Proteomics International Laboratories Ltd

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2015 Preliminary Final Report - Company Update

Life sciences company Proteomics International Laboratories Ltd (ASX: PIQ) (the Company, PILL) is pleased to provide the following update on its operations and activities in support of its 2015 Preliminary Final Report released today.

2015 was a transformational year for PILL, highlighted by its successful Initial Public Offering (IPO) and ASX listing and, at the business level, the discovery and reporting of a ground-breaking predictive test for the diagnosis of diabetic kidney disease (DKD).

PILL is focused on the area of proteomics. Proteomics is the industrial scale study of the structure and function of proteins. It is acknowledged as an integral part of the biotechnology and life sciences industries and plays a key role in understanding disease and biological systems. PILL is as a global leader in the field, and has developed a proprietary technology platform which operates across three synergistic proteomics-based business units, each operating in major growth markets. These are:

- **Diagnostics:** Biomarkers of diseases and personalised medicine.
- **Analytical services:** Specialist contract research, analytical testing and consultancy.
- **Drug discovery:** Therapeutic drug discovery with a focus on painkillers and antibiotics.

Financial overview

Revenue from ordinary activities for the year ending 30 June 2015 continued to reflect growth from previous years, with a year-on-year increase of 27% compared to 2014. Revenue generated in the period largely related to income from the Company's analytical services business, which will continue to be a key focus moving forward.

Total combined income was $0.97 million (inclusive of R&D Tax incentive and grants), a small reduction relative to the corresponding 2014 figure. It is noted that customer receipts from recent Analytical Services contracts were not fully reflected in the Company's financial position as at June 30, 2015. The Company reported a loss from ordinary activities for the 2015 year, of $1,149,202, and it is noted that this was impacted by one-off costs associated with the Company's IPO.

The 2015 R&D Tax incentive was calculated as $309,010 and will be payable in FY2016. The R&D Tax incentive tax will continue to form a key component of PILL's operating strategy in the near term, as it seeks to develop new diagnostics tests in other areas of unmet medical need.

Successful ASX Listing

A key focus for the Company during the year was the undertaking and successful completion of its IPO. PILL released its prospectus in November 2014 and the process culminated with its ASX listing and commencement of trading on the ASX on 16 April 2015. The IPO raised $3.05 million through the issue of 15.25 million shares priced at 20c per share. Sydney-based corporate advisory firm K S

Capital acted as Financial Advisor and Lead Manager to the IPO. The IPO represented a pivotal juncture in PILL's development timeline, and provided the capital and market presence required for the Company to execute its growth plans across its business units.

Breakthrough predictive test for diagnosis of Diabetic Kidney Disease

In June 2015 PILL reported it had produced and validated a predictive test for the diagnosis of diabetic kidney disease (DKD). The test, called PromarkerD, is the world's first proteomics-derived predictive (prognostic) test for the diagnosis of DKD, and represents a global breakthrough in the diagnosis and treatment of the disease. There is currently no available test for predicting the onset of DKD.

The potential global medical benefits and cost savings from PILL's predictive test are huge. Diabetes is the fastest growing health issue in the world today and is the largest cause of kidney disease. In the United States nearly 10% of the population has diabetes, 35% of adults with diabetes have chronic kidney disease and 20% end up with kidney failure. The ability to accurately predict the onset of DKD via a simple blood test and then provide appropriate clinical treatment to prevent the onset of the disease has the potential to save health care systems globally billions of dollars.

The Company is engaged in positive, ongoing discussions with major pharmaceutical companies in relation to partnering and licensing opportunities for PromarkerD, and it will provide details on the progress of these discussions in due course.

Moving forward, PILL will also focus on utilising its technology platform to develop new diagnostic tests in other areas of unmet medical need, such as Alzheimer's disease.

Patent for Diagnostic Test of Diabetic Kidney Disease

In May 2015 PILL received a Notice of Acceptance from IP Australia for Australian Patent Application 2011305050 entitled "Biomarkers associated with pre-diabetes, diabetes and diabetes related conditions" which covers the PromarkerD diagnostic test for DKD. The Company expects this patent to be granted in the near future. Upon grant, the patent will apply until September 2031.

New Analytical Services Contracts

The Analytical Services component of PILL's business is built around its technology platform's ability to test and validate the protein composition of a wide and varied range of products. In April the Company signed two significant new analytical services contracts; one with a major Middle Eastern-based biopharmaceutical company for its bio-similars (generic drugs), and another with The a2 Milk Company to provide protein analysis for the a2 Milk brand of fresh milk products to validate protein composition and for quality control purposes.

PILL plans to continue to grow the footprint of its analytical services business via its state-of-the-art proteomics technology platform, and this will be a key area of focus in 2016.

Appointment of Global Head of Business Development

In May Mr John (Chuck) Morrison was appointed as the Company's Head of Global Business Development, to be based in Boston, in the US. Mr Morrison has more than 37 years' experience in the life sciences, biotechnology and diagnostic industries. His appointment was a key addition to PILL's senior management team, and he will play a vital role in sourcing and executing commercialisation opportunities for products derived from PILL's world-leading proprietary proteomics-based technology platform.

