

Papyrus Australia Ltd

ABN 63 110 868 409

Annual Financial Report

for the year ended 30 June 2013

Contents to Financial Report

Corporate Information	3
Directors' report.....	4
Corporate Governance Statement	16
Statement of Profit or Loss and Other Comprehensive Income	16
Statement of Financial Position.....	17
Statement of Changes in Equity.....	18
Statement of Cash Flows	19
1. CORPORATE INFORMATION	20
2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES	20
3. SEGMENT INFORMATION	36
4. REVENUE AND EXPENSES.....	36
5. INCOME TAX.....	37
6. EARNINGS PER SHARE.....	38
7. CASH AND CASH EQUIVALENTS.....	40
8. TRADE AND OTHER RECEIVABLES	41
9. OTHER CURRENT ASSETS.....	41
10. PROPERTY, PLANT AND EQUIPMENT	41
11. INTANGIBLE ASSETS.....	42
12. TRADE AND OTHER PAYABLES (CURRENT)	43
13. BORROWINGS.....	43
14. PROVISIONS.....	43
15. OTHER NON-CURRENT LIABILITIES	44
16. ISSUED CAPITAL.....	44
17. RESERVES	45
18. SHARE BASED PAYMENTS.....	45
19. COMMITMENTS FOR EXPENDITURE	46
20. CONTINGENT LIABILITIES AND CONTINGENT ASSETS.....	47
21. AUDITOR'S REMUNERATION.....	47
22. SUBSIDIARIES.....	47
23. FINANCIAL RISK MANAGEMENT	48
24. RELATED PARTY DISCLOSURE AND KEY MANAGEMENT PERSONNEL REMUNERATION	50
25. GOING CONCERN.....	53
26. SIGNIFICANT EVENTS AFTER BALANCE DATE	53
Directors' Declaration.....	54
Independent Auditor's Report to the members of Papyrus Australia Ltd.....	55

Corporate Information

This annual report covers Papyrus Australia Ltd (ABN 63 110 868 409) the consolidated group ('Group') comprising Papyrus Australia Ltd and its subsidiaries. The Group's functional and presentation currency is Australian dollars.

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the directors' report on pages 4 to 14. The directors' report is not part of the financial report.

Directors

Mr Edward Byrt (Chairman)
Mr Ramy Azer
Mr Donald Stephens
Mr Colin Dunsford AM

Company Secretary

Mr Donald Stephens

Registered Office

C/- HLB Mann Judd (SA) Pty Ltd
169 Fullarton Road
DULWICH SA 5065

Principal place of business

Building 42, Adelaide University Research Precinct
12 Queen Street
THEBARTON SA 5031

Share Register

Computershare Investor Securities Pty Ltd
Level 5, 115 Grenfell Street
ADELAIDE SA 5000

Auditors

Grant Thornton Audit Pty Ltd
Chartered Accountants
Level 1
67 Greenhill Road
WAYVILLE SA 5034

Directors' report

Your directors present their report, together with the financial statements of the Group, being the company and its controlled entities, for the financial year ended 30 June 2013.

DIRECTORS

The names and details of the company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Mr Edward Byrt (Chairman)

Mr Ramy Azer

Mr Donald Stephens

Mr Colin Dunsford AM

Names, qualifications, experience and special responsibilities

Edward Byrt, LLB (Non-Executive Chariman)

Ted Byrt is a company director with over 30 years experience in commerce, corporate governance and international business. He is a specialist strategic advisor for major development and infrastructure projects within Australia and offshore.

Ted is a business advisor and Board member of several leading organisations in South Australia. He is Presiding Member of the Development Assessment Commission, Chairman of the China Cluster, The Australian Advanced Manufacturing Centre Pty Ltd and SMAC Technologies Pty Ltd, a Director of Treyo Leisure & Entertainment Ltd (ASX listed) and a Board member of the Aboriginal Foundation of South Australia Inc. He is also a member of the Company's Audit committee and has been a Director of Papyrus since 2004.

Ramy Azer, MSTC, MSc (Eng), Grad Dip Bus, Bachelor of Engineering (Mechanical), (Managing Director)

Ramy Azer is the founder and developed the Company's technology. He has been a regular guest lecturer and speaker on issues including sustainable business development and innovation.

Ramy has been Managing Director since 2005 and prior to that had 10 years experience with Papyrus Technology Pty Ltd.

Directors' report continued

Donald Stephens, BAcc, FCA (Non-Executive Director and Company Secretary)

Mr Stephens is a Chartered Accountant and corporate adviser with over 25 years experience in the accounting industry, including 14 years as a partner of HLB Mann Judd (SA), a firm of Chartered Accountants. He is a director of Mithril Resources Ltd, Papyrus Australia Ltd, Lawson Gold Ltd, AO Energy Limited and was formerly a director of TW Holdings Ltd (resigned 14 December 2012). Additionally he is Company Secretary to Minotaur Exploration Ltd, Mithril Resources Ltd, Petrathern Ltd and Toro Energy Limited. He holds other public company secretarial positions and directorships with private companies and provides corporate advisory services to a wide range of organisations.

He is also a member of the Company's Audit committee.

Mr Colin Dunsford AM, B.Ec., FCA, (Non-Executive Director)

Colin is a former partner of Ernst and Young, having joined the firm in May 2002 as a result of the integration with Arthur Andersen. At Arthur Andersen, Colin was Managing Partner and Division Head of the Adelaide Assurance and Business Advisory Division with many client responsibilities, a position held at Ernst and Young until his retirement in July 2010. During his more than 40 year professional career, Colin has had extensive experience with a wide range of corporate, government and incorporated clients in Australia and the United States of America.

Colin's current directorships include, Chairman of Bedford Group, Independent Gaming Corporation, Adelaide Symphony Orchestra and Leaders Institute of South Australia, Board member of Aboriginal Foundation of South Australia and University of Adelaide Finance Committee. Colin joined the Board of Papyrus Australia Ltd in October 2010 and is Chairman of the Company's Audit committee.

PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN NATURE OF ACTIVITIES

The Group's commercialisation strategy remains focused on being a technology licensing Group assisting suitable entities to establish banana veneering and panel production factories in locations worldwide where bananas are grown.

There have been no significant changes in the nature of those activities during the year.

OPERATING RESULTS

The loss of the consolidated group after providing for income tax amounted to \$1,449,130 (2012: \$5,391,335).

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, the interests of the directors in the shares and options of Papyrus Australia Ltd were:

Directors' report continued

	Number of Ordinary Shares	Number of Options over Ordinary Shares
Mr Edward Byrt	9,796,597	-
Mr Colin Dunsford	23,810	-
Mr Ramy Azer	23,678,853	-
Mr Donald Stephens	975,630	-

DIVIDENDS

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

OPERATIONS REVIEW

Corporate

Financial Year 2013 was particularly difficult for the Company with little tangible progress to report. The Directors have been diligent in ensuring the preservation of working capital, carefully monitoring the situation in Egypt and importantly, creating a viable commercial focus for the Company in the coming year, all of which are discussed in this report.

The Company's commercialisation strategy is to be a technology licensing company assisting suitable entities to establish banana veneering and fibre production factories in locations worldwide where bananas are grown. The Company's revenue will be generated from technology licencing fees, machinery sales, support services and dividends from any joint venture entered into. To that end the commercial focus during the financial year was on developing value-add manufacturing processes for composite fibre board and agriculture packaging products.

