Patrys Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Patrys Limited
ABN:	97 123 055 363
Reporting period:	For the year ended 30 June 2016
Previous period:	For the year ended 30 June 2015

2. Results for announcement to the market

				$
Revenues from ordinary activities	down	61.0%	to	867,653
Loss from ordinary activities after tax attributable to the Owners of Patrys Limited	down	87.2%	to	(1,080,784)
Loss for the year attributable to the Owners of Patrys Limited	down	87.2%	to	(1,080,784)

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The loss for the Group after providing for income tax amounted to $1,080,784 (30 June 2015: $8,470,382).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	0.39	0.57

4. Control gained over entities

Name of entities (or group of entities)	Nucleus Therapeutics Pty Ltd
Date control gained	29 March 2016

	$
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)	-
Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous period (where material)	-

5. Loss of control over entities

Name of entities (or group of entities)	Not Applicable
Date control lost	

	$
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)	-
Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) whilst controlled during the whole of the previous period (where material)	-

6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unqualified opinion has been issued.

11. Attachments

Details of attachments (if any):

The Annual Report of Patrys Limited for the year ended 30 June 2016 is attached.

12. Signed

Signed ______________________ Date: 30 August 2016

Patrys Limited

ABN 97 123 055 363

Annual Report - 30 June 2016

The company’s 2016 Corporate Governance Statement is available at www.patrys.net.au/about-us/patrys-corporate-governance

Patrys Limited
Corporate Directory
30 June 2016

Directors	Mr. John Read (Non-Executive Chairman) Dr. James Campbell (Managing Director & CEO) Mr. Michael Stork (Non-Executive Director and Deputy Chairman) Ms. Suzy Jones (Non-Executive Director)
Company secretary	Melanie Leydin
Registered office	Level 4, 100 Albert Road South Melbourne VIC 3205 Phone: +61 3 9692 7222
Principal place of business	Level 6, Equitable House Suite 614 343 Little Collins Street Melbourne VIC 3000
Share register	Computershare Investor Services Pty Limited 452 Johnston Street Abbotsford VIC 3067 Phone: 1300 555 159 (within Australia) Phone: +61 3 9415 4062
Auditor	BDO East Coast Partnership Level 14, 140 William Street Melbourne VIC 3000 GPO Box 5099 Melbourne VIC 3001 Australia
Stock exchange listing	Patrys Limited shares are listed on the Australian Securities Exchange (ASX code: PAB)
Website	www.patrys.com

Review of operations

Overview

Patrys remains, as it always has been, a company devoted to the development and commercialisation of novel antibody technologies for the treatment of cancer. Novel therapies are desperately needed to help fight a range of different cancers, and despite some exciting developments over the past decade the need is just as great now as it was when the company was listed in 2007.

The year under review has been a period of consolidation and rebuilding for Patrys and its shareholders. This has meant an unavoidable period of low news flow, but the company is now well positioned to build on its assets and looks forward to sharing these developments over the coming year.

With the deferment of the planned phase 1b/2a combination clinical trial of PAT-SM6 in patients with relapsed and refractory multiple myeloma due to previously described manufacturing issues, the company sought to acquire and progress complementary technologies that would leverage its core capabilities, networks and alliances. After a rigorous screening process that evaluated development costs and timelines, potential value creation, intellectual property position and commercial potential the company successfully completed the acquisition of Nucleus Therapeutics, a private company with a license to novel nucleus-penetrating antibody technology (“DeoxyMab”) from Yale University in the USA in March 2016.

DeoxyMab

DeoxyMab is the name assigned by Patrys to 3E10, a lupus derived autoantibody. Unlike normal antibodies that the body produces which bind to foreign cells (eg pathogens) or aberrant cells (eg cancer cells) and trigger an immune response, autoantibodies bind to normal cells. Of particular interest with DeoxyMab is that whilst most antibodies bind to markers on the surface of cells, DeoxyMab penetrates cells’ nuclei and binds directly to DNA. Having bound to the DNA, DeoxyMab inhibits DNA repair and damages DNA. Normal cells repair DNA damage utilising intact DNA repair processes, however DeoxyMab can kill cells that have mutations or deficiencies in DNA repair mechanisms as found in various cancer cells. As well as showing single agent therapeutic potential, DeoxyMab has been shown to significantly enhance the efficacy of both chemo- and radiotherapies.

Patrys believes that DeoxyMab may have application across a wide range of malignancies such as gliomas, melanomas, prostate, breast, pancreatic and ovarian cancers.

Significant progress has been made with the DeoxyMab program since it was acquired, and the company has a fully-costed development plan to progress this asset towards the clinic within the next two years.

IgM assets

The company, in conjunction with its partners, is addressing the fundamental issues that arose with the manufacturing of PAT-SM6 antibody, and is seeking to progress the development of PAT-SM6 and its other IgM assets on a risk sharing basis. Cost effective solutions that leverage new technologies and learnings from other companies working in the field of IgM antibodies will be critical to advance these programs.

During the financial year, Patrys completed the out-licensing of its asset PAT-SC1 to Hefei Co-source Biomedical, an integrated Chinese drug development company. The license agreement covers the exclusive development and commercialisation rights for all oncology indications in China for PAT-SC1. Patrys received an up-front licensing fee, and may, pending the achievement of prescribed milestones, receive multiple milestone payments and royalties on eventual product sales.

As has previously been disclosed, Patrys’ CAR-T development program performed in collaboration with a European company was completed and a decision was made that further development was not warranted. A research collaboration with Macquarie University is ongoing, and will conclude in 2017.

Looking ahead

The Patrys team is focused on progressing its new DeoxyMab asset and cost-effectively developing its existing IgM assets. With tight financial control and a clear path forward Management and the Board believe that the company is well situated to build value from its existing base of capital and assets and looks forward to sharing this journey with its shareholders over the coming year.

Statement of Financial Position

Cash and term deposits held of $3,215,039 (2015: $4,646,527) at reporting date. These funds will allow the Group to explore alternative strategies over the coming months.

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 $1,080,784 (2015: $8,463,492). The net loss after tax was $1,080,784 (2015: $8,470,382).

Consolidated revenue including other income during the period was $867,653 (2015: $2,224,481). This revenue included interest of $76,869 (2015: $129,526), a R&D Tax Incentive of $502,485 (2015: $819,956), licensing income of $274,970 (2015: $ Nil) and a foreign currency gain of $48,572 (2015: $378,772)

Total consolidated operating expenses for the period were $1,997,009 (2015: $11,066,745).

Research and development costs of $1,042,256 (2015: $4,674,564) have been expensed in the year in which they were incurred. The decrease in research and development costs over the previous year is primarily due to the delays encountered as a result of the manufacturing issues experienced by the Group during the previous financial year, and the Group completing a corporate restructure.

Management and administration costs contributed a further $954,753 (2015: $1,033,566) to expenses from continuing operations. The decrease compared to the prior year is mainly due to the Group initiating certain cost saving strategies as part of the Corporate restructure, which included Melanie Leydin being appointed as Company Secretary to replace the retired Roger McPherson as Chief Operating Officer and Company Secretary, and the Group closing its German facility towards the end of 2015.

Basic and diluted net loss per share decreased to (0.15) (2015: 1.22) due to a decrease in the loss for the 2016 financial year.

Statement of Cash Flows

The Group's cash outflow from operations over the period was $1,531,357 (2015: $4,114,778).

The decrease is due to the decreased investment in the PAT-SM6 clinical program, specifically the manufacturing of material.

Patrys has converted funds at favourable exchange rates into US dollars and Euro 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.

Strategic review

During the financial year, the Company completed a review of its existing programs and assets and evaluated more than 40 projects and companies as potential acquisitions. Assets were evaluated against a range of parameters including potential for shareholder value creation, scientific novelty, intellectual property position, commercial potential, regulatory path and manufacturing path.

During the period, a target asset was selected as having the most attractive risk/return potential for Patrys shareholders, and due diligence and commercial negotiations commenced.

