Annual Report 2014

PATRYS™
LIMITED



Who We Are

Patrys is a publicly-listed company on the Australian Securities Exchange (ASX: PAB). The Company's headquarters are in Melbourne, Australia, and our main R&D centre is in Würzburg, Germany, where our technology platform and product pipeline was first developed.

Our principal focus is on the development of a completely new type of therapy for the treatment of cancer – natural human antibodies. These natural human antibodies offer the promise of increased potency coupled with greater safety as compared to existing cancer treatments.

The Company's most mature product, PAT-SC1, has been shown to provide treated gastric cancer patients with a significant 10 year survival benefit. Gastric cancer is a notoriously difficult disease to treat with an overall low survival rate. The proof-of-concept data adds significantly to the attractiveness of this product to potential licensing partners. PAT-SC1 is now the subject of an out-licensing programme.

Patrys has also successfully advanced a second product into the clinic: in July of 2010 Patrys received regulatory approval to evaluate PAT-SM6 in a first-in-human clinical trial for the treatment of melanoma patients. This trial was completed in February 2012 with promising results, including a complete absence of adverse events and localisation of PAT-SM6 to tumour cells.

In December 2013 Patrys completed a Phase I/IIa clinical trial in multiple myeloma for PAT-SM6. The primary endpoint of the study was safety and tolerability. At all dose levels PAT-SM6 was well tolerated with no serious adverse events or dose limiting toxicities. Patrys is currently preparing for the planned combination clinical trial.

In addition to PAT-SC1 and PAT-SM6, Patrys has a deep pipeline of other promising candidates, which Patrys can use to refill its pipeline. These include PAT-LM1 which Patrys is currently moving forward in preclinical development in preparation for clinical trial.

The blend of clinical and preclinical programmes, when coupled with a first-mover position in the natural human antibody space, presents Patrys with a unique value position going forward.

Contents

The Year's Highlights	1
Chairman's and CEO's Report	2
Financial Report	5
Board of Directors & Company Particulars	73

The Year's Highlights

PAT-SM6:

- Completing the Phase I/IIa clinical trial for in multiple myeloma (MM).
- Results showed indications of clinical efficacy with 33% of treated patients showing evidence of stable disease (SD) according to the International Myeloma Working Group (IMWG) criteria The patients had a mean time to next therapy of 52 days which is considered clinically significant.
- Showed that patients who had received prior treatment with proteasome inhibitors responded much better to PAT-SM6 treatment which indicates that PAT-SM6 may act synergistically with proteasome inhibitors (such as carfilzomib) to induce better clinical responses.
- Well tolerated with no serious adverse events (SAEs) or dose limiting toxicities being reported at all dose levels tested.
- Positive results in "individual treatment" patient in combination with Velcade and Revlimid.
- Commencing the manufacturing of the product to be used in the upcoming MM combination clinical trial.
- Preparing for Patrys' next planned clinical trial in which PAT-SM6 will be used in combination with Onyx Pharmaceuticals Inc.'s (Onyx) carfilzomib. Onyx is a wholly owned subsidiary of Amgen.
- Granted orphan drug designation in MM by the USA Food and Drugs Administration (FDA) and the European Medicines Agency (EMA).
- Continues to showed considerable promise in preclinical combination studies and several additional animal models of cancer.
- Manuscript published by peer reviewed scientific journal in respect of alternative manufacturing system.
- Preclinical and clinical data presented at several international scientific conferences.
- Awarded an ARC Linkage Grant to support Patrys' partnership with Macquarie University for the development of cancer diagnostics.
- Granted two key patents, one in the US and one in Australia.

PAT-SC1:

- Continued the out-licensing campaign which is focussed on Japan, China, South Korea and India given that gastric cancer has a higher incidence in these populations.
- Manuscript published by peer reviewed scientific journal in respect gastric cancer trial which showed significant survival benefit.

PAT-LM1 and other preclinical candidates:

- Continued to advance PAT-LM1 through scale up manufacturing and preclinical development.
- Granted key PAT-LM1 patent in the US.
- Commenced a new collaboration with Monash University, Melbourne, investigating 4 early-stage anti-cancer IgM antibodies and their cellular targets.
- Commenced a collaboration programme with a global biotechnology company to genetically engineer T cells through the introduction of a chimeric antigen receptor.

Financial:

- Support for the Company's capital management programme with the raising of $9.2 million from a Rights Issue and the exercise of options.

In the next 12 months we expect to:

- Commence the planned combination MM clinical trial with PAT-SM6.
- Further prepare PAT-LM1 for clinical trial.
- Continue with the out-licensing activities in respect of PAT-SC1.
- Develop additional preclinical products to expand the pipeline.
- Continue and extend the external research collaboration programme.

Chairman's and CEO's Report

Patrys has achieved some significant advances in the year to 30 June 2014, with the completion of the Phase I/IIa clinical trial for multiple myeloma (MM) and the granting of orphan drug status in both the US and Europe for PAT-SM6 in MM.

At the date of this report the Company is finalising the manufacturing of the product for a planned Amgen supported combination study with PAT-SM6 and carfilzomib. At this stage, Patrys expects to commence this trial before the end of 2014.

The Company has also continued with the out-licensing programme for PAT-SC1 and the advancement of its pipeline of earlier stage products.

Through effective capital management, Patrys has been able to further its development programme.

Current status of the PAT-SM6 clinical programme and next steps

The commercial prospects for PAT-SM6 have improved significantly during the year.

To recap, in December 2013, Patrys completed the treatment of all patients in its Phase I/IIa clinical trial in MM. The trial was an open-label, multi-dose escalation study in patients with relapsed or refractory MM who had failed all currently marketed drugs and, therefore, had a very poor prognosis. Twelve patients were enrolled in four dosing groups and received two cycles (four doses) of treatment. The primary objective of the study was to evaluate the safety and tolerability of escalating doses of PAT-SM6 and the secondary objective was to measure efficacy as determined by a series of well-established laboratory assays.

At all dose levels tested, PAT-SM6 was well tolerated with no serious adverse events (SAEs) or dose limiting toxicities being reported. A maximal tolerated dose (MTD) was not reached.

Overall, 4/12 patients (33%) treated with PAT-SM6 showed evidence of stable disease (SD) according to the International Myeloma Working Group (IMWG) criteria. One patient who received 3mg/kg of PAT-SM6 was stable for 138 days before additional therapy was needed whilst another patient, who received 6mg/kg of PAT-SM6, was stable for 157 days before additional therapy was needed.

Importantly, patients treated with PAT-SM6 had a mean time to next therapy of 52 days which is considered clinically significant.

Patients who had received prior treatment with proteasome inhibitors responded much better to PAT-SM6 treatment than patients who had been previously treated with immunomodulatory drugs (IMIDs) or other chemotherapeutic agents. This observation is very exciting as it indicates that PAT-SM6 may act synergistically with proteasome inhibitors (such as carfilzomib) to induce better clinical responses. Such a hypothesis will be tested in Patrys' planned upcoming clinical trial.

Following completion of the trial a single patient with relapsed MM was treated on an "individual treatment" basis with PAT-SM6 in combination with the marketed drugs, velcade and revlimid. After three doses of this combination therapy, a PET-CT scan revealed significant shrinkage of both the extramedullary and the intramedullary lesions. Of particular note was the disappearance of a large tumour in the testes. The patient has since gone on to receive additional treatment for his remaining disease.

In November 2013, Patrys announced that it is planning a Phase Ib/IIa clinical trial evaluating the effectiveness of PAT-SM6 in combination with carfilzomib, in patients with relapsed and refractory MM. The trial will be headed by Professor Dr. Hermann Einsele, Director of the Department of Medicine II, University of Würzburg, Germany. Patients will also be recruited into the trial by the Technical University of Dresden, Germany. . Since the announcement, Patrys has been manufacturing PAT-SM6 for use in the trial. Subject to approval by the Paul Erhlich Institut (PEI), it is anticipated that the trial will commence by the end of 2014.

The global multiple myeloma market is expected to grow from US$8 billion in 2013 to US$15 billion in 2018. The market is currently served by a limited number of small molecule therapeutics. MM, however, remains largely incurable in the majority of patients. Monoclonal antibodies are a promising class of new therapeutics of which Patrys' PAT-SM6 has demonstrated clinical potential.

Intellectual property (IP) and the legal protection of our assets has always been a focus for Patrys. Creating a strong IP position for PAT-SM6 is paramount and to that end we have numerous patent families covering the PAT-SM6 product with protection extending up to 2024. Importantly the granting of orphan drug status in MM in both the US and Europe was an important milestone.

Current status of the PAT-LM1 programme and next steps

During the year the Company continued to expand its PAT-LM1 preclinical data package. The most recent laboratory experiments focused on the evaluation of the efficacy of PAT-LM1 in blood cancers where it showed very strong and specific binding to more than 90% of tested lymphoma cell lines and patients samples. Interestingly, PAT-LM1 also bound specifically and strongly to some very rare lymphoma types, indicating that it may have broad therapeutic application covering the whole range of different lymphomas.

Patrys has finalised the development of the PAT-LM1 cell line and has commenced the first stage of the GMP scale-up manufacturing process for a future clinical trial.

Out licensing of PAT-SC1

During the year Patrys has continued to evaluate out-licensing opportunities for PAT-SC1. Given that gastric cancer has a significant incidence in Asian populations, the licensing campaign is focussed on Japan, South Korea, China and India. It is anticipated that this out-licensing project will continue until the end of 2014.

In January 2014 an article was published in the Oncology Reports journal. This paper reported the PAT-SC1 clinical trial (conducted 1997 – 2001) 10 year follow-up data which showed that PAT-SC1 treated patients had a significantly higher survival rate as compared to an historical control group who were not treated with PAT-SC1 but did receive gastric resection surgery.

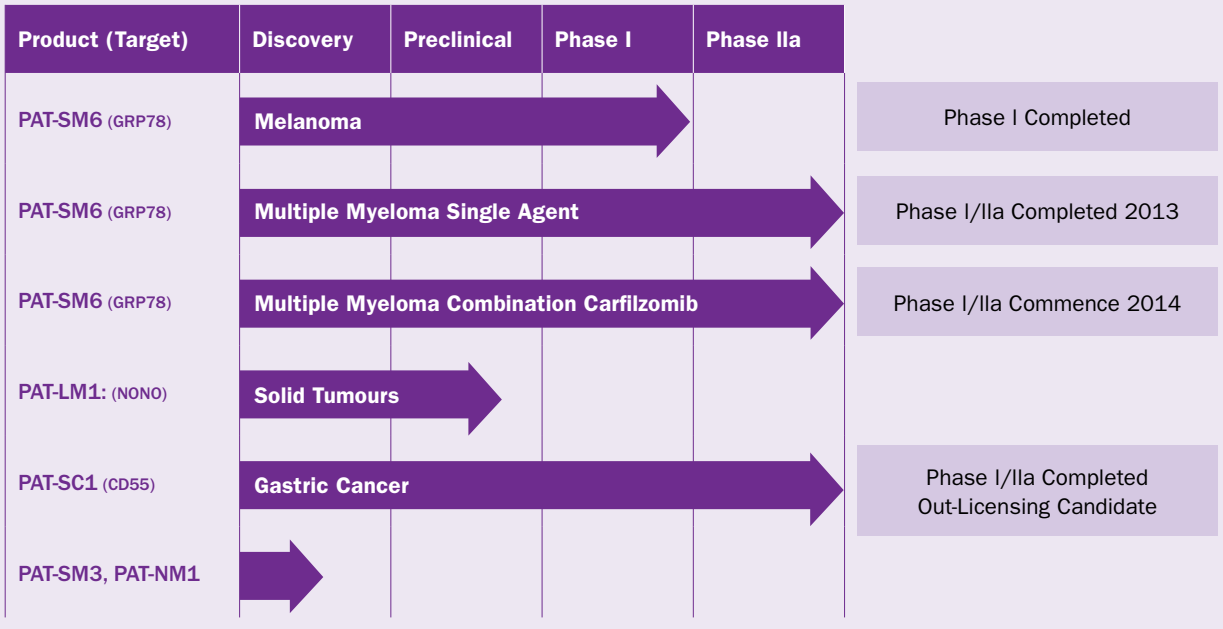
Expansion of the discovery-stage pipeline and patent portfolio

In addition to advancing its three lead products, Patrys has continued to expand its pipeline and is currently, in collaboration with Monash University, Melbourne, investigating 4 early-stage anti-cancer IgM antibodies and their cellular targets. Patrys has also recently commenced a collaboration programme with a global biotechnology company to genetically engineer T cells through the introduction of a chimeric antigen receptor. These engineered T cells have the ability to produce a more targeted and potent attack against cancer cells. Many major pharmaceutical and biotechnology companies are engaged in CAR research and many clinical trials using these modified T cells are now underway. Although early data from these trials look promising, it is acknowledged by experts in the field that engineered T cells directed against novel anti-cancer targets are required.

Capital Management

During the year the Company raised $9.2 million from a Rights Issue and the exercise of options.

Patrys Pipeline



Chairman's and CEO's Report continued

Our key goals for 2014/15 include:

- Commencing the planned MM combination clinical trial
- Continuing with the out-licensing activities in respect of PAT-SC1
- Further developing PAT-LM1 and additional preclinical products
- Continuing and extending the external research collaboration programme

We look forward to your continued support and encouragement in the year ahead.

John Read
Chairman

Dr Marie Roskrow
Managing Director and CEO

The blend of clinical and preclinical programmes, when coupled with a first-mover position in the natural human antibody space, presents Patrys with a unique value position going forward.



Financial Report

Directors' Report	6
Auditor's Independence Declaration	24
Corporate Governance	25
Statement of Profit or Loss and Other Comprehensive Income	31
Statement of Changes in Equity	32
Statement of Financial Position	33
Statement of Cash Flows	34
Notes to the Financial Statements	35
Declaration by Directors	65
Independent Auditor's Report	66
Shareholder Information	68
Board of Directors and Company Particulars	73

DIRECTORS' REPORT

The Board of Directors of Patrys Limited ("Patrys" or the "Company") has resolved to submit the following report together with the financial statements of the Company and its wholly owned subsidiaries ("the Group") for the year ended 30 June 2014.

Directors

The following persons were directors of the Company during the whole of the financial year and up to the date of this report:

Mr. John Read (Non-Executive Chairman)
Dr. Marie Roskrow (Managing Director and Chief Executive Officer)
Mr. Michael Stork (Non-Executive Director and Deputy Chairman)
Ms. Suzy Jones (Non-Executive Director)

Dr. Alan Robertson was a Non-Executive Director of the Company from the beginning of the financial year until his retirement on 23 October 2013.

Details of each director's qualifications and special responsibilities, together with meetings attended, are set forth in other parts of this report.

Company Secretary:

Mr. Roger McPherson.

Principal activities

The principal activities of Patrys relate to the commercialisation of the Group's proprietary technologies to develop natural human antibody-based therapeutic products for the treatment of cancer.

Review of operations

During the year ended 30 June 2014, Patrys focused on the following key areas:

- Completing the Phase I/IIa clinical trial for PAT-SM6 in multiple myeloma and commencing the manufacturing of PAT-SM6 to be used in the planned upcoming multiple myeloma clinical trial
- Expansion of the data package for PAT-SM6 with external collaborators and creation of awareness of this anti-cancer product
- Expansion of the PAT-LM1 preclinical data package and scale-up manufacturing in preparation for a future clinical trial
- Continuation of the PAT-SC1 out-licensing project
- Expansion of the discovery-stage pipeline and patent portfolio
- Enhanced financial strength of the group

PAT-SM6 human clinical trials:

In December 2013, Patrys completed the dosing of all patients in its Phase I/IIa clinical trial in multiple myeloma (MM).

The trial was an open-label, multi-dose escalation study in patients with relapsed or refractory MM who had failed all currently marketed drugs and, therefore, had a very poor prognosis. Twelve patients were enrolled in four dosing groups and received two cycles (four doses) of treatment. The primary objective of the study was to evaluate the safety and tolerability of escalating doses of PAT-SM6 and the secondary objective was to measure efficacy as determined by a series of well-established laboratory assays.

At all dose levels tested, PAT-SM6 was well tolerated with no serious adverse events (SAEs) or dose limiting toxicities being reported. A maximal tolerated dose (MTD) was not reached.

Overall, 4/12 patients (33%) treated with PAT-SM6 showed evidence of stable disease (SD) according to the International Myeloma Working Group (IMWG) criteria. One patient who received 3mg/kg of PAT-SM6 was stable for 138 days before additional therapy was needed whilst another patient, who received 6mg/kg of PAT-SM6, was stable for 157 days before additional therapy was needed.

Importantly, patients treated with PAT-SM6 had a mean time to next therapy of 52 days which is considered clinically significant.

Patients who had received prior treatment with proteasome inhibitors responded much better to PAT-SM6 treatment than patients who had been previously treated with immunomodulatory drugs (IMIDs) or other chemotherapeutic agents. This observation is very exciting as it indicates that PAT-SM6 may act synergistically with proteasome inhibitors (such as carfilzomib) to induce better clinical responses. Such a hypothesis will be tested in Patrys' planned clinical trial in which PAT-SM6 will be used in combination with Onyx Pharmaceuticals Inc.'s (Onyx) carfilzomib. Onyx is a wholly owned subsidiary of Amgen.

Following completion of the trial a single patient with relapsed MM was treated on an "individual treatment" basis with PAT-SM6 in combination with the marketed drugs, Velcade and Revlimid. After three doses of this combination therapy, a PET-CT scan revealed significant shrinkage of both the extramedullary and the intramedullary lesions. Of particular note was the disappearance of a large tumour in the testes. The patient has since gone on to receive additional treatment for his remaining disease.

In November 2013, Patrys announced that it is planning a Phase Ib/IIa clinical trial evaluating the effectiveness of PAT-SM6 in combination with carfilzomib, in patients with relapsed and refractory MM. The trial will be headed by Professor Dr. Hermann Einsele, Director of the Department of Medicine II, University of Würzburg, Germany. Patients will also be recruited into the trial by the Technical University of Dresden, Germany. Since the announcement, Patrys has been manufacturing PAT-SM6 for use in the planned trial. Subject to approval by the Paul Erhlich Institut (PEI), it is anticipated that the trial will commence by the end of 2014.

Expansion of the data package for PAT-SM6 and creation of awareness of this anti-cancer product

During the year the Company was granted orphan drug designation for PAT-SM6 in MM by the USA Food and Drugs Administration (FDA) and the European Medicines Agency (EMA). Orphan drug designation is intended to provide incentives to encourage companies to pursue cures and treatments for rare diseases with high unmet medical needs.

Patrys also continued to expand its PAT-SM6 preclinical data package. This work included studies showing that PAT-SM6 works in combination with currently marketed MM drugs and PAT-SM6 was also demonstrated to be highly effective in a MM animal model. This preclinical data further supports the ongoing development of PAT-SM6 as a novel therapy for multiple myeloma.

Patrys was also awarded an ARC Linkage Grant to support a partnership with Macquarie University. Under the collaboration PAT-SM6 will be used in the development of novel and sensitive cancer diagnostics. The possibility to use Patrys' antibodies as cancer diagnostics as well as therapeutics potentially brings additional opportunities and value to the Patrys' pipeline.

Patrys presented both preclinical and clinical data at the 55th ASH Annual Meeting and Exposition, run by the American Society of Hematology in New Orleans, held in December 2013. In addition, the MM clinical data was presented at several prestigious European Haematology Meetings held throughout the year.

The Company announced the granting of two patents for PAT-SM6, one in Australia and one in the US. These patents add to the extensive portfolio of patents that protect PAT-SM6.

Patrys has continued to work on scientific manuscripts. In April 2014, a paper was published in *Proceedings of the National Academy of Sciences (PNAS)* showing that PAT-SM6 could be produced in an easy-to-grow manufacturing system.

Expansion of the PAT-LM1 preclinical data package and scale-up manufacturing in preparation for a future clinical trial:

During the year the Company continued to expand its PAT-LM1 preclinical data package. The most recent laboratory experiments focused on the evaluation of the efficacy of PAT-LM1 in blood cancers including different types of leukaemias and lymphomas. PAT-LM1 showed very strong and specific binding to more than 90% of tested lymphoma cell lines and patients samples. The antibody was able to induce cell death in mantle cell lymphoma and histiocytic lymphoma cells. Interestingly, PAT-LM1 also bound specifically and strongly to some very rare lymphoma types such as marginal zone B-cell and Burkitt lymphoma, indicating that it may have broad therapeutic application covering the whole range of different lymphomas.

In order to prepare for a future clinical trial, Patrys has finalised the development of the PAT-LM1 cell line and has commenced the first stage of the GMP scale-up manufacturing process.

The Company also announced the granting of a patent for PAT-LM1 in the US.

Continuation of the PAT-SC1 out-licensing project:

During the year Patrys has continued to evaluate out-licensing opportunities for PAT-SC1. Given that gastric cancer has a significant incidence in Asian populations, the licensing campaign was initially focussed on Japan, South Korea and China. The programme has now been expanded to include India. It is anticipated that this out-licensing project will continue until the end of 2014.

In January 2014 an article was published in the *Oncology Reports* journal. This paper reported the PAT-SC1 clinical trial (conducted 1997 - 2001) 10 year follow-up data. The trial investigated the effect of PAT-SC1 in patients with gastric cancer who had also undergone gastric resection surgery. This 10 year follow-up data showed that PAT-SC1 treated patients had a significantly higher survival rate as compared to an historical control group who were not treated with PAT-SC1 but did receive gastric resection surgery.

Expansion of the discovery-stage pipeline and patent portfolio

Patrys has a new collaboration with Monash University, Melbourne, investigating 4 early-stage anti-cancer IgM antibodies and their cellular targets. It is anticipated that, if successful, this project will enable Patrys to progress these 4 IgMs into formal preclinical development and to file intellectual property around both the antibodies and the novel anti-cancer targets.

Patrys has recently commenced a collaboration programme with a global biotechnology company to genetically engineer T cells through the introduction of a chimeric antigen receptor (CAR). These engineered T cells have the ability to produce a more targeted and potent attack against cancer cells. Many major pharmaceutical and biotechnology companies are engaged in CAR research and many clinical trials using these modified T cells are now underway. Although early data from these trials look promising, it is acknowledged by experts in the field that engineered T cells directed against *novel* anti-cancer targets are required.

All of Patrys' IgM antibodies in both clinical and preclinical development are directed against novel anti-cancer targets. Therefore, in this CAR project, parts of these IgM antibodies will be utilised to generate the genetically engineered T cells which, in turn, will attack and kill cancer cells expressing the novel target.

Enhance financial strength of the group

In November 2013, Patrys announced a 1 for 2 rights issue. The Company raised $5.5 million from existing shareholders from the rights issue in December 2013 and placed $2.2 million of the shortfall in January 2014.