The Company reduced its operating costs, to the extent possible, to preserve working capital. The Company is meeting all expenses as and when they fall due and there are no known unbudgeted expense items. The Directors, including the Managing Director, continued to forgo their remuneration during the year. At 30 June 2013, the Company held \$151,111 in available cash.

In October 2012, the Company signed a funding agreement by way of a draw down loan facility for \$250,000 with Talisker Pty Ltd, a company wholly owned by Papyrus Australia Ltd Managing Director and major shareholder, Ramy Azer and his wife Phoebe Azer. The loan is unsecured and will be repayable from future revenues or from the proceeds of any future equity raisings and subject to not materially prejudicing the ability of the Company to repay its creditors (ASX Announcement 11 October 2012). At 30 June 2013 \$200,000 had been drawn down.

The Company's 2012 Annual Report was published: ASX Announcement 31 October 2012.

The Annual General Meeting of the Company was held on 29 November 2012 where the Chairman gave a comprehensive review of the Company's operations.

Directors' report continued

During the period the following Shareholder Updates were published: ASX Announcements 11 October 2012 (Funding Arrangements); 22 November 2012 (Papyrus Egypt Update) and 1 March 2013 (MAP Capital Advisors).

Mr Donald Stephens, a Non-Executive Director and experienced company secretary accepted the appointment as Company Secretary following the resignation of Mr Pierre Van Der Merwe (ASX Announcement 17 April 2013). The Company places on record its thanks to Pierre for his competent service.

MAP Capital Advisors were engaged with the objective of identifying and funding new commercialisation initiatives (refer below).

Intellectual Property

The Company's intellectual property bank continued to grow. During FY13, patents were granted for the Method and Apparatus for Removing Sheets of Fibres from Banana Plants (Original Patent) by Canada, Columbia, Israel, Korea and African Intellectual Property Organisation (OAPI) countries. Patent rights have previously been granted for this patent in the following countries: Australia, China, Egypt, Hong Kong, Indonesia, Japan, Malaysia, Mexico, New Zealand, Peru, Philippines, Russia, Singapore, South Africa, Taiwan, United States, Vietnam, African Regional Intellectual Property Organisation (ARIPO) countries. This patent is for the production of veneer from banana tree trunks.

The Company's patent application for Improved Fibre Furnish has entered the national phase for patent protection in the following Patent Cooperation Treaty (PCT) countries: Australia, Brazil, Canada, China, Egypt, Hong Kong, India, Japan, Mexico, New Zealand, Russia, Sri Lanka, Ukraine and USA. This patent is for the production of fibre chips from banana tree trunks (to be used for the making of panel and other products) and directly relates to fibre production.

Papyrus Egypt

The Company's objective in Egypt is to develop the world's first integrated commercial banana fibre and banana veneer factory utilising waste banana tree trunks and developing strategic alliances with suppliers of raw materials, users of the factory's off take and distributors and users of the product produced in Egypt and Europe. Papyrus Australia Ltd, in addition to being a 50% equity holder of the established company Papyrus Egypt, will also supply the machinery, intellectual property and know-how under a licence agreement and machinery purchase agreement.

Directors' report continued

Papyrus Egypt has been granted land by the local authorities of 2,000sqm in the Kawthar Industrial Estate in Sohag in southern Egypt on which a purpose built factory of approximately 1200 sqm of concrete and masonry construction has been built. The necessary operating infrastructures have also been connected. This was at the cost of our partner, the Egypt Banana Fibre Company (EBFC). EBFC is solely responsible to fund the capital and initial operating requirements of Papyrus Egypt through the joint venture.

The Board has decided however that in continuing its support to the project, it will not release the machinery to Egypt until EBFC meets reasonable due diligence demands. The Board continues to review its involvement in Egypt, especially in the light of more recent civil unrest in that country.

Yellow Pallet

In January 2013 the Company's relationship with its partners in the Yellow Pallet concept proposal broke down over a requirement by the other partners for Papyrus to put in further funds to assist in an additional feasibility study, which the Company disagreed with, preferring an approach to generate revenues as a priority. The Company's involvement with this project has not been wasted, as valuable knowledge has been gained and important new relationships have developed for the Company which it is now utilising.

The Australian Advanced Manufacturing Centre Pty Ltd (AAMC)

The leased AAMC workshop facility at 12 Stirling Street, Thebarton, South Australia ceased operation. The lease was terminated in April 2013 and redundant plant and equipment was sold.

MAP Capital Advisors

During the first half of the financial year, the Directors have been exploring options for the future of the Company given the difficult economic circumstances in the world economy and particularly in markets where the Company had focused its efforts. Papyrus Australia Ltd engaged Melbourne based firm MAP Capital Advisors ("MAP Capital") to assist the Company in 3 broad areas, namely:

1. to provide the Board of Directors with an independent strategic view of the position of the Company and the opportunities available to better exploit its intellectual property;
2. to assist the Company in its discussions and negotiations with existing joint venture partners, and those introduced by MAP Capital both in Australia and overseas, and
3. to advise on appropriate capital raising approaches in the short and medium terms to improve shareholder value in the Company.

MAP Capital is a leading independent boutique investment and advisory house with offices in Sydney and Melbourne.

The Company expects to be able to inform the market of progress with this assignment in the first quarter of the 2014 financial year.

Directors' report continued

Update post 30 June 2013

In July 2013 the Company initiated a review of its patent applications for the purpose of assessing the selection of countries, the contemporary relevance and prospective relevance to the Company by considering the following criteria:

- The costs of continuing to support each patent and the ability of the Company to fund such support;
- The geopolitical profile of the countries where applications had been made;
- The likelihood of entering and doing business in each jurisdiction;
- The risk and benefit (reward) profile of the patent in a particular jurisdiction, and
- Jurisdictional performance as to upholding patent protection rights.

The Company considers that over time the costs associated with maintaining patents in certain jurisdictions could be reduced without affecting potential opportunities in other countries.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

It is noted that as announced to the ASX on 9 September 2013, the Group has entered into a non-binding term sheet to enter into a joint venture company. MAP Capital Advisors has advised the Group to licence its technology to the proposed joint venture company, with Papyrus retaining a 25% shareholding and the joint venture company concentrating on the production of papier mache products. This proposal will (if successful completed) result in a significant change the composition of the entity.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group continues to investigate new opportunities for approval by the Company's shareholders and the ASX if required. The outcome of these investigations cannot be predicted at this time. The Group may require further capital to sustain its activities.

ENVIRONMENTAL REGULATION

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. The Group however believes that it has adequate systems in place for the management of any future environmental regulations.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

As announced to the ASX on 9 September 2013, the Group has entered into a non-binding term sheet to enter into a joint venture company. MAP Capital Advisors has advised the Group to licence its technology to the proposed joint venture company, with Papyrus retaining a 25% shareholding and the joint venture company concentrating on the production of papier mache products.