On 29 March 2016, Patrys announced its acquisition of Nucleus Therapeutics Pty Ltd with a license to novel nucleus-penetrating antibody technology from Yale University in the USA for a potential total value of $720,000 in a tranched, all scrip deal.

Business development

During the financial year, Patrys completed the out-licensing agreement for PAT-SC1 with the integrated Chinese drug development company, Hefei Co-source Biomedical, and received the first of multiple potential milestone payments associated with the transaction. Subsequent payments under this agreement are subject to the attainment of prescribed milestones.

The license agreement covers the exclusive development and commercialisation rights for all oncology indications in China for PAT-SC1. Specific financial details of the agreement are confidential, but are on par for similar transactions of this type in this territory, including potential back-loaded payments, sharing of revenue and double digit royalties on end sales.

Pre-clinical development of IgM assets

Patrys has had a substantial portfolio of pre-clinical programs over recent years, and several of these were completed in 2015. The CAR-T program performed by a European development company was completed and a decision was made that further development was not warranted. Similarly, the research collaboration with Monash University has been concluded.

A research collaboration with Macquarie University is ongoing, and will conclude in 2017.

Corporate restructuring

After completing a review of its corporate structure and overheads the Company closed its German facility in November 2015. Also during the period, Mr Roger McPherson retired as Chief Operating Officer and Company Secretary, and was replaced by Ms Melanie Leydin.

-ENDS-

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Patrys Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2016.

Directors

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

Mr John Read (Non-Executive Chairman)
Mr. Michael Stork (Non-Executive Director and Deputy Chairman)
Ms. Suzy Jones (Non-Executive Director)
Mr. James Campbell (Managing Director & CEO)

Principal activities

During the financial year the principal continuing activities of the Group consisted of:

- Commercialisation of the Group's proprietary technologies to develop natural human antibody-based therapeutic products for the treatment of cancer.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Significant changes in the state of affairs

On 29 March 2016, Patrys acquired 100% of the capital of Nucleus Therapeutics Limited. In consideration, Patrys will issue to Nucleus Shareholders in three tranches fully paid ordinary Patrys Shares to a maximum value of $720,000. An exclusive worldwide licence to commercialise intellectual property will be acquired by Nucleus and Yale University (Yale being a shareholder of Nucleus). The consideration to be paid to all Shareholders for the Nucleus Shares will be issued in three tranches. One tranche of 50,033,425 shares valued at 0.0072 per share was issued upon settlement to a value of $360,000; the second tranche is to be issued upon the granting of a US patent to the value of $180,000 and the third tranche will be issued upon dosing of the first patient in a Phase 1 trial to the value of $180,000.

There were no other significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

Subsequent to the 2016 financial year, the company reached an agreement regarding amounts due from a contracting party. This settlement of $334,342 was received in August 2016.

No other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

The consolidated entity will continue to pursue its objective of development of antibodies as therapies for a range of different cancers. Patrys has a pipeline of anti-cancer antibodies for both internal development and as partnering opportunities.

The consolidated entity's focus for the coming periods will be on advancing its PAT-SM6 natural human IgM antibody which has been shown to have potent anti-cancer properties in a large number of pre-clinical studies.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on Directors

Name:	John Read
Title:	Non-Executive Chairman
Qualifications:	BSc (Hons), MBA, FAICD
Experience and expertise:	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 CVC Limited (ASX: CVC) and Eildon Capital Limited and was the Chairman of Pro-Pac Packaging Limited (ASX: PPG) from 2005 to 2010, The Environmental Group Limited (ASX:EGL) from 2001 to 2012 and The Central Coast Water Corporation from 2011 to 2014.
Other current Directorships:	CVC Ltd (since 1989).
Former Directorships (last 3 years):	Nil
Interests in shares:	6,510,838 fully paid ordinary shares 150,052 loan share plan fully paid ordinary shares

Name:	James Campbell
Title:	Managing Director and Chief Executive Officer
Qualifications:	Ph.D, MBA
Experience and expertise:	Dr. Campbell has more than 20 years of international biotechnology research, management and leadership experience and has been involved in the creation and/or transformation of several Australian and international biotechnology companies. Dr. Campbell was previously the CFO and COO of ChemGenex Pharmaceuticals Limited (ASX:CXS) where, as a member of the executive team he helped transform a research-based company with a market capitalization of $10M to a company with completed clinical trials and regulatory dossiers submitted to the FDA and EMA. In 2011 ChemGenex was sold to Teva for $230M. Since 2011 Dr. Campbell has assisted private biotechnology companies in New Zealand and the USA with capital raising and partnering negotiations. Dr. Campbell is a Non-Executive Director of Prescient Therapeutics Limited (ASX:PRX), Invion Limited (ASX:IVX) and Medibio Limited (ASX:MEB). Dr Campbell also sits on a number of academic and government biotechnology advisory panels.
Other current Directorships:	Non-Executive Director of Invion Limited (ASX: IVX), Medibio Limited (ASX: MEB) and Prescient Therapeutics Limited (ASX: PTX).
Former Directorships (last 3 years):	Nil
Interests in shares:	25,000 fully paid ordinary shares

Name:	Michael Stork
Title:	Non-Executive Director and Deputy Chairman
Qualifications:	BBA
Experience and expertise:	Mr. Stork is the Managing Director of F.J. Stork Holdings Ltd., the parent entity for PNK Holdings 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.
Other current Directorships:	None.
Former Directorships (last 3 years):	None.
Interests in shares:	95,731,764 fully paid ordinary shares (These shares are held by Stork Holdings 2010 Ltd. The shares are held by a related trust which Michael Stork in his own right does not control).

Name:	Suzy Jones
Title:	Non-Executive Director
Experience and expertise:	Ms. Jones is Founder and Managing Partner of DNA Ink LLC, a life sciences advisory and business development firm with clients in the United States, Germany, Israel and France. DNA Ink provides corporate strategic guidance to its clients leading to transactions that support corporate growth including licensing, M&A and fundraising transactions. Prior to starting her own firm, Ms. Jones spent 20 years at Genentech where she served in many roles including Interim Head of Partnering, Head of Business Development, Senior Project Manager and Research Associate. She managed several products during this time including Rituxan, the first monoclonal antibody launched to treat cancer. Ms. Jones has very extensive networks within the pharmaceutical and biotech companies and VC community in North America. Ms. Jones is a Non-Executive Director of Calithera Biosciences, Inc. (Nasdaq:CALA), a clinical-stage pharmaceutical company focused on discovering and developing novel small molecule drugs directed against tumor metabolism and tumor immunology targets for the treatment of cancer.
Other current Directorships:	Nil.
Former Directorships (last 3 years):	None.
Interests in shares:	3,000,000 fully paid ordinary shares.

'Other current Directorships' quoted above are current Directorships for listed entities only and excludes Directorships of all other types of entities, unless otherwise stated.

'Former Directorships (last 3 years)' quoted above are Directorships held in the last 3 years for listed entities only and excludes Directorships of all other types of entities, unless otherwise stated.

Company secretary

Roger McPherson was the Former Chief Operating Officer (Incorporating Chief Financial Officer and Company Secretary). He resigned from the role on 1 October 2015.

Melanie Leydin was appointed Company Secretary on 1 October 2015. Melanie Leydin holds a Bachelor of Business majoring in Accounting and Corporate Law. She is a member of the Institute of Chartered Accountants and is a Registered Company Auditor. She graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of chartered accounting firm, Leydin Freyer. The practice provides outsourced company secretarial and accounting services to public and private companies specialising in the Resources, technology, bioscience and biotechnology sector. Melanie has over 23 years' experience in the accounting profession and has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of companies and shareholder relations.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2016, and the number of meetings attended by each Director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
John Read	8	8	-	-	2	2
Suzy Jones	7	8	-	-	2	2
James Campbell*	8	8	-	-	-	2
Michael Stork	8	8	-	-	2	2

Held: represents the number of meetings held during the time the Director held office.

* James Campbell was not a member of the Nomination & Remuneration Committee or the Audit & Risk Committee but was invited to attend these meetings.