In addition to this rights issue, Patrys raised a further $1,580,000 from the exercise of options.

Financial summary

The financial results of the Group for the year ended 30 June 2014 are summarised as follows:

Statement of financial position:

- The Group's cash and term deposits remained strong at $8,643,507 (2013: $5,232,298) at reporting date an improvement of $3.4m over the balance as at 30 June 2013. This was due to the raising of $9.2m from the Rights Issue and exercise of options during the period.
- The Group's policy is to hold its cash and cash equivalent deposits in "A" rated or better deposits.
- The Group's strategy is to outsource product development expenses including manufacturing, regulatory and clinical trial expenses, to specialist, best of breed partner organisations. As a consequence the Group has not incurred any major capital expenditure for the period and does not intend to incur substantial commitments for capital expenditure in the immediate future.

Operating results:

- The Group produced a loss from ordinary activities before income tax of $7,280,929 (2013: $3,522,634). The net loss after tax was $7,289,090 (2013: $3,529,095).
- Consolidated revenue including other income during the period was $759,683 (2013: $1,175,624). This revenue included interest of $177,088 (2013: $222,838) and a R&D Tax Incentive of $582,595 (2013: $754,908).
- Total consolidated operating expenses for the period were $8,040,612 (2013: $4,698,258).
- Research and development costs of $6,298,246 (2013: $3,301,725) have been expensed in the year in which they have been incurred. The increase in research and development costs over the previous year is primarily due to the increased investment in the PAT-SM6 clinical programme, specifically the manufacturing of material for the planned upcoming combination trial. In the past twelve months the Group has focussed on the PAT-SM6 clinical programme, the continued advancement of PAT-LM1 towards a clinical trial and the out-licensing of PAT-SC1.
- Management and administration costs contributed a further $1,742,366 (2013: $1,396,533) to expenses from continuing operations. A majority of these management and administration costs were associated with the oversight of commercialisation, research and development activities of the Group. In part, the increase is due to the impact of exchange rates.
- Basic and diluted net loss per share increased to 1.21¢ (2013: 0.72¢) due to a combination of an increase of the loss and an increase in the number of shares on issue.

Statement of cash flows:

- The Group's cash outflow from operations over the period was $5,089,233 (2013: $2,627,920).
- The increase is due to the increased investment in the PAT-SM6 clinical programme, specifically the manufacturing of material for the planned upcoming combination trial.
- Patrys has converted funds at favourable exchange rates into US dollars, Euro and Sterling to minimise the impact that any fluctuations in the exchange rate may have on internal and third party contract operations in the U.S and Europe.

Business strategies and prospects

The Group's strategy is to develop its proprietary technologies to a point where they can be licensed to a pharmaceutical or biotech partner for further development and ultimately released to the market. Patrys will generate milestone payments and royalty revenues from a licencing deal. The aim of the development programme that Patrys undertakes with each of its antibodies is to show safety and if possible early indications of efficacy.

Patrys recently completed a Phase I/IIa in multiple myeloma with lead product PAT-SM6 (as discussed earlier in this report) which showed that PAT-SM6 is safe and well tolerated and showed some early indications of efficacy in multiple myeloma. Following on from this trial Patrys is now planning for a Phase Ib/IIa clinical trial evaluating the effectiveness of PAT-SM6 in combination with carfilzomib, in patients with relapsed and refractory multiple myeloma. Positive data from this clinical trial combined with the existing positive data from earlier trials and an extensive preclinical package will allow the Company to look for a partner for PAT-SM6. Funds realised will then be used to advance other earlier stage pipeline products especially PAT-LM1.

Patrys is currently seeking a licensing partner for PAT-SC1 which has been shown to provide a significant 10 year survival benefit to patients with gastric cancer.

Material business risks:

The Group is subject to a number of risks. The Board regularly reviews the possible impact of these risks and seeks to minimise this impact through a commitment to its corporate governance principles and risk management function. However, not all risks are manageable or within the control of the Group. The key business risks faced by the Group that are likely to have an effect on its future prospects include:

1. Clinical Trials

Clinical development of the Company's products may fail for a number of reasons including lack of efficacy, toxicity or adverse side effects. Failure can occur at any stage of the trials, requiring the Company to abandon or repeat clinical trials. The Company or the relevant regulatory authorities may suspend the Company's clinical trials at any time if it appears that the trials are exposing participants to unacceptable health risks.

2. Manufacturing/production

The Company has successfully manufactured product at a scale sufficient to conduct the clinical trials that have been undertaken to date. With any biological GMP process, however, there is inherent variability which cannot be controlled and therefore the yields of finished product can vary. The Company's production technologies have also not been tested at a scale sufficient to make commercial quantities of a product in the event that it proves successful and can be brought to market and are therefore subject to risk of failure or high costs.

3. Out-licensing

The Company is relying on its ability to be able to out-license its products at a time deemed appropriate. The biotechnology and pharmaceutical industries are highly competitive and numerous entities around the world compete with Patrys to discover, validate and commercialise therapeutic products or product candidates, particularly in cancer where competition is intense. The Company's competitors may discover and develop products in advance of the Company and/or products that are more effective than those developed by the Company. As a consequence, the Company may not be able to out-license its products or not be able to out-license its products for the desired returns, resulting in adverse effects on revenue and profitability.

4. Sufficiency of funding

The Group has limited financial resources and may need to raise additional funds from time to time to finance the development and commercialisation of its products and its other objectives. The Company's product development activities may never generate revenues and the Company may never achieve profitability. The Company's ability to raise funds in the future will be subject, among other things, to factors beyond the control of the Company and its Directors including cyclical factors affecting the economy and share markets generally. The Directors can give no assurance that future funds can be raised by the Company on favourable terms, if at all.

5. Third party collaborations

The Company has established and intends to continue to establish collaborative relationships to achieve its product development objectives. The Company does not have all the resources that it needs to internally develop its product candidates through full clinical development and to launch marketable products and relies on its ability to maintain and enter into collaborative and licensing relationships to achieve this objective, and relies on its collaborations to fulfil their responsibilities. Any failure by these collaborators to fulfil their responsibilities could adversely impact the Company.

Earnings per share

Earnings Per Share	*2014 Cents*	*2013 Cents*
Basic loss per share from continuing operations	(1.21)	(0.72)
Basic diluted loss per shares from continuing operations	(1.21)	(0.72)

Significant changes in state of affairs

Other than detailed below there were no significant changes to the state of affairs of Patrys Limited and its controlled entities during the year:

Capital Raisings

In the past twelve months Patrys conducted a Rights Issue that was announced in November 2013. The Rights Issue raised a total of $7.7 million. The Company also raised a further $1,580,000 on the exercise of options. Combined a total of $9.2 million was raised from these initiatives.

Likely developments and expected results of operations

Disclosure of information, in addition to that provided in this report, regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

DIRECTORS' REPORT

Events since the end of the financial year

On 24 July 2014 the Company provided an update on its preclinical programmes.

On 18 August 2014 the Company announced that results related to its novel anti-cancer PAT-SM6 multiple myeloma trial in relapsed and refractory patients has been accepted for presentation as a lecture at the Annual Meeting of the German, Austrian and Swiss Associations for Hematology and Medical Oncology in Hamburg, to be held on 11 October 2014.

On 25 August 2014 the Company released details on its planned PAT-SM6, carfilzomib and dexamethasone Phase Ib/IIa clinical trial.

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected or may significantly affect: -

- Patrys Limited's operations in future financial years, or
- the results of those operations in future financial years, or
- Patrys Limited's state of affairs in future years.

Dividends

No dividends were paid or declared during the course of the financial year and no dividends are recommended in respect to the financial year ended 30 June 2014.

Insurance and indemnification

During the financial year, the Company paid a premium in respect of a contract insuring the Directors and Company Secretary (as named above), and all executive officers of the Company against a liability incurred when acting in their capacity as a Director, Company Secretary or executive officer to the extent permitted by the Corporations Act 2001. Further disclosure required under section 300(9) of the Corporations Act 2001 is prohibited under the terms of the insurance contract.

Other than to the extent permitted by law, the Company has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or any other related body corporate against a liability incurred as such an officer or auditor.

Meetings of directors

The number of meetings of the Company's Directors (including committee meetings of Directors) held during the year ended 30 June 2014 and the numbers of meetings attended by each Director were:

Director	*Board of Directors*		*Nomination & Remuneration Committee*		*Audit & Risk Committee*	
	Held and Eligible to Attend	*Attended*	*Held and Eligible to Attend*	*Attended*	*Held and Eligible to Attend*	*Attended*
John Read	13	13	7	7	4	4
Marie Roskrow[1]	13	13	-	7	-	4
Michael Stork	13	11	7	6	4	4
Suzy Jones[2]	13	11	6	5	3	3
Alan Robertson[3]	5	4	1	1	1	1

1. While Marie Roskrow was not a member of the Nomination & Remuneration Committee or the Audit & Risk Committee she was invited to attend these meetings.
2. Following the retirement of Alan Robertson on 23 October 2013, Suzy Jones was appointed as a member of the Nomination & Remuneration Committee and the Audit & Risk Committee. Prior to that time she attended the meeting by invitation.
3. Alan Robertson retired as a director on 23 October 2013.

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.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under Section 237 of the Corporations Act 2001.

DIRECTORS' REPORT

Information on directors and key management personnel in office during or since the end of the financial year and to the date of this report

Name and Position	Qualifications and Experience	Particulars of interests in shares and options of Patrys Limited		
		Shares	LSP* Shares	Options
Non-Executive Chairman John Read BSc (Hons), MBA, FAICD	Mr. Read is an experienced Chairman and Director in public, private and government organisations. Through his extensive career in venture capital, private equity and commercialisation he has gained a depth of experience in the formation and growth of emerging companies with an emphasis on commercial entities that provide broad societal benefits. He is currently the Chairman of the Central Coast Water Corporation, CVC Limited (ASX: CVC), CVC Private Equity Limited and CVC Sustainable Investments Limited and was the Chairman of Pro-Pac Packaging Limited (ASX: PPG) from 2005 to 2010 and The Environmental Group Limited (ASX:EGL) from 2001 to 2012. Director of Patrys Limited since 29 May 2007. Other Directorships of listed companies over the past three years: Pro-Pac Packaging Ltd (from 2005 to 2010); The Environmental Group Ltd (from 2001 to 2012); and CVC Ltd (since 1989).	6,510,838	150,052	360,000
Managing Director and Chief Executive Officer Marie Roskrow BSc. (Hons), MBBS (Hons), Ph.D	Dr. Roskrow, a University of London-trained haematologist/oncologist, has held many high level clinical and research positions, most recently as a leader in translational research at the GSF in Munich, Germany. She has extensive experience related to the early and later-stage clinical development of novel anti-cancer compounds and has earned many awards and honours for her work. To complement her clinical research experience, Dr. Roskrow worked for several years in healthcare investment banking, most recently at Lazard Ltd. She participated in many public and private biotechnology and pharmaceutical merger and acquisition deals, as well as company financings and product in/out-licensing deals. In addition, Dr. Roskrow has an extensive network of relationships with executives and board members of both pharmaceutical and biotechnology companies as well as with leading clinical centres worldwide. Director of Patrys Limited since 19 October 2011. Other Directorships of listed companies over the past three years: None.	3,337,501	475,000	375,000
Non-Executive Director Michael Stork, BBA	Mr. Stork is the Managing Director of Stork Holdings 2010 Ltd, an original investor in Patrys. Mr. Stork was until 2004 Chairman of the Board for Dspfactory Ltd, a leading edge developer of digital signal processing (DSP) technology for various applications including hearing aids, headsets and personal digital audio players. Mr. Stork has also played key roles in the management team and the Board of Directors for Unitron Industries Ltd, a hearing aid manufacturing Company that was voted one of the 50 Best Managed Private Companies in Canada for 2000. Unitron was sold to Phonak Holdings AG, a publicly traded Swiss Company, in 2002. Director of Patrys Limited since 19 February 2007. Other Directorships of listed companies over the past three years: None. *#These shares are held by Stork Holdings 2010 Ltd. (95,731,764) The shares are held by a related trust which Michael Stork in his own right does not control.*	95,731,764#	Nil	180,000

DIRECTORS' REPORT

Name and Position	Qualifications and Experience	Particulars of interests in shares and options of Patrys Limited		
		Shares	LSP* Shares	Options
Non-Executive Director Suzy Jones	Ms. Jones is Founder and Managing Partner of DNA Ink LLC, a life sciences business development and licensing firm in San Francisco, California. Prior to starting her own firm, Ms. Jones spent 20 years at Genentech. Most recently, she was the Head of Business Development responsible for identifying external opportunities that supported the company's business objectives, and overseeing the negotiation of collaboration agreements to support strategic alliances. Ms. Jones joined Genentech in 1990 conducting basic immunology research and contributing to the development of two drug candidates. Ms. Jones then worked in the Product Development group where she managed several products including two very successful cancer products, Rituxan and Avastin. In 2001, Ms. Jones joined the Business Development group where she spent nine years overseeing Genentech's licensing efforts in immunology, infectious diseases, neurobiology, ophthalmology, metabolism, cardiovascular diseases as well as technology licensing. Ms. Jones has very extensive networks within the pharmaceutical and biotech companies and the VC community in North America. Director of Patrys Limited since 15 December 2011. Other Directorships of listed companies over the past three years: None.	3,000,000	Nil	Nil
Non-Executive Director Alan Robertson BSc, Ph.D *Retired 23 October 2013*	Dr. Robertson has more than 20 years' experience in drug discovery and product development with leading pharmaceutical companies. Dr Robertson was the Chief Executive Officer and Managing Director of Pharmaxis Ltd (ASX: PXS) since its founding in 1999 until early 2013, where he was responsible for leading Pharmaxis Ltd through clinical trials, product development, regulatory approval and marketing of its products. Previously, Dr. Robertson spent eight years with Wellcome plc in London and with Australian companies Faulding Ltd and Amrad Ltd. The co-inventor of 23 patents and author of more than 35 scientific papers, Dr. Robertson has a Ph.D in synthetic organic chemistry from the University of Glasgow and has extensive practical understanding of both the clinical and management aspects of the pharmaceutical industry. He has been actively involved in the discovery, development and marketing of various compounds, including new treatments for migraine and cardiovascular disease. Director of Patrys Limited from 29 May 2007 until his retirement on 23 October 2013. Other Directorships of listed companies over the past three years: Pharmaxis Ltd (since 2000 to 2013).	500,000	75,026	180,000
Chief Financial Officer and Company Secretary Roger McPherson CPA, GAICD	Mr. McPherson has more than 20 years' experience in senior finance roles in a wide variety of industries. His early career included working with a Chartered Accounting practice and two years with the Australian Taxation Office. Before Patrys, Mr. McPherson was CFO and Company Secretary at eChoice Home Loans and was responsible for financial affairs and corporate administration. Mr. McPherson has over 15 years of biotechnology and pharmaceutical experience, encompassing four years with Cerylid Biosciences Limited as CFO and Company Secretary, in which capacity he provided strategic direction and information reporting as well as support for research and development activities. In addition, Mr. McPherson was part of Amrad Corporation Ltd. for 6 years in varying senior finance roles.	3,252,219	1,354,435	125,000

* Loan Share Plan - refer to Remuneration Report – Note F for details

DIRECTORS' REPORT

REMUNERATION REPORT (Audited)

The remuneration report is set out under the following main headings:
A. Key management personnel
B. Remuneration governance
C. Principals used to determine the nature and amount of remuneration
D. Details of remuneration
E. Service Agreements
F. Share-based compensation to Directors and key management personnel
G. Additional disclosures relating to Directors and key management personnel

A) Key management personnel

The key management personnel are as follows:

(a) Directors

(i) Non-Executive Chairman

Mr. John Read

(ii) Managing Director and Chief Executive Officer

Dr. Marie Roskrow

(iii) Non-Executive Directors

Mr. Michael Stork
Ms. Suzy Jones
Dr. Alan Robertson (retired 23 October 2013)

(b) Executives

The following people were the executives with the greatest authority for the strategic direction and management of the group ("other key management personnel") during the financial period:

Name	*Position*	*Employer*
Mr. Roger McPherson	Chief Financial Officer and Company Secretary	Patrys Limited

B) Remuneration governance

The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves, the Non-Executive Chairman and the Senior Management team. The Board has established a Nomination & Remuneration Committee, comprising of three Directors, the majority of which are Non-Executive Directors. This Committee is primarily responsible for making recommendations to the board on:

- the over-arching executive remuneration framework;
- the operation of the incentive plans which apply to the executive team, including key performance indicators and performance hurdles;
- remuneration levels of executive directors and other key management personnel; and
- non-executive director fees.

The objective of the Committee is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Company. The Corporate Governance Statement provides further information on the role of this committee.

C) Principles used to determine the nature and amount of remuneration

The Company's goal is to engage and promote excellence at Board level, in staff members and partner organisations. The Company looks to engage the services of individuals and organisations with the experience necessary to assist the Company in meeting its strategic objectives. The Board of Directors has determined that recurring costs associated with full time employment should be held to a minimum wherever possible whilst maintaining a high level of competency in core skills in clinical and regulatory management.

The Board seeks to ensure that executive reward complies with good reward governance practices:

- Competitiveness and reasonableness;
- Acceptability to shareholders;
- Performance linkage;
- Transparency; and
- Capital management.

The Company has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

The Company's remuneration framework seeks alignment with shareholders' interests and is in particular aligned to the rapid commercialisation of the Company's intellectual property and in achieving its milestones in a highly ethical and professional manner.

The executive remuneration framework provides a mix of fixed and variable pay and performance incentive rewards. Presently, the Company's policy in relation to performance incentive rewards is to issue only equity (and not cash bonuses) to executives. The Company does not have a policy or practice of cancelling or clawing-back performance-based remuneration of its executives other than in accordance with the relevant plan rules as outlined in Section F of this Remuneration Report.

(a) Non-Executive Directors' fees

Directors' fees are determined by reference to industry standards and were last reviewed effective 1 September 2012. Components of the remuneration package include a cash element together with medium term equity instruments.

At the 2009 Annual General Meeting a Non-Executive Directors' Fee Pool of $250,000 was approved by shareholders.

Directors' fees are currently set at $95,000 for the Chairman and $60,000 per Non-Executive Director and reflect the demands which are made on and the responsibilities of the Directors. However, one Non-Executive Director, Mr. Michael Stork, does not receive monetary Director fees and received no remuneration of any kind during the year.

(b) Executive pay

The executive pay and reward framework has four components:

- Base pay and benefits;
- Short term performance incentives;
- Long term incentives; and
- Other remuneration such as superannuation.

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

(i) Base pay and benefits

A total employment cost package may include a combination of cash and prescribed non-financial benefits at the executives' discretion.

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

There are no ongoing guaranteed base pay increases included in any executive contracts.

(ii) Short term incentives (STI)

Incentives are payable to executives based upon the attainment of agreed corporate and individual milestones and are reviewed and approved by the Board of Directors. The Board of Directors have determined that given the current economic climate, no cash incentives will be paid for the year ended 30 June 2014 (2013: Nil).

(iii) Long term incentives (LTI)

Executives and Directors are issued with equity instruments as LTIs in a manner that aligns this element of remuneration with the creation of shareholder wealth. LTI grants are made to executives and Directors who are able to influence the generation of shareholder wealth and thus have a direct impact on the creation of shareholder wealth. The Board of Directors did not issue any equity instruments to Executives or Directors during the year ended 30 June 2014.

(iv) Relationship between remuneration policy and company performance

Equity instruments may be issued to new employees, and upon performance review based on performance of the individual and the Company both in absolute terms and relative to competitors in the biotechnology sector. Equity instruments that are issued for performance are subject to performance targets set and approved by the Nomination & Remuneration Committee.

The Company's remuneration policy seeks to reward staff members for their contribution to achieving significant operational, strategic, partnering, preclinical, clinical and regulatory milestones. These milestones build sustainable and long term shareholder value.

	30 June 2010	30 June 2011	30 June 2012	30 June 2013	30 June 2014
Closing share price	$0.10	$0.09	$0.022	$0.022	$0.03
Price increase/(decrease) $	(0.03)	(0.01)	(0.068)	Nil	0.008
Price increase/(decrease) %	(23)	(10)	(75)	Nil	36
Total key management personnel remuneration	$1,748,371	$2,067,026	$1,189,311	$872,088	$918,767

D) Details of remuneration

Year ended 30 June 2014

Details of the remuneration of each Director of Patrys and the key management personnel (KMP) of the Company are set out in the following table for the year ended 30 June 2014. As indicated above incentives are dependent upon the attainment of agreed corporate and individual milestones and all incentives related to the year have been expensed in full over the vesting period.

2014	Short-term employee benefits		Post employment benefits		Equity-based payments			
Name	Cash salary & fees	Cash Bonus	Non-monetary benefits	Super-annuation	Termination Payments	Shares & Options	% of Total Remu-neration	Total
	$	$	$	$	$	$		$
Executive Directors								
Marie Roskrow[1]	446,509	-	-	-	-	5,993	1%	452,502
Subtotal Executive Directors	*446,509*	*-*	*-*	*-*	*-*	*5,993*		*452,502*
Non-Executive Directors								
John Read	95,000	-	-	-	-	-	-	95,000
Alan Robertson[2]	18,307	-	-	1,693	-	-	-	20,000
Suzy Jones	65,202	-	-	-	-	-	-	65,202
Subtotal Non-Executive Directors	*178,509*	*-*	*-*	*1,693*	*-*	*-*		*180,202*
Total Directors	*625,018*	*-*	*-*	*1,693*	*-*	*5,993*		*632,704*
Other KMP								
Roger McPherson	259,454	-	-	22,917	-	3,692	1%	286,063
Total Other KMP	*259,454*	*-*	*-*	*22,917*	*-*	*3,692*		*286,063*
Total	**884,472**	**-**	**-**	**24,610**	**-**	**9,685**		**918,767**

1. The increase in Dr. Roskrow's total remuneration year on year is mainly due to exchange rate movements.
2. Dr. Robertson retired as a Non-Executive Director on 23 October 2013.

Cash bonuses as compensation for year ended 30 June 2014

During the year ended 30 June 2014 no cash bonuses were paid (2013: Nil) due to the current economic conditions.

DIRECTORS' REPORT

Year ended 30 June 2013

Details of the remuneration of each Director of Patrys and the key management personnel (KMP) of the Company are set out in the following table for the year ended 30 June 2013. As indicated above incentives are dependent upon the attainment of agreed corporate and individual milestones and all incentives related to the year have been expensed in full over the vesting period.