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About Proteomics International Laboratories (PILL)

PILL is an ASX listed (ASX: PIQ) life science company focused on the area of proteomics – the industrial scale study of the structure and function of proteins. Proteomics is an integral part of the biotechnology and life sciences industries and plays a key role in understanding disease and biological systems. It represents a massive global market estimated to be worth $20.8 billion by 2018.

PILL is recognised as a global leader in its field. It received the world's first ISO 17025 laboratory accreditation for proteomics services, and operates from state-of-the art facilities at the Harry Perkins Institute of Medical Research in Perth, Western Australia. The Company's business model uses its proprietary technology platform which operates across three synergistic proteomics-based business units in massive growth markets:

1. Analytical services: Specialist contract research, analytical testing and consultancy - fee for service model.

2. Diagnostics: Biomarkers of diseases and personalised medicine - focus on diabetic kidney disease and Alzheimer's disease. The biomarkers market is estimated to double in size to $40.8 billion by 2018.

3. Drug discovery: Therapeutic drug discovery with a focus on painkillers and antibiotics. The peptide therapeutics market is currently estimated to be worth $17 billion.

Appendix 4E

Preliminary Final Report
Proteomics International Laboratories Ltd
ABN 78 169 979 971

Dates

Financial Year Ended	30 June 2015
Previous Corresponding Reporting Period	Financial year ended 30 June 2014[1]

Results for Announcement to the Market

	Current Period (30 Jun 2015) $	Percentage increase /(decrease) over previous corresponding period	Previous Corresponding Period[1] (30 Jun 2014) $
Revenue from ordinary activities[2]	608,394	26.8%	479,872
(Loss) from ordinary activities after tax attributable to members[3]	(1,149,202)	466%	(246,527)
Net (loss) for the period attributable to members	(1,149,202)	466%	(246,527)

Notes:
1. The comparative period represents the results and information for Proteomics International Pty Ltd.
2. Revenue from continuing operations has been disclosed as revenue from ordinary activities.
3. Net loss for the period from continuing operations has been disclosed as loss from ordinary activities after tax attributable to members

Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Record date for determining entitlements to the dividends (if any)	Not Applicable	

Commentary on the results for the financial year ended 30 June 2015

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Life sciences company Proteomics International Laboratories Ltd (ASX: PIQ) (the Company, PILL) presents this financial report for the year ended 30th June 2015, with the following explanation of the results:

- The year was highlighted by the successful completion of its IPO, and listing on the ASX on 16th April. The Company raised $3.05 million via the issue of 15.25 million shares at 20c per share.

- Revenue from ordinary activities encapsulates income from the Company's analytical services business and has maintained its growth trend showing a year on year increase of 27%.

- PILL's combined income is $0.97 million, which includes the R&D Tax incentive and grants. The small reduction in the total as compared to 2014 reflects completion of the one million dollar Commercialisation Australia grant funding for the Company's novel diabetic kidney disease diagnostic test.

- The R&D Tax incentive has been calculated as $309,010 and will be payable in FY2016. The tax incentive from increased Research and Development activities forms a key element of PILL's operating strategy as the Company seeks to develop new diagnostics tests in other areas of unmet medical need such as Alzheimer's disease.

- The loss from ordinary activities of $1,149,202 reflects normal operational costs, costs related to the IPO, and non-cash items.

- Non-cash items total $708,844 and are composed of two parts:

  (a) Future performance based Performance Rights become payable if set milestones are achieved with, for example, the Directors believing a 60% probability is reflective of a significant deal occurring within two years for a diagnostics project (see Note 10). This has created a non-cash Share Based Payment expense of $145,484 in 2015.

  (b) Convertible Notes utilised by the Company pre-IPO have been revalued creating a non-cash Fair Value Movement in Derivatives of $560,000 (see Note 7) with attaching interest of $3,360 (see Note 8).

Net tangible assets per ordinary share

	30 June 2015	30 June 2014[4]
	$	$
Net tangible asset per share	0.04	(663)

4. The comparative period represents the share capital and balance sheet information for Proteomics International Pty Ltd

Details of Associates and Joint Venture Entities

	Ownership Interest		Contribution to net profit/(loss)	
	2015 %	2014 %	2015 $A	2014 $A
Name of entity	**N/A**	**N/A**	**N/A**	**N/A**
Associates				
Joint Venture Entities				
Aggregate Share of Losses				

Details of entities over which control has been gained or lost during the period

Name of entity	Proteomics International Pty Ltd
Date of gaining control	30 September 2014
Commentary and contribution	In accordance with Australian Accounting Standards, the acquisition was accounted for as a transaction under common control. Consequently, this report presents the results of Proteomics International Pty Ltd for the year period from 1 July 2014 to 30 June 2015 and of the consolidated Group for the period from 30 September 2014 to 30 June 2015. The loss for the year for Proteomics International Pty Ltd was $364,292.

Audit Status

This report is based on accounts to which one of the following applies: (Tick one)			
The accounts have been audited		The accounts have been subject to review	
The accounts are in the process of being audited or subject to review	✓	The accounts have not yet been audited or reviewed	

If the accounts have not yet been audited and are likely to contain an independent audit report that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter: Not applicable.
If the accounts have been audited contain an independent audit report that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter: Not applicable.