Directors' report continued

Shares under option

At the date of this report, the following options to acquire ordinary shares in the Company were on issue:

Issue Date	Expiry Date	Exercise Price	Balance at 1 July 2012	Net Issued/ (Exercised or expired) during year	Balance
08/10/2007	7/10/2012	\$0.80	250,000	(250,000)	-
08/10/2007	7/10/2012	\$1.25	250,000	(250,000)	-
15/10/2007	14/10/2012	\$0.80	250,000	(250,000)	-
15/10/2007	14/10/2012	\$1.25	250,000	(250,000)	-
01/07/2008	30/06/2013	\$1.50	100,000	(100,000)	-
01/07/2008	30/06/2013	\$1.75	100,000	(100,000)	-
17/03/2009	16/03/2014	\$1.50	125,000	-	125,000
17/03/2009	16/03/2014	\$1.75	125,000	-	125,000
17/02/2011	31/03/2013	\$0.12	4,825,974	(4,825,974)	-
24/03/2011	31/03/2013	\$0.12	1,666,667	(1,666,667)	-
01/07/2011	30/06/2016	\$0.12	750,000	-	750,000
			<u>8,692,641</u>	<u>(7,692,641)</u>	<u>1,000,000</u>

Shares issued as a result of the exercise of options

No shares were issued during the year as a result of an exercise of options.

New options issued

No new options were issued during or subsequent to 30 June 2013.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

To the extent permitted by law, the Company has indemnified (fully insured) each director and the secretary of the Company for a premium of \$15,500. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings (that may be brought) against the officers in their capacity as officers of the Company or a related body, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

Directors' report continued

REMUNERATION REPORT - AUDITED

This report outlines the remuneration arrangements in place for directors and executives of Papyrus Australia Ltd.

Remuneration philosophy

The Board is responsible for determining remuneration policies applicable to directors and senior executives of the entity. The broad policy is to ensure that remuneration properly reflects the individuals' duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people with appropriate skills and experience. At the time of determining remuneration, consideration is given by the Board to the Group's financial performance.

Employment contracts

The employment conditions of the Managing Director, Mr Ramy Azer, are formalised in a services contract between his related entity Talisker (SA) Pty Ltd and Papyrus Australia Ltd and his fee is \$300,000 per annum (exclusive of GST). The Company may terminate the services contract without cause by providing one (1) month's written notice or making payment in lieu of notice, based on the annual fee. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time. It is however noted that during the 2013 financial year, Mr Azer has agreed to forgo any remuneration due to the available working capital of the Company.

The employment conditions of the Chief Executive Mr Geoff Whitbread, are formalised in a services contract dated 5 July 2010. The contract provides for a daily fee rate of \$900 (exclusive of GST). Mr Whitbread is responsible for the non-engineering aspects of the Company's operation and reports to Company's Board of Directors. The Company may terminate the services contract without cause by providing one (1) month's written notice or making payment in lieu of notice, being calculated as 20 days at the daily rate. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

Key management personnel remuneration and equity holdings

The Board currently determines the nature and amount of remuneration for Board members and senior executives of the Group. The policy is to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives.

The non-executive directors and other executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation. All remuneration paid to directors and executives is expensed as incurred. Executives are also entitled to participate in the Group share option scheme. Options are valued using the Black-Scholes methodology.

Directors' report continued

REMUNERATION REPORT CONTINUED- AUDITED

The Board policy is to remunerate non-executive directors at market rates based on comparable companies for time, commitment and responsibilities. The Board determines payments to non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

Non-executive directors' fees are determined within an aggregate director's fee pool limit, which is periodically recommended for approval by shareholders. The pool does not include the remuneration payable to the Managing Director Mr Ramy Azer. The maximum currently stands at \$300,000 per annum and was approved by shareholders prior to the Company listing in April 2005.

USE OF REMUNERATION CONSULTANTS

During the financial year, there were no remuneration recommendations made in relation to key management personnel for the Company by any remuneration consultants.

VOTING AND COMMENTS MADE AT THE COMPANY'S 2012 ANNUAL GENERAL MEETING

Papyrus Australia Ltd's motion in relation to the approval of 2012 remuneration report passed with a vote total of more than 75%. The Company did not receive any specific feedback at the AGM on its remuneration report.

Table 1: Director remuneration for the year ended 30 June 2013 and 30 June 2012

	Primary Benefits	Post-Employment	Share-based Payments	Total
	Salary & Fees	Superannuation	Options	\$
Mr Edward Byrt	\$	\$	\$	-
2013	-	-	-	-
2012	-	-	-	-
Mr Ramy Azer				
2013	-	-	-	-
2012	250,000	-	-	250,000
Mr Donald Stephens				
2013	-	-	-	-
2012	-	-	-	-
Mr Colin Dunsford				
2013	-	-	-	-
2012	-	-	-	-
Total				
2013	-	-	-	-
2012	250,000	-	-	250,000

Directors' report continued

REMUNERATION REPORT CONTINUED- AUDITED

Table 2: Remuneration of key management personnel for the year ended 30 June 2013 and 30 June 2012

	Primary Benefits	Post Employment	Share-based Payments	Total
	Salary & Fees	Superannuation	Options	\$
Mr Geoff Whitbread	\$	\$	\$	
2013	123,750	-	-	123,750
2012	213,750	-	25,875	239,625
Total				
2013	-	-	-	123,750
2012	213,750	-	25,875	239,625

No remuneration for Directors for the year ended 30 June 2013 or 30 June 2012 was performance based and no options were granted to directors.

HLB Mann Judd (SA) Pty Ltd has received professional fees for accounting, taxation and secretarial services provided during the year amounting to \$56,788 (2012: \$67,308). The amount owing to HLB Mann Judd (SA) Pty Ltd as at 30 June 2013 was \$22,602. Mr Donald Stephens, Non-Executive Director and Company Secretary, is a consultant to HLB Mann Judd (SA) Pty Ltd.

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Directors' Meetings	Audit Committee
Number of meetings held		2
Number of meetings attended:		
Mr Edward Byrt	17	2
Mr Colin Dunsford	17	2
Mr Ramy Azer	17	-
Mr Donald Stephens	17	2

Members acting on the audit committee of the Board are:

Colin Dunsford	Non-executive director
Edward Byrt	Non-executive director
Donald Stephens	Non-executive director

Directors' report continued

PROCEEDINGS ON BEHALF OF THE COMPANY

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

The Group was not a party to any such proceedings during the year.

NON AUDIT SERVICES

Grant Thornton Audit Pty Ltd, in its capacity as auditor for Papyrus Australia Ltd, has not provided any non-audit services throughout the reporting period.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2013 as required under section 307C of the Corporations Act 2001 has been received and can be found on page 15.

Signed in accordance with a resolution of the directors.



Mr Ramy Azer
Director

30 September 2013

Level 1,
67 Greenhill Rd
Wayville SA 5034
GPO Box 1270
Adelaide SA 5001
T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.granthornton.com.au

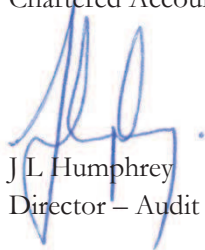
**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF PAPYRUS AUSTRALIA LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Papyrus Australia Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been:

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J.L. Humphrey
Director – Audit & Assurance

Adelaide, 30 September 2013

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

Statement of Profit or Loss and Other Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

		Consolidated Group	
		30 June 2013 \$	30 June 2012 \$
Revenue from operating activities	4 (a)	4,185	14,783
Other income/(expenses)	4 (b)	1,080,132	202,211
Depreciation expense	4 (c)	(348,106)	(640,765)
Employee benefits expenses	4 (d)	(269,334)	(981,223)
Other expenses	4 (e)	(717,981)	(1,162,899)
Impairment expense	10&11	(1,315,330)	(3,113,104)
Loss before income tax benefit		(1,566,434)	(5,680,997)
Income tax benefit	5	117,304	289,662
Loss for the period		(1,449,130)	(5,391,335)
Loss attributable to members of the parent entity		(1,449,130)	(5,391,335)
Other comprehensive income		-	-
Total comprehensive income for the year		(1,449,130)	(5,391,335)
Total comprehensive income attributable to members of the parent entity		(1,449,130)	(5,391,335)
Earnings per share:		<i>Cents</i>	<i>Cents</i>
Basic earnings per share	6	(1.10)	(4.43)
Diluted earnings per share	6	(1.10)	(4.43)