2013	Short-term employee benefits		Post employment benefits		Equity-based payments			
Name	Cash salary & fees	Cash Bonus	Non-monetary benefits	Super-annuation	Termination Payments	Shares & Options	% of Total Remu-neration	Total
	$	$	$	$	$	$		$
Executive Directors								
Marie Roskrow	371,141	-	-	-	-	8,380	2%	379,521
Subtotal Executive Directors	*371,141*	-	-	-	-	*8,380*		*379,521*
Non-Executive Directors								
John Read	91,667	-	-	-	-	737	1%	92,404
Alan Robertson	54,281	-	-	4,885	-	368	1%	59,534
Suzy Jones	58,237	-	-	-	-	-	-	58,237
Subtotal Non-Executive Directors	*204,185*	-	-	*4,885*	-	*1,105*		*210,175*
Total Directors	*575,326*	-	-	*4,885*	-	*9,485*		*589,696*
Other KMP								
Roger McPherson	244,428	-	-	27,083	-	10,881	4%	282,392
Total Other KMP	*244,428*	-	-	*27,083*	-	*10,881*		*282,392*
Total	**819,754**	**-**	**-**	**31,968**	**-**	**20,366**		**872,088**

E) Service agreements

Remuneration and other terms of employment for the Non-Executive Chairman, Managing Director and Chief Executive Officer, Non-Executive Directors and other key management personnel are formalised in service agreements. These agreements may provide for the provision of performance related cash bonuses and the award of equity in the Company.

Other major provisions of the agreements relating to remuneration are set out below:

John Read, Non-Executive Chairman
- Term of Agreement – Commencing from 29 May 2007. A new agreement became effective 1 December 2009.
- Director's fee – $95,000 per annum to be reviewed independently and annually by the Board of Directors.
- Termination – No terms have been agreed.
- Bonus – Nil.
- Equity – The Chairman shall be entitled to participate in the Loan Share Plan and the Executive Share Option Plan of the Company.

Marie Roskrow, Managing Director and Chief Executive Officer
- Term of Agreement – Commencing from 1 July 2011 and ongoing unless terminated in accordance with its terms. A new agreement became effective 1 July 2012.
- Base Remuneration – Effective 1 July 2013 £252,590 (AU$456,681) per annum, subject to annual increases at the discretion of the Board of Directors.
- Termination – By three months' notice from either side unless due to redundancy following merger or similar in which case six months by the company.
- Bonus – At the discretion of the Board of Directors.
- Equity – The Director shall be entitled to participate in the Executive Share Option Plan of the Company.

Suzy Jones, Non-Executive Director
- Term of Agreement – Commencing from 15 December 2011.
- Director's Fees - US$60,000 (AU$63,694) per annum to be reviewed independently and annually by the Board of Directors.
- Termination – No terms have been agreed.
- Bonus – Nil.
- Equity – The Director shall be entitled to participate in the Executive Share Option Plan of the Company.

Roger McPherson, Chief Financial Officer and Company Secretary
- Term of Agreement – Commencing from 20 October 2008 and ongoing unless terminated in accordance with its terms.
- Base Remuneration – Effective 1 July 2013 $282,371 per annum, subject to annual increases at the discretion of the Board of Directors.
- Termination – By two months' notice from either side.
- Bonus – At the discretion of the Board of Directors.
- Equity – The Executive shall be entitled to participate in the Loan Share Plan and the Executive Share Option Plan of the Company.

F) Share-based compensation to Directors and key management personnel

(i) General overview

The Company issues equity to Directors, Patrys (including subsidiaries Patrys GmbH and Patrys UK Limited) employees and key consultants under either the Loan Share Plan (LSP) or the Executive Share Option Plan (ESOP). Under the plans, participants are issued with equity to foster an ownership culture within the Group to motivate Directors, employees and consultants to achieve performance targets of the Company and the Group. Participation in the plans is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The Company introduced the LSP in December 2009 following approval of the plan at the 2009 Annual General Meeting. Only Australian residents are eligible to participate in the plan. The plan allows non-recourse, interest free loans to be provided to eligible participants to acquire shares under the plan. If and when an issue is made it is treated as an in-substance grant of options and expensed over the vesting period because of the limited recourse nature of the loans. Generally shares issued under the plan will vest over a three year period. The shares are acquired in the name of the participant and each participant authorises and appoints the Company Secretary to act on their behalf. Any dividends paid on the shares are used to repay the loan. In all other respects the shares issued under the LSP carry the same rights as other ordinary shares on issue. If the participant leaves the Company, any shares that have not vested will be brought back by the Company and cancelled along with the loan. In respect of shares that have vested the loan balance must generally be paid in full within six months of termination or the shares will be sold and the proceeds applied to settle the loan balance. The issue price of the shares in the Company held under LSP is not included in equity until the loan has been repaid.

Options are granted under the ESOP. Following the introduction of the LSP issues under the ESOP are generally only made to non-Australian residents. Under the ESOP each option granted converts into one ordinary share of Patrys Limited. Options are granted under the plan for no consideration and carry no dividend or voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

If a participant ceases to be appointed as a Director or employed by any member of the group (other than due to his/her death) then options that have vested at the date of cessation will generally lapse if not exercised within six months of the cessation date. In the case of death of the participant then the exercise period is generally extended to twelve months. All unvested options will generally lapse on cessation.

In accordance with the rules of both the LSP and ESOP the Board has the ability to vary the terms in respect of issues in circumstances it considers appropriate. The valuations of shares issued under the LSP and options issued under the ESOP are determined by using an industry standard option pricing model taking into account the terms and conditions upon which the instruments were issued.

Participants in equity based plans are not permitted to enter into transactions which limit the economic risk of participating in the plan save in relation to the LSP. As noted above the LSP allows participants access to a limited recourse loan to fund the acquisition of any shares issued under the LSP.

The terms and conditions of each issue of equity affecting remuneration of Directors and key management personnel in this or future reporting periods (not including as a result of the repricing – refer below) are as follows:

Shares issued under the LSP

Issue date	No. of shares	Loan expiry date	Vesting date	Issue price $	Fair value per share at issue date $	Date first available to deal with
08/12/2011	108,333	08/12/2018	08/12/2013	0.039	0.0286	08/12/2013
08/12/2011	108,333	08/12/2019	08/12/2014	0.039	0.0299	08/12/2014
18/01/2012	108,333	18/01/2019	18/01/2014	0.038	0.0292	18/01/2014
18/01/2012	108,333	18/01/2020	18/01/2015	0.038	0.0353	18/01/2015
21/08/2012	125,000	21/08/2018	21/08/2013	0.022	0.0148	21/08/2013
21/08/2012	125,000	21/08/2019	21/08/2014	0.022	0.0156	21/08/2014
21/08/2012	125,000	21/08/2020	21/08/2015	0.022	0.0164	21/08/2015
Total	**808,332**					

Options granted under the ESOP

Grant date	No. of options	Expiry date	Vesting date	Exercise price $	Fair value per option at grant date $	Date exercisable
02/11/2012	125,000	02/11/2018	02/11/2013	0.03	0.0253	02/11/2013
02/11/2012	125,000	02/11/2019	02/11/2014	0.03	0.0271	02/11/2014
02/11/2012	125,000	02/11/2020	02/11/2015	0.03	0.0283	02/11/2015
Total	**375,000**					

(ii) Repricing of options

On 13 November 2013 the Company announced a Rights Issue (refer Note 20 to the financial statements for further details) which resulted in a number of options on issue being repriced in accordance with ASX Listing Rule 6.22.

The terms and conditions of each issue of options, subject to the alteration, affecting remuneration of Directors and key management personnel in this or future reporting periods are as follows:

Grant date	No. of options	Expiry date	Original exercise price $	Market price at date of repricing $	New exercise price $	Incremental fair value as a result of repricing $
19/12/2008	125,000	20/04/2014	0.17	0.06	0.1625	12
19/12/2008	125,000	20/10/2014	0.17	0.06	0.1625	75
28/12/2008	480,000	25/05/2014	0.2609	0.06	0.2534	-
28/12/2008	480,000	25/05/2015	0.2609	0.06	0.2534	144
28/12/2008	240,000	25/05/2016	0.2609	0.06	0.2534	48
02/11/2012	125,000	02/11/2018	0.03	0.06	0.0225	288
02/11/2012	125,000	02/11/2019	0.03	0.06	0.0225	262
02/11/2012	125,000	02/11/2020	0.03	0.06	0.0225	312

(iii) Equity issued to Directors and key management personnel

Details of equity issued in the Company provided as remuneration to each Director of Patrys Limited and each of the key management personnel of the Company are set out below. When vested, prior to the Director or key management personnel being able to deal with each share, the loan advanced to acquire the share under the LSP must be repaid. In the case of the options, the exercise price must be paid prior to each being converted into one ordinary share of Patrys Limited. Details are also provided for the number of equity instruments that have vested during the 2014 financial year.

The assessed fair value at the date of issue of the equity instruments is allocated over the period from issue date to vesting date, and this amount is included in the remuneration tables above. Fair values at issue date are determined using the binomial option pricing model that takes into account the exercise price (or amount of loan), the term of the option (or loan), the share price at issue date and expected price volatility of the Patrys shares, the expected dividend yield and the risk-free interest rate for the term of the option (or loan).

Further information on the shares and options issued under the LSP and ESOP, including factors and assumptions used in determining fair value is set out in Note 20 to the financial statements.

Following the implementation of the LSP, Australian residents participate in the LSP and not the ESOP. Details of shares and options that have been issued and vested in this or the previous year are outlined in the table below. The tables only include transactions whilst a member of the key management personnel.

Shares issued under the LSP

Name	Shares issued during the year				Shares vested during the year	
	2014		2013		2014	2013
	Number	Loan per share$	Number	Loan per share$	Number	Number
Directors of Patrys Limited						
John Read	-	-	-	-	-	50,017
Alan Robertson	-	-	-	-	-	25,009
Marie Roskrow	-	-	-	-	108,333	108,334
Other key management personnel						
Roger McPherson	-	-	375,000	0.022	316,854	326,479

There are no performance criteria that need to be met in relation to the shares issued above. Participants need to be appointed as a Director or employed by a Group company at the vesting date. Unvested shares are brought back by the Company at the cessation of appointment or employment at the issue price.

Options granted under the ESOP

Name	Options granted during the year				Options vested during the year	
	2014		2013		2014	2013
	Number	Exercise Price$	Number	Exercise Price$	Number	Number
Directors of Patrys Limited						
Marie Roskrow	-	-	375,000	0.03	125,000	-

There are no performance criteria that need to be met in relation to the options granted above. Participants need to be appointed as a Director or employed by a Group company at the vesting date. Unvested options lapse on cessation of appointment or employment.

G) Additional disclosures related to Directors and key management personnel

(i) Details of remuneration: cash bonuses, shares and options

Name	Cash bonus Note (vi)		Shares & options					
	Paid%	Forfeited %	Year issued	Vested%	Forfeited %	Financial years in which shares & options vest	Minimum total value of issue yet to vest $	Maximum total value of issue yet to vest $
John Read	-	-	2007	100	100	Note (v)	-	-
			2009	100	40	Note (v)	-	-
			2010	100	-	Note (i)	-	-
Marie Roskrow	-	-	2011	100	-	Note (v)	-	-
			2012	66.6	-	Note (iii)	-	637
			2013	33.3	-	Note (iv)	-	2,319
Michael Stork	-	-	2009	100	40	Note (v)	-	-
Alan Robertson[(vii)]	-	-	2007	100	100	Note (v)	-	-
			2009	100	40	Note (v)	-	-
			2010	100	-	Note (i)	-	-
Roger McPherson	-	-	2009	100	50	Note (v)	-	-
			2010	100	-	Note (i)	-	-
			2011	100	-	Note (ii)	-	-
			2012	66.6	-	Note (iii)	-	450
			2013	33.3	-	Note (iv)	-	797

Notes:
(i) The financial years in which shares/options vest are 33.3% in 2011, 33.3% in 2012 and 33.3% in 2013.
(ii) The financial years in which shares/options vest are 33.3% in 2012, 33.3% in 2013 and 33.3% in 2014.
(iii) The financial years in which shares/options vest are 33.3% in 2013, 33.3% in 2014 and 33.3% in 2015.
(iv) The financial years in which shares/options vest are 33.3% in 2014, 33.3% in 2015 and 33.3% in 2016.
(v) These options lapsed on their expiry date as they had not been exercised.
(vi) No cash bonuses were paid for the 2014 year (2013: Nil).
(vii) Dr. Alan Robertson retired as a Non-Executive Director on 23/10/13

(ii) Share-based compensation

Further details relating to shares and options are set out below:

Name	A Remuneration consisting of shares and options %	B Value at issue date $	C Value at loan repayment/ exercise date $	D Value at cancellation/ lapse date $	E Total of columns B-D $
2014					
John Read	-	-	-	-	-
Alan Robertson	-	-	-	-	-
Michael Stork	-	-	-	-	-
Marie Roskrow	-	-	-	-	-
Roger McPherson	-	-	-	-	-
2013					
John Read	-	-	-	-	-
Alan Robertson	-	-	-	-	-
Michael Stork	-	-	-	-	-
Marie Roskrow	3	10,088	-	-	10,088
Roger McPherson	2	5,850	-	-	5,850

A = The percentage of the value of remuneration consisting of equity, based on the value at grant date set out in column B.
B = The value at issue date calculated in accordance with AASB 2 "Share-based Payments" of shares and options issued during the year as part of remuneration. These amounts represent the entire value of the equity issued during the year. The amount recognised in remuneration is the proportion of the value attributable to the period from issue date to vesting date for equity issued in the current and prior years.
C = The value at loan repayment date for shares and exercise date of options that were issued as part of remuneration and were repaid or exercised during the year.
D = The value at cancellation/lapse date of equity that was granted as part of remuneration and that was cancelled or lapsed during the year.

(iii) Key management personnel equity holdings

Shareholdings

Fully paid ordinary shares and shares under the Loan Share Plan held by key management personnel or their related parties:

2014	Balance at 1 July No.	Issued as compensation under Loan Share Plan No.	Purchased under the Rights Issue No.	Received on exercise of options No.	Net change other No.	Balance at 30 June No.	Total vested 30 June No.
John Read	5,058,389	-	1,602,501	-	-	6,660,890	6,660,890
Michael Stork	85,731,764	-	10,000,000	-	-	95,731,764	95,731,764
Alan Robertson[1]	575,026	-	-	-	(575,026)	-	-
Suzy Jones	2,500,000	-	500,000	-	-	3,000,000	3,000,000
Marie Roskrow	2,541,667	-	1,270,834	-	-	3,812,501	3,595,835
Roger McPherson	3,071,102	-	1,535,552	-	-	4,606,654	4,248,321
Totals	**99,477,948**	**-**	**14,908,887**	**-**	**(575,026)**	**113,811,809**	**113,236,810**

1. Alan Robertson retired as a Director on 23 October 2013.

2013	Balance at 1 July No.	Issued as compensation under Loan Share Plan No.	Purchased under the Share Placement or SPP No.	Received on exercise of options No.	Net change other No.	Balance at 30 June No.	Total vested 30 June No.
John Read	2,308,389	-	2,750,000	-	-	5,058,389	5,058,389
Michael Stork	83,231,764	-	2,500,000	-	-	85,731,764	85,731,764
Alan Robertson	75,026	-	500,000	-	-	575,026	575,026
Suzy Jones	-	-	2,500,000	-	-	2,500,000	2,500,000
Marie Roskrow	2,141,667	-	400,000	-	-	2,541,667	2,325,001
Roger McPherson	1,946,102	375,000	750,000	-	-	3,071,102	2,395,915
Totals	**89,702,948**	**375,000**	**9,400,000**	**-**	**-**	**99,477,948**	**98,586,095**

Options

Options held by key management personnel:

2014	Balance at 1 July No.	Granted as compen-sation No.	Lapsed No.	Net change other No.	Balance at 30 June No.	Total vested 30 June No.	Vested and exercise-able No.	Vested but not exer-ciseable No.
John Read	700,000	-	(340,000)	-	360,000	360,000	360,000	-
Michael Stork	300,000	-	(120,000)	-	180,000	180,000	180,000	-
Alan Robertson[1]	350,000	-	-	(350,000)	-	-	-	-
Suzy Jones	-	-	-	-	-	-	-	-
Marie Roskrow	375,000	-	-	-	375,000	125,000	125,000	-
Roger McPherson	250,000	-	(125,000)	-	125,000	125,000	125,000	-
Totals	**1,975,000**	**-**	**(585,000)**	**(350,000)**	**1,040,000**	**790,000**	**790,000**	**-**
2013	**Balance at 1 July No.**	**Granted as compen-sation No.**	**Lapsed No.**	**Net change other No.**	**Balance at 30 June No.**	**Total vested 30 June No.**	**Vested and exercise-able No.**	**Vested but not exer-ciseable No.**
John Read	900,000	-	(200,000)	-	700,000	700,000	700,000	-
Michael Stork	300,000	-	-	-	300,000	300,000	300,000	-
Alan Robertson	450,000	-	(100,000)	-	350,000	350,000	350,000	-
Suzy Jones	0	-	-	-	-	-	-	-
Marie Roskrow	0	375,000	-	-	375,000	-	-	-
Roger McPherson	250,000	-	-	-	250,000	250,000	250,000	-
Totals	**1,900,000**	**375,000**	**(300,000)**	**-**	**1,975,000**	**1,600,000**	**1,600,000**	**-**

1. Alan Robertson retired as a Director on 23 October 2013.

(iv) Voting and comments made at the company's 2013 annual general meeting:

Patrys Limited received more than 98% of "yes" votes on its remuneration report for the 2013 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

END OF REMUNERATION REPORT (Audited)

Shares issued under loan share plan

Details of shares issued under the Loan Share Plan of Patrys Limited at the date of this report are as follows. Further details are included in Notes 14 and 20 of the Financial Statements.

Date shares issued	Expiry date of loan	Issue price of share $	Number under shares
02/12/2009	27/11/2015	0.144	517,002
02/12/2009	30/06/2016	0.144	269,248
02/12/2009	27/11/2016	0.144	382,377
02/12/2009	22/03/2017	0.144	66,690
02/12/2009	27/11/2017	0.144	315,687
01/07/2010	01/07/2016	0.106	180,436
01/07/2010	22/03/2017	0.106	66,670
01/07/2010	01/07/2017	0.106	147,101
01/07/2010	01/07/2018	0.106	147,101
18/08/2010	09/02/2016	0.10	75,000
18/08/2010	09/08/2016	0.10	75,000
29/10/2010	30/06/2016	0.083	529,773
08/12/2011	22/03/2017	0.039	150,000
08/12/2011	08/12/2017	0.039	205,002
08/12/2011	08/12/2018	0.039	204,999
08/12/2011	08/12/2019	0.039	191,666
08/12/2011	27/06/2019	0.039	13,333
18/01/2012	18/01/2018	0.038	108,334
18/01/2012	18/01/2019	0.038	108,333
18/01/2012	18/01/2020	0.038	108,333
21/08/2012	21/08/2018	0.022	255,000
21/08/2012	21/08/2019	0.022	225,000
21/08/2012	27/06/2019	0.022	60,000
21/08/2012	21/08/2020	0.022	225,000
02/11/2012	02/05/2018	0.03	37,500
02/11/2012	02/11/2018	0.03	37,500
20/05/2014	20/05/2020	0.05	100,000
20/05/2014	20/05/2021	0.05	100,000
20/05/2014	20/05/2022	0.05	100,000
Total			**5,002,085**

Shares under option

Unissued ordinary shares of Patrys Limited under option at the date of this report are as follows. Further details are included in Notes 14 and 20 of the Financial Statements.

Date options granted	Expiry date	Exercise price of options $[1]	Number under option
01/07/2008	01/07/2015	0.3225	162,500
01/07/2008	01/07/2016	0.3225	162,499
19/12/2008	20/10/2014	0.1625	125,000
28/12/2008	25/05/2015	0.2534	480,000
28/12/2008	25/05/2016	0.2534	240,000
02/12/2009	27/11/2015	0.1365	165,584
02/12/2009	27/11/2016	0.1365	165,585
02/12/2009	27/11/2017	0.1365	165,585
01/07/2010	01/07/2016	0.0985	100,601
01/07/2010	01/07/2017	0.0985	100,602
01/07/2010	01/07/2018	0.0985	100,602
08/12/2011	08/12/2017	0.0315	90,668
08/12/2011	08/12/2018	0.0315	90,666
08/12/2011	08/12/2019	0.0315	90,666
21/08/2012	21/08/2018	0.0145	76,667
21/08/2012	21/08/2019	0.0145	76,667
21/08/2012	21/08/2020	0.0145	76,666
02/11/2012	02/11/2018	0.0225	125,000
02/11/2012	02/11/2019	0.0225	125,000
02/11/2012	02/11/2020	0.0225	125,000
20/05/2014	20/05/2020	0.05	150,000
20/05/2014	20/05/2021	0.05	150,000
20/05/2014	20/05/2022	0.05	150,000
Total			**3,295,558**

1. Following the Rights Issue announced on 13 November 2013, in accordance with ASX Listing Rule 6.22 all options were repriced (refer to Note 20 of the financial statements for further details).
2. The above table does not include 162,501 options which lapsed on their expiry date (1 July 2014).

During the year a total of 31,600,000 options with an exercise price of 5 cents were exercised which raised a total $1,580,000.

DIRECTORS' REPORT

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amount paid or payable to the auditor (BDO East Coast Partnership) for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit & Risk Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the Audit & Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principles relating to auditor independence as set out in Professional Statement APES 110, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2014 $	2013 $
Audit services		
BDO East Coast Partnership:		
Audit and review of financial reports and other audit work under the Corporations Act 2001	49,715	48,000
Network Firms - BDO LLP:		
Audit and review of financial reports and other audit work	*4,861*	*4,584*
Total remuneration for audit services	*54,576*	*52,584*
Other advisory services		
BDO East Coast Partnership:		
Advice on taxation and other matters and review and lodgement of corporate tax returns	6,000	5,500
Network Firms - BDO LLP:		
Advice on taxation and other matters and review and lodgement of corporate tax returns	3,836	5,134
Total remuneration	**64,412**	**63,218**

Auditor's Independence Declaration

A copy of the auditor's declaration under Section 307C in relation to the audit for the year ended 30 June 2014 is attached.

Auditor

BDO East Coast Partnership continues in office in accordance with Section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of the Directors.



Mr. John Read
Chairman

Date: 9 September 2014

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF PATRYS LIMITED

Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Level 14, 140 William St
Melbourne VIC 3000
GPO Box 5099 Melbourne VIC 3001
Australia

DECLARATION OF INDEPENDENCE BY DAVID GARVEY TO THE DIRECTORS OF PATRYS LIMITED

As lead auditor of Patrys Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

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

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



David Garvey
Partner

BDO East Coast Partnership

Melbourne, 9 September 2014

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

CORPORATE GOVERNANCE

The Board of Directors of Patrys Limited (Board) is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board supports the core corporate governance principles published by the ASX Corporate Governance Council (Council). The Company's corporate governance framework is designed to comply with the Council's principles whilst being relevant, efficient and cost effective for the current stage of the Company's development.