Proteomics International Laboratories Ltd

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

	Notes	Consolidated 2015 $	Company 2014 $
Revenue from continuing operations			
- Services		608,394	479,872
Other Income			
- Grant income		49,035	536,844
- Research and development tax incentive		309,010	111,366
Employment and labour expenses	2(c)	(780,584)	(769,464)
Share based payments expense		(145,484)	-
Depreciation expense		(2,417)	(3,374)
Fair value movement in derivatives	7	(560,000)	-
Intellectual property maintenance expenses		(52,939)	(20,242)
Interest expense		(48,064)	(34,321)
Laboratory supplies		(92,393)	(216,523)
Professional fees		(119,614)	(133,373)
Travel and marketing expenses		(60,186)	(32,793)
Laboratory access fees		(180,893)	(157,940)
Other expenses	2	(54,836)	(9,546)
Profit/(loss) before income tax		(1,130,972)	(249,494)
Income tax (expense) / benefit		(18,229)	2,967
Profit/(Loss) after income tax from continuing attributable to equity holders of Proteomics International Laboratories Ltd		(1,149,202)	(246,527)
Other comprehensive income			
Items that will be classified to profit or loss			
Foreign currency translation differences		-	-
Total comprehensive income for the year		-	-
Profit/(loss) and total comprehensive income attributable to equity holders of Proteomics International Laboratories Ltd		(1,149,202)	(246,527)
Basic earnings per share (cents per share)	15	(0.04)	(0.01)
Diluted earnings per share (cents per share)		N/A	N/A

The above consolidated statement of profit and loss and other comprehensive income should be read in conjunction with the accompanying notes.

Proteomics International Laboratories Ltd

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2015

	Notes	Consolidated 2015 $	Company 2014 $
CURRENT ASSETS			
Cash and cash equivalents	3	2,004,974	51,006
Trade and other receivables	4	195,775	103,026
Income tax receivable		-	5,580
Other assets	5	321,478	220,847
TOTAL CURRENT ASSETS		2,522,227	380,459
NON-CURRENT ASSETS			
Property, plant and equipment		9,059	11,476
Intangible assets		1,012	1,012
TOTAL NON-CURRENT ASSETS		10,071	12,488
TOTAL ASSETS		2,532,298	392,947
CURRENT LIABILITIES			
Trade and other payables	6	275,024	221,028
Bank overdraft	3	-	15,035
Provisions		-	54,664
Derivative financial instruments	7	-	560,000
TOTAL CURRENT LIABILITIES		275,024	850,728
NON-CURRENT LIABILITIES			
Borrowings	8	441,891	441,891
Provisions		10,098	-
TOTAL NON-CURRENT LIABILITIES		451,989	441,891
TOTAL LIABILITIES		727,013	1,292,619
NET ASSETS / (DEFICIENCY)		1,805,285	(899,672)
EQUITY			
Issued capital	9	4,044,180	372,690
Reserves	10	259,763	77,095
Accumulated losses		(2,498,658)	(1,349,457)
TOTAL EQUITY / (DEFICIENCY)		1,805,285	(899,672)

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Proteomics International Laboratories Ltd

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2015

	Notes	Consolidated 2015 $	Company 2014 $
Cash flows from operating activities			
Receipts from customers		662,562	432,301
Payments to suppliers and employees		(1,454,688)	(1,398,059)
Interest paid		(44,704)	(34,321)
Research and development tax incentive		111,366	142,116
Grant income		49,035	536,844
Income taxes paid		(12,649)	(8,328)
Interest received		11,815	3,728
Net cash inflow / (outflow) from operating activities	3	(677,263)	(325,718)
Cash flows from investing activities			
Payments for property, plant and equipment		-	-
Payments for acquisition of subsidiary		-	-
Payments for intangibles		-	-
Proceeds from sales of intangible assets		-	-
Proceeds from sale of property, plant and equipment		-	-
Net cash inflow / (outflow) from investing activities		-	-
Cash flow from financing activities			
Proceeds from the issue of equity		3,050,001	10,000
Payment for share issue costs		(428,734)	(60,952)
Proceeds from borrowings		221,130	566,000
Repayment of borrowings		(196,130)	(145,559)
Net cash inflow / (outflow) from financing activities		2,646,267	369,489
Cash and cash equivalents at the beginning of the financial year		35,971	(7,800)
Net increase / (decrease) in cash and cash equivalents		1,969,003	43,771
Cash and cash equivalents at the end of the financial year	3	2,004,974	35,971

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

Proteomics International Laboratories Ltd

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015

CONSOLIDATED 30 JUNE 2015	Notes	Issued Capital $	Share based Payments Reserves $	Accumulated losses $	Total $
Balance at 1 July 2014		372,690	77,095	(1,349,457)	(899,672)
Loss for the year		-	-	(1,149,202)	(1,149,202)
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		372,690	77,095	(2,498,658)	(2,048,873)
Transactions with Equity Holders in their capacity as Equity Holders					
Equity Issued	9	4,777,595	-	-	4,777,596
Share issue costs	9	(1,106,105)	-	-	(1,106,106)
Share based payments	10	-	182,668	-	182,668
		3,671,490	182,668	-	3,854,158
Balance as at 30 June 2015		4,044,180	259,763	(2,498,658)	1,805,285