Remuneration Report (audited)
The remuneration report details the Key Management Personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all Directors. The Key Management Personnel are as follows:

John Read (Non-Executive Chairman)
James Campbell (Managing Director and Chief Executive Officer)
Michael Stork (Non-Executive Director and Deputy Chairman)
Suzy Jones (Non-Executive Director)
Melanie Leydin (Company Secretary) (appointed 1 October 2015)
Roger McPherson (Former Chief Operating Officer) (resigned 1 October 2015)

For more information on Key Management Personnel, please refer to Note 21.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to Key Management Personnel

Principles used to determine the nature and amount of remuneration
The objective of the consolidated entity's Executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns Executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that Executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of Executive compensation
- transparency
- capital Management

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 and 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, 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.

Remuneration Report (continued)

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.

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive Director remuneration is separate.

Non-Executive Directors remuneration
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.

Directors' fees are currently set at $95,000 for the Chairman and $60,000 per Non-Executive Director (note Ms. Jones receives US$60,000) 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.

ASX listing rules require the aggregate Non-Executive Directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 27 November 2009, where the shareholders approved a maximum annual aggregate remuneration of $250,000.

Executive remuneration
The Group aims to reward Executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The Executive remuneration and reward framework has four components:
- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

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

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the Group and comparable market remunerations. No Nomination and Remuneration Committee meeting was held in the 2016 financial year.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the Executive.

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 2016 (2015: Nil).

Executives and Directors are issued with equity instruments as LTIs (long term incentives) 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 2016.

Remuneration Report (continued)

Consolidated entity performance and link to remuneration
Equity instruments may be issued to new employees, and upon performance review based on the 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 and 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.

The Nomination and Remuneration Committee is of the opinion that continued improved results will be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

Voting and comments made at the company's 11 November 2015 Annual General Meeting ('AGM')
At the 11 November 2015 AGM, 99.64% of the votes received supported the adoption of the remuneration report for the year ended 2016. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

	Short-term benefits	Short-term benefits	Post-employment benefits	Long-term benefits	Termination Payments	
2016	Cash salary and fees $	Annual Leave $	Super-annuation $	Long service leave $	Cash and fees $	Total $
Non-Executive Directors:						
Suzy Jones*	81,484	-	-	-	-	81,484
John Read	95,000	-	-	-	-	95,000
Executive Directors:						
James Campbell**	217,761	-	2,240	-	-	220,001
Other Key Management Personnel:						
Melanie Leydin***	60,000	-	-	-	-	60,000
Roger McPherson***	66,539	33,061	4,054	32,693	70,593	206,940
	520,784	33,061	6,294	32,693	70,593	663,425

* 1. Ms Jones was paid $60,000 USD at an average exchange rate of $0.7363 USD to 1 AUD.
** 2. Dr Campbell's hours increased to full time as of 1 March 2016.
*** 3. Roger McPherson resigned, and Melanie Leydin was appointed on 1 October 2015.

Remuneration Report (continued)

	Short-term benefits	Post-employment benefits	Share-based payments	
2015	Cash salary and fees $	Super-annuation $	Equity-settled $	Total $
Non-Executive Directors:				
John Read	95,000	-	-	95,000
Suzy Jones*	72,016	-	-	72,016
Executive Directors:				
James Campbell**	44,880	12,210	-	57,090
Marie Roskrow***	289,330	-	-	289,330
Other Key Management Personnel:				
Roger McPherson	247,371	35,000	1,296	283,667
	748,597	47,210	1,296	797,103

* Ms Jones was paid $60,000 USD at an average exchange rate of $0.8331 USD to 1 AUD.
** Dr Campbell was appointed as a Non-Executive Director on 12 November 2014 and as Managing Director on 13 April 2015
*** Dr Roskrow retired on 29 October 2014.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2016	2015	2016	2015	2016	2015
Non-Executive Directors:						
John Read	100%	100%	-	-	-	-
Suzy Jones	100%	100%	-	-	-	-
Executive Directors:						
James Campbell	100%	100%	-	-	-	-
Other Key Management Personnel:						
Roger McPherson	100%	99%	-	-	-	1%
Melanie Leydin	100%	-	-	-	-	-

Service agreements
Remuneration and other terms of employment for Key Management Personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	James Campbell
Title:	Managing Director and Chief Executive Officer
Agreement commenced:	12 November 2014 as Non-Executive Director and 13 April 2015 as Managing Director
Term of agreement:	No fixed term for an ongoing term subject to termination by the Company with 6 months' notice and termination by the employee with 6 months' notice of the employee to the Company.
Details:	Dr Campbell will be entitled to an annual salary (inclusive of superannuation) of $300,000. The Remuneration Package is inclusive of any fringe benefits tax for which the Company is liable in respect of the Employee's total remuneration and any superannuation contributions. The employee's performance will be reviewed annually or more frequently if required. It is noted that Dr Campbell worked part time until 1 March 2016 and therefore did not receive the full $300,000.

Remuneration Report (continued)

Name:	John Read
Title:	Non-Executive Chairman
Agreement commenced:	29 May 2007. A new agreement became effective 1 December 2009
Term of agreement:	No fixed term.
Details:	$95,000 per annum to be reviewed independently and annually by the Board of Directors.

Name:	Suzy Jones
Title:	Non-Executive Director
Agreement commenced:	15 December 2011
Term of agreement:	No fixed term.
Details:	$US60,000 (AU$81,484) per annum to be reviewed independently and annually by the Board of Directors.

Name:	Melanie Leydin
Title:	Company Secretary
Agreement commenced:	1 October 2015
Term of agreement:	No fixed term, with 1 months' notice.
Details:	$8,000 per month for Company Secretarial and Accounting Services

Key Management Personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares
There were no shares issued to Directors and other Key Management Personnel as part of compensation during the year ended 30 June 2016.

Options
Values of options over ordinary shares granted, exercised and lapsed for Directors and other Key Management Personnel as part of compensation during the year ended 30 June 2016 are set out below:

Name	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	Remuneration consisting of options for the year %
John Read	-	-	6,529	-
Michael Stork	-	-	3,264	-

Details of options over ordinary shares granted, vested and lapsed for Directors and other Key Management Personnel as part of compensation during the year ended 30 June 2016 are set out below:

Name	Grant date	Vesting date	Number of options granted	Value of options granted $	Value of options vested $	Number of options lapsed	Value of options lapsed $
John Read	28 Nov 2008	25 May 2011	-	-	-	120,000	6,529
Michael Stork	28 Nov 2008	25 May 2011	-	-	-	60,000	3,264

Remuneration Report (continued)

Additional information

The earnings of the Group for the five years to 30 June 2016 are summarised below:

	2016 $	2015 $	2014 $	2013 $	2012 $
Revenue and other income	867,653	2,224,481	759,683	1,175,624	1,071,733
Net profit/(loss) before tax	(1,080,784)	(8,463,492)	(7,280,929)	(3,522,634)	(5,098,322)
Net profit/(loss) after tax	(1,080,784)	(8,470,382)	(7,289,090)	(3,529,095)	(5,108,891)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2016	2015	2014	2013	2012
Share price at financial year start ($)	0.01	0.03	0.02	0.02	0.08
Share price at financial year end ($)	0.01	0.01	0.03	0.02	0.02
Basic earnings per share (cents per share)	(0.15)	(1.22)	(1.21)	(0.72)	(1.69)

Additional disclosures relating to Key Management Personnel

Shareholding

The number of shares in the Company held during the financial year by each Director and other members of Key Management Personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Other	Balance at the end of the year
Ordinary shares					
John Read	6,660,890	-	-	-	6,660,890
Michael Stork	95,731,764	-	-	-	95,731,764
James Campbell	25,000	-	-	-	25,000
Suzy Jones	3,000,000	-	-	-	3,000,000
Roger McPherson*	4,481,654	-	-	(4,481,654)	-
	109,899,308	-	-	(4,481,654)	105,417,654

* Mr Roger McPherson resigned on 1 October 2015 therefore no longer requiring disclosure.