The Corporate Governance Statement that follows contains certain specific information and discloses the extent to which the Company has followed the Council's principles during the 2014 year. Patrys' Corporate Governance Statement is structured with reference to the ASX Corporate Governance Principles and Recommendations.

The Board will continue its ongoing review process to ensure that the model is relevant, efficient and cost effective to the Company and its shareholders.

Principle 1: Lay solid foundations for management and oversight

In general, the Board is responsible for, and has authority to determine, all matters relating to the policies, practices, management and operations of the Company. Specifically the Board functions include:

- setting the overall Company financial goals;
- approving strategies, objectives and plans for the Company's businesses to achieve these goals;
- ensuring the business risks are identified, approving systems and controls to manage these risks and monitor compliance;
- approving the Company's major HR policies and overseeing the development strategies for senior and high performing executives;
- approving financial plans and annual budgets;
- monitoring financial results on an ongoing basis;
- monitoring executive management and business performance in the implementation and achievement of strategic and business objectives;
- approving key management recommendations (such as major capital expenditure, acquisitions, divestments, restructuring and funding);
- ratifying and approving the appointment and removal of executives;
- reporting to shareholders on the Company's strategic direction and performance including constructive engagement in the development, execution and modification of the Company's strategies;
- overseeing the management of occupational health and safety and environmental performance;
- determining that satisfactory arrangements are in place for auditing the Company's financial affairs;
- meeting statutory and regulatory requirements; and
- overseeing the way in which the assets of the Company are managed.

In carrying out its responsibilities and functions, the Board may delegate any of its powers to a Board committee, a Director, employee or other person. However, the Board acknowledges that it retains ultimate responsibility for the exercise of such powers under the Corporations Act 2001 (Cth).

The Board has guidelines for its Directors to address potential conflicts of interest, including a requirement that they declare their interests as required by the Corporations Act and the ASX Listing Rules.

A copy of the Board Charter is available on the Company's website at www.patrys.com.

Executive performance evaluation

The Nomination & Remuneration Committee (refer to Principle 8 for more detail) is responsible for evaluating the performance of the Managing Director and Chief Executive Officer and of the other senior executives. The Managing Director and Chief Executive Officer is also involved in evaluating the performance of the other senior executives and provides input to the Committee. The performance evaluation of management involves an assessment of the Company's business performance, whether short-term operational targets and individual performance objectives are being achieved and whether long-term strategic objectives are being achieved.

Due to the nature and stage of the Company's activities, effective management of the Company's resources and advancement of its products along the clinical development path which in turn should achieve value for shareholders is the key short-term objective. Long-term objectives are linked to activities/milestones that are expected to create and maintain value for shareholders.

The performance of the Managing Director and Chief Executive Officer and management is monitored on an informal basis throughout the year with the objective of performing a formal evaluation once a year. A review of the remuneration structure for management was performed in June 2014 by the Nomination & Remuneration Committee. This review was in accordance with the process outlined in the "Remuneration Report" section of the Directors' Report.

Diversity policy

The Company's workforce including employees, management, and the Board is made up of individuals with diverse skills, values, backgrounds and experiences that bring to the Company the skills and expertise that is required for the Company to enhance its performance.

Under changes to the ASX Corporate Governance Principles and Recommendations published on 30 June 2010, it is suggested that the Company disclose in its annual report:

(a) the measurable objectives for achieving gender diversity that have been set by the Board in accordance with its diversity policy and report on the progress that has been made in achieving those objectives; and
(b) disclose the proportion of female employees in the whole organisations, the proportion in senior executive positions and the proportion of women on its Board.

CORPORATE GOVERNANCE

The Company values diversity and recognises the benefits it can bring in achieving its goals and has taken steps to adopt some of the provisions of the amended ASX Corporate Governance Principles and Recommendations. The Company has also established a diversity policy which reflects the commitments and objectives of the Company.

A copy of the Diversity Policy is available on the Company's website – www.patrys.com.

Under recommendations 3.3 and 3.4 of the Corporate Governance Principles and Recommendations the Company should disclose the measurable objectives for achieving gender diversity and the progress that has been made towards achieving those objectives, as well as disclose the proportion of women employees in the whole organisation, in senior executive positions and on the Board.

Due to the current size and composition of the organisation the Board does not consider it appropriate to provide measurable objectives in relation to gender. The Company is committed to ensuring that the appropriate mix of skills, experience, expertise and diversity are considered when employing staff at all levels of the organisation and when making new senior executive and Board appointments and is satisfied that the composition of employees, senior executives and members of the Board is appropriate.

The proportion of women employees in the organisation, in senior executive positions and on the Board as at the date of this report is outlined in the table below:

	Total Number	Total Number of Female Employees	% of Female Employees
Employees (inc. Board)	10	6	60
Senior Management	1	-	-
Board	4	2	50

Principle 2: Structure the board to add value

The Company's Board currently comprises four Directors including an independent Non-Executive Chairman who was appointed to the position in 2007. In addition to the Non-Executive Chairman, there are two Non-Executive Directors. The Board has a programme to review its current composition having regard to the Company's size and stage of development.

Board composition

Directors are appointed to the Board based on the specific governance skills required by the Company and on the independence of their decision making and judgment. The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the Annual Report is included in the Directors' Report. Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

Board Skills Matrix

The Composition of the Board is determined with a view to ensuring that it is comprised of the appropriate skills and experience.

The particular skills and experience considered are outlined in the matrix below:

Professional Director Skills:	
Risk & Compliance:	Ability to monitor risk and compliance and knowledge of legal and regulatory requirements.
Financial & Audit:	Experience in accounting and finance to analyse statements, assess financial viability, contribute to financial planning, oversee budgets and oversee funding arrangements.
Strategy:	Ability to identify and critically assess strategic opportunities and threats to the organisation and develop strategies in context to Company policies and business objectives.
Policy Development:	Ability to identify key issues for the organisation and develop appropriate policy parameters within which the organisation should operate.
Executive Management:	Experience in evaluating performance of senior management, and oversee strategic human capital planning.
Previous Board Experience:	The board's directors should ideally have extensive director experience and have completed formal training in governance and risk.
Industry Specific Skills:	
Biotech/Pharmaceutical Industry Experience:	Relevant commercial and technical expertise and experience gained in the biotech/pharmaceutical industry.
Interpersonal Skills (all board members should have these skills):	
Leadership:	Ability to make decisions and take necessary actions in the best interest of the organisation, and represent the organisation favourably. Ability to analyse issues and contribute at board level to solutions.
Ethics and Integrity:	Understanding of the role of a director and continue to self-educate on legal responsibility. Ability to maintain board confidentiality and declare any conflicts.
Contribution:	Ability to constructively contribute to board discussions and communicate effectively with management and other directors.
Negotiation:	Possess excellent negotiation skills, with the ability to drive stakeholder support for board decisions.
Crisis Management:	Ability to constructively manage crises, provide leadership around solutions and contribute to communications strategy with stakeholders.

CORPORATE GOVERNANCE

Independent directors

Directors of Patrys are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment. In the context of Director independence, 'materiality' is considered from both the Company and individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 2% of the Company's gross revenue or expenditure (whichever is the greater). In accordance with the definition of independence above, and the materiality thresholds set by the Board, the following Directors of Patrys were considered to be independent:

- John Read, Chairman
- Suzy Jones

There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

The term in office held by each Director in office at the date of this report is as follows:

Name	Position	Term
John Read	Independent Non-Executive Chairman	7 years and 3 months
Marie Roskrow	Managing Director and Chief Executive Officer	2 year and 10 months
Michael Stork	Non-Executive Director & Deputy Chairman	7 years and 6 months
Suzy Jones	Independent Non-Executive Director	2 year and 8 months

Nomination & remuneration committee

The Board has established a Nomination & Remuneration Committee to assist the Board in ensuring it is equipped to discharge its responsibilities. The Committee has guidelines for the nomination and selection of directors and for the operation of the Board. Whilst the Committee has been formed, given the size and nature of the Company's operations to date the Board has chosen to discuss those matters usually considered by the Nomination & Remuneration Committee on a regular basis at the full Board during its regular meetings.

During the year ended 30 June 2014, the Nomination & Remuneration Committee met 7 times. Details of the attendance of each of the Committee members at these meetings is included in the Directors' Report.

The Charter of the Nomination & Remuneration Committee is available on the Company's website – www.patrys.com.

At the date of this report the Nomination & Remuneration Committee comprises three Directors as follows:

Name	Position
John Read	Independent Chairman
Suzy Jones	Independent Member
Michael Stork	Member

Board and committee performance

Board and committee performance is monitored on an informal basis throughout the year. The Board also undertakes an annual self-assessment of its performance. Directors consider matters such as composition, structure and role of the Board, and performance of individual directors. The Chairman then meets individually with each director.

Principle 3: Promote ethical and responsible decision making

Code of conduct

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established certain Codes of Conduct to guide all employees, particularly Directors, the Managing Director and Chief Executive Officer, the Chief Financial Officer and other senior executives in respect of ethical behaviour expected by the Company. These Codes of Conduct cover conflicts of interest, confidentiality, fair dealing, protection of assets, compliance with laws and regulations, whistle blowing, security trading and commitments to stakeholders.

A copy of the Code of Conduct is available on the Company's website – www.patrys.com.

Principle 4: Safeguard integrity in financial reporting

Audit & risk committee

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The Board has established an Audit & Risk Committee, which operates under a formal charter approved by the Board, to which it has delegated the responsibility to establish and maintain the framework of internal control and ethical standards for the management of the company.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

CORPORATE GOVERNANCE

At the date of this report the Committee comprises of three members, the majority of whom are independent Directors and the Chair of the Committee is not the Chair of the Board as follows:

Name	Position
Michael Stork	Non-Executive Chairman
Suzy Jones	Independent Non-Executive Member
John Read	Independent Non-Executive Member

During the year ended 30 June 2014, the Audit & Risk Committee met 4 times. Details of the attendance of each of the Committee members at these meetings is included in the Directors' Report.

The Charter of the Audit & Risk Committee is available on the Company's website – www.patrys.com.

The Managing Director and Chief Executive Officer and Chief Financial Officer attend each Audit & Risk Committee meeting by invitation. Additionally the Committee meets with and receives reports from the external auditors concerning any matters arising in connection with the performance of its role, including the adequacy of internal controls. The external auditors have been appointed since the Company listed in 2007. The Lead External Audit Engagement Partner is required to rotate at least once every 5 years.

Declaration of the Managing Director and Chief Executive Officer and Chief Financial Officer
The Managing Director and Chief Executive Officer and Chief Financial Officer provide the Board with written confirmation that:

- The financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards;
- The statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- The Company's risk management and internal compliance and control system is operating effectively in all material respects in relations to financial reporting risks.

The Board have received the following declaration from the Managing Director and Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2014.

"*STATEMENT TO THE BOARD OF DIRECTORS OF PATRYS LIMITED*

The Chief Executive Officer and the Chief Financial Officer state that:

(a) with regard to the integrity of the financial statements of Patrys Limited for the financial year ended 30 June 2014 that:

(i) the financial records of the company have been properly maintained in accordance with section 286 of the Corporations Act 2001; and

(ii) the financial statements and notes thereto comply with Accounting Standards in all material respects;

(iii) the financial statements and notes thereto give a true and fair view, in all material respects, of the financial position and performance of the company and the consolidated entity;

(iv) in our opinion, the financial statements and notes thereto are in accordance with the Corporations Act 2001; and

(v) in our opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

(b) with regard to risk management and internal control systems of Patrys Limited for the year ended 30 June 2014:

(i) the statements made in (a) above regarding the integrity of the financial statements and notes thereto is founded on a sound system of risk management and internal control which, in all material respects, implements the policies adopted by the board of directors;

(ii) the risk management and internal control systems to the extent they relate to financial reporting are operating effectively, in all material respects, based on the risk management model adopted by the company; and

(iii) nothing has come to our attention since 30 June 2014 that would indicate any material change to the statements in (i) and (ii) above.

Dr. Marie Roskrow
Chief Executive Officer
9 September2014
Melbourne

Roger McPherson
Chief Financial Officer
9 September 2014
Melbourne"

The Managing Director and Chief Executive Officer and Chief Financial Officer will also provide a similar declaration for the half year ending 31 December 2014, all future half year reporting periods and for each other financial period for which financial statements are prepared.

CORPORATE GOVERNANCE

Principle 5: Make timely and balanced disclosure

The Board has established a policy governing continuous disclosure and has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX.

The identification and monitoring of matters which may require disclose in accordance with the Company's continuous disclosure obligations occurs on a regular basis at management meetings attended by senior management. To ensure that all information of this nature is brought to the attention of the Board, the Company has developed a training programme for all staff.

If a matter is identified as potentially requiring disclosure it is provided to the Chairman by the Managing Director and Chief Executive Officer or the Chief Financial Officer and Company Secretary. All ASX announcements of a non procedural nature are approved by the Chairman before release.

In accordance with the ASX Listing Rules, the Company immediately notifies the ASX of information:

- Concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities;
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities; and
- to correct or prevent a false market in the Company's securities.

Upon confirmation of receipt from the ASX, the Company posts all information disclosed in accordance with this policy on the Company's website in an area accessible by the public.

The Company has also developed a Communications Policy which covers the basics of how to handle contact with the news media and other external enquiries (received verbally or electronically). The Company recognises that the media is an important vehicle to raise its profile and the work that it is undertaking so the general policy is to actively seek to respond quickly to opportunities. The Managing Director and Chief Executive Officer is the nominated spokesperson and understands the Company's continuous disclosure obligations when communicating with the media and responding to other external enquiries.

The Continuous Disclosure Policy and Communications Policy are available on the Company's website – www.patrys.com.

Principle 6: Respect the rights of Shareholders

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights has developed a Communications Policy. The Communications Policy is designed to describe the processes Patrys has in place to promote communication with its investors and encourage shareholder participation at AGMs. The Company is committed to:

1. communicating effectively with shareholders through releases to the market via the ASX, the Company's website, information mailed and emailed to shareholders and the general meetings of the Company;
2. giving shareholders ready access to balanced and understandable information about the Company and corporate proposals; and
3. making it easy for shareholders to participate in general meetings of the Company.

The Company also requests the external auditor to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The policy provides for the use of systems involving technologies that ensure a regular and timely release of information about the Company. Mechanisms employed include:

1. all information released to the ASX (including annual reports, half-yearly reports, and notices of general meetings and their associated explanatory material) is posted on the Company's website as soon as practicable following confirmation of receipt by the ASX;
2. annual reports (if requested) and notices of general meetings with explanatory material are mailed to investors; and
3. copies of new presentations to be made to investors, potential investors and analysts are posted on both the ASX and Patrys websites prior to being delivered.

In addition, the Company makes available a telephone number (+61 3 9670 3273) for shareholders to make enquiries of the Company.

The Communications Policy is available on the Company's website – www.patrys.com.

Principle 7: Recognise and manage risk

The identification and effective management of risk, including calculated risk-taking is viewed as an essential part of the Company's approach to creating long-term shareholder value.

Management, through the Managing Director and Chief Executive Officer, is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system. Management reports to the Audit & Risk Committee on the Company's key risks and the extent to which it believes these risks are being monitored at each Committee meeting. The Audit & Risk Committee review and monitor management's risk management and internal compliance and control systems.

On a continuous basis the Board has charged the Committee with responsibility that:

- clearly describe the respective roles of the Board, the Committee and Management; and
- prescribe the necessary elements of an effective risk management system, namely, oversight, risk profile, risk management, compliance and control, and assessment of system effectiveness.

CORPORATE GOVERNANCE

The Managing Director and Chief Executive Officer and Chief Financial Officer in providing written confirmation to the Board in accordance with the requirements of Section 295A (2) of the Corporations Act 2001 have also certified in writing. This certification is founded on a sound system of risk management and internal compliance and control, which implement the policies adopted by the Board and the Company's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects.

Details of the material economic risks that the Board considers are faced by the Company are outlined in the *Business Strategies and Prospects* section of the Directors' Report. The Board does not consider that the Company has any material environmental or social sustainability risks of exposures.

Principle 8 - Remunerate fairly and responsibly

The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves, the Non-Executive Chairman and the Senior Management team. The Board has established a Nomination & Remuneration Committee, comprising of three Directors, the majority of which are Non-Executive Directors.

The performance of the Board, Committees, individual Directors and key executives is reviewed regularly.

Performance appraisals are undertaken annually. The performance criteria against which the Board, key executives and committees will be assessed are aligned with key corporate governance needs as well as financial and non-financial objectives.

Executives are given limited salary packaging options for their base salary including superannuation. It is intended that the manner of payment is optimal for the recipient without increasing the cost to the Company. Executive performance and remuneration includes an "at-risk" component, the payment of which is dependent upon individual and team performance relative to specific targets. Long-term incentive arrangements have been provided by participation in equity plans to ensure key employees maintain a long-term interest in the growth and value of the Company.

The Company also issues equity to Non-Executive Directors to align their interests with the long-term goals of the Company. There is no scheme to provide retirement benefits other than statutory superannuation.

In relation to the payment of bonuses, options and other incentive payments to executives and other staff, discretion is exercised by the Board having regard to individual, team and Company performance relative to specific targets during the period.

The expected outcomes of the remuneration structure are to retain and motivate Directors and key executives, attract quality management and provide incentives which align performance and Company success in a manner that is market competitive, consistent with best practice and in the interests of shareholders. Details of the nature and amount of each element of remuneration, including both monetary and non-monetary components, for each Director and the (Non Director) Officers paid during the year can be found in the Directors' Report.

This Corporate Governance Statement is effective as at the date of this statement and made in accordance with a resolution of the Board of Directors.

On behalf of the directors by:



Mr. John Read
Director

Date: 9 September 2014

PATRYS LIMITED
ABN 97 123 055 363
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated 2014 $	Consolidated 2013 $
Revenues from continuing operations	3(a)	759,683	980,389
Other income	3(b)	-	195,235
Expenses from continuing operations			
Research & development	3(c)	(6,298,246)	(3,301,725)
Management & administration		(1,742,366)	(1,396,533)
Loss from continuing operations before tax		(7,280,929)	(3,522,634)
Income tax (expense)	4	(8,161)	(6,461)
Loss for the year from continuing operations after income tax		**(7,289,090)**	**(3,529,095)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		9,860	44,991
Derecognition of foreign currency reserve		-	6,068
	15(a)	**9,860**	**51,059**
Total comprehensive income/(loss) for the year attributable to members of the Company		**(7,279,230)**	**(3,478,036)**
Earnings per share:			
Basic loss per share - from continuing operations	5	(1.21¢)	(0.72¢)
Diluted loss per share - from continuing operations	5	(1.21¢)	(0.72¢)

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

PATRYS LIMITED
ABN 97 123 055 363
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

Consolidated	Fully paid ordinary shares	Foreign currency translation reserve	Share option reserve	Share loan plan reserve	Accumulated losses	Total
2014	**$**	**$**	**$**	**$**	**$**	**$**
At 1 July 2013	**50,712,575**	**(56,323)**	**1,048,958**	**297,228**	**(41,229,836)**	**10,772,602**
Loss for the period	-	-	-	-	(7,289,090)	(7,289,090)
Other comprehensive income	-	9,860	-	-	-	9,860
Total comprehensive income/(loss) for the year	-	9,860	-	-	(7,289,090)	(7,279,230)
Transactions with owners in their capacity as owners:						
Issued capital	9,240,136	-	-	-	-	9,240,136
Re-allocation of value of options exercised during the period	118,058	-	(118,058)	-	-	-
Re-allocation of value of expired and cancelled equity	-	-	(787,917)	(20,444)	808,361	-
Transaction costs related to shares issued	(624,602)	-	75,440	-	-	(549,162)
Cost of share based payment	229,804	-	9,829	10,290	-	249,923
At 30 June 2014	**59,675,971**	**(46,463)**	**228,252**	**287,074**	**(47,710,565)**	**12,434,269**
2013	**$**	**$**	**$**	**$**	**$**	**$**
At 1 July 2012	**49,136,175**	**(107,382)**	**848,122**	**269,644**	**(37,700,741)**	**12,445,818**
Loss for the period	-	-	-	-	(3,529,095)	(3,529,095)
Other comprehensive income	-	51,059	-	-	-	51,059
Total comprehensive income/(loss) for the year	-	51,059	-	-	(3,529,095)	(3,478,036)
Transactions with owners in their capacity as owners:						
Issued capital	1,858,200	-	5,000	-	-	1,863,200
Transaction costs related to shares issued	(281,800)	-	181,800	-	-	(100,000)
Cost of share based payment	-	-	14,036	27,584	-	41,620
At 30 June 2013	**50,712,575**	**(56,323)**	**1,048,958**	**297,228**	**(41,229,836)**	**10,772,602**

The above consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

PATRYS LIMITED
ABN 97 123 055 363
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	Consolidated 2014 $	Consolidated 2013 $
Current assets			
Cash and cash equivalents	6	8,643,507	5,232,298
Trade and other receivables	7	74,187	52,346
Other current assets	8	109,267	153,288
Total current assets		**8,826,961**	**5,437,932**
Non-current assets			
Property, plant and equipment	9	251,115	287,281
Intangible assets	10	5,735,622	6,128,632
Total non-current assets		**5,986,737**	**6,415,913**
Total assets		**14,813,698**	**11,853,845**
Current liabilities			
Trade and other payables	11	2,143,821	925,427
Current tax liabilities	4	-	-
Derivative financial instruments	12	40,607	-
Provisions	13	151,705	119,054
Total current liabilities		**2,336,133**	**1,044,481**
Non-current liabilities			
Provisions	13	43,296	36,762
Total non-current liabilities		**43,296**	**36,762**
Total liabilities		**2,379,429**	**1,081,243**
Net assets		**12,434,269**	**10,772,602**
Equity			
Issued capital	14	59,675,971	50,712,575
Reserves	15	468,863	1,289,863
Accumulated losses	15	(47,710,565)	(41,229,836)
Total equity		**12,434,269**	**10,772,602**

The above consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

PATRYS LIMITED
ABN 97 123 055 363
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated 2014 $	Consolidated 2013 $
Cash flows from operating activities			
Payments to suppliers and employees inclusive of GST		(5,831,869)	(3,588,550)
Income tax paid		(3,321)	(10,073)
Interest received		163,362	213,152
R&D tax incentive		582,595	754,908
Other income		-	2,643
Net cash used in operating activities	17 (b)	**(5,089,233)**	**(2,627,920)**
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		-	22,957
Payments for property, plant and equipment		-	(8,502)
Payments for intangible assets		(74,595)	(223,058)
Net cash used in investing activities		**(74,595)**	**(208,603)**
Cash flows from financing activities			
Net proceeds from issue of shares		9,240,136	1,863,200
Payment for share issue expenses		(319,358)	(175,333)
Net cash provided by financing activities		**8,920,778**	**1,687,867**
Net increase/(decrease) in cash and cash equivalents		3,756,950	(1,148,656)
Effects of exchange rate changes on the balance of assets held in foreign currencies		(345,741)	191,844
Cash and cash equivalent at beginning of year		5,232,298	6,189,110
Cash and cash equivalents at end of year	17 (a)	**8,643,507**	**5,232,298**

The above consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

PATRYS LIMITED
ABN 97 123 055 363
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Introduction

The financial report covers Patrys Limited ("Patrys" or "Company"), a company limited by shares, whose shares are publicly traded on the Australian Securities Exchange. Patrys is incorporated and domiciled in Australia. The presentation currency and functional currency of the Group is Australian dollars.