COMPANY 30 JUNE 2014	Issued Capital $	Share based Payments Reserves $	Accumulated losses $	Total $
Balance at 1 July 2013	372,690	77,095	(1,102,930)	(653,145)
Loss for the year	-	-	(246,527)	(246,527)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	372,690	77,095	(1,349,457)	(899,672)
Transactions with Equity Holders in their capacity as Equity Holders	-	-	-	-
Balance as at 30 June 2014	372,690	77,095	(1,349,457)	(899,672)

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

NOTES TO THE PRELIMINARY FINAL REPORT

FOR THE YEAR ENDED 30 JUNE 2015

Note 1 Accounting Policies

(a) Basis of preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

These consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001. Australian Accounting standards, including Australian Accounting Interpretations and other pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with any public announcements made by Proteomics International Laboratories Ltd (the Company) and its controlled entity during the period since listing in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

These financial statements cover the consolidated group of Proteomics International Laboratories Ltd and its controlled entity from the date of the acquisition. Proteomics International Laboratories Ltd is a listed public company, incorporated and domiciled in Australia.

The financial statements of Proteomics International Laboratories Ltd comply with all the International Financial Reporting Standards (IFRS) in their entirety.

The accounting policies have been consistently applied by the consolidated entity across both periods presented in this report.

This report does not include full disclosures of the type normally included in the annual financial report.

Reporting basis and Convention

These financial statements have been prepared on an accruals basis and are based on historical cost modified by the fair value of selected financial liabilities for which the fair value basis for accounting has been applied.

In accordance with Australian Accounting Standards, the acquisition was accounted for as a transaction under common control. Consequently, this report presents the consolidated results of Proteomics International Pty Ltd (PIPL) for the year period from 1 July 2014 to 30 June 2015 and of the Group for the period from 30 September 2014 to 30 June 2015.

The comparative financial information included in the Company's financial statements is that of Proteomics International Pty Limited, not the Company. However, the capital structure of the legal acquirer, the Company, is adopted in the financial statements.

(b) Segment Information

Operating Segments – AASB 8 requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. This is consistent to the approach used for the comparative period.

Operating segments are reported in a uniform manner to which is internally provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

An operating segment is a component of the group that engages in business activity from which it may earn revenues or incur expenditure, including those that relate to transactions with other group components. Each operating segment's results are reviewed regularly by the Board to make decisions about resources to be allocated to the segments and assess its performance, and for which discrete financial information is available.

The Board monitors the operations of the Company based on two segments, operational and corporate. The actual to budget items and a detailed profit and loss are reported to the board to assess the performance of the Group.

The Board has determined that strategic decision making is facilitated by evaluation of the operations of the legal parent and subsidiary which represent the operational performance of the group's revenues and the research and development activities as well as the finance, treasury, compliance and funding elements of the Group.

(c) Estimates and judgements

The preparation of the financial statements requires the use of accounting estimates and judgements which, by definition, will seldom equal the actual results. This note provides an overview of the areas that involve a degree of judgement or complexity in the preparing the financial information. Facts and circumstances may come to light after the event which may have significantly varied the assessment used which result in a materially different value being recorded at the time of preparing these financial statements.

(i) Fair value

The fair value of financial instruments that are not traded in an active market is determined using a valuation technique. The Company uses its judgement in selecting the method, inputs and assumptions embedded in the calculation based on information available at the time of the transaction. The key assumptions in this financial report are as follows:

- Fair value of shares issued – The IPO price has been used for all equity issues prior to the Company's listing on the stock exchange as it represents a reasonable basis for valuing the share given the intention of the Company;
- Fair value of options issued – the Company has assessed the volatility within the Black Scholes model based on a list of biotech companies on the ASX. This is considered to be a reasonable basis for assessing the potential movements in the share price over time as they represent a selected industry average;
- Discount rate in the compound financial instrument – the Company and/or the instrument issued does not have a direct market comparison to provide an indicative rate, as such the Company has used its judgement when assessing a potential borrowing rate for the purpose of the valuation; and
- Performance rights probability factor – the Company has undertaken an assessment of the likelihood of the rights vesting over the vesting period. This assessment taken into accounting, operational factors and success to date and restrictions in resourcing including funding. This is a best estimate of the possible outcome of the rights based on the available information to hand at the date of the report.

(ii) Deferred taxes

Deferred tax assets have not been brought to account as it is not considered probable that the Company will make taxable profits over the next 12 months. The Company will make a further assessment at the next reporting period.

(iii) Impairment of assets

The Company assesses the impairment of assets at each reporting date by evaluating conditions specific to the asset that may lead to impairment. The assessment of impairment is based on the best estimate of future cash flows available at the time of preparing the report. However, facts and circumstances may come to light in later periods which may change this assessment if these fact had be known at the time.