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

Statement of Financial Position

AS AT 30 JUNE 2013

		Consolidated Group	
		30 June 2013	30 June 2012
		\$	\$
	Note		
CURRENT ASSETS			
Cash and cash equivalents	7	151,111	366,071
Trade and other receivables	8	9,268	35,651
Other current assets	9	3,508	40,649
TOTAL CURRENT ASSETS		163,887	442,371
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,170,737	1,810,628
Intangible assets	11	829,263	2,144,593
Other financial assets	22	-	19,367
TOTAL NON-CURRENT ASSETS		2,000,000	3,974,588
TOTAL ASSETS		2,163,887	4,416,959
CURRENT LIABILITIES			
Trade and other payables	12	97,197	82,386
Short-term borrowings	13	220,442	26,674
Other current liabilities	15	150,000	100,000
TOTAL CURRENT LIABILITIES		467,639	209,060
NON-CURRENT LIABILITIES			
Long-term borrowings	13	-	11,715
Other non-current liabilities	14	1,979,326	3,030,132
TOTAL NON-CURRENT LIABILITIES		1,979,326	3,041,847
TOTAL LIABILITIES		2,446,965	3,250,907
NET ASSETS/(DEFICIT)		(283,078)	1,166,052
EQUITY			
Issued capital	16	19,459,231	19,459,231
Reserves	17	795,646	795,646
Retained earnings/(accumulated losses)		(20,537,955)	(19,088,825)
TOTAL EQUITY		(283,078)	1,166,052

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

Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

		Consolidated Group			
		Issued	Retained	Share	
		Capital	Earnings/ (Accumulated losses)	Option	Total
Note		\$	\$	Reserve	\$
		\$	\$	\$	\$
	Balance at 1 July 2011	18,380,815	(13,697,490)	769,771	5,453,096
	Private placement on 9 November 2011	722,000	-	-	722,000
	Private placement on 30 January 2012	160,000	-	-	160,000
	Private placement on 10 February 2012	200,000	-	-	200,000
	Share-based payments	-	-	25,875	25,875
	Transaction costs (net of tax)	(3,584)	-	-	(3,584)
	Total comprehensive income for the period	-	(5,391,335)	-	(5,391,335)
	Balance at 30 June 2012	19,459,231	(19,088,825)	795,646	1,166,052
	Balance at 1 July 2012	19,459,231	(19,088,825)	795,646	1,166,052
	Total comprehensive income for the period	-	(1,449,130)	-	(1,449,130)
	Balance at 30 June 2013	19,459,231	(20,537,955)	795,646	(283,078)

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

Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

		Consolidated Group	
		30 June	30 June
		2013	2012
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		8,785	41,513
Research and Development concession received		146,630	363,999
Payments to suppliers and employees		(675,553)	(1,921,417)
Deposits received		50,000	-
Interest received		4,185	14,783
NET CASH USED IN OPERATING ACTIVITIES	7 (a)	(465,953)	(1,501,122)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-	(92,024)
Purchase of development assets		-	(55,607)
Proceeds from sale of property, plant and equipment		68,940	131,700
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES		68,940	(15,931)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	1,082,000
Transaction costs on issue of shares		-	(5,121)
Proceeds from borrowings		200,000	-
Repayment of borrowings		(17,947)	(26,674)
NET CASH PROVIDED BY FINANCING ACTIVITIES		182,053	1,050,205
Net (decrease)/increase in cash and cash equivalents		(214,960)	(466,848)
Cash at the beginning of the financial year		366,071	832,919
CASH AT THE END OF THE FINANCIAL YEAR	7	151,111	366,071

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

1. CORPORATE INFORMATION

The financial report of Papyrus Australia Ltd for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the directors on 30 September 2013. Papyrus Australia Ltd is a for-profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

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

b. Principles of consolidation

The consolidated financial statements comprise the financial statements of Papyrus Australia Ltd and its subsidiaries as at 30 June each year (the Group). A list of controlled entities is contained in Note 22 to the financial statements. All controlled entities have a June financial year-end.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

c. Business combinations

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Costs directly attributable to the combination are expensed as incurred. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the statement of comprehensive income, but only after a reassessment of the identification and measurement of the net assets acquired.

d. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Interest income

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

e. Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss and other comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

f. Borrowing costs

Borrowing costs are recognised as an expense when incurred.

g. Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term. Lease incentives are recognised in the statement of profit or loss and other comprehensive income as an integral part of the total lease expense.

h. Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank, cash in hand and short term deposits with an original maturity of 3 months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

i. Trade and other receivables

All receivables are recognised at cost less provision for doubtful debts, which in practice will equal the amounts receivable upon settlement. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect on all amounts due according to the original terms of receivables. The amount of the provision is recognised in the statement of profit or loss and other comprehensive income.

j. Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of 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 profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation

Papyrus Australia Ltd and its wholly-owned Australian controlled entity have not yet decided to implement the tax consolidation legislation as of the date of signing this report. The Australian Taxation Office has not yet been notified of any decision.

If the Group were to implement the tax consolidation legislation in the current or future reporting period, the consequence would be that Papyrus Australia Ltd, as the head entity in the tax consolidated Group, recognises current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in the consolidated Group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances.

Amounts receivable or payable under an accounting tax sharing agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense (revenue). The deferred tax balances recognised by the parent entity in relation to wholly-owned entities joining the tax consolidated Group are measured based on their carrying amounts at the level of the tax consolidated Group before the implementation of the tax consolidation regime.

There will be no impact of the legislation on the Group's historical carrying amounts of its deferred tax assets, as these have not been recognised in the parent or Group financial statements

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

k. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

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

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

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

l. Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line and diminishing value basis over the estimated useful life of the assets. The useful life of the assets for both 2013 and 2012 is as follows:

Plant and equipment 2.5 - 10 years

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their recent value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

m. Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are expensed against profits in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

n. Financial instruments

Initial recognition and measurement

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

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

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

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

Amortised cost is calculated as:

- a) The amount at which the financial asset or financial liability is measured at initial recognition;
- b) Less principal repayments;
- c) Plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- d) Less any reduction for impairment.

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

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

Loans and receivables

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

Loans and receivables are included in current assets, except those which are not expected to mature within 12 months after the end of the reporting period (All other loans and receivables are classified as non-current assets).

Fair Value

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

Impairment

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

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

Derecognition

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

o. Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

p. Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

q. Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost.

r. Employee benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and 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 currencies that match, as closely as possible, the estimated future cash outflows.

Share based payment transactions

The Group provides benefits to employees of the Group in the form of share-based payments, whereby employees receive options incentives (equity-settled transactions).

There is currently one plan in place to provide these benefits, the Employee Share Option Plan which provides benefits to employees.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using the Black-Scholes option pricing model.

The cost of equity-settled transactions is recognised as an expense in the statement of profit or loss and other comprehensive income, together with a corresponding increase in the share option reserve, when the options are issued.