Option holding

The number of options over ordinary shares in the Company held during the financial year by each Director and other members of Key Management Personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
John Read	120,000	-	-	(120,000)	-
Mike Stork	60,000	-	-	(60,000)	-
	180,000	-	-	(180,000)	-

This concludes the remuneration report, which has been audited.

Shares under option
Unissued ordinary shares of Patrys Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
1 July 2008	1 July 2016	$0.330	22,500
2 December 2009	27 November 2016	$0.140	5,952
2 December 2009	27 November 2017	$0.140	5,952
1 July 2010	1 July 2016	$0.100	3,600
1 July 2010	1 July 2017	$0.100	3,600
1 July 2010	1 July 2018	$0.100	3,600
8 December 2011	8 December 2017	$0.030	7,334
8 December 2011	8 December 2018	$0.030	7,333
8 December 2011	8 December 2019	$0.030	7,333
21 August 2012	21 August 2018	$0.020	10,000
21 August 2012	21 August 2019	$0.020	10,000
21 August 2012	21 August 2010	$0.020	10,000
20 May 2014	20 May 2020	$0.050	25,000
20 May 2014	20 May 2021	$0.050	25,000
20 May 2014	20 May 2022	$0.050	25,000
			172,204

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options
There were no ordinary shares of Patrys Limited issued on the exercise of options during the year ended 30 June 2016 and up to the date of this report.

Share-based compensation to Directors and Key Management Personnel
General overview

The Company issues equity to Directors, Patrys (including subsidiary Patrys GmbH) 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:

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 2016 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 31 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.

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.

Indemnity and insurance of officers

The Company has indemnified the Directors and Executives of the Company for costs incurred, in their capacity as a Director or Executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and Executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

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

Non-audit services

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 in Note 22.

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.

Officers of the company who are former partners of BDO East Coast Partnership

There are no officers of the company who are former partners of BDO East Coast Partnership.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this Directors' Report.

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 Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Mr. John Read
Chairman

30 August 2016

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

As lead auditor of Patrys Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

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

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

David Garvey
Partner

BDO East Coast Partnership

Melbourne, 30 August 2016

Patrys Limited
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2016

	Note	Consolidated 2016 $	2015 $
Revenue	5	867,653	2,224,481
Other income	6	48,572	378,772
Expenses			
Research & Development Expenses		(1,042,256)	(4,674,564)
Administration & Management Expenses		(954,753)	(1,033,566)
Impairment of intangible assets		-	(5,358,615)
Loss before income tax expense		(1,080,784)	(8,463,492)
Income tax expense	8	-	(6,890)
Loss after income tax expense for the year attributable to the Owners of Patrys Limited		(1,080,784)	(8,470,382)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		25,408	2,532
Other comprehensive income for the year, net of tax		25,408	2,532
Total comprehensive income for the year attributable to the Owners of Patrys Limited		(1,055,376)	(8,467,850)
		Cents	**Cents**
Basic earnings per share	30	(0.15)	(1.22)
Diluted earnings per share	30	(0.15)	(1.22)

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

Patrys Limited
Statement of Financial Position
As at 30 June 2016

	Note	Consolidated 2016 $	2015 $
Assets			
Current assets			
Cash and cash equivalents	9	3,215,039	4,646,527
Trade and other receivables	10	259,307	13,325
Other	11	69,762	33,937
Total current assets		3,544,108	4,693,789
Non-current assets			
Property, plant and equipment	12	5,870	78,834
Intangibles	13	708,750	-
Total non-current assets		714,620	78,834
Total assets		4,258,728	4,772,623
Liabilities			
Current liabilities			
Trade and other payables	14	543,708	668,905
Employee benefits	15	51,338	77,418
Total current liabilities		595,046	746,323
Non-current liabilities			
Employee benefits	16	25,213	55,960
Total non-current liabilities		25,213	55,960
Total liabilities		620,259	802,283
Net assets		3,638,469	3,970,340
Equity			
Issued capital	17	60,035,971	59,675,971
Reserves	18	505,645	397,124
Accumulated losses		(56,903,147)	(56,102,755)
Total equity		3,638,469	3,970,340

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

Patrys Limited
Statement of Changes in Equity
For the year ended 30 June 2016

Consolidated	Issued capital $	Foreign currency translation reserve $	Share based payment reserves $	Share Loan Plan Reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2014	59,675,971	(46,463)	228,252	287,074	(47,710,565)	12,434,269
Loss after income tax expense for the year	-	-	-	-	(8,470,382)	(8,470,382)
Other comprehensive income for the year, net of tax	-	2,532	-	-	-	2,532
Total comprehensive income for the year	-	2,532	-	-	(8,470,382)	(8,467,850)
Transactions with owners in their capacity as owners:						
Share-based payments (note 31)	-	-	886	3,035	-	3,921
Reallocation of value of expired and cancelled equity	-	-	(62,130)	(16,062)	78,192	-
Balance at 30 June 2015	59,675,971	(43,931)	167,008	274,047	(56,102,755)	3,970,340

Consolidated	Issued capital $	Foreign currency translation reserve $	Share based payment reserves $	Share Loan Plan Reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2015	59,675,971	(43,931)	167,008	274,047	(56,102,755)	3,970,340
Loss after income tax expense for the year	-	-	-	-	(1,080,784)	(1,080,784)
Other comprehensive income for the year, net of tax	-	25,408	-	-	-	25,408
Total comprehensive income for the year	-	25,408	-	-	(1,080,784)	(1,055,376)
Reallocation of value of expired and cancelled equity	-	-	(159,573)	(120,819)	280,392	-
Transactions with owners in their capacity as owners:						
Share-based payments (note 31)	-	-	1,923	1,582	-	3,505
Issue of shares in consideration for Nucleus	360,000	-	-	-	-	360,000
Equity Settled Transactions	-	-	360,000	-	-	360,000
Balance at 30 June 2016	60,035,971	(18,523)	369,358	154,810	(56,903,147)	3,638,469

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

Patrys Limited
Statement of Cash Flows
For the year ended 30 June 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(2,134,947)	(6,373,274)
Interest received		67,741	165,524
Other revenue		-	167
R&D tax incentive		260,879	819,956
Government grants		-	2,500
Insurance recoveries		-	1,272,332
Licensing income		274,970	-
Income taxes paid		-	(1,983)
Net cash used in operating activities	29	(1,531,357)	(4,114,778)
Cash flows from investing activities			
Payments for property, plant and equipment		(4,900)	(1,824)
Payments for intangibles		-	(138,628)
Proceeds from disposal of property, plant and equipment		68,973	2,775
Net cash from/(used in) investing activities		64,073	(137,677)
Cash flows from financing activities			
Net cash from financing activities		-	-
Net decrease in cash and cash equivalents		(1,467,284)	(4,252,455)
Cash and cash equivalents at the beginning of the financial year		4,646,527	8,643,507
Effects of exchange rate changes on cash and cash equivalents		35,796	255,475
Cash and cash equivalents at the end of the financial year	9	3,215,039	4,646,527

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

Note 1. General information

The financial statements cover Patrys Limited as a Group consisting of Patrys Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Patrys Limited's functional and presentation currency.

Patrys Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	**Principal place of business**
Level 4 100 Albert Road South Melbourne, VIC 3205	Level 6, Equitable House Suite 614 343 Little Collins Street Melbourne VIC 3000

A description of the nature of the Group's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 30 August 2016. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

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

New, revised or amending Accounting Standards and Interpretations adopted

The Group 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. We have considered the impact of these and they are not material.

Going concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business for the following reasons:

- At 30 June 2016, the Group had net current assets of $3,544,108 (30 June 2015: $4,693,789);
- The Board of Directors has the ability to downscale its operations and discontinue programs should the need arise, whilst meeting minimum expenditure commitments;
- Cash flow forecasts prepared by the Board indicated that the company currently has sufficient cash reserves and working capital to fund its planned activities for a period beyond 12 months from the date of signing of financial report;
- Directors have a number of external funding alternatives available such as out-licensing arrangements or raising additional equity funds; and
- The Company has a history of successfully undertaking capital raisings during the last 8 years.