(d) Significant accounting policies

The following is a list of significant accounting policies required to understand the financial statements:

(i) Principles of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls 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 affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Principles of consolidation (continued)

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(ii) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity. Revenue from services is recognised in the accounting period in which the services are rendered (on a percentage of completion method).

Interest income is recognised using the effective interest method.

(iii) Government grants

Grants from the government are recognised at their fair value where it is highly probable that the grant will be received and the group will comply with all attached conditions.

(iv) Derivatives and financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The fair value movement in subsequent periods is recognised in the profit and loss.

(v) Intangible assets

Research and development - Research expenditure and development expenditure that do not meet the recognition criteria set out below are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period:

- It is technically feasible to complete the asset so that it will be available for use;
- Management intends to complete the asset and use or sell it;
- There is an ability to use or sell the asset;
- It can be demonstrated how the asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the assert are available; and
- The expenditure attributable to the asset during its development can be reliably measured.

(vi) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been

Borrowings (continued)

extinguished or transferred to another party and the consideration paid, including any non- cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(vii) Employee benefits

Share-based payments compensation benefits are provided to employees via a performance rights issue.

The fair value of the rights granted under the agreement are recognised as a share based payments expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the rights granted, which excludes the impact of any service and non-market conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimate of the number of rights that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to the original estimates, if any, in the profit and loss, with a corresponding adjustment to equity.

(viii) Transactions under common control

A transaction under common control is accounted for in the consolidated financial statements prospectively from the date of the transaction. Assets and liabilities are recognised upon consolidation at their carrying value with the acquirer deemed to be the accounting parent.

2. Loss for the year

	Consolidated 2015 $	Company 2014 $
Loss for the year included the following items:		
(a) R&D Tax incentive (i)	309,010	111,366
(b) Other expenses		
Unrealised foreign exchange losses / (gains)	(580)	-
Realised losses / (gains)	5,575	-
Fair value movement in derivative	560,000	-
(c) Employee and labour expenses		
Salary and wages	768,738	701,717
Other personnel costs	15	-
Superannuation	59,472	57,251
Increase/(decrease) in leave liabilities	(47,641)	10,496
	780,584	769,464
Shares based payment expenses	145,484	-
	926,068	769,464

(i) R&D Tax incentive

The Group undertakes a substantial amount of research in its daily activities. The Group has registered its activities and is able to claim a tax incentive (rebate) each year based on eligible research and development costs incurred during a financial year. The claim is submitted after year end with the Group's income tax return and received subsequent to lodgement.

3. Reconciliation of cash

	Consolidated 2015 $	Company 2014 $
Cash at bank	54,974	51,006
Deposits at call	1,950,000	-
	2,004,974	51,006
Bank overdraft	-	(15,035)
Total cash and cash equivalents	2,004,974	35,971

Reconciliation of cash (continued)

(a) Reconciliation of loss after income tax to net cash flows from operating activities

	Notes	Consolidated 2015 $	Company 2014 $
Loss for the year		(1,149,202)	(246,527)
Depreciation		2,417	3,374
Unrealised net foreign currency (gain)/losses	2	(580)	-
Fair value movement in derivative	7	560,000	-
Convertible note interest	8	3,360	-
Share based payments expense	10	145,484	-
(Increase) / decrease in traded and other debtors		(13,749)	2,850
(Increase) / decrease in other receivables		(79,000)	(48,492)
(Increase) / decrease in tax receivable		5,580	-
(Increase) / decrease in other assets		(161,584)	30,750
Increase / (decrease) in trade and other creditors		54,576	(45,279)
Increase / (decrease) in provisions		(44,567)	(22,394)
Net cash inflow / (outflow) from operating activities		(677,263)	(325,718)

(b) Non-cash financing and investing activities

(i) Issue of shares in exchange for options

On 8 April 2015, the Company issued a total of 828,952 fully paid ordinary shares (Shares) in Proteomics International Laboratories Ltd (PILL) to the holders of options in Proteomics International Pty Ltd (PIPL) to facilitate the acquisition and ASX listing process. The agreement between parties was to exchange a fixed number of options for a fixed number of shares. A number of the options had previously been valued as they had been issued in relation to services provided by employees and the value has been transferred to issued capital ($77,095).

(ii) Conversion of Convertible Instruments

On 8 April 2015, the Company converted 560,000 convertible notes with a face value of $1 per note into 5,600,000 Shares. The agreement between parties was to convert the notes at a 50% discount to the IPO (once set), therefore the value of the transaction as been assessed as $1,120,000. In addition, the Company converted 25,000 convertible notes with a face value of $1 per note into 2,500,000 options in PILL exercisable at $0.20 each and expiring on 31 March 2018 (Options). The agreement between parties was to repay in cash at any time or on maturity issue a fixed number of Options. The instrument is considered to be a compound financial instrument where the total equity value as been assessed as $28,360.

(iii) Issue of Shares and Options to Consultants

On 8 April 2015, the Company issued 152,500 Shares and 610,000 Options to consultants that assisted in the ASX listing process. The total value attributed to the Shares was $30,500 and the total value attributed to the Options was $85,919. In addition, consultants related to the ASX listing process received 2,500,000 Shares with a total value of $500,000.