Upon the exercise of options, the balance of share based payments reserve relating to those options is transferred to share capital.

s. 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.

t. Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

u. Comparative figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

When the Group applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

v. **Critical accounting estimates and judgments**

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

Key Estimates — Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to an impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Significant Accounting Estimate

The Group has capitalised the development costs in relation to the development of the Banana Ply Technology. The recoverability of the asset is dependent on the successful commercialisation of the technology. As 30 June 2013, the commercialisation was not complete.

w. **New and amended standards adopted by the Group**

AASB 2010-8 Amendments to Australian Accounting Standard – Deferred Tax: Recovery of Underlying Assets (Applies to annual reporting periods beginning on or after 1 January 2012)

AASB 2010-8 provides clarification on the determination of deferred tax assets and deferred tax liabilities when investment properties are measured using the fair value model in AASB 140 Investment Properties. It introduces a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model where the objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

AASB 2010-8 also includes the requirement that the measurement of deferred tax assets and deferred tax liabilities on non-depreciable assets measured using the revaluation model in AASB 116 Property, Plant and Equipment should always be based on recovery through sale.

These amendments have had no impact on the Group.

AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income (Applies annual reporting periods beginning on or after 1 July 2012)

AASB 2011-9 requires entities to group items presented in Other Comprehensive Income on the basis of whether they are potentially re-classifiable to profit or loss subsequently, and changes the title of 'statement of comprehensive income' to 'statement of profit or loss and other comprehensive income'.

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

The adoption of the new and revised Australian Accounting Standards and Interpretations has had no significant impact on the Group's accounting policies or the amounts reported during the current year. The adoption of AASB 2011-9 has resulted in changes to the Group's presentation of its financial statements.

x. Accounting standards issued but not yet effective and not been adopted early by the Group

The Group notes the following Accounting Standards which have been issued but are not yet effective at 30 June 2013. These standards have not been adopted early by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

- (i) *AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2015)*

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities.

These requirements improve and simplify the approach for classification and measurement of financial assets and liabilities compared with the requirements of AASB 139. The main changes are:

- Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows.
- Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss).
- Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows;
 - The change attributable to changes in credit risk are presented in other comprehensive income (OCI) and;

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

- The remaining change is presented in profit or loss.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The Group has not yet decided when to adopt AASB 9.

- (ii) *AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements, AASB 128 Investments in Associates and Joint Ventures, AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards and AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments (effective 1 January 2013)*

- AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities.

The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns.

When this standard is first adopted for the year ended 30 June 2014, there will be no impact on the transactions and balances recognised in the financial statements.

- AASB 11 replaces AASB 131 Interests in Joint Ventures and AASB Interpretation 113 Jointly-controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change.

In addition, AASB 11 removes the option to account for jointly-controlled entities using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations for liabilities are accounted for by recognising the share of those assets and liabilities. Joint ventures that give the venturers a right to the net assets are accounted for using the equity method.

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the joint arrangements in place relate to joint operations.

- AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept.

When this standard is first adopted for the year ended 30 June 2014, there will be no impact on the transactions and balances recognised in the financial statements.

(iii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures. Application of the new standard will impact the type of information disclosed in the notes to the financial statements.

The Group is yet to undertake a detailed analysis of the differences between the current fair valuation methodologies used and those required by AASB 13. However, when this standard is adopted for the first time for the year ended 30 June 2014, there will be no impact on the financial statements because the revised fair value measurement requirements apply prospectively from 1 January 2013.

(iv) Revised AASB 119 Employee Benefits and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

The AASB released a revised standard on accounting for employee benefits. It requires the recognition of all re-measurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method), the immediate recognition of all past service cost in profit or loss and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively.

The Group does not have any defined benefit plans. Therefore, these amendments will have no impact on the Group.

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

(v) *AASB Interpretation 20 Stripping Costs in the Production Phase of Surface Mining*

This interpretation clarifies that costs of removing mine waste materials (overburden) to gain access to mineral ore deposits during the production phase of a mine must be capitalised as inventories under AASB 102 Inventories, if the benefits from stripping activity is realised in the form of inventory produced. Otherwise, if stripping activity provides improved access to the ore, stripping costs must be capitalised as a non-current asset (if certain recognition criteria are met, as an addition to, or enhancement of, an existing asset).

The Group does not operate a surface mine. Therefore, there will be no impact on the financial statements when this interpretation is first adopted for reporting periods commencing from 1 January 2013.

(vi) *AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*

The Standard amends AASB 124 Related Party Disclosures to remove the individual key management personnel (KMP) disclosures required by Australian specific paragraphs. This amendment reflects the AASB's view that these disclosures are more in the nature of governance disclosures that are better dealt within the legislation, rather than by the accounting standards.

When these amendments are first adopted for the year ending 30 June 2014, they are unlikely to have any significant impact on the Group.

(vii) *AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*

This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

This Standard also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard.

When this AASB 2012-2 is first adopted for the year ended 30 June 2014, there will be no impact on the Group as the Group does not have any netting arrangements in place.

(viii) *AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*

AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

When AASB 2012-3 is first adopted for the year ended 30 June 2015, there will be no impact on the Group as this standard merely clarifies existing requirements in AASB 132.

(ix) *Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)*

These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

When these amendments are adopted for the first time on 1 January 2014, they are unlikely to have any significant impact on the Group given that they are largely of the nature of clarification of existing requirements.

(x) *IFRIC Interpretation 21 Levies*

IFRIC 21 addressed how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements (in particular, when the entity should recognise a liability to pay a levy).

IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. For example, if the activity that triggers the payment of the levy is the generation of revenue in the current period and the calculation of that levy is based on the revenue that was generated in a previous period, the obligating event for that levy is the generation of revenue in the current period. The generation of revenue in the previous period is necessary, but not sufficient, to create a present obligation.

When this interpretation is adopted for the first time on 1 January 2014, there will be no significant impact on the financial statements as the Group is not subject to any levies addressed by this interpretation.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

3. SEGMENT INFORMATION

The directors have considered the requirements of AASB 8 Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources and have concluded at this time that there are no separately identifiable segments.

The Group's commercialisation strategy remains focused on being a technology licensing Group assisting suitable entities to establish banana veneering and panel production factories in locations worldwide where bananas are grown.