Separate financial statements for Patrys Limited as an individual entity are no longer presented as the consequence of a change to the Corporations Act 2001, however, limited financial information for Patrys Limited as an individual entity is included in Note 23.

The principal activity of the Company and its subsidiaries ("Group") during the financial year was developing natural human antibody therapeutics to administer as treatments to fight cancer.

The financial report was authorised for issue by the Board of Directors of Patrys on the date shown on the Declaration by Directors attached to the Financial Statements.

Note 1: Statement of significant accounting policies

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

a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. Patrys Limited is a for-profit entity for the purpose of preparing these financial statements.

The financial report comprises the consolidated financial statements of the Group.

These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

b) Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise noted. All values are rounded to the nearest dollar.

The accounting policies have been consistently applied and, except where there is a change in accounting policy, are consistent with those of the previous year.

c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the Group. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are consolidated from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Patrys Limited.

d) Going concern

The financial statements have been prepared on a going concern basis.

For the year ended 30 June 2014, the Group incurred a loss from continuing operations after income tax of $7,289,090 (2013: $3,529,095) and had consolidated net cash outflows from operations of $5,089,233 (2013: $2,627,920). The Group does not yet have a source of income sufficient to meet operating costs and is reliant on equity capital to fund its operations. For the period covering the twelve months from the date of the financial report, the Group expects this trend to continue. These conditions indicate a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

At 30 June 2014, the Group had net current assets of $6,490,828 (2013: $4,393,451).

The ability of the Group to continue as a going concern is dependent upon a number of factors, one being the continuation and availability of funds. The Group has a history of successfully raising funds and during the year under review has raised capital in the amount of $9,240,136, before costs (2013: $1,863,200). It is the Company's intention to raise further capital in the next twelve months. The Group also has the ability to downscale its operations and discontinue programmes should the need arise.

Cash flow forecasts prepared by management demonstrate that with a modest fund raising the Group has sufficient funds to meet commitments over the next twelve months. For this reason the financial statements have been prepared on the basis that the Group is a going concern, which contemplates normal business activity, realisation of assets and the settlement of liabilities in the normal course of business.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Group not continue as a going concern.

e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, held at call with financial institutions, and other short-term deposits with an insignificant risk of change in value.

Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

f) Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year. Shares issued under the Loan Share Plan and options issued under the Employee Share Option Plan are excluded from this calculation. Refer to Note 5 for further details.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares. Shares issued under the Loan Share Plan and options issued under the Employee Share Option Plan are excluded from this calculation. Refer to Note 5 for further details.

g) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements concerns management's review of the following items for indicators of impairment: (i) investments in and loans to subsidiaries in the parent entity and (ii) finite life intangibles in the Group. The carrying amount of investments in subsidiaries at 30 June 2014 is $232,925 (2013: $232,925) and the carrying amount of intangibles at 30 June 2014 is $5,735,622 (2013: $6,128,632).

At each reporting period the Company assesses whether investments in subsidiaries and loans to subsidiaries have suffered any impairment in accordance with the accounting policy stated in Note 1(k) and whether finite life intangibles have suffered any impairment in accordance with the accounting policy stated in Note 1(k).

Other areas that require significant judgement and key assumptions include share based payments, which are calculated at fair value using industry standard option pricing models, and the estimated useful life of intangibles, which is based on knowledge of patent law, understanding of competitive forces, and general familiarity with the biotechnology therapeutic product market.

There have been no other significant judgments made in applying accounting policies that the Directors consider would have a significant effect on the amounts recognised in the financial statements. There have been no key assumptions made concerning the future, and there are no other key sources of estimation uncertainty at the reporting date, that the Directors consider would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

h) Investments

Shares in controlled entities are shown in the parent entity information disclosed at Note 23 at cost or recoverable amount. Controlled entities are accounted for in the consolidated accounts as set out in the Note 1(c).

i) Property, plant and equipment

The purchase method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Property, plant and equipment is recognised at cost and are depreciated over their estimated useful lives using the straight line method. The expected useful life for property, plant and equipment is:

- Computer equipment – 3 years;
- Plant and equipment – 5 years; and
- Furniture – 13.3 years.

Profits and losses on disposal of plant and equipment are taken into account in determining the result for the year.

Impairment
The carrying values of plant and equipment are reviewed for impairment at each reporting date with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired. Impairment exists when the carrying value of an asset exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount.

Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

j) Intangible assets

Patents, trademarks and licences
Patents, trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses.

Patents, trademarks and licences comprise licences, intellectual property and registered trademarks and patents. Amortisation is calculated using the straight line method, over the assets estimated useful lives from 5 to 20 years.

k) Impairment of assets

Goodwill and other intangible assets that have an indefinite useful life and intangible assets not yet available for use are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment of Goodwill is not subsequently reversed.

Other assets are tested for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount may not be recoverable.

At each reporting date, the Group reviews the carrying amounts of its finite life tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

l) Trade and other receivables

Trade receivables and other receivables represent the principal amounts due at reporting date less, where applicable, any provision for doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Debts which are known to be uncollectible are written off. All trade receivables and other receivables are recognised at the amounts receivable as they are due for settlement within 90 days.

m) Research and development costs

Research and development expenditure is expensed as incurred except to the extent that its future recoverability can reasonably be regarded as assured, in which case it is deferred and amortised on a straight line basis over the period in which the related benefits are expected to be realised.

The carrying value of development costs that have been capitalised are reviewed for impairment annually when the asset is not yet in use or when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

n) Trade and other payables

Payables represent the principal amounts outstanding at reporting date plus, where applicable, any accrued interest. Liabilities for payables and other amounts are carried at cost which approximates fair value of the consideration to be paid in the future for goods and services received, whether or not billed. The amounts are unsecured and are usually paid within 30 days of recognition.

o) Leases

Leases of property, plant and equipment where the Company bears substantially all the risks and benefits incidental to ownership of the asset, are classified as finance leases.

Finance leases are capitalised, recorded as an asset and a liability equal to the present value of the minimum lease payments, including any residual payments as determined by the lease contract. Leased assets are amortised on a straight line basis over the estimated useful lives where it is likely that the Group will obtain legal ownership of the asset on expiry of the lease. Lease payments are allocated over both the lease interest expense and the lease liability.

Lease payments for operating leases where substantially all the risks and benefits of ownership remain with the lessor are charged as expenses in the periods in which they are incurred.

p) Employee benefits

Wages and salaries and annual leave
Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave
The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

q) Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability.

r) Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

s) Share based payments

Equity settled share based payments with employees, key consultants providing similar services and Directors are measured at fair value at the date of issue. Fair value is measured by use of industry standard pricing models. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

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

For cash settled share based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

t) Income taxes

Income taxes are accounted for using the comprehensive statement of financial position liability method whereby:

- the tax consequences of recovering (settling) all assets (liabilities) are reflected in the financial statements;
- current and deferred tax is recognised as income or expense except to the extent that the tax relates to equity items or to a business combination;
- a deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available to realise the asset; and
- deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled.

u) Issued capital

Ordinary shares are classified as equity (Note 14).

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

v) Revenue recognition

Licence revenue
Licence revenue is recognised in accordance with the underlying agreement. Upfront milestone payments are brought to account as revenues at the time of execution of the agreement and subsequent milestones when the relevant milestone has been achieved.

Interest income
Interest income is recognised on a time proportion basis using the effective interest method.

When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

R&D tax incentive
Income from the R&D Tax Incentive is recognised on an accruals basis when AusIndustry accept the claim.

Grant income
Grant income is recognised on a receipts basis.

w) Comparative figures

Comparatives have been reclassified so as to be consistent with the figures presented in the current year.

x) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as operating cash flows.

y) Foreign currency translation

Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Patrys Limited's functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency 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 year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at reporting date. Foreign exchange gains or losses resulting from the translation of monetary assets and liabilities at year end exchange rates are recognised in the statement of profit or loss and other comprehensive income.

Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for profit or loss items are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the statement of profit or loss and other comprehensive income, as part of the gain or loss on sale where applicable.

The functional currency of the overseas subsidiary Patrys GmbH is the Euro. The functional currency of the overseas subsidiary Patrys UK Limited is Pounds Sterling.

z) Derivative 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 each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

aa) Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, net of transaction costs.

Term Deposits
The Group has financial assets in the nature of term deposits which are held to maturity.

Loans and receivables
Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

Impairment of financial assets
Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

bb) New, revised or amending accounting standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 10 Consolidated Financial Statements
The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

AASB 11 Joint Arrangements
The consolidated entity has applied AASB 11 from 1 July 2013. The standard defines which entities qualify as joint arrangements and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets are accounted for using the equity method. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities, will account for its share of the assets, liabilities, revenues and expenses separately under the appropriate classifications.

AASB 12 Disclosure of Interests in Other Entities
The consolidated entity has applied AASB 12 from 1 July 2013. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates, joint arrangements (joint operations and joint ventures) and unconsolidated structured

entities. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
The consolidated entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)
The consolidated entity has applied AASB 119 and its consequential amendments from 1 July 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

AASB 127 Separate Financial Statements (Revised), AASB 128 Investments in Associates and Joint Ventures (Reissued) and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards
The consolidated entity has applied AASB 127, AASB 128 and AASB 2011-7 from 1 July 2013. AASB 127 and AASB 128 have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12 and AASB 2011-7 makes numerous consequential changes to a range of Australian Accounting Standards and Interpretations. AASB 128 has also been amended to include the application of the equity method to investments in joint ventures.

AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities
The consolidated entity has applied AASB 2012-2 from 1 July 2013. The amendments enhance AASB 7 'Financial Instruments: Disclosures' and requires disclosure of information about rights of set-off and related arrangements, such as collateral agreements. The amendments apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle
The consolidated entity has applied AASB 2012-5 from 1 July 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities.

AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments
The consolidated entity has applied AASB 2012-10 amendments from 1 July 2013, which amends AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement
The consolidated entity has applied 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the directors' report.

cc) New accounting standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2014. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments and its consequential amendments
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2017 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the consolidated entity.

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets
These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of these amendments from 1 July 2014 may increase the disclosures by the consolidated entity.

AASB 2013-4 Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting
These amendments are applicable to annual reporting periods beginning on or after 1 January 2014 and amends AASB 139 'Financial Instruments: Recognition and Measurement' to permit continuation of hedge accounting in circumstances where a derivative (designated as hedging instrument) is novated from one counter party to a central counterparty as a consequence of laws or regulations. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

AASB 2013-5 Amendments to Australian Accounting Standards - Investment Entities
These amendments are applicable to annual reporting periods beginning on or after 1 January 2014 and allow entities that meet the definition of an 'investment entity' to account for their investments at fair value through profit or loss. An investment entity is not required to consolidate investments in entities it controls, or apply AASB 3 'Business Combinations' when it obtains control of another entity, nor is it required to equity account or proportionately consolidate associates and joint ventures if it meets the criteria for exemption in the standard. The adoption of these amendments from 1 July 2014 will have no impact on the consolidated entity.

Annual Improvements to IFRSs 2010-2012 Cycle
These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; Clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial; Clarifies that in AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets', when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosures' to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

Annual Improvements to IFRSs 2011-2013 Cycle
These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects four Accounting Standards as follows: Clarifies the 'meaning of effective IFRSs' in AASB 1 'First-time Adoption of Australian Accounting Standards'; Clarifies that AASB 3 'Business Combination' excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; Clarifies that the scope of the portfolio exemption in AASB 13 'Fair Value Measurement' includes all contracts accounted for within the scope of AASB 139 'Financial Instruments: Recognition and Measurement' or AASB 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132 'Financial Instruments: Presentation'; and Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 'Business Combinations' and investment property as defined in AASB 140 'Investment Property' requires the separate application of both standards independently of each other. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

Note 2: Remuneration of auditors

	Consolidated	
	2014	*2013*
	$	*$*
Audit services		
BDO East Coast Partnership:		
Audit and review of financial reports and other audit work under the Corporations Act 2001	49,715	48,000
Network Firms - BDO LLP:	-	
Audit and review of financial reports and other audit work	4,861	4,584
Total remuneration for audit services	*54,576*	*52,584*
Other advisory services		
BDO East Coast Partnership:		
Advice on taxation and other matters and review and lodgement of corporate tax returns	6,000	5,500
Network Firms - BDO LLP:		
Advice on taxation and other matters and review and lodgement of corporate tax returns	3,836	5,134
Total remuneration	**64,412**	**63,218**

Note 3: Revenue and expenses from continuing operations

	Consolidated 2014 $	2013 $
(a) Revenue		
Interest received – bank deposits	177,088	222,838
R&D tax incentive	582,595	754,908
Other	-	2,643
Total revenue from continuing operations	**759,683**	**980,389**
(b) Other income		
Foreign currency exchange gain	-	195,235
(c) Expenses		
Employee salary and benefit expenses:		
Salary and employee benefit expenses	1,587,078	1,298,946
Defined contribution superannuation expenses	79,876	49,068
Share based payments	20,119	41,620
Total employee salary and benefit expenses	**1,687,073**	**1,389,634**
Depreciation, amortisation and impairment of non-current assets:		
Plant and equipment	44,442	46,762
License and registered patents	500,358	600,363
Total depreciation, amortisation and impairment expenses	**544,800**	**647,125**
Foreign currency exchange differences:		
Foreign currency exchange losses	155,537	-
Total foreign currency exchange differences	**155,537**	**-**
Operating expenses:		
Research and development expenses	6,298,246	3,301,725
Operating lease expenses	87,405	81,261
Loss on disposal of non-current assets	-	61,817

Note 4: Income taxes

	Consolidated 2014 $	2013 $
Income tax expense		
Current tax expense in respect of current year	**8,161**	**6,461**
The prima facie income tax expense on the loss from continuing operations before tax reconciles to the income tax expense in the financial statements as follows:		
Loss from continuing operations before tax	(7,280,929)	(3,522,634)
Income tax calculated at 30%	(2,184,279)	(1,056,790)
Effect of revenue that is not assessable in determining taxable loss	(174,778)	(239,910)
Effect of expenses that are not deductible in determining taxable loss	5,671	14,687
Effect of different tax rates of subsidiaries operating in other jurisdictions	-	-
Deferred tax assets not brought into account	2,361,547	1,288,474
Income tax expense	**8,161**	**6,461**
Current tax liabilities		
Income tax payable attributable to subsidiaries	**-**	**-**
Unrecognised deferred tax assets		
The following deferred tax assets have not been brought to account as assets:		
Tax losses – revenue	13,485,129	12,262,604

These deferred tax assets (not recognised) will only be obtained if:

(i) the entities derive future assessable income of a nature and of an amount sufficient to enable the benefits from the deduction for losses to be realised;

(ii) the entities continue to comply with the conditions for deductibility imposed by the law; and no changes in tax legislation adversely affect the entities in realising the relevant benefits from deduction for the losses; and

(iii) no changes in tax legislation adversely affect the entities in realising the relevant benefits from deduction for the losses.

Note 5: Earnings per share

	Consolidated 2014 $	2013 $
Net loss used in calculating basic earnings per share:	7,289,090	3,529,095
Net loss used in calculating diluted earnings per share:	7,289,090	3,529,095
	No. of Shares	**No. of Shares**
Weighted average number of ordinary shares used in calculating basic earnings per share	601,082,606	487,600,887
Dilutive potential ordinary shares	-	-
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	**601,082,606**	**487,600,887**

Information concerning the classification of securities

Fully paid ordinary shares
Fully paid ordinary shares carry the right to participate in dividends and the proceeds on winding up of the Company in equal proportion to the number of shares held. At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. Fully paid ordinary shares are included as ordinary shares in the determination of basic earnings per share.

Loan Share Plan
The Company introduced the Loan Share Plan ("LSP") in December 2009 following approval of the plan at the 2009 Annual General Meeting. Only Australian residents are eligible to participate in the plan. The plan allows non-recourse, interest free loans to be provided to eligible participants to acquire shares under the plan. When an issue is made it will be treated as an in-substance grant of options and expensed over the vesting period because of the limited recourse nature of the loans.

Shares offered under the Loan Share Plan may be subject to Vesting Conditions, Forfeiture Conditions and Disposal Restrictions (collectively referred to as "Conditions") as determined by the Board and specified in the Offer documents sent to participants. The Board had discretion to waive or deem Conditions to have been satisfied. Shares under the LSP cannot be dealt with (including traded on the ASX) unless they are not subject to any Conditions and there is no outstanding Loan on the shares.

Generally shares issued under the plan will vest over a three year period. The shares are acquired in the name of the participant and each participant authorises and appoints the Company Secretary to act on their behalf. Any dividends paid on the shares are used to repay the loan. In all other respects the shares issued under the LSP carry the same rights as other ordinary shares on issue. If the participant leaves the Company, any shares that have not vested will be bought back by the Company and cancelled along with the loan. In respect of shares that have vested the loan balance must be paid in full within six months of termination or the shares will be sold and the proceeds applied to settle the loan balance. The issue price of the shares in the Company held under the LSP is not included in equity until the loan has been repaid.

Amounts unpaid on shares held under the LSP are treated as the equivalent of options to acquire ordinary shares and are excluded as potential ordinary shares in the determination of diluted earnings per share. The shares held under the LSP have not been included in the determination of basic earnings per share. Details relating to the LSP are set out in Note 20.

The 5,002,085 shares on issue at reporting date that were granted under the LSP are not included in the calculation of diluted earnings per share because they are anti-dilutive for the year ended 30 June 2014. These shares could potentially dilute basic earnings per share in the future.

Options
Options granted to employees under the Employee Share Option Plan ("ESOP") are considered to be potential ordinary shares and have been excluded in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share because they are anti-dilutive for the year ended 30 June 2014. Details relating to the options are set out in Note 20.

Note 6: Cash and cash equivalents

	Consolidated 2014 $	2013 $
Cash at bank	26,143	21,659
Deposit at call	2,988,848	2,247,701
Term deposits	5,628,516	2,962,938
	8,643,507	**5,232,298**

The Group's exposure to interest rate and foreign currency risk is discussed in note 19.

Note 7: Trade and other receivables

	Consolidated 2014 $	2013 $
Other receivables	74,187	52,346
	74,187	**52,346**

The balance of other receivables of $74,187 (2013: $52,346) is not past due and not considered impaired.

Refer to note 19 for details of the risk exposure analysis.

Note 8: Other current assets

	Consolidated 2014 $	2013 $
Prepayments	79,152	73,691
Security Deposits	30,115	79,597
	109,267	**153,288**

Note 9: Property, plant and equipment

	Consolidated 2014 $	2013 $
Plant and equipment		
At cost	544,689	643,332
Accumulated depreciation	(293,574)	(356,051)
Total net plant and equipment	**251,115**	**287,281**

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

Plant and equipment at cost:		
Balance at the beginning of year	287,281	375,602
Additions	-	8,502
Disposals	-	(84,774)
Depreciation expense	(44,442)	(46,762)
Foreign exchange movement	8,276	34,713
Carrying amount at the end of year	**251,115**	**287,281**

Note 10: Intangible assets

	Consolidated 2014 $	2013 $
Intellectual property establishment and licenses acquired at cost (ii)	11,234,203	11,126,855
Less: Accumulated amortisation and impairment losses	(5,498,581)	(4,998,223)
Total net intangible assets	**5,735,622**	**6,128,632**

Movements in the carrying amounts for intellectual property between the beginning and the end of the current financial year

Carrying amount at the beginning of year	6,128,632	6,608,107
Additions – acquisitions	107,348	120,888
Amortisation and impairment expense (i)	(500,358)	(600,363)
Carrying amount at the end of year (iii)	**5,735,622**	**6,128,632**

(i) Amortisation and impairment expense is included in the line item 'research and development' in the statement of profit or loss and other comprehensive income.

(ii) Intangible assets comprise licences, intellectual property, trademarks and registered patents, have a finite useful life and are recorded at cost. Amortisation is calculated using straight line method over the estimated useful life, which ranges from 5 to 20 years. Remaining amortisation periods range from 3 to 18 years.

(iii) Intellectual property which includes platform technology and product related intellectual property is reviewed on a regular basis and where a decision has been made not to pursue a product, the remaining value recorded as an asset is impaired. At balance date, the directors have not noted any indicators of impairment related to intellectual property. However, the recoverable amounts of intellectual property have been supported based on a value in use calculation under which the present worth of the future cash flows expected over the economic life of the asset was determined. The future cash flow projections are based on financial budgets and business plans as well as an assessment of information from external sources on such facts as the existing incidence of the disease, projections of patents, product market size, competitor products and the expected growth figures.

The valuation was performed in-house using the probability adjusted net present value (NPV) method. The valuation has been based on a cash flow projection covering the remaining term of each relevant patent application which does not exceed 20 years. A pre-tax discount rate of 20% was used. The other key assumptions included expected milestone receipts; royalty rates received of 3% and estimated market size. No reasonably expected change in any of the key assumptions would impact the estimated recoverable amount.

Funds are being invested in research and development, as products move through each phase of required preclinical and clinical development. Product development can take several years. The NPV model has incorporated projected cash flows from between 8 to 20 years based on the patent life in lieu of using a terminal value to better reflect the nature of the cash flows to be received over the product life cycle. The application of extended cash flow projections beyond five years is consistent with AASB 136 *Impairment of Assets* 134(d)(iii). Management undertakes this analysis on a regular basis.

Note 11: Trade and other payables

	Consolidated 2014 $	2013 $
Current		
Trade creditors	1,543,280	194,861
Other creditors and accruals	600,541	730,566
Total trade and other payables	**2,143,821**	**925,427**

Note 12: Derivative financial instruments

	Consolidated 2014 $	2013 $
Current		
Forward foreign exchange contracts	40,607	-
	40,607	**-**

Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates. Refer to note 19 for further information on derivative financial instruments.