4. Trade and other receivables

	Consolidated 2015 $	Company 2014 $
Trade receivables	116,775	103,026
Other receivables	79,000	-
	195,775	103,026

(a) Classification of trade and other receivables

Trade debtors are amounts due from customers for services performed in the ordinary course of business. The trade receivables are generally due for settlement within 30 days and therefore are classified as current. The group does not currently have any provision for doubtful debts in respect to their receivables as at 30 June 2015 (2014: nil).

(b) Other receivables

These amounts include the receivables from the Australian Taxation Office for GST and amounts accrued for income that has not been billed as at 30 June 2015.

(c) Fair value of trade and other receivables

Due to the short term nature of the current receivables, their carrying amount is assumed to be the same as their fair value.

5. Other assets

	Consolidated 2015 $	Company 2014 $
Research and development tax incentive	309,010	111,366
Prepayments	12,468	109,481
	321,478	220,847

6. Trade and other payables

	Consolidated 2015 $	Company 2014 $
Trade creditors	82,398	126,314
Other creditors	192,626	94,714
	275,024	221,028

(a) Fair value of trade and other payables

Trade payables are unsecured and are usually paid within 60 days of recognition.

The carrying amount of trade and other payables are assumed to be the same as their fair values, due to their short term nature.

7. Derivative financial instruments

	Consolidated 2015 $	Company 2014 $
Convertible notes	-	560,000
	-	560,000
Movements in convertible notes		
Opening balance	560,000	-
- Amounts received	-	560,000
- Fair value movement of derivative instrument (through profit and loss)	560,000	-
- Amounts settled in Shares	(1,120,000)	-
Closing balance	-	560,000

(a) Terms of the Notes

The Company issued convertible notes to external investors to provide the Company with funding for the ASX listing process and for additional working capital purposes. The notes were provided on the following terms:

Particulars	Terms
Principle	$560,000
Interest rate	0%
Period	For a period until the Company lists on the ASX
Repayment	No formal specified repayment date of terms
Conversion	Subject to listing on the ASX at a price that is 50% of the IPO price

The Company therefore assessed the accounting treatment for the transaction as a derivative financial instrument.

(b) Security

The notes were unsecured and there was no covenants in place for the notes.

(c) Valuation inputs

The valuation of the notes was undertaken using the following inputs (considered to be level 3):

Particulars	Terms
Cash	$560,000
IPO Price	$0.20
Shares issued	5,600,000
Period	Estimated 12 month period (subject to successful listing on the ASX)

Fair value of the Shares issued on conversion of the notes was therefore assessed as $1,120,000 at the date of settlement.

8. Borrowings

	Consolidated 2015 $	Company 2014 $
Loans - directors	441,891	441,891
	441,891	441,891
Movements in directors loans		
Opening balance	441,891	581,450
- Amounts borrowed	221,130	-
- Amounts settled in options (b)	(25,000)	-
- Amounts repaid	(196,130)	(139,559)
Closing balance	441,891	441,891

(a) Borrowings

(i) Terms of the Borrowings

The Company entered into a loan agreement with three directors of Proteomics International Laboratories Ltd to provide the Company with funding for working capital purposes. The loan is provided on the following terms:

Particulars	Terms
Principal	$441,891
Interest rate	7%
Period	2 years from date of listing on the ASX
Repayment	In cash at any time (at the election of the Company) or at maturity in cash or in shares at the market price on the date of conversion.

The Company has therefore assessed the accounting treatment for the transaction as debt and classified the value as a borrowing.

(ii) Security

The borrowing is unsecured and there are no covenants in place for the loan.

(b) Compound financial instruments

	Consolidated 2015 $	Company 2014 $
Face value of the note	25,000	-
Share based payments reserve - value of the conversion right	3,360	-
Fair value of the liability at inception	21,640	-
Interest expense	3,360	-
Interest paid	-	-

Compound financial instruments (continued)

(i) Terms of the Compound financial instrument

The Company entering into a convertible loan agreement under the following terms:

Particulars	Terms
Face value	$25,000
Coupon rate	0%
Period	7 months until the Company listed on the ASX
Repayment	At any time
Maturity	At maturity the note will mandatorily convert into 2,500,000 options

The Company has therefore assessed the accounting treatment for the transaction as a compound financial instrument.

(ii) Security

The notes were unsecured and there are no covenants in place for the notes.

(iii) Valuation inputs

The valuation of the notes was undertaken using the following inputs (considered to be level 3):

Particulars	Terms
Cash	$25,000
Discount rate	25%
Period	7 months until the Company listed on the ASX

The discount rate is an estimate of the risk embedded in the instrument and the Company's perceived credit risk at the time of entering into the note.