4. REVENUE AND EXPENSES

	Consolidated Group	
	30 June 2013 \$	30 June 2012 \$
REVENUE		
<i>(a) Revenue from operating activities</i>		
Interest received from other parties	4,185	14,783
	4,185	14,783
<i>(b) Other income</i>		
Grant revenues (released from deferred income)	1,080,132	202,211
	1,080,132	202,211
EXPENSES		
<i>(c) Depreciation of non-current assets</i>		
Plant and equipment	348,106	640,765
Total depreciation	348,106	640,765
<i>(d) Employee benefits expense</i>		
Wages, salaries and other remuneration expenses	262,384	1,012,324
Superannuation expense	6,950	24,820
Transfer to/(from) annual leave provision	-	(81,796)
Share based payments expense	-	25,875
Total employee benefits expense	269,334	981,223

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	Consolidated Group	
	30 June 2013	30 June 2012
	\$	\$
<i>(e) Other expenses</i>		
Audit fees	32,000	37,000
Legal fees	850	38,537
Professional services	134,829	249,092
Travel and accommodation	54,037	106,955
Company secretarial	38,124	21,670
Rent	33,931	165,914
Communications expense	15,226	21,839
Share registry and ASX expenses	40,069	64,503
Marketing expenses	-	3,558
Motor vehicle costs	17,406	17,344
Factory operating costs	19,817	24,025
Net loss on disposal of plant and equipment	222,845	357,469
Fixed asset write off	60,526	-
Other expenses	48,321	54,993
	717,981	1,162,899

5. INCOME TAX

The major components of the income tax benefit is:

Current income tax

Current income tax charge	-	1,537
Research and Development Tax offset	(117,304)	(291,199)
Income tax benefit reported in the statement of profit or loss and other comprehensive income	(117,304)	(289,662)

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

Consolidated Group	
30 June	30 June
2013	2012
\$	\$

A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows:

Loss before income tax	(1,566,434)	(5,680,997)
At the Group's statutory income tax rate of 30% (2012: 30%)	(469,930)	(1,704,299)
Expenditure not allowable for income tax purposes	394,599	988,860
Tax losses not recognised due to not meeting recognition criteria	75,331	715,439
Tax portion of share issue costs	-	1,537
	-	1,537

The Group has tax losses arising in Australia of \$11,245,818 (2012: \$9,914,582) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

6. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

	Consolidated Group	
	2013	2012
	\$	\$
Net loss attributable to ordinary equity holders of the parent	(1,449,130)	(5,391,335)
	2013	2012
Weighted average number of ordinary shares for basic earnings per share	131,144,764	121,606,841
Effect of dilution		
Share options	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	131,144,764	121,606,841
Earnings per share:	<i>Cents</i>	<i>Cents</i>
Basic earnings per share	(1.10)	(4.43)
Diluted earnings per share	(1.10)	(4.43)

In accordance with AASB 133 'Earnings per Share', as potential ordinary shares may only result in a situation where their conversion results in an increase in loss per share or decrease in profit per share from continuing operations, no dilutive effect has been taken into account. The number of options over ordinary shares at the balance date was 1,000,000.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

7. CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2013	2012
	\$	\$
Cash at bank and in hand	151,111	366,071
	151,111	366,071

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and six months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Reconciliation to Statement of Cash Flows

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 30 June:

Cash at banks and in hand	151,111	366,071
	151,111	366,071

7(a) Reconciliation of net loss after tax to net cash flows from operations

Net loss	(1,449,130)	(5,391,335)
<i>Adjustments for non-cash items:</i>		
Impairment of assets	1,315,330	3,113,104
Depreciation	348,106	640,765
Share-based payments	-	25,875
Non cash tax expense	-	1,537
Net loss from sale of property, plant and equipment	222,845	357,469
Non cash write down of investment in other financial assets	19,893	-
<i>Changes in assets and liabilities</i>		
Decrease in trade and other receivables	26,383	16,900
Decrease in other current assets	37,141	33,707
(Decrease) in trade and other payables	(129,483)	(293,041)
Increase in provisions	-	81,796
(Decrease) in deferred income	(857,038)	(87,899)
Net cash (used in) operating activities	(465,953)	(1,501,122)

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

8. TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2013	2012
	\$	\$
<i>Current</i>		
Trade receivables	9,568	18,353
Net GST receivable	(300)	17,298
	9,268	35,651

Information regarding the credit risk of current receivables is set out in note 23.

9. OTHER CURRENT ASSETS

Prepayments	3,508	34,149
Other	-	6,500
	3,508	40,649

10. PROPERTY, PLANT AND EQUIPMENT

Plant and equipment

Cost

Opening balance	2,854,344	1,650,601
Additions	-	72,657
Disposals	(535,994)	(441,769)
Transfer from capital works in progress	-	3,886,615
Impairment of assets	-	(2,313,760)
	2,318,350	2,854,344

Accumulated depreciation

Opening balance	1,043,716	443,446
Depreciation for the period	348,106	640,765
Disposals	(244,209)	(40,495)
	1,147,613	1,043,716
Net book value of plant and equipment	1,170,737	1,810,628

Capital works in progress

Cost

Opening balance	-	3,886,615
Additions	-	-
Transfer to plant and equipment	-	(3,886,615)
Net book value of capital works in progress	-	-

Total net book value of property, plant and equipment

1,170,737	1,810,628
-----------	-----------

In 2012, an impairment loss of \$2,313,760 represented the group writing down its property plant and equipment to its recoverable amount. This was recognised in the statement of comprehensive income in the line item "Impairment expense". The recoverable amount was based on value in use and determined using a discounted cash flow model. No expense has been recognised in the current financial year.

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

11. INTANGIBLE ASSETS

	Consolidated Group	
	2013	2012
	\$	\$
Patents and intellectual property		
<i>Cost</i>		
Opening balance	766,447	710,840
Additions	-	55,607
Net book value of patents and intellectual property	766,447	766,447
Development costs		
<i>Cost</i>		
Opening balance	1,378,146	2,177,490
Impairment of assets	(1,315,330)	(799,344)
Net book value of development costs	62,816	1,378,146
Total net book value of intangible assets	829,263	2,144,593

In 2013, an impairment loss of \$1,315,330 (2012: \$799,344) represented the group writing down its patents and intellectual property to its recoverable amount. This was recognised in the statement of profit or loss and other comprehensive income in the line item "Impairment expense". The recoverable amount was based on value in use and determined using a discounted cash flow model. The discount rate applied on a pre-tax basis was 13.38% (2012: 30.6%).

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

12. TRADE AND OTHER PAYABLES (CURRENT)

	Consolidated Group	
	2013	2012
	\$	\$
Trade payables	62,254	56,824
Sundry payables and accrued expenses	34,943	25,562
	97,197	82,386

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms.

Information regarding the credit risk of current payables is set out in note 23.

13. BORROWINGS

SHORT-TERM BORROWINGS

Finance Lease	20,442	26,674
Unsecured loan (a)	200,000	-
	220,442	26,674

LONG-TERM BORROWINGS

Finance Lease	-	11,715
	-	11,715

(a) The unsecured loan during the year represents a draw down facility provided by Talisker Pty Ltd, an entity associated with the Company's Managing Director Mr Ramy Azer. The loan is unsecured and repayable from future revenues or proceeds from future equity raisings, subject to not materially prejudicing the ability of the Company to repay its creditors.

14. PROVISIONS

Short term

Opening balance	-	66,608
Net increase/(decrease) in provision during financial year	-	(66,608)
Closing balance	-	-

Long term

Opening balance	-	15,188
Net increase/(decrease) in provision during financial year	-	(15,188)
Closing balance	-	-

Short term provisions relate to unpaid annual leave and other employee benefits.

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

15. OTHER NON-CURRENT LIABILITIES

	Consolidated	
	2013	2012
	\$	\$
<i>Current</i>		
Deferred income (a)	150,000	100,000
	150,000	100,000
<i>Non-current</i>		
Opening balance 1 July	3,030,132	3,118,031
Research and Development Tax Benefit	29,326	114,312
Release of grant income	(1,080,132)	(202,211)
Closing balance 30 June (b)	1,979,326	3,030,132

(a) Deferred income of \$150,000 represents the initial non-refundable deposit from the Egyptian Fibre Company ("EBFC") for machinery to be built and delivered by the Company. For further information refer to the Company's release to the ASX dated 20 October 2011.

