,032	263,646
Other creditors	358,254	179,695
	931,286	443,341

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Note 10: Provisions

	Consolidated	
	2016	2015
	\$	\$
Current		
Employee benefits	344,813	294,442
Non-Current		
Employee benefits	7,360	5,360

Note 11: Issued capital

	Consolidated	
	2016	2015
	\$	\$
72,869,434 ordinary shares (2015: 72,934,990)	32,543,402	32,497,357
4,000 fully paid founder shares (2015: 4,000)	4,000	4,000
	<u>32,547,402</u>	<u>32,501,357</u>
<i>Movement in ordinary share capital</i>	\$	\$
Opening balance	32,497,357	25,541,553
Issue of new ordinary shares	-	7,500,000
Employee Share Plan	60,000	-
Buy-back of employee share plan shares	-	-
Less: share issue costs	<u>(13,955)</u>	<u>(544,196)</u>
Closing balance	<u>32,543,402</u>	<u>32,497,357</u>
<i>Movement in ordinary share capital</i>	No.	No.
Opening balance	72,934,990	33,005,334
Share split (3 for every 2 shares)	-	16,504,656
Issue of new ordinary shares	-	18,750,000
Employee Share Plan	440,000	4,675,000
Buy-back of employee share plan shares	<u>(505,556)</u>	<u>-</u>
Closing balance	<u>72,869,434</u>	<u>72,934,990</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.

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Note 12: Reserves

	Consolidated	
Share based payments reserve		
	2016	2015
	\$	\$
Balance 1 July	151,046	-
Transferred to accumulated losses upon forfeiture	(16,334)	-
Share-based payment expenses	590,340	151,046
Balance 30 June	<u>725,051</u>	<u>151,046</u>

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

	Consolidated	
Foreign currency translation reserve		
	2016	2015
	\$	\$
Balance 1 July	-	-
Arising from translation of US subsidiary	12,949	-
Balance 30 June	<u>12,949</u>	<u>-</u>

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

Note 13: Leasing Commitments

Operating lease commitments

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

Minimum lease payments payable:

-	Not later than one year	<u>28,970</u>	<u>27,417</u>
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The operating lease commitment relates to the company's currently licensed research and development premises with St Vincent's Hospital, Sydney, Limited and The Victor Chang Cardiac Research Institute. Either party can terminate the licence agreement by providing 60 days' written notice to the other party.

Note 14: Key management personnel disclosures

Short-term employee benefits	752,598	820,258
Post-employment benefits	129,282	56,817
Long-term benefits	37,173	65,094
Termination benefits	101,264	-
Share based payments	424,613	118,573
	<u>1,444,930</u>	<u>1,060,742</u>

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

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Note 15: Share-based payments

Restricted shares were issued during the year, funded by a limited recourse loan pursuant to the employee share ownership plan. The effect of the employee share plan is akin to an option. Fair values at grant date are independently 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 restricted shares granted during the year ended 30 June 2016 are noted below:

Grant date	Expiry date	Vesting period	Conversion price	Share price	Expected volatility	Expected dividend yield	Fair value	Average Risk free rate
November 2015	Nov 2020	48 months	\$0.45	\$0.53	62%	-	\$0.21	2.09%
April 2016	April 2021	48 months	\$0.49	\$0.55	73%	-	\$0.25	1.99%

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 FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Employee Share Ownership Plan Shares

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

2016

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

2015

Grant date	Vesting date	Value of share at grant date	Balance at beginning of the year	Granted during the year	Convertible during the year	Expired/ Forfeited during the year	Balance at the end of the year	Vested and convertible at year end	Unvested at year end	Weighted average fair value of shares at year end	Weighted average remaining contractual life of shares
March 2015	25% March 2016 then monthly to March 2019	\$0.40	-	4,675,000	-	-	4,675,000	-	4,675,000	\$0.24	3.74 years
Total			-	4,675,000	-	-	4,675,000	-	4,675,000	\$0.24	

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Note 16: Contingent liabilities