Based on the above, the Directors believe the consolidated entity will continue as a going concern and that it is appropriate to adopt that basis of accounting in the preparation of the financial report.

Basis of preparation

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

Note 2. Significant accounting policies (continued)

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information
In accordance with the *Corporations Act 2001*, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 25.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Patrys Limited ('Company' or 'parent entity') as at 30 June 2016 and the results of all subsidiaries for the year then ended. Patrys Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

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.

Foreign currency translation
The financial statements are presented in Australian dollars, which is Patrys Limited's functional and presentation currency.

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

Note 2. Significant accounting policies (continued)

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

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
Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. All the revenue is stated net of the amount of goods and services tax (GST).

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.

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

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Note 2. Significant accounting policies (continued)

Current and non-current classification
Assets and liabilities are presented in the Statement of Financial Position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Other receivables are recognised at amortised cost, less any provision for impairment.

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	3-7 years

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

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Intellectual property
Intellectual property is amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5-20 years.

Note 2. Significant accounting policies (continued)

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life 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. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. 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.

Share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Note 2. Significant accounting policies (continued)

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the Owners of Patrys Limited, 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 financial year.

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 shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 2. Significant accounting policies (continued)

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

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 Group for the annual reporting period ended 30 June 2016. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk Management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the Group.

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's Statement of Financial Position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the Group.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires Management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, Management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Estimation of useful lives of assets
The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Note 4. Operating segments

Identification of reportable operating segments
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 5. Revenue

	Consolidated 2016 $	Consolidated 2015 $
Licensing income	274,970	-
R&D tax incentive	502,485	819,956
Interest income	76,869	129,526
Other income	10,485	167
Realised Foreign currency gain	2,844	-
Insurance recoveries	-	1,272,332
Government grants	-	2,500
Revenue	867,653	2,224,481

Note 6. Other income

	Consolidated 2016 $	Consolidated 2015 $
Net foreign exchange gain - unrealised	48,572	378,772

Note 7. Expenses

	Consolidated 2016 $	Consolidated 2015 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	8,891	110,159
Amortisation/Impairment		
License and registered patents	11,250	5,852,032
Total depreciation and amortisation	20,141	5,962,191
Operating expenses		
Research and development expenses	1,042,256	4,674,564
Operating lease expenses	46,292	71,356
Loss on disposal of non-current assets	-	60,232
Bad debts		
Bad debt	8,238	-
Employee salary and benefit expense		
Defined contribution superannuation expense	68,800	89,819
Salary and employee benefit expenses	895,156	1,241,616
Total employment expenses	963,956	1,331,435
Share based payments expense	3,505	3,921

Note 8. Income tax expense

	Consolidated 2016 $	Consolidated 2015 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(1,080,784)	(8,463,492)
Tax at the statutory tax rate of 30%	(324,235)	(2,539,048)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Effect of revenue that is not assessable in determining taxable loss	(150,745)	(245,986)
Effect of expenses that are not deductible in determining taxable loss	155,690	520
Effect of different tax rates of subsidiaries operating in other jurisdictions	-	(736)
Deferred tax assets not brought to account	319,290	2,792,140
Income tax expense	-	6,890

	Consolidated 2016 $	Consolidated 2015 $
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Tax losses - revenue	14,854,005	14,548,135
Deductible temporary differences	202,726	-
Total deferred tax assets not recognised	15,056,731	14,548,135

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 9. Current assets - cash and cash equivalents

	Consolidated 2016 $	Consolidated 2015 $
Cash at bank	1,215,039	16,136
Cash on deposit	2,000,000	4,630,391
	3,215,039	4,646,527

The Group's exposure to interest rate and foreign currency risk is discussed in Note 20.

Note 10. Current assets - trade and other receivables

	Consolidated 2016 $	2015 $
Research & Development incentive receivable	224,510	-
Interest receivable	17,096	-
Other receivables	17,701	13,325
	259,307	13,325

Note 11. Current assets - other

	Consolidated 2016 $	2015 $
Prepayments	60,634	24,830
Security deposits	9,128	9,107
	69,762	33,937

Note 12. Non-current assets - property, plant and equipment

	Consolidated 2016 $	2015 $
Plant and equipment - at cost	27,371	445,523
Less: Accumulated depreciation	(21,501)	(366,689)
	5,870	78,834

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

Consolidated	Plant and equipment $	Total $
Balance at 1 July 2014	251,115	251,115
Additions	1,824	1,824
Disposals	(2,775)	(2,775)
Exchange differences	(939)	(939)
Depreciation expense	(170,391)	(170,391)
Balance at 30 June 2015	78,834	78,834
Additions	4,900	4,900
Disposals	(68,973)	(68,973)
Depreciation expense	(8,891)	(8,891)
Balance at 30 June 2016	5,870	5,870

Note 13. Non-current assets - intangibles

	Consolidated 2016 $	Consolidated 2015 $
Intellectual property - at cost	720,000	11,350,613
Less: Accumulated amortisation	(11,250)	(5,991,998)
Less: Impairment	-	(5,358,615)
	708,750	-

Reconciliations

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

Consolidated	Intellectual property $	Total $
Balance at 1 July 2014	5,735,622	5,735,622
Additions - acquisitions	116,410	116,410
Impairment of assets	(5,358,615)	(5,358,615)
Amortisation expense	(493,417)	(493,417)
Balance at 30 June 2015	-	-
Additions - Acquisition of Nucleus intellectual property	720,000	720,000
Amortisation expense	(11,250)	(11,250)
Balance at 30 June 2016	708,750	708,750

Amortisation and impairment expense is included in the line item ‘Research and Development’ in the Statement of Profit or Loss and Other Comprehensive Income.

Intangible assets comprise licences, intellectual property, trademarks and registered patents and have a finite useful life. Amortisation has been historically calculated using straight line method over the estimated useful life, which ranges from 5 to 20 years.

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 also review the intellectual property portfolio to determine whether there are any indicators of impairment related to intellectual property.

During the financial year the Group acquired Nucleus intellectual property. The acquisition provides Patrys with licence rights to a portfolio of novel anti-DNA antibodies that penetrate cell nuclei. This novel pre-clinical oncology asset and platform has multiple potential applications to treat a range of cancers.

Note 13. Non-current assets - intangibles (continued)

During the previous financial year the Group experienced a delay with the manufacturing of its lead product PAT-SM6 which is believed to be caused by a change in the formatting of one of the components used in the manufacturing process. In order to continue with the manufacturing of the product and ultimately conduct a clinical trial there is a need to undertake further process redevelopment. The Group had a number of options open to it which it was investigating. These included:

- undertake the process redevelopment work and then go on to manufacture sufficient material to conduct a clinical trial with PATSM6;
- seek to out-licence the product once the redevelopment process is completed but prior to actually manufacturing product for a further clinical trial;
- seek to out-licence the product now without having a robust manufacturing process in place (similar to what has occurred with PATSC1); or
- seek to outsource the process redevelopment work to a third party that will bear the costs and risks of this program for a share in the future upside.

Once the product has been successfully manufactured the Group could then seek to conduct a further clinical trial itself.

These are a few of the alternatives that were being explored. The funding requirements of the Group will vary depending on which avenue is undertaken. While the Directors believe that there is significant value in the intellectual property which the Group will be able to realise in future periods, in accordance with AASB 136 Impairment of Assets, given the uncertainty that is present at this point in regard to process redevelopment and a definitive commercialisation strategy, they determined that the Group should undertake a conservative approach and decided to fully impair these assets in the prior financial year.

Note 14. Current liabilities - trade and other payables

	Consolidated	
	2016 $	2015 $
Trade payables	35,489	157,064
Other creditors and accruals	508,219	511,841
	543,708	668,905

Refer to note 20 for further information on financial instruments.