(b) The Company has been the recipient of two government grants that contained claw back provisions if certain performance targets were not met by the Company. The Company has fulfilled its contractual obligations under the respective Grant Deeds as at 30 June 2013. The Company has also filed all reports required of it pursuant to the Grant Deeds. In accordance with AASB 120 'Accounting for Government Grants and Disclosure of Government Assistance', as the grants related to the Company's plant and equipment and intangibles, they have been deferred and have been systematically released to the statement of profit and loss and other comprehensive income with the depreciation and impairment of the relevant assets. For the year ended 30 June 2013, \$1,080,132 has been released (2012: \$202,211).

16. ISSUED CAPITAL

131,144,764 fully paid ordinary shares (2012: 131,144,764)	19,459,231	19,459,231
	19,459,231	19,459,231

	2013		2012	
	Number	\$	Number	\$
Ordinary shares				
Balance at beginning of year	131,144,764	19,459,231	109,504,764	18,380,815
Shares issued pursuant to private placement	-	-	21,640,000	1,082,000
Transaction costs (net of tax)	-	-	-	(3,584)
Balance at end of financial year	131,144,764	19,459,231	131,144,764	19,459,231

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the Parent does not have authorised capital nor par value in respect of its issued shares.

Fully paid ordinary shares carry one vote per share and carry the right to dividends (in the event such a dividend was declared).

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

17. RESERVES

	Consolidated Group	
	2013	2012
	\$	\$
Share-option reserve	795,646	795,646
	795,646	795,646
Share-option reserve		
Balance at beginning of financial year	795,646	769,771
Share based payments	-	25,875
Balance at end of financial year	795,646	795,646

Nature and purpose of reserves

Share option reserve

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to note 18 for further details of these plans.

18. SHARE BASED PAYMENTS

Employee Share Option Plan

The Company has established the Papyrus Australia Ltd Employee Share Option Plan and a summary of the Rules of the Plan are set out below:

- All employees (full time and part time) will be eligible to participate in the Plan
- Options are granted under the Plan at the discretion of the Board and if permitted by the Board, may be issued to an employee's nominee.
- Each option is to subscribe for one fully paid ordinary share in the Company and will expire 5 years from its date of issue. An option is exercisable at any time from its date of issue (provided all relevant vesting conditions, if applicable, have been met. Options will be issued free. The exercise price of options will be determined by the Board. The total number of shares the subject of options issued under the Plan, when aggregated with issues during the previous 5 years pursuant to the Plan and any other employee share plan, must not exceed 5% of the Company's issued share capital.
- If, prior to the expiry date of options, a person ceases to be an employee of a Group company for any reason other than retirement at age 60 or more (or such earlier age as the Board permits), permanent disability, redundancy or death, the options held by that person (or that person's nominee) automatically lapse on the first to occur of a) the expiry of the period of 30 days from the date of such occurrence, and b) the expiry date. If a person dies, the options held by that person will be exercisable by that person's legal personal representative.
- Options cannot be transferred other than to the legal personal representative of a deceased option holder.
- The Company will not apply for official quotation of any options.
- Shares issued as a result of the exercise of options will rank equally with the Company's previously issued shares.
- Option holders may only participate in new issues of securities by first exercising their options.

The Board may amend the Plan Rules subject to the requirements of the Listing Rules.

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) and movements in share options issued during the year:

	2013 No.	2013 WAEP	2012 No.	2012 WAEP
Outstanding at the beginning of the year	8,692,641	0.33	8,942,641	0.33
Granted during the year	-	-	750,000	0.12
Expired during the year	(7,692,641)	0.28	(1,000,000)	0.45
Outstanding at the end of the year	1,000,000	0.50	8,692,641	0.33
Exercisable at the end of the year	1,000,000	0.50	2,325,000	0.85

The weighted average remaining contractual life for the share options outstanding as at 30 June 2013 was 2.43 years (2012: 0.98 years).

The range of exercise prices for options outstanding at the end of the year was \$0.12 - \$1.75 (2012: \$0.12 - \$1.75).

The weighted average fair value of options granted during the year was nil as no instruments were issued during the 2013 (2012: \$0.035).

19. COMMITMENTS FOR EXPENDITURE

	Consolidated Group	
	2013	2012
	\$	\$
Commitments for expenditure		
<u>Operating leases</u>		
Not longer than 1 year	704	24,597
Longer than 1 year and not longer than 5 years	-	-
	704	24,597

Terms of lease arrangements

The property leases are non-cancellable, with three year terms and rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by the lower of CPI or 4% per annum. An option exists to renew the lease at the end of the three year term for an additional 3 years.

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

20. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

At the date of signing this report, the Group is not aware of any Contingent Asset or Liability that should be disclosed in accordance with AASB 137.

21. AUDITOR'S REMUNERATION

	Consolidated Group	
	2013	2012
	\$	\$
Audit or review of the financial report	32,000	41,000
	32,000	41,000

No other services have been provided.

22. SUBSIDIARIES

Name of entity	Country of Incorporation	Ownership Interest	
		2013 %	2012 %
<u>Parent entity</u>			
Papyrus Australia Ltd (i)	Australia		
<u>Subsidiaries</u>			
PPY EU Pty Ltd (ii)	Australia	100	100
Papyrus Technology Pty Ltd (ii)	Australia	100	100
PPY Manufacturing Pty Ltd (ii)	Australia	100	100
Australian Advanced Manufacturing Centre Pty Ltd (ii)	Australia	100	100
Pulp Fiction Manufacturing Pty Ltd (ii)	Australia	100	100
Papyrus Egypt (iii)	Egypt	50	50
Yellow Pallet B.V. (iii)	The Netherlands	50	50

- i. Papyrus Australia Ltd is the head entity within the tax-consolidated group.
- ii. These companies are members of the tax-consolidated group.
- iii. These entities were non-operating shell companies at 30 June 2013 (A total \$19,367 was spent on the initial setup of Yellow Pallet B.V. which was been classified as other financial assets in the Group's Statement of Financial Position in 30 June 2012. The Company has impaired this investment in 2013 down to nil).

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

23. FINANCIAL RISK MANAGEMENT

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.

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 accumulated losses as disclosed in notes 16 and 17 respectively.

Proceeds from share issues are used to maintain and expand the Groups research and development activities and fund operating costs.

The Group holds the following financial instruments:

	Consolidated Group	
	2013	2012
	\$	\$
<i>FINANCIAL ASSETS</i>		
Cash and cash equivalents	151,111	366,071
Trade receivables	9,268	35,651
<i>FINANCIAL LIABILITIES</i>		
Payables	97,197	82,386
Short-term borrowings	220,442	26,674
Long-term borrowings	-	11,715

Credit risk management

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

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk.

Interest rate sensitivity analysis

The tables listed below detail the Group's interest bearing asset, consisting solely of cash on hand and on short term deposit.

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

Consolidated

	Weighted average effective interest rate %	Less than 1 year \$
2013		
Variable interest rate	0.00	151,111

	Weighted average effective interest rate %	
2012		
Variable interest rate	0.00	366,071

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's:

- net loss would increase or decrease by \$756 which is mainly attributable to the Group's exposure to interest rates on its variable bank deposits.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board, which have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves.

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 year \$	Longer than 1 year and not longer than 5 years \$
2013			
Non-interest bearing	0.00%	97,197	-
Interest bearing	6.38%	220,442	-
	Weighted average effective interest rate %	Less than 1 year \$	Longer than 1 year and not longer than 5 years \$
2012			
Non-interest bearing	0.00%	82,386	-
Interest bearing	6.38%	26,674	-

In all cases of financial assets and liabilities held by the group, the fair value of the instruments are equal to their relevant cost amounts.