(iv) Assessment of contractual cash flows

Contractual maturities of financial liabilities As at 30 June 2015	Less than 6 Months $	6 - 12 Months $	Between 1 and 2 years $	Between 2 and 5 years $	Total Contractual Cash Flows $	Carrying Amount $
Non-derivatives						
Trade payables	82,398	-	-	-	82,398	82,398
Borrowings	15,593	15,424	466,383	-	497,400	441,891
Total non-derivative	97,991	15,424	466,383	-	579,798	524,289
Derivatives						
Derivatives financial liabilities	-	-	-	-	-	-
Total derivative	-	-	-	-	-	-

Assessment of contractual cash flows (continued)

Contractual maturities of financial liabilities	Less than 6 Months	6 – 12 Months	Between 1 and 2 years	Between 2 and 5 years	Total Contractual Cash Flows	Carrying Amount
As at 30 June 2014						
Non-derivatives						
Trade payables	126,314	-	-	-	126,314	126,314
Borrowings	15,509	15,339	31,017	466,383	528,247	441,891
Total non-derivative	141,823	15,339	31,017	466,383	654,562	568,205
Derivatives						
Derivatives financial liabilities	-	-	-	-	-	560,000
Total derivative	-	-	-	-	-	560,000

Financing arrangements

The Group has no borrowing facilities in place as at 30 June 2015.

9. Issued capital

(a) Share Capital	**2015** Shares	**2014** **Shares**	**2015** **$**	**2014** **$**
Ordinary Shares	50,582,812	1,359	4,044,180	372,690
Total consolidated issued capital				

(b) Movement in share capital

Date	Details	Number of shares	$
1/07/2014	Opening balance	1,359	372,690
30/09/2014	Issue of shares - acquisition of subsidiary (i)	26,250,000	5,250,000
	Less: adjustment for continuation accounting		(5,250,000)
13/10/2014	Issue of shares - consultants (ii)	2,500,000	500,000
8/04/2015	Issue of shares - conversion of derivative instruments (iii)	5,600,000	1,120,000
8/04/2015	Issue of shares - to PIPL option holders (iv)	828,952	77,095
9/04/2015	Issue of shares - ASX listing (v)	15,250,000	3,050,000
8/04/2015	Issue of shares - consultants (vi)	152,500	30,500
	Less: Transaction costs		(1,106,105)
	Deferred tax recognised in equity		-
	Closing balance		4,044,180

(i) Acquisition - refer to note 12 for further commentary on the transaction
(ii) Consultants - Shares issued to consultants in relation to the ASX listing process
(iii) Derivative - shares issued to extinguish derivative financial instruments
(iv) PIPL options - shares issued to exchange options in the trading entity with shares in the legal parent
(v) IPO - shares issued under the prospectus
(vi) Consultants - shares issues to consultants on completion of the IPO

Refer to note 3 for further details of transactions (ii), (iii), (iv) and (vi) above.

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

10. Share based payments reserve

	Consolidated 2015 $	Company 2014 $
Performance rights reserve (a)	145,484	-
Option reserve (b)	114,279	77,095
	259,763	77,095

(a) Other equity rights	2015 Rights	2014 Rights	2015 $	2014 $
Performance rights	175	-	145,484	-
Total performance rights				

(i) Movements in performance rights

Date	Details	Number of shares	$
1/07/2014	Opening balance	-	-
8/04/2015	Issue of rights	175	145,484
30/06/2015	Closing balance		145,484

(ii) Terms of the performance rights

The Company entered into an agreement with three directors of Proteomics International Laboratories Ltd on 27 October 2014 to provide performance rights. The terms of the rights are as follows:

Rights	A	B	C
No. of rights	50 rights	25 rights	100 rights
No. of Shares	5,000,000	2,500,000	10,000,000
Commencement	16/04/2015	16/04/2015	16/04/2015
Hurdle 1	Signed agreement within 2 years	Signed agreement within 2 years	Signed agreement within 2 years
Hurdle 2	Receive $10m within 2 yrs of delivering hurdle 1	Receive $5m within 2yrs of delivering hurdle 1	Receive $20m within 3yrs of delivering hurdle 1
Cap - limit on share issue	Total shares available under the rights is a max of 10 million	Total shares available under the rights is a max of 10 million	Total shares available under the rights is a max of 10 million

Share based payments reserve (continued)

(iii) Valuation inputs

The valuation of the rights was undertaken using the following inputs (considered to be level 3):

Particulars	Valuation inputs
Grant date	Date of the agreement - 27 October 2014
No. of shares	10,000,000
Market Price	$0.20

Fair value of the rights was therefore assessed to be $2,000,000 as at the grant date.

(iv) Expense recognised in the profit and loss

The inputs relevant to recording the expense over the vesting period are as follows:

Particulars	Vesting calculation inputs
Vesting Period	Between 4.5 and 5.5 years
Vesting Conditions	Hurdles above
Probability	A rights – 50%, B rights – 60% and C rights – 10%

The amount recognised as a share based payment expense in the year ended 30 June 2015 was therefore $145,484. The directors will re-assess the probability of vesting at each reporting date.