Note 13: Provisions

	Consolidated 2014 $	2013 $
Current		
Annual leave	151,705	119,054
	151,705	**119,054**
Non-current		
Long service leave	43,296	36,762
	43,296	**36,762**

Note 14: Contributed equity

The Company does not have authorised capital nor par value in respect of its issued shares.

Ordinary shares participate in dividends and the proceeds on winding up of the Company in equal proportion to the number of shares held. At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(a) Movements in issued capital during the year were as follows:

	2014 No.	*2013* No.	*2014* $	*2013* $
Issued shares:				
At the beginning of the reporting period	507,362,177	413,612,177	50,712,575	49,136,175
Share Placement shares issued at 2 cents per share	-	55,000,000	-	1,100,000
Share Purchase Plan shares issued at 2 cents per share	-	37,910,000	-	758,200
Rights Issue shares issued at 5 cents per share	153,202,727	-	7,660,136	
Shares issued on exercise of options	31,600,000		1,580,000	
Re-allocation of value of options exercised during the period	-		118,058	
Value of shares issued to Financial Advisors[1]	4,596,082		229,804	
Transaction costs arising on issue of shares		-	(624,602)	(281,800)
Shares issued pursuant to the Loan Share Plan (LSP) (refer Note 20(a))	300,000	840,000	-	-
At end of the reporting period	**697,060,986**	**507,362,177**	**59,675,971**	**50,712,575**
Issued shares are comprised as follows:				
Ordinary shares	692,058,901	502,660,092		
Restricted shares issued under the LSP	5,002,085	4,702,085		
Balance at end of the year	**697,060,986**	**507,362,177**		

1. On 18 March 2014 the Company issued 4,596,082 fully paid ordinary shares to Azure Capital Ltd (at 5 cents per share) in part consideration for fundraising and advisory services provided in connection with the Rights Issue announced on 13 November 2013.

(b) Movements in share options over ordinary shares during the year were as follows:

	Consolidated 2014 No.	2013 No.
Balance at beginning of the year	54,133,059	28,625,095
Granted during the year	450,000	50,605,000
Exercised during the year	(31,600,000)	-
Expired during the year	(19,525,000)	(25,041,030)
Lapsed during the year	-	(56,006)
Balance at end of the year	**3,458,059**	**54,133,059**

Option – Series[1]	Number	Vesting date	Expiry date	Exercise price $[2]	Unvested at Year End
Granted 1 July 2008	162,501	01/07/2009	01/07/2014	0.3225	-
Granted 1 July 2008	162,500	01/07/2010	01/07/2015	0.3225	-
Granted 1 July 2008	162,499	01/07/2011	01/07/2016	0.3225	-
Granted 19 November 2008	125,000	20/10/2009	20/10/2014	0.1625	-
Granted 28 November 2008	480,000	25/05/2010	25/05/2015	0.2534	-
Granted 28 November 2008	240,000	25/05/2011	25/05/2016	0.2534	-
Granted 2 December 2009	165,584	27/12/2010	27/12/2015	0.1365	-
Granted 2 December 2009	165,585	27/12/2011	27/12/2016	0.1365	-
Granted 2 December 2009	165,585	27/12/2012	27/12/2017	0.1365	-
Granted 1 July 2010	100,601	01/07/2011	01/07/2016	0.0985	-
Granted 1 July 2010	100,602	01/07/2012	01/07/2017	0.0985	-
Granted 1 July 2010	100,602	01/07/2013	01/07/2018	0.0985	-
Granted 8 December 2011	90,668	08/12/2012	08/12/2017	0.0315	-
Granted 8 December 2011	90,666	08/12/2013	08/12/2018	0.0315	-
Granted 8 December 2011	90,666	08/12/2014	08/12/2019	0.0315	90,666
Granted 21 August 2012	76,667	21/08/2013	21/08/2018	0.0145	-
Granted 21 August 2012	76,667	21/08/2014	21/08/2019	0.0145	76,667
Granted 21 August 2012	76,666	21/08/2015	21/08/2020	0.0145	76,666
Granted 2 November 2012	125,000	02/11/2013	02/11/2018	0.0225	-
Granted 2 November 2012	125,000	02/11/2014	02/11/2019	0.0225	125,000
Granted 2 November 2012	125,000	02/11/2015	02/11/2020	0.0225	125,000
Granted 20 May 2014	150,000	20/05/2015	20/05/2020	0.05	150,000
Granted 2 November 2012	150,000	20/05/2016	20/05/2021	0.05	150,000
Granted 2 November 2012	150,000	20/05/2017	20/05/2022	0.05	150,000
	3,458,059				**943,999**

1. Share options granted carry no rights to dividends and no voting rights.
2. Following the Rights Issue announced on 13 November 2013, in accordance with ASX Listing Rule 6.22 all options granted prior to the closing of the Rights Issue were repriced (refer to Note 20 of the financial statements for further details).

Note 15: Reserves and accumulated losses

	Note	Consolidated 2014 $	2013 $
Foreign currency translation reserve	(a)	(46,463)	(56,323)
Share options reserve	(b)	228,252	1,048,958
Share loan plan reserve	(c)	287,074	297,228
Total reserves		**468,863**	**1,289,863**

(a) Foreign currency translation reserve

	Consolidated 2014 $	2013 $
Opening balance 1 July	(56,323)	(107,382)
Net adjustment arising from the translation of foreign controlled entities' financial statements	9,860	44,991
De-recognition of foreign currency reserve	-	6,068
Closing balance	**(46,463)**	**(56,323)**

Exchange differences relating to translation from functional currencies of the Group's foreign controlled entities into Australian Dollars are bought to account by entries made directly to the foreign currency translation reserve. The foreign currency translation reserve in relation to Patrys Inc. was derecognised during the prior reporting period.

(b) Share option reserve

	Consolidated 2014 $	2013 $
Opening balance 1 July	1,048,958	848,122
Value of options issued under the Employee Share Option Plan (recognised over vesting period) [1,3]	9,829	14,036
Consideration received for options granted to financial advisors	-	5,000
Value of options granted to financial advisors [2,3]	75,440	181,800
Re-allocation of value of options exercised during the period	(118,058)	-
Re-allocation of value of expired options	(787,917)	-
Closing balance	**228,252**	**1,048,958**

(c) Share loan plan reserve

	Consolidated 2014 $	2013 $
Opening balance 1 July	297,228	269,644
Value of shares recognised over vesting period [1]	10,290	27,584
Re-allocation of value of cancelled shares	(20,444)	-
Closing balance	**287,074**	**297,228**

1. The equity settled employee benefits reserves arise on issue of equity under the Loan Share Plan or the Executive Share Option Plan to executives and senior employees. Amounts are transferred out of the reserves and into issued capital when the loans are repaid or the options are exercised. Amounts are transferred to accumulated losses when the shares or options are cancelled. Further information about share based payments to Directors and key management personnel is made at Note 20 of the financial statements.

2. On 21 August 2012 the Company granted 50,000,000 options to Forrest Capital Pty Ltd (Financial Advisor options) in part consideration for fundraising and advisory services. These options vested on grant, expired on 30 June 2014 and had an exercise price of 5 cents each. The fair value of the options at the grant date, which approximates the fair value of the services rendered, has been determined using standard industry pricing models, as $181,800. The Company received consideration of 0.01 cents per option ($5,000). Following the announcement of the Rights Issue on 13 November 2013, 31,600,000 of these options were exercised, the balance were cancelled on 30 June 2014 when they expired.

3. Following the Rights Issue announced on 13 November 2013, in accordance with ASX Listing Rule 6.22 all options were repriced. The adjustment to the value of the vested options (including the Financial Advisor options) has been recognised in the current year. The adjustment to the value of the unvested options is being recognised over the vesting period. Refer to Note 20 of the financial statements for further details.

(d) Movement in accumulated losses

	Consolidated 2014 $	2013 $
Opening balance 1 July	(41,229,836)	(37,700,741)
Re-allocation of value of expired equity	808,361	-
Net loss attributable to the members of the parent entity for the period	(7,289,090)	(3,529,095)
Closing balance	**(47,710,565)**	**(41,229,836)**

Note 16: Leases

Finance leases
The Group does not currently have any finance leases in place.

Operating leases

Lease arrangements
Patrys' office space at 343 Little Collins Street, Melbourne, Australia, has a lease term extending to 1 December 2014. The leases for the Group's laboratory in Würzburg, Germany (Patrys GmbH) require two months notice of termination. The Company does not have an option to purchase the respective properties covered by these leases.

Non-cancellable operating lease commitments

	Consolidated 2014 $	2013 $
Not longer than 1 year	24,740	23,913
Longer than 1 year and not longer than 5 years	-	-
Total	**24,740**	**23,913**

Note 17: Cash flow Information

(a) Reconciliation of cash

	Consolidated 2014 $	2013 $
Cash at bank	26,143	21,659
Deposit at call	2,988,848	2,247,701
Term deposits	5,628,516	2,962,938
Total cash and cash equivalents	**8,643,507**	**5,232,298**

(b) Reconciliation of cash used in operating activities with loss after income tax

	Consolidated 2014 $	2013 $
Loss from continuing operations after income tax	(7,289,090)	(3,529,095)
Non cash movements:		
Depreciation, amortisation and impairment expense	544,800	647,125
Equity settled share based payment	20,119	41,620
Unrealised foreign exchange losses/(gains)	387,931	(175,495)
Loss on disposal of non-current assets	-	61,817
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(21,841)	(16,249)
(Increase)/decrease in prepaid expenses	44,021	(29)
Increase/(decrease) in trade creditors and accruals	1,185,642	279,121
Increase/(decrease) in provisions	39,185	63,265
Cash used in operating activities	**(5,089,233)**	**(2,627,920)**

(c) Non cash financing and investing activities

There were no non cash financing activities during the year.

Note 18: Commitments and contingencies

(a) Acquisition Agreements

Agreement	Expected date of settlement
Vollmers Acquisition Agreement	Payments commenced in 2007; contingent payments possible for up to 20 years
OncoMab Acquisition Agreement	Contingent payments possible for up to 20 years
Würzburg Cooperation Agreement	Payments started in 2007; contingent payments possible for up to 20 years
Confirmation Assignment Agreement: Patrys, University of Würzburg and Acceptys, Inc.	Payments started in 2007; contingent payments possible for up to 20 years

Patrys has entered into several agreements whereby Patrys is obliged to make royalty payments on future sales and make future cash milestone payments if certain events occur. These agreements include:

- Vollmers Acquisition Agreement: milestone payments and royalty payments;
- OncoMab Acquisition Agreement: royalty payments;
- Würzburg Cooperation Agreements: royalty payments; and
- Confirmation Assignment Agreement: Patrys, University of Würzburg and Acceptys, Inc.: royalty payments.

Vollmers Acquisition Agreement
Patrys is committed to making certain milestone payments if certain hurdles are achieved as follows:

- milestone payments for products derived from the Vollmers Hybridomas and Residual Hybridomas, payable only once for each product, in the amount of $250,000 upon attaining the first Phase II clinical trials and a payment upon attaining regulatory approval in any of the following markets: US, Japan, UK, France, Germany, Italy or Spain;
- milestone payments for products derived from the PAT-SM6 LDL Rights in the amount of $250,000 upon attaining Phase II clinical trials, $400,000 for attaining Phase III clinical trials and a payment for regulatory approval in a major market; and
- certain later stage milestone payments (at regulatory approval) and royalties on sales of products derived from the assigned assets are also payable in amounts and at rates that are typical in the industry for transactions of this nature and for such products.

OncoMab Acquisition Agreement
Patrys must pay to OncoMab certain royalties on sales of products derived from the assigned assets in amounts and at rates that are typical in the industry for transactions of this nature and for such products.

Würzburg Cooperation Agreement
The University with the cooperation and sponsorship of the Company undertakes research in accordance with an agreed research and development plan. The University has assigned all of its intellectual property rights, title and interest in the new intellectual property (New IPR) created under the research project to the Company. Patrys must pay to the University certain royalties on sales of products derived from the New IPR in amounts and at rates that are typical in the industry for transactions of this nature and for such products.

Confirmation Assignment Agreement
The University of Würzburg assigned to Patrys all of its rights, title and interest in a library of hybridomas in consideration for payment of a lump sum of US$75,000 and royalties payable on the sale of products that derive from the New IPR. These payments and royalty rates are typical in the industry for transactions of such nature.

(b) Capital expenditure commitments

There was no capital expenditure contracted for at reporting date but not provided for in the accounts.

(c) Licence agreements

Patrys has entered into a number of licence agreements in respect of technologies and assets as outlined below:

Patrys - Crucell 2007 Research Licence Agreement
In May of 2007, Patrys entered into contracts with DSM Biologics Company and Crucell Holland B.V., covering the evaluation of Crucell's PER.C6® human antibody production technologies for potential use for Patrys' products. The contract was at the risk of DSM and Crucell in that no payments would be due from Patrys short of a successful result. In August of 2008, DSM and Crucell reported significantly positive results from this work (which was completed at a DSM/Crucell joint venture laboratory at DSM/Crucell cost). As part of these arrangements the Company entered into a research licence with Crucell in respect of the application of these technologies in 3 Patrys products. Under this agreement Patrys is committed to make an annual licence fee payment of €50,000. If Patrys wishes to commercialise any of the products developed under the research licence agreement it has the right to enter into a commercial license with Crucell which would incur annual payments and royalties payable on the sale of products that derive from the licensed PER.C6® cell line. These payments and royalty rates are typical in the industry for transactions of such nature.

Patrys - Crucell 2009 Research Licence Agreement
In July of 2009, Patrys entered into a research licence agreement with Crucell Holland B.V., covering the use of Crucell's PER.C6® human antibody production technologies for potential use for 5 Patrys' products. Patrys is committed to make an annual license fee of €50,000. If Patrys wishes to commercialise any of the products developed under the research licence agreement it has the right to enter into a commercial license with Crucell which would incur annual payments and royalties payable on the sale of products that derive from the licensed PER.C6® cell line. These payments and royalty rates are typical in the industry for transactions of such nature.

Patrys - Debiovision – Option License and Assignment Agreement
In August of 2009, Patrys acquired the rights to product SC-1 (renamed PAT-SC1) from Debiovision Inc. Once developed, Patrys royalties will be payable to Debiovision on the sale of products that derive from PAT-SC1. These royalty rates are typical in the industry for transactions of this nature.

(d) Other contingencies

Patrys Supplier Arrangements
As at reporting date projects had been committed to with suppliers and to the extent that work had been completed expenditure has been provided for in the accounts. Committed but unrecognised expenditure as at reporting date amounted to $1,378,088 (2013: $254,867).

Note 19: Financial instruments

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2007.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 14, and 15, respectively. The Group operates globally, primarily through subsidiary companies established in the markets in which the Group trades. None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand the Group's assets.

Gearing ratio
The Group's Audit & Risk Committee reviews the capital structure on a half-yearly basis. As a part of this review the committee considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing of 0% in line with the industry norm that is determined as the proportion of net debt to equity. Based on recommendations of the committee the Group will balance its overall capital structure through new share issues.

The gearing ratio at year end was as follows:

	Note	Consolidated 2014 $	2013 $
Financial assets			
Debt (i)		-	-
Cash and cash equivalents	6	8,643,507	5,232,298
Net cash/(debt)		**8,643,507**	**5,232,298**
Equity (ii)	14,15	12,434,269	10,772,602
Net debt to equity ratio		-	-

(i) Debt is defined as long-term and short-term borrowings.
(ii) Equity includes all capital and reserves as detailed in Note 14 and 15.

(b) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency rates. The Group's exposure to foreign currency is predominately in US dollars, Euros and Pounds Sterling. The Group has maintained cash in US dollars, Euros and Pounds Sterling to cover a portion of its anticipated US dollar, Euro and Pounds Sterling expenditures.

There has been no material change to the Group's exposure to market risks or the manner in which it manages and measures risk from the previous period.

(c) Financial risk management objectives

The Group's treasury function monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk. There have been no changes to these risks since the previous financial year.

The Board of Directors ensures that the Group maintains a competent management structure capable of defining, analysing, measuring and reporting on the effective control of risk inherent in the Group's underlying financial activities and the instruments used to manage risk. Key financial risks including interest rate risk and foreign currency risk are reviewed by management on a regular basis and are communicated to the Board so that it can evaluate and impose its oversight responsibility. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Company and the Group have a written policy regarding foreign exchange risk management. This and other financial risks are managed prudently by the Chief Financial Officer and the Audit & Risk Committee which meets three times a year.

The consolidated entity holds the following financial instruments:

	Note	Consolidated 2014 $	2013 $
Financial assets			
Cash and cash equivalents	6	8,643,507	5,232,298
Trade and other receivables	7	74,187	52,346
		8,717,694	**5,284,644**

		Consolidated 2014 $	2013 $
Financial liabilities			
Trade and other payables	11	2,143,821	925,427
Derivative financial instruments	12	40,607	-
		2,184,428	**925,427**

(d) Interest rate risk management

The Group's exposure to market interest rates relates primarily to the Group's short term deposits held and deposits at call. The interest income earned from these balances can vary due to interest rate changes.

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 10 percent increase or decrease in the interest rate is used and represents management's assessment of the possible change in interest rates and historically is within a range of rate movements.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the statement of financial position date. At 30 June 2014, if interest rates had moved, as illustrated in the table below, with all other variables held constant, pre tax result and equity would have been affected as follows:

	- 10%		+ 10%	
Consolidated	**Profit $**	**Equity $**	**Profit $**	**Equity $**
30 June 2014				
Financial Assets				
Cash and cash equivalents	(17,519)	(17,519)	17,519	17,519
30 June 2013				
Financial Assets				
Cash and cash equivalents	(14,630)	(14,630)	14,630	14,630

(e) Liquidity risk

Liquidity risk is the risk that the Group will not be able to pay its debts as and when they fall due. The Group has no borrowings at reporting date and the Directors ensure that the cash on hand is sufficient to meet the commitments of the Group at all times during the research and development phase.

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash and where necessary unutilised borrowing facilities are maintained.

Financing arrangements
The Group does not have access to any borrowing facilities at the reporting date.

Maturities of financial liabilities
The tables below analyse the Group's financial liabilities.

Consolidated	0 -12 months	Maturing 1 to 3 years	Total
30 June 2014			
Financial Liabilities			
Trade and other payables	2,143,821	-	2,143,821
Derivative financial instruments	40,607	-	40,607
	2,184,428	**-**	**2,184,428**
30 June 2013			
Financial Liabilities			
Trade and other payables	925,427	-	925,427
	925,427	**-**	**925,427**

All current balances mature within one year; all non-current balances mature in between one and three years.

(f) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuation arise. Exchange rate exposures are managed within approved policy parameters. The Group manages the currency risk by monitoring the trend of the US dollar, Euro and Pounds Sterling. The Group has maintained US dollar, Euro and Pounds Sterling bank accounts to cover a portion of its anticipated expenditures in the respective foreign currencies.

The consolidated entity's foreign currency risk denominated financial assets and financial liabilities at the reporting date are as follows:

	30 June 2014			30 June 2013		
Consolidated	**USD**	**Euro**	**GBP**	**USD**	**Euro**	**GBP**
Financial Assets						
Cash and cash equivalents	2,681,757	436,567	299,862	550,940	708,213	111,349
Trade and other receivables	-	5,599	601	-	9,092	578
Financial Liabilities						
Trade and other payables	1,339,625	233,027	15,699	307,896	241,663	18,891
Derivative financial instruments[1]	-	-	-	-	-	-

1. The Group has entered into a forward exchange contract under which, if the USD exchange rate at maturity is greater than 0.9025, it is committed to purchase US$1,000,000. If the USD exchange rate is at or below 0.9025 it has the right but not obligation to acquire US$500,000. The market value of this forward exchange contract at balance date was $40,607. This was determined using the foreign exchange rates as at 30 June 2014 and the Black-Scholes valuation model. Counterparty credit risk was considered immaterial.

The following sensitivity analysis is based on the foreign currency risk exposures in existence at the statement of financial position date. A 10 percent increase or decrease in the foreign exchange rate is used and represents management's assessment of the possible change in foreign exchange rates and historically is within a range of rate movements. A positive number indicates an increase in result and other equity. A negative number indicates a decrease in result and other equity. At 30 June 2014, if foreign exchange rates had moved, as illustrated in the table below, with all other variables held constant, pre-tax result and equity would have been affected as follows:

	- 10%		+ 10%	
Consolidated	**Profit $**	**Equity $**	**Profit $**	**Equity $**
30 June 2014				
Financial Assets				
Cash and cash equivalents	446,798	446,798	(365,562)	(365,562)
Trade and other receivables	1,022	1,022	(836)	(836)
		0		
Financial Liabilities		0		
Trade and other payables	(198,658)	(198,658)	162,538	162,538
Derivative financial instruments	(100,692)	(100,692)	74,033	74,033
	148,470	**148,470**	**(129,827)**	**(129,827)**
30 June 2013				
Financial Assets				
Cash and cash equivalents	197,286	197,286	(161,416)	(161,416)
Trade and other receivables	1,530	1,530	(1,252)	(1,252)
Financial Liabilities				
Trade and other payables	(97,594)	(97,594)	63,971	63,971
Derivative financial instruments	-	-	-	-
	101,222	**101,222**	**(98,697)**	**(98,697)**

In order to protect against exchange rate movements, the consolidated entity has entered into forward foreign exchange contracts. These contracts are hedging highly probable forecasted cash flows for the ensuing financial year.

The maturity, settlement amounts and the average contractual exchange rates of the consolidated entity's outstanding forward foreign exchange contracts at the reporting date was as follows:

	Sell Australian Dollars		Average Exchange Rate	
Consolidated	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Buy US Dollars				
Maturity				
0 – 3 months	-	-	-	-
3 – 6 months	1,000,000	-	0.9025	-

(g) Price risk

Price risk is the risk that future cashflows derived from financial instruments will be changed as a result of a market price movement, other than foreign currency rates and interest rates. The Group is not exposed to any material commodity price risks, other than those already described above.

Net fair values
The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their net fair values.

The net fair values of financial assets and financial liabilities are determined as follows:

- the net fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the net fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow theory.

(h) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate as a means of mitigating the risk of financial loss from defaults.

In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Group and financial instruments are spread amongst a number of financial institutions to minimise the risk of default of counterparties.