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

24. RELATED PARTY DISCLOSURE AND KEY MANAGEMENT PERSONNEL REMUNERATION

The following individuals are classified as key management personnel in accordance with AASB 124 'Related Party Disclosures':

Mr Edward Byrt - Chairman
 Mr Ramy Azer - Managing Director
 Mr Donald Stephens - Non-Executive Director and Company Secretary
 Mr Colin Dunsford AM - Non-Executive Director
 Mr Pierre Van Der Merwe - Company Secretary (Resigned 17 April 2013)
 Mr Geoff Whitbread, Chief Executive

The remuneration details of the above personnel can be found in remuneration report of the director's report. The totals of remuneration paid to KMP of the Group during the year are as follows:

	Consolidated	
	2013	2012
	\$	\$
Short-term employee benefits	123,750	463,750
Post employment benefits	-	-
Share-based payments	-	25,875
	123,750	489,625

Option holdings of Key Management Personnel

No options were allotted to Key Management Personnel in 2013.

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

30-Jun-13	Balance at beginning of year	Granted as remuneration	Options Exercised	Net change other	Balance at end of year	Vested at 30 June 2013		
						Expiry Date	First Exercise Date	Last Exercise Date
Ramy Azer*	1,250,000	-	-	(1,250,000)	-	31/03/13	17/02/11	31/03/13
Edward Byrt*	416,667	-	-	(416,667)	-	31/03/13	17/02/11	31/03/13
Geoff Whitbread	500,000	-	-	-	500,000	30/06/16	01/07/11	30/06/16
	250,000	-	-	-	250,000	30/06/16	01/07/11	30/06/16

30-Jun-12	Balance at beginning of year	Granted as remuneration	Options Exercised	Net change other	Balance at end of year	Vested at 30 June 2012		
						Expiry Date	First Exercise Date	Last Exercise Date
Ramy Azer*	1,250,000	-	-	-	1,250,000	31/03/13	17/02/11	31/03/13
Edward Byrt*	416,667	-	-	-	416,667	31/03/13	17/02/11	31/03/13
Geoff Whitbread	-	500,000	-	-	500,000	30/06/16	01/07/11	30/06/16
	-	250,000	-	-	250,000	30/06/16	01/07/11	30/06/16

* Options held by Messers Azer and Byrt relate to options issued in conjunction with a private placement conducted in February 2011.

Shareholdings of Key Management Personnel

	30 June 2013	Balance at 1 July 12	On Exercise of Options	Net Change Other	Balance 30 June 13
Directors					
Edward Byrt		4,796,597	-	5,000,000	9,796,597
Ramy Azer		28,678,853	-	(5,000,000)	23,678,853
Donald Stephens		975,630	-	-	975,630
Colin Dunsford		23,810	-	-	23,810
Geoff Whitbread		125,783	-	-	125,783

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

30 June 2012	Balance at 1 July 11	On Exercise of Options	Net Change Other	Balance 30 June 12
Directors				
Edward Byrt	1,806,597	-	2,990,000	4,796,597
Ramy Azer	25,428,853	-	3,250,000	28,678,853
Donald Stephens	975,630	-	-	975,630
Christopher Smerdon+	506,399		(506,399)	-
Colin Dunsford	23,810	-	-	23,810
Geoff Whitbread	125,783	-	-	125,783

+ The net change of (506,399) shares in Papyrus relating to Mr Smerdon is due to him no longer being a director at 30 June 2012. Mr Smerdon did hold all 506,399 shares at 30 June 2012 in his capacity as a shareholder.

Wholly owned group transactions

Loans

The wholly owned Group consists of those entities listed in note 22. Transactions between Papyrus Australia Ltd and other entities in the wholly owned Group during the year consisted of loans advanced by Papyrus Australia Ltd to fund research and development activities.

Director related entities

The following transactions with related parties occurred during the financial year. All of the transactions were undertaken on an arm's length basis and at applicable commercial rates.

HLB Mann Judd (SA) Pty Ltd has received professional fees for accounting, taxation and secretarial services provided during the year of \$56,788 (2012: \$67,308). \$22,603 was owing to the entity at 30 June 2013 (2012: \$4,836). Mr Donald Stephens is a consultant to HLB Mann Judd (SA) Pty Ltd.

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

Einstien's Café has received payments in relation to meals and refreshments made available to the staff of Papyrus. Mr Ramy Azer is a director of Einstien's Café. Papyrus has made payments of \$51 during the financial year (2012: \$2,530). No amount was owed to the entity at 30 June 2013 (2012: nil).

25. GOING CONCERN

The financial report has been prepared on the basis of a going concern. The financial report shows the group incurred a net loss of \$1,449,130 and a net cash outflow from operating and investing activities of \$397,013 during the year ended 30 June 2013. The group continues to be economically dependent on the generation of cashflow from the business and/ or raising additional capital for the continued development of its Banana Ply Project and working capital. The group continues to be in consultation with its advisers to evaluate alternative means of raising additional capital.

The group's ability to continue as a going concern is contingent upon generation of cashflow from its business and/ or successfully raising additional capital. If sufficient cash flow is not generated and/or additional funds are not raised, the going concern basis may not be appropriate, with the result that the group may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and at amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

26. SIGNIFICANT EVENTS AFTER BALANCE DATE

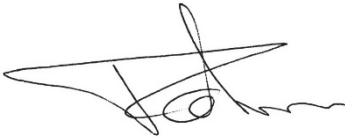
As announced to the ASX on 9 September 2013, the Group has entered into a non-binding term sheet to enter into a joint venture company. MAP Capital Advisors has advised the Group to licence its technology to the proposed joint venture company, with Papyrus retaining a 25% shareholding and the joint venture company concentrating on the production of papier mache products.

Directors' Declaration

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 16 to 53, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards; and
 - b. give a true and fair view of the financial position as at 30 June 2013 and the performance for the year ended on that date of the Consolidated Group; and
2. the Managing Director and Company Secretary have each declared that:
 - a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view;
3. in the directors' opinion (noting the disclosures made by the directors in note 25) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Mr Ramy Azer
Director

30 September 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PAPYRUS AUSTRALIA LIMITED

Report on the financial report

We have audited the accompanying financial report of Papyrus Australia Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated 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. The Directors' responsibility also includes 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. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, 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 us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

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.

Auditor's opinion

In our opinion:

- a the financial report of Papyrus Australia 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 2013 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 the notes to the financial statements.

Material uncertainty regarding going concern

Without qualification to the audit opinion expressed above, we draw attention to Note 25 to the financial report which indicates the consolidated entity incurred a net loss of \$1,449,130 and a net cash outflow from operating and investing activities of \$397,013 during the year ended 30 June 2013. These conditions, along with other matters as set forth in Note 25, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Report on the remuneration report

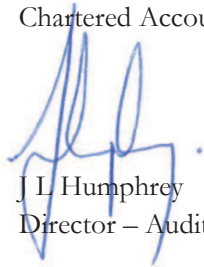
We have audited the remuneration report included of the directors' report for the year ended 30 June 2013. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Papyrus Australia Limited for the year ended 30 June 2013, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J.L. Humphrey
Director – Audit & Assurance

Adelaide, 30 September 2013