Note 15. Current liabilities - employee benefits

	Consolidated	
	2016 $	2015 $
Annual leave	51,338	77,418

Note 16. Non-current liabilities - employee benefits

	Consolidated	
	2016 $	2015 $
Long service leave	25,213	55,960

Note 17. Equity - issued capital

	Consolidated			
	2016 Shares	**2015 Shares**	**2016 $**	**2015 $**
Ordinary shares - fully paid	745,253,370	696,585,986	60,035,971	59,675,971

Movements in ordinary share capital

Details	**Date**	**Shares**	**Issue price**	**$**
Balance	1 July 2014	697,060,986		59,675,971
Shares brought back pursuant to the LSP	19 May 2015	(475,000)	$0.000	-
Balance	30 June 2015	696,585,986		59,675,971
Tranche 1 consideration shares issued to shareholders of Nucleus Therapeutics Pty Ltd	30 March 2016	50,033,425	$0.007	360,000
Expiration of shares from Share Loan Plan	30 June 2016	(1,366,041)	$0.000	-
Balance	30 June 2016	745,253,370		60,035,971

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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.

Share buy-back
There is no current on-market share buy-back.

Capital risk Management
The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the Consolidated Statement of Financial Position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The capital risk Management policy remains unchanged from the 30 June 2015 Annual Report.

Note 18. Equity - reserves

	Consolidated 2016 $	Consolidated 2015 $
Foreign currency reserve	(18,523)	(43,931)
Share based payment reserve	369,358	167,008
Share loan plan reserve	154,810	274,047
	505,645	397,124

Foreign currency reserve
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.

Share loan plan reserve
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 21 of the financial statements.

Share based payment reserve
The equity settled share based payment reserves arise on issue of options under the Employee Share Based Payment plan to Executives and senior employees and the Share Based Payment Reserve for the issue of Tranche 2 and Tranche 3 shares for the acquisition of Nucleus Intellectual Property. Amounts are transferred out of the reserves and into issued capital when the options are converted to shares and when the Nucleus shares are issued. 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 21 of the financial statements.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share loan plan reserve $	Share based payment reserve $	Foreign currency translation reserve $	Total $
Balance at 1 July 2014	287,074	167,563	(46,463)	408,174
Foreign currency translation	-	-	2,532	2,532
Value of options issued under the Employee Share Option Plan (recognised over vesting period)	-	506	-	506
Value of shares recognised over vesting period	6,129	-	-	6,129
Re-allocation of value of expired options during the period	-	(1,061)	-	(1,061)
Re-allocation of value of cancelled shares during the period	(19,156)	-	-	(19,156)
Balance at 30 June 2015	274,047	167,008	(43,931)	397,124
Foreign currency translation	-	-	25,408	25,408
Value of options issued under the Employee Share Option Plan (recognised over vesting period)	-	1,923	-	1,923
Value of shares recognised over vesting period	1,582	-	-	1,582
Re-allocation of value of expired options during the period	-	(159,573)	-	(159,573)
Re-allocation of value of cancelled shares during the period	(120,819)	-	-	(120,819)
Value of Shares to be issued in consideration for Nucleus Intellectual Property Tranche 2 and Tranche 3	-	360,000	-	360,000
Balance at 30 June 2016	154,810	369,358	(18,523)	505,645

Note 19. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 20. Financial instruments

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 policy regarding foreign exchange risk Management. This and other financial risks are managed prudently by the Chief Executive Officer and the Audit & Risk Committee which meets at least three times a year.

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 17, and 18, respectively. 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.

Market risk

Foreign currency 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 and Euros. The Group has maintained cash in US dollars and Euros to cover a portion of its anticipated US dollar and Euro expenditures. Prior to the closure of Patrys UK Limited the Group also had an exposure to Pounds Sterling. The Group is currently holding sufficient Pounds Sterling to cover future costs for research and development which is denominated in Pound Sterling.

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, Pound Sterling and Euro. The Group maintains US dollar, Pound Sterling and Euro bank accounts to cover a portion of its anticipated expenditures in the respective foreign currencies.

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
	2016	2015	2016	2015
Consolidated	$	$	$	$
US dollars	842,460	765,855	255,949	195,657
Euros	97,746	279,105	74,638	158,365
Pound Sterling	90,543	2,300	90,106	410
	1,030,749	1,047,260	420,693	354,432

Note 20. Financial instruments (continued)

Consolidated - 2016	AUD strengthened % change	Effect on profit before tax	Effect on equity	AUD weakened % change	Effect on profit before tax	Effect on equity
Euros	10%	(8,886)	(8,886)	(10%)	10,861	10,861
US Dollars	10%	(76,587)	(76,857)	(10%)	93,607	93,607
Pound Sterling	10%	(8,231)	(8,231)	(10%)	10,606	10,606
		(93,704)	(93,974)		115,074	115,074

Consolidated - 2015	AUD strengthened % change	Effect on profit before tax	Effect on equity	AUD weakened % change	Effect on profit before tax	Effect on equity
Euros	10%	(25,373)	(25,373)	(10%)	31,012	31,012
US Dollar	10%	(69,623)	(69,623)	(10%)	85,095	85,095
GBP	10%	(209)	(209)	(10%)	256	256
		(95,205)	(95,205)		116,363	116,363

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.

Interest rate risk
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 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 2016, 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:

As at the reporting date, the Group had the following variable rate deposits outstanding:

Consolidated	2016 Weighted average interest rate %	2016 Balance $	2015 Weighted average interest rate %	2015 Balance $
Cash and cash equivalents	1.75%	3,215,039	1.50%	4,646,527
Net exposure to cash flow interest rate risk		3,215,039		4,646,527

Note 20. Financial instruments (continued)

Below is a sensitivity analysis of interest rates at a rate of 50 basis points on cash and cash equivalents for the 2016 financial year (2015: 50 basis points). The impact would not be material on bank balances held at 30 June 2016. The percentage change is based on expected volatility of interest rates using market data and analysis forecasts.

	Basis points increase			Basis points decrease		
Consolidated - 2016	**Basis points change**	**Effect on profit before tax**	**Effect on equity**	**Basis points change**	**Effect on profit before tax**	**Effect on equity**
Cash and cash equivalents	50	16,075	16,075	50	(16,075)	(16,075)

	Basis points increase			Basis points decrease		
Consolidated - 2015	**Basis points change**	**Effect on profit before tax**	**Effect on equity**	**Basis points change**	**Effect on profit before tax**	**Effect on equity**
Cash and cash equivalents	50	23,233	23,233	50	(23,233)	(23,233)

Credit risk
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 Group'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.

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.

Remaining contractual maturities
The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the Statement of Financial Position.

Consolidated - 2016	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	543,708	-	-	-	543,708
Total non-derivatives		543,708	-	-	-	543,708

Note 20. Financial instruments (continued)

Consolidated - 2015	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	668,905	-	-	-	668,905
Total non-derivatives		668,905	-	-	-	668,905

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 21. Key Management Personnel disclosures

Directors
The following persons were Directors of Patrys Limited during the financial year:

Mr. John Read
Mr Michael Stork
Dr. James Campbell
Ms. Suzy Jones

Other Key Management Personnel of Patrys for the year were as follows:

Mr Roger McPherson (Former Chief Operating Officer)	(resigned 1 October 2015)
Ms Melanie Leydin (Company Secretary)	(appointed 1 October 2015)

Compensation
The aggregate compensation made to Directors and other members of Key Management Personnel of the Group is set out below:

	Consolidated	
	2016 **$**	**2015** **$**
Short-term employee benefits	553,845	748,597
Post-employment benefits	6,294	47,210
Long-term benefits	32,693	1,296
Termination benefits	70,593	-
	663,425	797,103

Note 22. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by , the auditor of the Company, and its network firms:

	Consolidated	
	2016 $	2015 $
Audit services -		
Audit or review of the financial statements	54,465	50,185
Other services -		
Advice on taxation and other matters and review and lodgement of corporate tax returns	5,500	5,613
	59,965	55,798
Audit services - network firms		
Audit or review of the financial statements	-	1,074
Other services - network firms		
Advice on taxation and other matters and review and lodgement of corporate tax returns	953	5,276
	953	6,350

Note 23. Commitments

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.

University of Wurzberg 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.

Note 23. Commitments (continued)

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.

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

Licence agreement
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.