(i) Fair value hierarchy

The Group does not have any Level 1 and Level 3 assets or liabilities recorded at fair value.
‘
The Group has entered into a forward exchange contract under which, if the USD exchange rate at maturity is greater than 0.9025, it is committed to purchase US$1,000,000. If the USD exchange rate is at or below 0.9025 it has the right but not obligation to acquire US$500,000. The market value of this forward exchange contract at balance date was $40,607. This was determined using the foreign exchange rates as at 30 June 2014 and the Black-Scholes valuation model. This contract has been classified as level 2 in the fair value hierarchy.

Note 20: Share based payments

(a) Employee equity

The Company issues equity to Patrys (including subsidiaries Patrys GmbH and Patrys UK Limited) directors, employees and key consultants under either the Loan Share Plan (LSP) or the Executive Share Option Plan (ESOP). Under the plans, participants are issued with equity to foster an ownership culture within the Company to motivate them to achieve performance targets of the Group. Participation in the plans is at the Board’s discretion and no individual has a contractual right to participate in the plans or to receive any guaranteed benefits.

The Company introduced the LSP in December 2009, following approval of the plan at the 2009 Annual General Meeting. Only Australian residents are eligible to participate in the plan. The plan allows non-recourse, interest free loans to be provided to eligible participants to acquire shares under the plan. When an issue is made it is treated as an in-substance grant of options and expensed over the vesting period because of the limited recourse nature of the loans. Generally shares issued under the plan vest over a three year period. The shares are acquired in the name of the participant and each participant authorises and appoints the Company Secretary to act on their behalf. Any dividends paid on the shares are used to repay the loan. If the participant leaves the Company, any shares that have not vested are bought back by the Company and cancelled along with the loan. In respect of shares that have vested, generally, the loan balance must be paid in full within six months of termination of appointment or the shares are sold and the proceeds applied to settle the loan balance. The issue price of the shares in the Company held under the LSP is not included in equity until the loan has been repaid.

Options are granted under the ESOP. Following the introduction of the LSP issues under the ESOP are generally only made to non-Australian residents. Under the ESOP each option granted converts into one ordinary share of Patrys Limited. Options are granted under the plan for no consideration and carry no dividend or voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. The options are typically issued in two or three equal tranches which vest over a three year period, each tranche having an expiry date of five years after vesting date. The exercise period in relation to an option, means the period in which the option may be exercised, and is specified by the Board. If a participant ceases to be appointed as a Director or employed by any member of the group (other than due to his/her death) then, generally, options that have vested at the date of cessation of appointment/employment will lapse if not exercised within six months of the cessation date. In the case of death of the participant then the exercise period is extended to twelve months. All unvested options will generally lapse on cessation.
The valuations of shares issued under the LSP and options issued under the ESOP are determined by using an industry standard option pricing model taking into account the terms and conditions upon which the instruments were issued.

The Board aims to ensure that the aggregate number of shares or options which may be issued pursuant to the LSP and ESOP shall not at any time exceed 5% of the total number of issued shares of the Company. All issues of shares or options under the plans are subject to approval by the Nomination & Remuneration Committee. In accordance with the rules of both the LSP and ESOP the Board has the ability to vary the terms in respect of issues in circumstances it considers appropriate.

The following share-based payment arrangements were in existence during the current and/or prior reporting period:

Shares in existence in the current and past period under the Loan Share Plan:

Loan Share Plan (LSP) - Series				Fair Value at Issue Date	
	Number	Issue date	Loan expiry date	Unit Price $	Amount $
Employees LSP Tranche 1a	307,351	02/12/2009	27/11/2015	0.0935	28,745
Employees LSP Tranche 2a	307,351	02/12/2009	27/11/2016	0.1003	30,837
Employees LSP Tranche 3a	240,661	02/12/2009	27/11/2017	0.1060	25,519
Employees LSP Tranche 3c	66,690	02/12/2009	27/03/2017	0.1060	7,072
Directors LSP Tranche 1	209,651	02/12/2009	27/11/2015	0.0935	19,608
Directors LSP Tranche 2a	75,026	02/12/2009	27/11/2016	0.1003	7,528
Directors LSP Tranche 2b	134,624	02/12/2009	30/06/2016	0.1003	13,507
Directors LSP Tranche 3a	75,026	02/12/2009	27/11/2017	0.1060	7,956
Directors LSP Tranche 3b	134,624	02/12/2009	30/06/2016	0.1060	14,275
Employees LSP Tranche 4a	180,436	01/07/2010	01/07/2016	0.0687	12,403
Employees LSP Tranche 5a	147,101	01/07/2010	01/07/2017	0.0728	10,706
Employees LSP Tranche 6a	147,101	01/07/2010	01/07/2018	0.0762	11,214
Employees LSP Tranche 5c	33,335	01/07/2010	22/03/2017	0.0728	2,426
Employees LSP Tranche 6c	33,335	01/07/2010	22/03/2017	0.0762	2,541
Employees LSP Tranche 7	75,000	18/08/2010	09/02/2016	0.0649	4,866
Employees LSP Tranche 8	75,000	18/08/2010	09/08/2016	0.0670	5,032
Directors LSP Tranche 4	176,591	29/10/2010	30/06/2016	0.0722	12,754
Directors LSP Tranche 5	176,591	29/10/2010	30/06/2016	0.0757	13,365
Directors LSP Tranche 6	176,591	29/10/2010	30/06/2016	0.0786	13,881
Employees LSP Tranche 9a	205,002	08/12/2011	08/12/2017	0.0271	5,556
Employees LSP Tranche 10a	204,999	08/12/2011	08/12/2018	0.0286	5,863
Employees LSP Tranche 11a	191,666	08/12/2011	08/12/2019	0.0299	5,731
Employees LSP Tranche 9b	50,000	08/12/2011	22/03/2017	0.0271	1,355
Employees LSP Tranche 10b	50,000	08/12/2011	22/03/2017	0.0286	1,430
Employees LSP Tranche 11b	50,000	08/12/2011	22/03/2017	0.0299	1,495
Employees LSP Tranche 11c	13,333	08/12/2011	27/06/2019	0.0299	399
Directors LSP Tranche 7	108,334	18/01/2012	18/01/2018	0.0277	3,001
Directors LSP Tranche 8	108,333	18/01/2012	18/01/2019	0.0292	3,163
Directors LSP Tranche 9	108,333	18/01/2012	18/01/2020	0.0353	3,824
Employees LSP Tranche 12	255,000	21/08/2012	21/08/2018	0.0148	3,774
Employees LSP Tranche 13a	225,000	21/08/2012	21/08/2019	0.0156	3,510
Employees LSP Tranche 13b	30,000	21/08/2012	27/06/2019	0.0156	468
Employees LSP Tranche 14a	225,000	21/08/2012	21/08/2020	0.0164	3,690
Employees LSP Tranche 14b	30,000	21/08/2012	27/06/2019	0.0164	492
Employees LSP Tranche 15	37,500	02/11/2012	02/05/2018	0.0251	941
Employees LSP Tranche 16	37,500	02/11/2012	02/11/2018	0.0258	968
Employees LSP Tranche 17	100,000	20/05/2014	20/05/2020	0.0213	2,132
Employees LSP Tranche 18	100,000	20/05/2014	20/05/2021	0.0229	2,286
Employees LSP Tranche 19	100,000	20/05/2014	20/05/2022	0.0242	2,419
	5,002,085				**296,732**

Options in existence in the current and past periods under the Executive Share Option Plan:

Executive Share Option Plan (ESOP) – Series				Fair Value at Grant Date	
	Number	Grant date	Expiry date	Unit Price $	Amount $
Directors ESOP Tranche 2	300,000	29/05/2007	29/05/2013	0.1607	48,210
Directors ESOP Tranche 3	150,000	29/05/2007	29/05/2014	0.1764	26,460
Employees ESOP Tranche 3b	125,000	06/07/2007	05/07/2012	0.2021	25,266
Employees ESOP Tranche 5b	125,000	06/07/2007	05/07/2013	0.2692	33,650
Employees ESOP Tranche 7	135,000	31/10/2007	31/01/2013	0.2492	33,645
Employees ESOP Tranche 8a	215,835	01/07/2008	01/07/2014	0.1738	37,520
Employees ESOP Tranche 9a	165,833	01/07/2008	01/07/2015	0.1892	31,381
Employees ESOP Tranche 10a	165,832	01/07/2008	01/07/2016	0.2024	33,571
Employees ESOP Tranche 13	57,500	01/07/2008	18/09/2013	0.1598	9,191
Employees ESOP Tranche 14	57,500	01/07/2008	18/03/2014	0.1689	9,712
Employees ESOP Tranche 15	65,000	01/07/2008	07/10/2013	0.1608	10,454
Employees ESOP Tranche 16	65,000	01/07/2008	07/04/2014	0.1699	11,041
Employees ESOP Tranche 17	125,000	19/12/2008	20/04/2014	0.0499	6,235
Employees ESOP Tranche 18	125,000	19/12/2008	20/10/2014	0.0535	6,693
Directors ESOP Tranche 4	480,000	28/12/2008	25/05/2014	0.0414	19,869
Directors ESOP Tranche 5	480,000	28/12/2008	25/05/2015	0.0490	23,519
Directors ESOP Tranche 6	240,000	28/12/2008	25/05/2016	0.5421	13,010
Employees ESOP Tranche 19	177,486	02/12/2009	27/11/2015	0.0935	16,599
Employees ESOP Tranche 20	177,489	02/12/2009	27/11/2016	0.1003	17,808
Employees ESOP Tranche 21	165,585	02/12/2009	27/11/2017	0.1060	17,558
Employees ESOP Tranche 22	107,801	01/07/2010	01/07/2016	0.0687	7,410
Employees ESOP Tranche 23	100,602	01/07/2010	01/07/2017	0.0728	7,322
Employees ESOP Tranche 24	100,602	01/07/2010	01/07/2018	0.0762	7,669
Employees ESOP Tranche 25	90,668	08/12/2011	08/12/2017	0.0271	2,457
Employees ESOP Tranche 26	90,666	08/12/2011	08/12/2018	0.0286	2,593
Employees ESOP Tranche 27	90,666	08/12/2011	08/12/2019	0.0299	2,711
Employees ESOP Tranche 28	76,667	21/08/2012	21/08/2018	0.0148	1,135
Employees ESOP Tranche 29	76,667	21/08/2012	21/08/2019	0.0156	1,196
Employees ESOP Tranche 30	76,666	21/08/2012	21/08/2020	0.0164	1,257
Directors ESOP Tranche 7	125,000	02/11/2012	02/11/2018	0.0253	3,163
Directors ESOP Tranche 8	125,000	02/11/2012	02/11/2019	0.0271	3,388
Directors ESOP Tranche 9	125,000	02/11/2012	02/11/2020	0.0283	3,538
Employees ESOP Tranche 31	150,000	20/05/2014	20/05/2020	0.0213	3,198
Employees ESOP Tranche 32	150,000	20/05/2014	20/05/2021	0.0229	3,429
Employees ESOP Tranche 33	150,000	20/05/2014	20/05/2022	0.0242	3,628
	5,234,065				**485,486**

The weighted average fair value of the shares and options issued during the financial year under the LSP is $0.0228 (2013: $0.0165) and the ESOP is $0.0228 (2013: $0.0283). These shares and options were priced using standard industry pricing models. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the share loans and options), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past year.

The following reconciles the outstanding shares issued under the Loan Share Plan at the beginning and end of the financial year:

Consolidated	2014		2013	
	Number of shares	Weighted average issue price	Number of shares	Weighted average issue price
Balance at beginning of the financial year	4,702,085	0.0853	3,862,085	0.0989
Granted during the financial year	300,000	0.0500	840,000	0.0227
Cancelled during the financial year	-	-	-	-
Loans repaid during the financial year	-	-	-	-
Loans cancelled during the financial year	-	-	-	-
Balance at end of the financial year	**5,002,085**	**0.0831**	**4,702,085**	**0.0853**
Weighted average remaining contractual life	3.4499 Years		4.2398 Years	
Shares vested and loans repayable at end of the financial year	3,952,086	0.0960	3,125,820	0.1098

Shares issued in the current and past periods under the Loan Share Plan:

Loan Share Plan - Series	Issue price $	Balance at start of year	Issued during the year	Loans repaid during the year	Loans cancelled during the year	Balance at end of year	Vested & repayable at the end of the year	Not vested at the end of the year
Shares issued prior to 30 June 2013								
Director LSP Tranche 1	0.144	209,651	-	-	-	209,651	209,651	-
Director LSP Tranche 2	0.144	209,650	-	-	-	209,650	209,650	-
Director LSP Tranche 3	0.144	209,650	-	-	-	209,650	209,650	-
Employee LSP Tranche 1	0.144	307,351	-	-	-	307,351	307,351	-
Employee LSP Tranche 2	0.144	307,351	-	-	-	307,351	307,351	-
Employee LSP Tranche 3	0.144	307,351	-	-	-	307,351	307,351	-
Employee LSP Tranche 4	0.106	180,436	-	-	-	180,436	180,436	-
Employee LSP Tranche 5	0.106	180,436	-	-	-	180,436	180,436	-
Employee LSP Tranche 6	0.106	180,436	-	-	-	180,436	180,436	-
Employee LSP Tranche 7	0.10	75,000	-	-	-	75,000	75,000	-
Employee LSP Tranche 8	0.10	75,000	-	-	-	75,000	75,000	
Director LSP Tranche 4	0.083	176,591	-	-	-	176,591	176,591	-
Director LSP Tranche 5	0.083	176,591	-	-	-	176,591	176,591	-
Director LSP Tranche 6	0.083	176,591	-	-	-	176,591	176,591	-
Employee LSP Tranche 9	0.039	255,002	-	-	-	255,002	255,002	-
Employee LSP Tranche 10	0.039	254,999	-	-	-	254,999	254,999	-
Employee LSP Tranche 11	0.039	254,999	-	-	-	254,999	50,000	204,999
Director LSP Tranche 7	0.038	108,334	-	-	-	108,334	108,334	-
Director LSP Tranche 8	0.038	108,333	-	-	-	108,333	108,333	-
Director LSP Tranche 9	0.038	108,333	-	-	-	108,333	13,333	95,000
Employee LSP Tranche 12	0.022	255,000	-	-	-	255,000	255,000	-
Employee LSP Tranche 13	0.022	255,000	-	-	-	255,000	30,000	225,000
Employee LSP Tranche 14	0.022	255,000	-	-	-	255,000	30,000	225,000
Employee LSP Tranche 15	0.03	37,500	-	-	-	37,500	37,500	-
Employee LSP Tranche 16	0.03	37,500	-	-	-	37,500	37,500	-
Shares issued during the year ended 30 June 2014								
Employee LSP Tranche 17	0.05	-	100,000	-	-	100,000	-	100,000
Employee LSP Tranche 18	0.05	-	100,000	-	-	100,000	-	100,000
Employee LSP Tranche 19	0.05	-	100,000	-	-	100,000	-	100,000
		4,702,085	**300,000**	**-**	**-**	**5,002,085**	**3,952,086**	**1,049,999**

The following reconciles the outstanding share options granted under the Executive Share Option Plan at the beginning and end of the financial year:

Consolidated	2014		2013	
	Number of shares	Weighted average issue price	Number of shares	Weighted average issue price
Balance at beginning of the financial year	4,133,059	0.2093	4,179,065	0.2730
Granted during the financial year	450,000	0.5000	605,000	0.0270
Lapsed during the financial year	-	-	(56,006)	0.2837
Exercised during the financial year	-	-	-	-
Expired during the financial year	(1,125,000)	0.3243	(595,000)	0.4642
Balance at end of the financial year	**3,458,059**	**0.1512**	**4,133,059**	**0.2093**
Weighted average remaining contractual life	3.187 Years		2.836 Years	
Exercisable at end of the financial year	2,514,060	0.1933	3,246,125	0.2561

Options granted in the current and past periods:

Option - Series	Exercise price $	Balance at start of year	Granted during the year	Exercised during the year	Lapsed/ expired during the year	Balance at end of year	Vested & able to be exercised at the end of the year	Not vested & not able to be exercised at the end of the year
Options issued prior to 30 June 2013								
Director ESOP Tranche 3	0.45	150,000	-	-	(150,000)	-	-	-
Employee ESOP Tranche 5	0.56	125,000	-	-	(125,000)	-	-	-
Employee ESOP Tranche 8	0.33	162,501	-	-	-	162,501	162,501	-
Employee ESOP Tranche 9	0.33	162,500	-	-	-	162,500	162,500	-
Employee ESOP Tranche10	0.33	162,499	-	-	-	162,499	162,499	-
Employee ESOP Tranche13	0.33	57,500	-	-	(57,500)	-	-	-
Employee ESOP Tranche14	0.33	57,500	-	-	(57,500)	-	-	-
Employee ESOP Tranche15	0.33	65,000	-	-	(65,000)	-	-	-
Employee ESOP Tranche16	0.33	65,000	-	-	(65,000)	-	-	-
Employee ESOP Tranche17	0.17	125,000	-	-	(125,000)	-	-	-
Employee ESOP Tranche18	0.17	125,000	-	-	-	125,000	125,000	-
Director ESOP Tranche 4	0.2609	480,000	-	-	(480,000)	-	-	-
Director ESOP Tranche 5	0.2609	480,000	-	-	-	480,000	480,000	-
Director ESOP Tranche 6	0.2609	240,000	-	-	-	240,000	240,000	-
Employee ESOP Tranche19	0.144	165,584	-	-	-	165,584	165,584	-
Employee ESOP Tranche20	0.144	165,585	-	-	-	165,585	165,585	
Employee ESOP Tranche21	0.144	165,585	-	-	-	165,585	165,585	-
Employee ESOP Tranche22	0.106	100,601	-	-	-	100,601	100,601	-
Employee ESOP Tranche23	0.106	100,602	-	-	-	100,602	100,602	-
Employee ESOP Tranche24	0.106	100,602	-	-	-	100,602	100,602	-
Employee ESOP Tranche25	0.039	90,668	-	-	-	90,668	90,668	-
Employee ESOP Tranche26	0.039	90,666	-	-	-	90,666	90,666	-
Employee ESOP Tranche27	0.039	90,666	-	-	-	90,666	-	90,666
Employee ESOP Tranche28	0.022	76,667	-		-	76,667	76,667	-
Employee ESOP Tranche29	0.022	76,667	-		-	76,667	-	76,667
Employee ESOP Tranche30	0.022	76,666	-		-	76,666	-	76,666
Director ESOP Tranche 7	0.03	125,000	-		-	125,000	125,000	-
Director ESOP Tranche 8	0.03	125,000	-		-	125,000	-	125,000
Director ESOP Tranche 9	0.03	125,000	-		-	125,000	-	125,000
Shares issued during the year ended 30 June 2014								
Employee ESOP Tranche31	0.05	-	150,000	-	-	150,000	-	150,000
Employee ESOP Tranche32	0.05	-	150,000	-	-	150,000	-	150,000
Employee ESOP Tranche33	0.05	-	150,000	-	-	150,000	-	150,000
		4,133,059	**450,000**	**-**	**(1,125,000)**	**3,458,059**	**2,514,060**	**943,999**

(b) Other options granted

On 21 August 2012 the Company granted 50,000,000 options to Forrest Capital Pty Ltd in part consideration for fundraising and advisory services. Following the announcement of the Rights Issue, on 13 November 2013, 31,600,000 of these options were exercised raising $1,580,000. The remaining 18,400,000 options lapsed on 30 June 2014.

(c) Fair values of share based payments

The fair value of all loan shares and options granted to Directors, key management personnel, consultants, other employees and the financial advisor have been calculated using the Binomial Option Pricing Model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise (including the probability of meeting market conditions attached to the option), and behavioural considerations. The model requires the Company share price volatility to be measured. The share price volatility has been measured with reference to the historical share prices of the Company and other similar Companies.

The fair value of share based payments is calculated on the date of issue less any consideration paid. The values are not revised if there is a subsequent change in terms except in the case of a Rights Issue. In these circumstances, as per the terms of issue, options are repriced in accordance with ASX Listing Rule 6.22. As required by AASB 2 para 47(c) the values of the options are revised (refer to Note 20(d)).

Details in respect of the fair value of equity, on issue/grant date, that was in existence at reporting date are outlined below. For details in respect of equity that was repriced on 19 December 2013 (the Repricing Date) refer to Note 20(d).