(b) Option reserve

	2015 Options	**2014 Options**	**2015 $**	**2014 $**
Options	3,110,000	115	114,279	77,095
Total consolidated issued options				

(i) Movements in options reserve

Date	Details	Number of shares	$
1/07/2014	Opening balance	115	77,095
7/09/2015	Issue of shares to replace options	(115)	(77,095)
8/04/2015	Issue of options - consultants	610,000	85,919
8/04/2015	Issue of options - settlement of debt	2,500,000	28,360
	Closing balance		114,279

(ii) Summary of options

The following table summarises the options granted above:

	Average exercise price	Number of Options	Average exercise price	Number of Options
As at 1 July	$2,500	115	2,500	115
Granted during the period	$0.20	3,110,000	-	-
Exercised during the period	-	-	-	-
Forfeited during the period	-	-	-	-
Other	$2,500	(115)	-	-
As at 30 June	$0.20	3,110,000	2,500	115
Vested and exercisable	$0.20	3,110,000		

No options expired during the periods covered above.

Summary of options (continued)

Options outstanding at the end of the year have the following expiry date and exercise price:

Grant Date	Expiry date	Exercise Price	No. Options
08/04/2015	31/03/2018	$0.20	3,110,000

(iii) Fair value of options issued for services

The fair value of options granted to consultants was $0.141. The fair value at grant date is determined using the Black Scholes Option Pricing Model.

The model inputs for the options granted during the year ended 30 June 2015 were:

Particulars	Input
Consideration	The Options were issued for nil consideration
Exercise price	The exercise price is $0.20
Grant date	The grant date was 27/10/14
Expiry date	The expiry date is 31/3/18
Share price	The shares price used was $0.20
Expected volatility	The expected volatility was 110%
Dividend yield	The dividend yield was nil
Risk free rate	The risk free rate was 2.64%

The expected volatility was based on companies within the same industry as the Group was not yet listed on the ASX.

11. Dividends

The directors have not paid or declared a dividend during the financial year.

12. Acquisition

During the year, Proteomics International Laboratories Ltd (PILL), which was established in June 2014 entered into a share sale agreement whereby the existing shareholders of Proteomics International Pty Ltd (PIPL) exchanged their shares in PIPL for shares in PILL. The result of the transaction was that the original holders of the shares in PIPL received the same proportion of shares in PILL. The acquisition does not fall within the provisions of AASB 3 and therefore the Company has assessed the transaction as being under common control and as applied continuation accounting in the preparation of the financial statements.

13. Contingent liabilities

The Group is not aware of any material contingent liabilities for the year ended 30 June 2015.

14. Segment reporting

	Operational	Corporate	Total
Full-year ended 30 June 2015	$	$	$
Segment revenue			
Total segment revenue	596,580	11,815	608,394
Inter segment sales	-	-	-
Revenue from external customers	596,580	11,815	608,394
Income / (expenses)			
Interest income	-	11,815	11,815
Interest expenses	(44,704)	(3,360)	(48,064)
Depreciation	(2,417)	-	(2,417)
Fair value movement in derivatives	-	(560,000)	(560,000)
Share based payment expenses	-	(145,484)	(145,484)
Income tax expense	(18,229)	-	(18,229)
Profit / (loss) after income tax expense	(619,057)	(888,189)	(1,507,246)
Full-year ended 30 June 2014	$	$	$
Segment revenue			
Total segment revenue	479,872	-	479,872
Inter segment sales	-	-	-
Revenue from external customers	479,872	-	479,872
Income / (expenses)			
Interest income	3,728	-	3,728
Interest expenses	(34,321)	-	(34,321)
Depreciation	(3,374)	-	(3,374)
Income tax (expense) / benefit	2,967	-	2,967
Profit / (loss) before income tax expense	(894,737)	-	(894,737)
Segment assets			
At 30 June 2015	548,399	1,983,899	2,532,298
At 30 June 2014	392,947	-	392,947
Segment liabilities			
At 30 June 2015	707,614	19,399	727,013
At 30 June 2014	1,292,619	-	1,292,619

	Consolidated	
	2015	**2014**
	$	$
Revenue from external customers - segments	608,394	479,872
Revenue from external customers - total	608,394	479,872
Reconciliation of Profit / (loss)		
Profit / (loss) before income tax expense - segments	(1,507,246)	(894,737)
R&D Tax Incentive	309,010	111,366
Grant Income	49,035	536,844
Profit / (loss) before income tax expense from continuing operations	(1,149,202)	(246,527)
Total segment assets	2,532,298	392,947
Total assets	2,532,298	392,947
Total segment liabilities	727,013	1,292,619
Total liabilities	727,013	1,292,619

15. Earnings per share

	Consolidated 2015 $	Company 2014 $
Profit/(loss) attributable to ordinary shareholders	(1,149,202)	(246,527)
Weighted average number of ordinary shares*	26,338,374	19,634,921
Balance at the beginning of the year	1,359	1,359
Effect of shares issued 30 September 2014	19,633,562	19,633,562
Effect of shares issued 13 October 2014	1,780,822	-
Effect of shares issued 8 April 2015	1,273,425	-
Effect of shares issued 8 April 2015	188,501	-
Effect of shares issued 8 April 2015	3,426,027	-
Effect of shares issued 8 April 2015	34,678	-
	26,338,374	19,634,921

* Includes the effect of the transaction (under common control) for the purpose of the comparative earnings per share calculation.

16. Subsequent events

There were no events subsequent to the reporting date which have a significant affect or may have a significant effect on the Group's operations, results or state of affairs in the future years.