Note 24. Related party transactions

Parent entity
Patrys Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 26.

Key Management Personnel
Disclosures relating to Key Management Personnel are set out in note 21 and the remuneration report included in the Directors' Report.

Transactions with related parties
There were no transactions with related parties during the current and previous financial year.

Note 24. Related party transactions (continued)

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2016	**2015**
	$	**$**
Current payables:		
Trade payables to Director related entity of Mr. John Read for Directors' fees for his services*	23,750	23,750

*This amount was paid to Mr. Read subsequent to the financial year.

Loans to/from related parties

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 2016 was $166,574 (2015: $626,948). An inter-Company loan balance at 30 June 2016 of ($442,020) (2015: ($282,440)) was settled during the year ending 30 June 2016. This loan is non-interest bearing and unsecured.

During the year the Company closed down its operations in Germany and all activities are now centralised from the Australian entity (the Parent).

The parent entity has signed a Services Agreement with Patrys UK Limited (a wholly owned subsidiary) to reimburse the subsidiary its expenses. Patrys UK Limited ceased activity at 28 February 2015 and was subsequently de-registered in the 2016 financial year. The amount expensed for the year ending 30 June 2016 was $Nil (2015: $256,967). The inter-Company loan balance was settled during the previous financial year.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 25. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of Profit or Loss and Other Comprehensive Income

	Parent	
	2016	**2015**
	$	**$**
Loss after income tax	(1,329,048)	(8,485,613)
Total comprehensive income	(1,329,048)	(8,485,613)

Note 25. Parent entity information (continued)

Statement of Financial Position

	Parent 2016 $	Parent 2015 $
Total current assets	3,099,450	4,320,497
Total assets	3,814,069	4,556,377
Total current liabilities	594,703	715,952
Total liabilities	619,916	771,912
Equity		
Issued capital	60,035,971	59,866,983
Share options reserve	369,358	(24,004)
Share loan plan reserve	154,810	274,047
Accumulated losses	(57,365,986)	(56,332,561)
Total equity	3,194,153	3,784,465

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2016.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2016.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2016.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Note 26. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest 2016 %	Ownership interest 2015 %
Patrys Limited (Parent)	Australia	-	-
Patrys GmbH	Germany	100.00%	100.00%
Patrys UK Limited*	UK	-	100.00%
Nucleus Therapeutics	Australia	100.00%	-

* Patrys UK Limited was deregistered during the financial year.

Note 27. Events after the reporting period

Subsequent to the 2016 financial year, the company reached an agreement regarding amounts due from a contracting party. This settlement of $334,342 was received in August 2016.

No other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 28. 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, is on a month to month lease. The Group closed its Würzburg, Germany (Patrys GmbH) office during the financial year.

	Consolidated	
	2016	**2015**
	$	**$**
Non-cancellable operating lease commitments		
Not longer than 1 year	-	1,345

Note 29. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2016	**2015**
	$	**$**
Loss after income tax expense for the year	(1,080,784)	(8,470,382)
Adjustments for:		
Depreciation and amortisation	20,141	5,962,191
Net loss/(gain) on disposal of non-current assets	(10,485)	60,232
Share-based payments	3,505	3,921
Unrealised foreign exchange losses/(gains)	-	(292,610)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(245,982)	60,862
Decrease/(increase) in prepayments	(35,825)	75,330
Decrease in trade and other payables	(125,100)	(1,452,698)
Decrease in other provisions	(56,827)	(61,624)
Net cash used in operating activities	(1,531,357)	(4,114,778)

Note 30. Earnings per share

	Consolidated 2016 $	Consolidated 2015 $
Loss after income tax attributable to the Owners of Patrys Limited	(1,080,784)	(8,470,382)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	709,672,151	696,585,986
Weighted average number of ordinary shares used in calculating diluted earnings per share	709,672,151	696,585,986
	Cents	**Cents**
Basic earnings per share	(0.15)	(1.22)
Diluted earnings per share	(0.15)	(1.22)

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.

Note 31. Share-based payments

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.

Note 31. Share-based payments (continued)

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.

Note 31. Share-based payments (continued)

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

Set out below are the summaries of shares issued under the Share Loan Plan:

2016:

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
Director LSP Tranche 1	0.144	209,651	-	-	(209,651)	-
Director LSP Tranche 2	0.144	209,650	-	-	(25,009)	184,641
Director LSP Tranche 3	0.144	209,650	-	-	(25,009)	184,641
Employee LSP Tranche 1	0.144	307,351	-	-	(307,351)	-
Employee LSP Tranche 2	0.144	307,351	-	-	(134,624)	172,727
Employee LSP Tranche 3	0.144	307,351	-	-	(134,624)	172,727
Employee LSP Tranche 4	0.106	180,436	-	-	-	180,436
Employee LSP Tranche 5	0.106	180,436	-	-	-	180,436
Employee LSP Tranche 6	0.106	180,436	-	-	-	180,436
Director LSP Tranche 4	0.083	176,591	-	-	(176,591)	-
Director LSP Tranche 5	0.083	176,591	-	-	(176,591)	-
Director LSP Tranche 6	0.083	176,591	-	-	(176,591)	-
Employee LSP Tranche 9	0.039	255,002	-	-	-	255,002
Employee LSP Tranche 10	0.039	254,999	-	-	-	254,999
Employee LSP Tranche 11	0.039	254,999	-	-	-	254,999
Employee LSP Tranche 12	0.022	255,000	-	-	-	255,000
Employee LSP Tranche 13	0.022	255,000	-	-	-	255,000
Employee LSP Tranche 14	0.022	255,000	-	-	-	255,000
Employee LSP Tranche 15	0.038	37,500	-	-	-	37,500
Employee LSP Tranche 16	0.038	37,500	-	-	-	37,500
Employee LSP Tranche 17	0.05	100,000	-	-	-	100,000
Employee LSP Tranche 18	0.05	100,000	-	-	-	100,000
Employee LSP Tranche 19	0.05	100,000	-	-	-	100,000
		4,527,085	-	-	(1,366,041)	3,161,044

Patrys Limited
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Note 31. Share-based payments (continued)

2015:

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
Employees LSP Tranche 1	0.144	307,351	-	-		307,351
Employees LSP Tranche 2	0.144	307,351	-	-	-	307,351
Employees LSP Tranche 3	0.144	307,351	-	-	-	307,351
Directors LSP Tranche 1	0.144	209,651	-	-	-	209,651
Directors LSP Tranche 2	0.144	209,650	-	-	-	209,650
Directors LSP Tranche 3	0.144	209,650	-	-	-	209,650
Employees LSP Tranche 4	0.106	180,436	-	-	-	180,436
Employees LSP Tranche 5	0.106	180,436	-	-	-	180,436
Employees LSP Tranche 6	0.106	180,436	-	-	-	180,436
Employees LSP Tranche 7	0.100	75,000	-	-	(75,000)	-
Employees LSP Tranche 8	0.100	75,000	-	-	(75,000)	-
Directors LSP Tranche 4	0.083	176,591	-	-	-	176,591
Directors LSP Tranche 5	0.083	176,591	-	-	-	176,591
Directors LSP Tranche 6	0.083	176,591	-	-	-	176,591
Employees LSP Tranche 9	0.039	255,002	-	-	-	255,002
Employees LSP Tranche 10	0.039	254,999	-	-	-	254,999
Employees LSP Tranche 11	0.039	254,999	-	-	-	254,999
Directors LSP Tranche 7	0.100	108,334	-	-	(108,334)	-
Directors LSP Tranche 8	0.100	108,333	-	-	(108,333)	-
Directors LSP Tranche 9	0.083	108,333	-	-	(108,333)	-
Employees LSP Tranche 12	0.022	255,000	-	-	-	255,000
Employees LSP Tranche 13	0.022	255,000	-	-	-	255,000
Employees LSP Tranche 14	0.022	255,000	-	-	-	255,000
Employees LSP Tranche 15	0.038	37,500	-	-	-	37,500
Employees LSP Tranche 16	0.038	37,500	-	-	-	37,500
Employees LSP Tranche 17	0.05	100,000	-	-	-	100,000
Employees LSP Tranche 18	0.05	100,000	-	-	-	100,000
Employees LSP Tranche 19	0.05	100,000	-	-	-	100,000
		5,002,085	-	-	(475,000)	4,527,085