Equity Instrument	Loan /Exercise price $	Share price on issue Date $	Volatility	Vesting date	Time to maturity	Risk free interest rate	Expected dividend yield
Equity issued prior to 30 June 2013							
Directors ESOP Tranche 3	0.45	0.40	46%	29/05/2009	7 years	6.07%	-
Employees ESOP Tranche 8	0.33	0.30	60%	01/07/2009	6 years	8.5%	-
Employees ESOP Tranche 9	0.33	0.30	60%	01/07/2010	7 years	8.5%	-
Employees ESOP Tranche 10	0.33	0.30	60%	01/07/2011	8 years	8.5%	-
Employees ESOP Tranche 14	0.33	0.30	60%	18/03/2009	5.75 years	8.5%	-
Employees ESOP Tranche 16	0.33	0.30	60%	07/04/2009	5.75 years	8.5%	-
Employees ESOP Tranche 17	0.17	0.10	75%	20/04/2009	5.5 years	5.8%	-
Employees ESOP Tranche 18	0.17	0.10	75%	20/10/2009	6 years	5.8%	-
Directors ESOP Tranche 4	0.2609	0.09	75%	25/05/2009	5.5 years	5.8%	-
Directors ESOP Tranche 5	0.2609	0.09	75%	25/05/2010	6.5 years	5.8%	-
Directors ESOP Tranche 6	0.2609	0.09	75%	25/05/2011	7.5 years	5.8%	-
Directors LSP Tranche 1	0.144	0.145	75%	27/11/2010	6 years	7.35%	-
Directors LSP Tranche 2	0.144	0.145	75%	27/11/2011	7 years	7.40%	-
Directors LSP Tranche 3	0.144	0.145	75%	27/11/2012	8 years	7.44%	-
Employees LSP Tranche 1	0.144	0.145	75%	27/11/2010	6 years	7.35%	-
Employees LSP Tranche 2	0.144	0.145	75%	27/11/2011	7 years	7.40%	-
Employees LSP Tranche 3	0.144	0.145	75%	27/11/2012	8 years	7.44%	-
Employees ESOP Tranche 19	0.144	0.145	75%	27/11/2010	6 years	7.35%	-
Employees ESOP Tranche 20	0.144	0.145	75%	27/11/2011	7 years	7.40%	-
Employees ESOP Tranche 21	0.144	0.145	75%	27/11/2012	8 years	7.44%	-
Employees ESOP Tranche 22	0.106	0.10	75%	01/07/2011	6 years	7.00%	-
Employees ESOP Tranche 23	0.106	0.10	75%	01/07/2012	7 years	7.05%	-
Employees ESOP Tranche 24	0.106	0.10	75%	01/07/2013	8 years	7.11%	-
Employees LSP Tranche 4	0.106	0.10	75%	01/07/2011	6 years	7.00%	-
Employees LSP Tranche 5	0.106	0.10	75%	01/07/2012	7 years	7.05%	-
Employees LSP Tranche 6	0.106	0.10	75%	01/07/2013	8 years	7.11%	-
Employees LSP Tranche 7	0.100	0.098	75%	09/02/2011	5.5 years	6.35%	-
Employees LSP Tranche 8	0.100	0.098	75%	09/08/2011	6 years	6.39%	-
Directors LSP Tranche 4	0.083	0.09	75%	29/10/2011	6 years	6.58%	-
Directors LSP Tranche 5	0.083	0.09	75%	29/10/2012	7 years	6.65%	-
Directors LSP Tranche 6	0.083	0.09	75%	29/10/2013	8 years	6.69%	-
Employees LSP Tranche 9	0.039	0.04	75%	08/12/2012	6 years	5.55%	-
Employees LSP Tranche 10	0.039	0.04	75%	08/12/2013	7 years	5.45%	-
Employees LSP Tranche 11	0.039	0.04	75%	08/12/2014	8 years	5.45%	-
Employees ESOP Tranche 25	0.039	0.04	75%	08/12/2012	6 years	5.55%	-
Employees ESOP Tranche 26	0.039	0.04	75%	08/12/2013	7 years	5.45%	-
Employees ESOP Tranche 27	0.039	0.04	75%	08/12/2014	8 years	5.45%	-
Directors LSP Tranche 7	0.038	0.04	75%	18/01/2013	6 years	5.73%	-
Directors LSP Tranche 8	0.038	0.04	75%	18/01/2014	7 years	5.78%	-
Directors LSP Tranche 9	0.038	0.04	75%	18/01/2015	8 years	5.88%	-
Employees LSP Tranche 12	0.022	0.022	75%	21/08/2013	6 years	4.95%	-
Employees LSP Tranche 13	0.022	0.022	75%	21/08/2014	7 years	5.10%	-
Employees LSP Tranche 14	0.022	0.022	75%	21/08/2015	8 years	5.10%	-
Employees ESOP Tranche 28	0.022	0.022	75%	21/08/2013	6 years	4.95%	-
Employees ESOP Tranche 29	0.022	0.022	75%	21/08/2014	7 years	5.10%	-
Employees ESOP Tranche 30	0.022	0.022	75%	21/08/2015	8 years	5.10%	-
Financial Advisor Options[1]	0.050	0.022	75%	21/08/2012	678 days	4.75%	
Directors ESOP Tranche 7	0.030	0.036	75%	02/11/2013	6 years	5.15%	-
Directors ESOP Tranche 8	0.030	0.036	75%	02/11/2014	7 years	5.40%	-
Directors ESOP Tranche 9	0.030	0.036	75%	02/11/2015	8 years	5.65%	-
Employees LSP Tranche 15	0.030	0.036	75%	02/05/2013	5.5 years	4.95%	-
Employees LSP Tranche 16	0.030	0.036	75%	02/11/2014	6 years	5.15%	-
Employees LSP Tranche 17	0.050	0.034	75%	20/05/2015	6 years	4.70%	
Employees LSP Tranche 18	0.050	0.034	75%	20/05/2016	7 years	4.79%	
Employees LSP Tranche 19	0.050	0.034	75%	20/05/2017	8 years	4.90%	
Employees ESOP Tranche 31	0.050	0.034	75%	20/05/2015	6 years	4.70%	
Employees ESOP Tranche 32	0.050	0.034	75%	20/05/2016	7 years	4.79%	
Employees ESOP Tranche 33	0.050	0.034	75%	20/05/2017	8 years	4.90%	

1. Consideration of 0.01 cents per share was received for the Financial Advisor Options.

(d) Repricing of options

On 13 November 2013 the Company announced a Rights Issue which resulted in a number of options on issue being repriced in accordance with ASX Listing Rule 6.22. The following table sets out the original exercise prices and the modified prices as determined by ASX Listing Rule 6.22:

Equity Instrument	Grant date	No. of options	Expiry date	Original exercise price $	New exercise price $[1]	Incremental fair value as a result of repricing $
Directors ESOP Tranche 3	29/05/2007	150,000	29/05/2007	0.45	0.4425	-
Employees ESOP Tranche 8	01/07/2008	162,501	01/07/2014	0.33	0.3225	-
Employees ESOP Tranche 9	01/07/2008	162,500	01/07/2015	0.33	0.3225	-
Employees ESOP Tranche 10	01/07/2008	162,499	01/07/2016	0.33	0.3225	49
Employees ESOP Tranche 14	01/07/2008	65,000	07/04/2014	0.33	0.3225	-
Employees ESOP Tranche 16	01/07/2008	57,500	18/03/2014	0.33	0.3225	-
Employees ESOP Tranche 17	19/11/2008	125,000	20/04/2014	0.17	0.1625	13
Employees ESOP Tranche 18	19/11/2008	125,000	20/10/2014	0.17	0.1625	75
Directors ESOP Tranche 4	28/11/2008	480,000	25/05/2014	0.2609	0.2534	-
Directors ESOP Tranche 5	28/11/2008	480,000	25/05/2015	0.2609	0.2534	144
Directors ESOP Tranche 6	28/11/2008	240,000	25/05/2016	0.2609	0.2534	48
Employees ESOP Tranche 19	02/12/2009	165,584	27/11/2015	0.144	0.1365	149
Employees ESOP Tranche 20	02/12/2009	165,585	27/11/2016	0.144	0.1365	182
Employees ESOP Tranche 21	02/12/2009	165,585	27/11/2017	0.144	0.1365	149
Employees ESOP Tranche 22	01/07/2010	100,601	01/07/2016	0.106	0.0985	111
Employees ESOP Tranche 23	01/07/2010	100,602	01/07/2017	0.106	0.0985	101
Employees ESOP Tranche 24	01/07/2010	100,602	01/07/2018	0.106	0.0985	80
Employees ESOP Tranche 25	08/12/2011	90,668	08/12/2017	0.039	0.0315	236
Employees ESOP Tranche 26	08/12/2011	90,666	08/12/2018	0.039	0.0315	245
Employees ESOP Tranche 27	08/12/2011	90,666	08/12/2019	0.039	0.0315	209
Employees ESOP Tranche 28	21/08/2012	76,667	21/08/2018	0.022	0.0145	207
Employees ESOP Tranche 29	21/08/2012	76,667	21/08/2019	0.022	0.0145	345
Employees ESOP Tranche 30	21/08/2012	76,666	21/08/2020	0.022	0.0145	107
Financial Advisor Options	21/08/2012	18,400,000	30/06/2014	0.05	0.0425	75,440
Directors ESOP Tranche 7	02/11/2012	125,000	02/11/2018	0.03	0.0225	288
Directors ESOP Tranche 8	02/11/2012	125,000	02/11/2019	0.03	0.0225	262
Directors ESOP Tranche 9	02/11/2012	125,000	02/11/2020	0.03	0.0225	312
Totals		**22,285,559**				**78,752**

1. The Market Price at the effective date of the repricing of the options (19 December 2013) was 6 cents.

Fair value of repriced options

The fair value at modification date (19 December 2013) has been calculated using the Binomial Option Pricing Model as outlined in Note 20(c). The inputs used for the repriced options on 19 December 2013 were as follows:

Equity Instrument	Repriced exercise price $	Share price on modification Date	Volatility	Vesting date	Time to maturity	Risk free interest rate	Expected dividend yield
Directors ESOP Tranche 3	0.4425	0.06	75%	29/05/2009	161 days	2.50%	-
Employees ESOP Tranche 8	0.3225	0.06	75%	01/07/2009	194 days	2.55%	-
Employees ESOP Tranche 9	0.3225	0.06	75%	01/07/2010	1.5 years	2.93%	-
Employees ESOP Tranche 10	0.3225	0.06	75%	01/07/2011	2.5 years	3.33%	-
Employees ESOP Tranche 14	0.3225	0.06	75%	18/03/2009	89 days	2.50%	-
Employees ESOP Tranche 16	0.3225	0.06	75%	07/04/2009	109 days	2.50%	-
Employees ESOP Tranche 17	0.1625	0.06	75%	20/04/2009	122 days	2.50%	-
Employees ESOP Tranche 18	0.1625	0.06	75%	20/10/2009	305 days	2.80%	-
Directors ESOP Tranche 4	0.2534	0.06	75%	25/05/2009	157 days	2.55%	-
Directors ESOP Tranche 5	0.2534	0.06	75%	25/05/2010	1.4 years	2.93%	-
Directors ESOP Tranche 6	0.2534	0.06	75%	25/05/2011	2.4 years	3.33%	-
Employees ESOP Tranche 19	0.1365	0.06	75%	27/11/2010	1.9 years	3.05%	-
Employees ESOP Tranche 20	0.1365	0.06	75%	27/11/2011	2.9 years	3.60%	-
Employees ESOP Tranche 21	0.1365	0.06	75%	27/11/2012	3.9 years	3.60%	-
Employees ESOP Tranche 22	0.0985	0.06	75%	01/07/2011	2.5 years	3.33%	-
Employees ESOP Tranche 23	0.0985	0.06	75%	01/07/2012	3.5 years	3.60%	-
Employees ESOP Tranche 24	0.0985	0.06	75%	01/07/2013	4.5 years	3.60%	-
Employees ESOP Tranche 25	0.0315	0.06	75%	08/12/2012	4 years	3.60%	-
Employees ESOP Tranche 26	0.0315	0.06	75%	08/12/2013	5 years	3.60%	-
Employees ESOP Tranche 27	0.0315	0.06	75%	08/12/2014	6 years	3.60%	-
Employees ESOP Tranche 28	0.0145	0.06	75%	21/08/2013	4.7 years	3.60%	-
Employees ESOP Tranche 29	0.0145	0.06	75%	21/08/2014	5.7 years	3.60%	-
Employees ESOP Tranche 30	0.0145	0.06	75%	21/08/2015	6.7 years	3.60%	-
Financial Advisor Options[1]	0.0425	0.06	75%	21/08/2012	193 days	2.55%	-
Directors ESOP Tranche 7	0.0225	0.06	75%	02/11/2013	4.9 years	3.60%	-
Directors ESOP Tranche 8	0.0225	0.06	75%	02/11/2014	5.9 years	3.60%	-
Directors ESOP Tranche 9	0.0225	0.06	75%	02/11/2015	6.9 years	3.60%	-

1. Consideration of 0.01 cents per share was received for the Financial Advisor Options.

(e) Share based payments

The amount expensed in relation to equity settled share based payments to the statement of profit or loss and other comprehensive income was $20,119 (2013: $41,620).

Note 21: Key management personnel

(a) Details of key management personnel

The Directors and other members of key management personnel of the Company during the year were:

Name	Position
Mr. John Read	Non-Executive Chairman
Mr. Michael Stork	Non-Executive Director
Dr. Alan Robertson	Non-Executive Director (Retired 23 October 2013)
Ms. Suzy Jones	Non-Executive Director
Dr. Marie Roskrow	Managing Director and Chief Executive Officer
Mr. Roger McPherson	Chief Financial Officer and Company Secretary

(b) Key management personnel compensation

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

	2014 *$*	*2013* *$*
Short term employee benefits	884,472	819,754
Post employment benefits	24,610	31,968
Equity based payments	9,685	20,366
	918,767	**872,088**

Further disclosures regarding key management personnel compensation are contained within the Remuneration Report.

Note 22: Related party transactions

(a) Equity interests in related parties

Consolidated	Country of Incorporation	Class of share	Percentage Owned *2014*	Percentage Owned *2013*
Parent Entity:				
Patrys Limited	Australia			
Controlled Entities:				
Patrys GmbH	Germany	Ordinary	100%	100%
Patrys UK Limited	UK	Ordinary	100%	100%

The consolidated financial statements incorporate the assets, liabilities and results of these subsidiaries in accordance with the accounting policy described in Note 1(c).

(b) Transactions with controlled entities

The parent entity has signed a Services Agreement with Patrys GmbH (a wholly owned subsidiary) to reimburse the subsidiary its expenses plus 5%. The amount expensed for the period to 30 June 2014 was $614,144 (2013: $568,898). An inter-Company loan balance at 30 June 2014 of ($66,071) (2013: ($59,295)) will be repaid during the year ending 30 June 2015. This loan is non-interest bearing and unsecured.

The parent entity has signed a Services Agreement with Patrys UK Limited (a wholly owned subsidiary) to reimburse the subsidiary its expenses. The amount expensed for the period to 30 June 2014 was $654,662 (2013: $542,597). An inter-Company loan balance at 30 June 2014 of $438,977 (2013: $97,745) will be expensed during year ending 30 June 2015. This loan is non-interest bearing and unsecured.

(c) Receivable from and payable to related parties

In addition to inter-Company loan balances with the subsidiaries, the following balances were outstanding at 30 June 2014 in relation to transactions with related parties:

	Consolidated *2014* *$*	Consolidated *2013* *$*
Current payables		
Trade payables to director related entity of Mr. John Read	23,750	23,750

There were no other loans to or from related parties at the current and previous reporting date. All transactions were made on normal commercial terms and conditions and at market rates.

(d) Transactions with key management personnel

Details of key management personnel compensation are disclosed in note 21 and the Remuneration Report.

Note 23: Parent Entity Information

Information relating to Patrys Limited:

	30 June 2014 $	30 June 2013 $
Current assets	8,524,094	5,195,371
Total assets	14,500,099	11,569,227
Current liabilities	2,190,646	899,619
Total liabilities	2,233,942	936,381
Net assets	**12,266,157**	**10,632,846**
Issued capital	59,675,971	50,712,575
Accumulated Losses	(47,925,140)	(41,425,915)
Share option reserve	228,252	1,048,958
Loan share plan reserve	287,074	297,228
Total shareholders' equity	**12,266,157**	**10,632,846**
Profit or (loss) of the parent entity	(7,307,586)	(3,492,507)
Total comprehensive income of the parent entity	(7,307,586)	(3,492,507)
Details of any guarantees entered into by the parent entity in relation to the debts of its subsidiaries	NIL	NIL
Details of any contingent liabilities of the parent entity	Refer Note 18	Refer Note 18
Details of any contractual commitments by the parent entity for the acquisition of property, plant or equipment.	NIL	NIL

Note 24: Segment information

A segment is a component of the consolidated entity that engages in business activities to provide products or services within a particular economic environment. The consolidated entity operates in one business segment, being the conduct of research and development activities in the biopharmaceutical sector. The Board of Directors assess the operating performance of the group based on management reports that are prepared on this basis. The group has established activities in more than one geographical area, however these activities support the research and development conducted by the consolidated entity and are considered immaterial for the purposes of segment reporting. The group invests excess funds in short term deposits but this is not regarded as being a separate segment.

Note 25: Events occurring after the reporting period

On 24 July 2014 the Company provided an update on its preclinical programmes.

On 18 August 2014 the Company announced that results related to its novel anti-cancer PAT-SM6 multiple myeloma trial in relapsed and refractory patients has been accepted for presentation as a lecture at the Annual Meeting of the German, Austrian and Swiss Associations for Hematology and Medical Oncology in Hamburg, to be held on 11 October 2014.

On 25 August 2014 the Company released details on its planned PAT-SM6, carfilzomib and dexamethasone Phase Ib/IIa clinical trial.

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected or may significantly affect: -

- Patrys Limited's operations in future financial years, or
- the results of those operations in future financial years, or
- Patrys Limited's state of affairs in future years.

DECLARATION BY DIRECTORS

The directors of the company declare that:

(1) The attached financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes, are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date.

(2) 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.

(3) In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(4) The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors made pursuant to section 295(5)a of the Corporations Act 2001.

On behalf of the directors by:



Mr. John Read
Director

Date: 9 September 2014



Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Level 14, 140 William St
Melbourne VIC 3000
GPO Box 5099 Melbourne VIC 3001
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Patrys Limited

Report on the Financial Report

We have audited the accompanying financial report of Patrys Limited, which comprises the statement of financial position as at 30 June 2014, 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(a), 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 disclosing entity'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 disclosing entity'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 Patrys 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 Patrys 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 2014 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(a).

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1(d) in the financial report, which indicates that the consolidated entity incurred a net loss of $7,279,230 during the year ended 30 June 2014 and had negative cash flows from operating activities of $5,089,233. These conditions, along with other matters as set out in Note 1(d), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

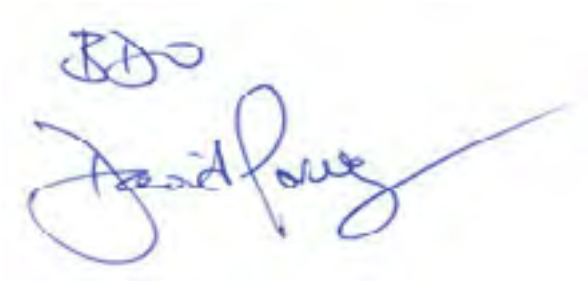
Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 21 of the directors' report for the year ended 30 June 2014. 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 Patrys Limited for the year ended 30 June 2014 complies with section 300A of the Corporations Act 2001.

BDO East Coast Partnership



David Garvey
Partner

Melbourne, 9 September 2014

SHAREHOLDER INFORMATION

A. Substantial shareholders

The Company's Holders of Relevant Interests as notified by ASX Substantial Shareholders and the number of shares in which they have an interest as disclosed by notices received under Part 6.7 of the Corporations Act 2001 as at 31 August 2014 are:

Name	*Ordinary Shares*
Stork Holdings 2010 Ltd	95,731,764
Dr. Dax Marcus Calder	53,022,416

B. Number of holders of equity securities and voting rights

	Ordinary Shares (i)	*Share Options (ii)*
Number of holdings as at 31 August 2014	1,854	10

The voting rights attaching to each class of equity securities are:

(i) Ordinary shares

On a show of hands, every member present at a meeting, in person or by proxy, shall have one vote and upon a poll each share shall have one vote.

(ii) Options

No voting rights.

C. Distribution of equity securities

Distribution of holders of equity securities as at 31 August 2014:

No. of holders	*Ordinary Shares*	*Options*
1 - 1,000	61	-
1,001 - 5,000	72	-
5,001 - 10,000	184	-
10,001 - 100,000	860	2
100,001 and over	677	8
	1,854	**10**
Number of holders of less than a marketable parcel of shares	555	

D. 20 largest holders of quoted securities

The names of the 20 largest shareholders of each class of equity security as at 31 August 2014 are listed below:

No.	*Name*	*No. of shares held*	*% of total shares*
1.	Stork Holdings 2010 Ltd	95,731,764	13.73
2.	Dr. Dax Marcus Calder	53,022,416	7.61
3.	HSBC Custody Nominees (Australia) Limited	34,638,643	4.97
4.	Mr. Mladen Marusic	33,166,448	4.76
5.	Oncomab GmbH	20,250,000	2.91
6.	Capita Trustees Limited	13,999,999	2.01
7.	Bell Potter Nominees Ltd	8,000,000	1.15
8.	Mr. Warwick Barnett Bowden + Mrs Jayne Ann Barrett	8,000,000	1.15
9.	Mr. Paul Anthony Henry	7,000,000	1.00
10.	Moore Family Nominee Pty Ltd	6,500,000	0.93
11.	LSAF Holdings Pty Ltd	6,000,000	0.86
12.	Bolton Investments (WA) Pty Ltd	5,600,000	0.80
13.	J P Morgan Nominees Australia Limited	5,501,783	0.79
14.	Lamro Pty Ltd	5,000,000	0.72
15.	Asia Pac Holdings	4,817,916	0.69
16.	Blueflag Holdings Pty Ltd	4,575,000	0.66
17.	Pensacola Pty Ltd	4,500,000	0.65
18.	Takeda Ventures Inc	4,471,000	0.64
19.	Cannington Corporation Pty Ltd	4,437,502	0.64
20.	Marginata Pty Ltd	4,400,000	0.63
		329,612,471	**47.30**

SHAREHOLDER INFORMATION

E. Shares subject to restriction arrangements

The total number of shares subject to restriction arrangements is 5,002,085 shares. These shares were all issued under the Loan Share Plan and the escrow period ends on the latter of the date of repayment of the associated loan or as outlined below:

Date shares issued	*Vesting date*	*Number under shares*
02/12/2009	27/11/2010	517,002
02/12/2009	30/06/2011	269,248
02/12/2009	27/11/2011	382,377
02/12/2009	27/11/2012	315,687
02/12/2009	22/03/2012	66,690
01/07/2010	01/07/2011	180,436
01/07/2010	22/03/2012	66,670
01/07/2010	01/07/2012	147,101
01/07/2010	01/07/2013	147,101
18/08/2010	09/02/2011	75,000
18/08/2010	09/08/2011	75,000
29/10/2010	30/06/2011	529,773
08/12/2011	22/03/2012	150,000
08/12/2011	08/12/2012	205,002
08/12/2011	08/12/2013	204,999
08/12/2011	27/06/2014	13,333
08/12/2011	08/12/2014	191,666
18/01/2012	18/01/2013	108,334
18/01/2012	18/01/2014	108,333
18/01/2012	18/01/2015	108,333
21/08/2012	21/08/2013	255,000
21/08/2012	27/06/2014	60,000
21/08/2012	21/08/2014	225,000
21/08/2012	21/08/2015	225,000
02/11/2012	02/05/2013	37,500
02/11/2012	02/11/2013	37,500
20/05/2014	20/05/2015	100,000
20/05/2014	20/05/2016	100,000
20/05/2014	20/05/2017	100,000
		5,002,085

NOTES

NOTES

NOTES

Board of Directors & Company Particulars

DIRECTORS

- John Read
- Marie Roskrow
- Michael Stork
- Suzy Jones

SECRETARY

- Roger McPherson

REGISTERED OFFICE

Suite 614
Level 6 Equitable House
343 Little Collins Street
Melbourne VIC 3000

Tel: +61 3 9670 3273
Fax: +61 3 9670 3247

BUSINESS ADDRESS

Suite 614
Level 6 Equitable House
343 Little Collins Street
Melbourne VIC 3000

Tel: +61 3 9670 3273
Fax: +61 3 9670 3247

WEBSITE

www.patrys.com

AUDITORS

BDO
East Coast Partnership
Level 14
140 William Street
Melbourne VIC 3000

SHARE REGISTRY

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067

STOCK EXCHANGE LISTING

Australian Securities Exchange
(ASX Code: PAB)

AUSTRALIAN COMPANY NUMBER

123 055 363

PATRYS™
LIMITED

Patrys Limited

Suite 614,
Level 6, Equitable House
343 Little Collins Street,
Melbourne VIC 3000

T +61 3 9670 3273
E info@patrys.com
W www.patrys.com