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

Note 17: Auditors remuneration

	Consolidated	
	2016	2015
	\$	\$
<i>BDO East Coast Partnership</i>		
Audit and review of financial statements	56,000	35,000
Tax compliance	40,760	17,645
Investigating Accountant's report - prospectus	-	38,000
Review of client calculations	-	10,967
	96,760	101,612

Note 18: Cash Flow Information

	Consolidated	
	2016	2015
	\$	\$

(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	2,564,254	5,461,686
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(b) Reconciliation of Loss after Income Tax to net Cash Flows from Operations

Loss after income tax	(3,026,598)	(2,659,120)
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Non cash flows included within loss

Depreciation	399,309	205,553
Share based payments expenses	590,339	151,046
Interest on convertible notes	-	-

Changes in operating assets and liabilities:

(Increase) in trade and other receivables	(48,815)	(311,827)
(Increase) in current tax and other assets	(460,791)	(361,973)
(Increase) in inventories	(562,846)	(191,490)
Increase in provisions	49,145	116,177
Increase in payables	487,946	256,492

Net cash outflow from operating activities	(2,572,311)	(2,795,142)
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GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Note 19: Parent Entity Financial Information

(a) Summary financial information:

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

	2016	2015
	\$	\$
Assets		
Current Assets		
Cash and cash equivalents	2,560,902	5,460,406
Trade and other receivables	1,184,599	522,015
Inventory	754,246	191,490
Government grant receivable	1,429,887	969,096
Total Current Assets	<u>5,929,634</u>	<u>7,143,007</u>
Non-Current Assets		
Plant and equipment	<u>728,908</u>	<u>741,441</u>
Total Non-Current Assets	<u>728,908</u>	<u>741,441</u>
Total Assets	<u>6,658,542</u>	<u>7,884,448</u>
Liabilities		
Current Liabilities		
Trade and other payables	874,907	443,342
Provisions	344,813	294,442
Total Current Liabilities	<u>1,219,720</u>	<u>737,784</u>
Non-Current Liabilities		
Provisions	<u>7,360</u>	<u>5,361</u>
Total Non-Current Liabilities	<u>7,360</u>	<u>5,361</u>
Total Liabilities	<u>1,227,080</u>	<u>743,145</u>
Net Assets	<u>5,431,462</u>	<u>7,141,303</u>
Equity		
Issued capital	32,547,402	32,501,357
Reserves	725,051	151,046
Accumulated losses	(27,840,991)	(25,511,100)
Total Equity	<u>5,431,462</u>	<u>7,141,303</u>
Loss for the year	(2,346,225)	(2,574,786)
Other comprehensive income	-	-
Total comprehensive income for the year	(2,346,225)	(2,574,786)

(b) Summary financial information:

The Parent entity did not have any contingent liabilities as at 30 June 2016 or 30 June 2015.

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Note 20: Subsidiaries

	Country of incorporation	Equity holding in subsidiaries	
		2016 %	2015 %
a) Parent entity			
Genetic Signatures Limited	Australia		
b) Controlled entities			
Genetic Signatures US Ltd	USA	100%	100%

Note 21: Related party transactions

Related parties

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

Key management personnel:

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

Key Management personnel include:

Nickolaos Samaras – Director
 John Melki – Director and Chief Executive Officer
 Michael A Aicher – Director
 Phillip J Isaacs – Director
 Anthony J Radford – Director
 Robert J Birrell – Director and Chief Financial Officer. Resigned 21 August 2015.
 Pat Noland – Director. Resigned 1 October 2015.
 Doug Millar – Chief Scientific Officer

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

(b) Transactions with related parties:

	Consolidated	
	2016 \$	2015 \$
The company controlled by Nick Samaras was paid for consultancy services	-	30,000
The company controlled by Mike Aicher was paid for consultancy services	-	142,848

The valuation of the transactions with related parties is fair value, being the amounts for which the services could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar services.