Note 31. Share-based payments (continued)

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

2016

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/07/2008	01/07/2015	$0.330	162,500	-	-	(162,500)	-
01/07/2008	01/07/2016	$0.330	162,499	-	-	(139,999)	22,500
28/11/2008	25/05/2016	$0.260	240,000	-	-	(240,000)	-
02/12/2009	27/11/2015	$0.140	165,584	-	-	(165,584)	-
02/12/2009	27/11/2016	$0.140	165,585	-	-	(159,633)	5,952
02/12/2009	27/11/2017	$0.140	165,585	-	-	(159,633)	5,952
01/07/2010	01/07/2016	$0.100	100,601	-	-	(97,001)	3,600
01/07/2010	01/07/2017	$0.100	100,602	-	-	(97,002)	3,600
01/07/2010	01/07/2018	$0.100	100,602	-	-	(97,002)	3,600
08/12/2011	08/12/2017	$0.030	90,668	-	-	(83,334)	7,334
08/12/2011	08/12/2018	$0.030	90,666	-	-	(83,333)	7,333
08/12/2011	08/12/2019	$0.030	90,666	-	-	(83,333)	7,333
21/08/2012	21/08/2018	$0.020	76,667	-	-	(66,667)	10,000
21/08/2012	21/08/2019	$0.020	76,667	-	-	(66,667)	10,000
21/08/2012	21/08/2020	$0.020	76,666	-	-	(66,666)	10,000
20/05/2014	20/05/2020	$0.050	125,000	-	-	(100,000)	25,000
20/05/2014	20/05/2021	$0.050	125,000	-	-	(100,000)	25,000
20/05/2014	20/05/2022	$0.050	125,000	-	-	(100,000)	25,000
			2,240,558	-	-	(2,068,354)	172,204

2015

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/07/2008	01/07/2014	$0.330	162,501	-	-	(162,501)	-
01/07/2008	01/07/2015	$0.330	162,500	-	-	-	162,500
01/07/2008	01/07/2016	$0.330	162,499	-	-	-	162,499
19/11/2008	20/10/2014	$0.170	125,000	-	-	(125,000)	-
28/11/2008	25/05/2015	$0.260	480,000	-	-	(480,000)	-
28/11/2008	25/05/2016	$0.260	240,000	-	-	-	240,000
02/12/2009	27/11/2015	$0.140	165,584	-	-	-	165,584
02/12/2009	27/11/2016	$0.140	165,585	-	-	-	165,585
02/12/2009	27/11/2017	$0.140	165,585	-	-	-	165,585
01/07/2010	01/07/2016	$0.100	100,601	-	-	-	100,601
01/07/2010	01/07/2017	$0.100	100,602	-	-	-	100,602
01/07/2010	01/07/2018	$0.100	100,602	-	-	-	100,602
08/12/2011	08/12/2017	$0.030	90,668	-	-	-	90,668
08/12/2011	08/12/2018	$0.030	90,666	-	-	-	90,666
08/12/2011	08/12/2019	$0.030	90,666	-	-	-	90,666
21/08/2012	21/08/2018	$0.020	76,667	-	-	-	76,667
21/08/2012	21/08/2019	$0.020	76,667	-	-	-	76,667
21/08/2012	21/08/2020	$0.020	76,666	-	-	-	76,666
02/11/2012	02/11/2018	$0.030	125,000	-	-	(125,000)	-
02/11/2012	02/11/2019	$0.030	125,000	-	-	(125,000)	-
02/11/2012	02/11/2020	$0.030	125,000	-	-	(125,000)	-
20/05/2014	20/05/2020	$0.050	150,000	-	-	(25,000)	125,000
20/05/2014	20/05/2021	$0.050	150,000	-	-	(25,000)	125,000
20/05/2014	20/05/2022	$0.050	150,000	-	-	(25,000)	125,000
			3,458,059	-	-	(1,217,501)	2,240,558

Note 31. Share-based payments (continued)

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.4172 years (2015: 2.4230 years).

For the options granted during the prior years, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
01/07/2008	01/07/2016	$0.300	$0.330	60.00%	-	8.50%	$0.202
02/12/2009	27/11/2016	$0.140	$0.140	75.00%	-	7.40%	$0.101
02/12/2009	27/11/2017	$0.140	$0.140	75.00%	-	7.44%	$0.106
01/07/2010	01/07/2016	$0.100	$0.100	75.00%	-	7.00%	$0.069
01/07/2010	01/07/2017	$0.100	$0.100	75.00%	-	7.05%	$0.073
01/07/2010	01/07/2018	$0.100	$0.100	75.00%	-	7.11%	$0.077
08/12/2011	08/12/2017	$0.040	$0.030	75.00%	-	5.55%	$0.029
08/12/2011	08/12/2018	$0.040	$0.030	75.00%	-	5.45%	$0.031
08/12/2011	08/12/2019	$0.040	$0.030	75.00%	-	5.45%	$0.032
21/08/2012	21/08/2018	$0.020	$0.020	75.00%	-	4.95%	$0.017
21/08/2012	21/08/2019	$0.020	$0.020	75.00%	-	5.10%	$0.020
21/08/2012	21/08/2020	$0.020	$0.020	75.00%	-	5.10%	$0.017
20/05/2014	20/05/2020	$0.030	$0.050	75.00%	-	4.70%	$0.021
20/05/2014	20/05/2021	$0.030	$0.050	75.00%	-	4.79%	$0.022
20/05/2014	20/05/2022	$0.030	$0.050	75.00%	-	4.90%	$0.024

Patrys Limited
Directors' Declaration
30 June 2016

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Mr. John Read
Chairman

30 August 2016

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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 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of 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 2016 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 14 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

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

BDO East Coast Partnership

BDO

David Garvey
Partner
Melbourne, 30 August 2016

Patrys Limited
Shareholder Information
30 June 2016

The shareholder information set out below was applicable as at 22 August 2016.

Distribution of equitable securities
Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	61
1,001 to 5,000	70
5,001 to 10,000	118
10,001 to 100,000	684
100,001 and over	621
	1,554
Holding less than a marketable parcel	835

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
Stork Holdings 2010 Ltd	95,731,764	12.85
Dr Dax Marcus Calder	70,009,015	9.39
HSBC Custody Nominees (Australia) Limited	25,427,691	3.41
Mr Mladen Marusic	22,514,889	3.02
Oncomab Gmbh	20,250,000	2.72
Mr Peter Robert Kahn <Peter Kahn Super A/C>	16,000,000	2.15
Mr Andrew John Fleck	15,000,000	2.01
Capita Trustees Limited <Konda Family A/C>	13,999,999	1.88
Mr Xiaoke Xie	11,550,000	1.55
Marginata Pty Ltd <Roy Bolton Super Fund A/C>	10,000,000	1.34
Yale University	9,506,351	1.28
Mr Steven James Streicher	7,500,000	1.01
J P Morgan Nominees Australia Limited	7,404,787	0.99
Mr Paul Anthony Henry	7,000,000	0.94
Penz Investment Inc	6,500,000	0.87
Staffwear Pty Ltd <Dax Calder S/F A/C>	6,026,226	0.81
Mr Robbert Pierre Van Kampen	6,000,000	0.81
Towns Corporation Pty Ltd <Pae Family A/C>	5,500,000	0.74
Lamro Pty Ltd <Orama A/C>	5,000,000	0.67
Transalley Pty Ltd <Transalley Superfund A/C>	5,000,000	0.67
	365,920,722	49.10

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	172,204	16

Patrys Limited
Shareholder Information
30 June 2016

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Stork Holdings 2010 Ltd	95,731,764	12.85
Dr Dax Marcus Calder	70,009,015	9.39

Voting rights

The voting rights attached to ordinary shares are set out below:

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.

There are no other classes of equity securities.