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Note 22: Financial risk management

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

Net Fair Value

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

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

	Net Carry- ing Value 2016	Net Fair Value 2016	Net Carry- ing Value 2015	Net Fair Value 2015
Financial assets	\$	\$	\$	\$
Cash and cash equivalents	2,564,254	2,564,254	5,461,686	5,461,686
Trade and other receivables	485,216	485,216	436,401	436,401
Total Financial Assets	<u>3,049,470</u>	<u>3,049,470</u>	<u>5,898,087</u>	<u>5,898,087</u>
 Financial Liabilities				
Trade creditors	573,032	573,032	263,646	263,646
Other creditors	358,254	358,254	179,695	179,695
Total Financial Liabilities	<u>931,286</u>	<u>931,286</u>	<u>443,341</u>	<u>443,341</u>

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

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

Interest Rate Risk

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

Sensitivity

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

Based on the cash held at reporting date, the sensitivity to a 1% increase or decrease in interest rates would increase/(decrease) after tax profit by \$25,642 (2015: \$54,604).

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Note 22: Financial risk management (Cont.)

Liquidity Risk

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

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

Credit risk

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

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates. The table below in note 23 summarises the assets which are subject to credit risk.

Note 23: Financial risk management

	Consolidated	
	2016	2015
Financial assets	\$	\$
Cash and cash equivalents	2,564,254	5,461,686
Trade and other receivables	485,216	436,401
Total Financial Assets	3,049,470	5,898,087

Financial liability maturity analysis

	Within 1 Year	1 to 5 Years	Total
2016	\$	\$	\$
Financial liabilities due for payment			
Trade and other payables	931,286	-	931,286
Total expected outflows	931,286	-	931,286
	Within 1 Year	1 to 5 Years	Total
2015	\$	\$	\$
Financial liabilities due for payment			
Trade and other payables	443,341	-	443,341
Total expected outflows	443,341	-	443,341

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Note 24: Capital Risk Management

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

Management effectively manages the company's capital by assessing the company's financial risks and adjusting its capital structure in response to changes in these risks and the market. These responses have included the issue of convertible notes to its principal shareholder and equity to sophisticated investors until the company's IPO in March 2015 which raised gross \$7.5 million from new shareholders.

There were no externally imposed capital requirements during the year.

Note 25: Events Subsequent to Reporting Date

On 2 September 2016 the Company announced that it had successfully completed an institutional placement to raise \$14 million through the issue of 29.8 million new shares. The placement will be completed in two tranches:

- The first tranche of new shares, being 10.9 million shares and raising \$5.1 million (\$4.8 million net of costs), was completed on Thursday, 8 September 2016 under the Company's capacity pursuant to ASX Listing Rule 7.1.
- The issue of the second tranche of new shares, being 18.9 million shares and raising \$8.9 million, is conditional on shareholder approval. The Company announced a meeting of shareholders on 12 September 2016 to be held on 13 October 2016 to seek this approval.

On 12 September 2016 the Company announced in conjunction with the placement, a share purchase plan to raise up to \$1 million.

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

Note 26: Financial Reporting Segments

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

Major customers

During the year ended 30 June 2016 there were three customers (2015: three) that each contributed over 10% of the consolidated entity's external revenue.

Geographic locations

North America

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

Australia

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

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

GENETIC SIGNATURES LIMITED
ABN: 30 095 913 205

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Note 27. Earnings per share

	Consolidated	
	2016	2015
	\$	\$
Loss after income tax	(3,026,598)	(2,659,120)
Loss after income tax attributable to the owners of Genetic Signatures Limited	(3,026,598)	(2,659,120)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	72,832,195	50,685,876
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	-	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	72,832,195	50,685,876
	Cents	Cents
Basic loss per share	(4.2)	(5.2)
Diluted loss per share	(4.2)	(5.2)

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 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 2016 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

A handwritten signature in black ink that reads "John Melki". The signature is written in a cursive, flowing style.

John Melki
Director

Sydney, 28 September 2016

INDEPENDENT AUDITOR'S REPORT

To the members of Genetic Signatures Limited

Report on the Financial Report

We have audited the accompanying financial report of Genetic Signatures Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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 Genetic Signatures 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 Genetic Signatures Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) 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.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. 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.

Opinion

In our opinion, the Remuneration Report of Genetic Signatures Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership



John Bresolin
Partner

Sydney, 28 September 2016