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Papyrus Australia Ltd

ABN 63 110 868 409

Consolidated Financial Statements

For the Year Ended 30 June 2014

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For the Year Ended 30 June 2014

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Papyrus Australia Ltd

ABN 63 110 868 409

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 6 to 15. The directors' report is not part of the financial report.

Directors

Mr Edward Byrt (Chairman)
Mr Ramy Azer (Managing Director)
Mr Donald Stephens
Mr Vincent Rigano
Mr Andrew Ford

Company Secretary

Mr Donald Stephens

Registered Office

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

Principal place of business

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

Share Registry

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

Auditors

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

Corporate Governance Statement

30 June 2014

Introduction

The board of Directors is responsible for the corporate governance of Papyrus Australia Ltd and its controlled entities (the Group). The Group operates in accordance with the corporate governance principles as set out by the ASX Corporate Governance Council and required under ASX listing rules.

The Group details below the corporate governance practices in place at the end of the financial year, all of which comply with the principles and recommendations of the ASX Corporate Governance Council unless otherwise stated. Some of the charters and policies that form the basis of the corporate governance practices of the Group may be located on the Group's website, www.papirusaustralia.com.au.

The ASX Corporate Governance Council has released amendments dated 30 June 2010 to the second edition Corporate Governance Principles and Recommendations (Principles and Recommendations) in relation to diversity, remuneration, trading policies and briefings. The Group has addressed the amended principles within this statement.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1: Role of the board and management

The board are accountable to the Shareholders for the performance of the Group and have overall responsibility for its operations. Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives, are formally delegated by the board to the Managing Director and ultimately to senior executives.

The key responsibilities of the board include:

- Approving the strategic direction and related objectives of the Group and monitoring management performance in the achievement of these objectives;
- Adopting budgets and monitoring the financial performance of the Group;
- Reviewing annually the performance of the Managing Director and senior executives against the objectives and performance indicators established by the board.
- Overseeing the establishment and maintenance of adequate internal controls and effective monitoring systems.
- Overseeing the implementation and management of effective safety and environmental performance systems.
- Ensuring all major business risks are identified and effectively managed.
- Ensuring that the Group meets its legal and statutory obligations.

For the purposes of the proper performance of their duties, the Directors are entitled to seek independent professional advice at the Group's expense, unless the board determines otherwise. The board schedules meetings on a regular basis and other meetings as and when required.

The board has not publically disclosed a statement of matters reserved for the board, or the board charter and therefore the Group has not complied with recommendation 1.3 of the Corporate Governance Council. Given the experience and skills of the board of directors, the Group has not considered it necessary to formulate a board charter.

Recommendation 1.2: Performance evaluation of senior management

The Managing Director and senior management participates in annual performance reviews. The performance of staff is measured against the objectives and performance indicators established by the board. A performance evaluation for the senior management took place for the current reporting period in accordance with the Group's documented process. The performance of senior management is reviewed by comparing performance against agreed measures, examining the effectiveness and results of their contribution and identifying areas for potential improvement. In accordance with recommendations 1.2 and 1.3 of the ASX Corporate Governance Council the Group has not disclosed a description of the performance evaluation process in addition to the disclosure above.

Principle 2: Structure the board to add value

Size and composition of the board

For the financial year ended 30 June 2014 the board consisted of four Non-Executive Directors and one Managing Director. Directors are expected to bring independent views and judgement to the board's deliberations.

- Mr Edward Byrt, Non-Executive Chairman
- Mr Ramy Azer, Managing Director
- Mr Donald Stephens, Non-Executive Director
- Mr Vincent Rigano, Non-Executive Director
- Mr Andrew Ford, Non-Executive Director

Corporate Governance Statement

30 June 2014

The board considers this to be an appropriate composition given the size and development of the Group at the present time. A profile of each Director including their skills, qualifications and experience are set out in the Directors' report of this Annual Report.

Recommendation 2.1: Independence

The board is conscious of the need for independence and ensures that where a conflict of interest may arise, the relevant Director(s) leave the meeting to ensure a full and frank discussion of the matter(s) under consideration by the rest of the board. Those Directors who have interests in specific transactions or potential transactions do not receive board papers related to those transactions or potential transactions, do not participate in any part of a Directors meeting which considers those transactions or potential transactions, are not involved in the decision making process in respect of those transactions or potential transactions, and are asked not to discuss those transactions or potential transactions with other Directors. Each Director is required by the Company to declare on an annual basis the details of any financial or other relevant interests that they may have in the Company.

Mr Vincent Rigano and Mr Andrew Ford are Non-Executive Director and has no other material relationship with the Group or its subsidiary other than their directorships. The Group therefore had one independent director during the year as those relationships were defined.

Recommendations 2.2, 2.3: Role of the Chairman

The role of the Chairman is to provide leadership to the board and facilitate the efficient organisation and conduct of the board's functioning. Mr Edward Byrt, the Chairman of the Group does not perform the role of the Managing Director however due to his shareholding in the Company is not considered to be independent. The Company has therefore not complied with recommendations 2.2 of the Corporate Governance Council.

Recommendation 2.4: Nomination, retirement and appointment of Directors

The board has not established a nomination and remuneration committee in accordance with recommendation 2.4 of the Corporate Governance Council. The board takes ultimate responsibility for these matters and continues to monitor the composition of the committee and the roles and responsibilities of the members. Accordingly, the Group has not established remuneration and nomination committee charters in accordance with recommendations 2.4 and 2.6 of the ASX Corporate Governance Council.

Recommendation 2.5: Evaluation of board performance

The board continues to review performance against appropriate measures and identify ways to improve performance. A performance evaluation of the board, its Committees and individual Directors took place for the current reporting period. The board has not formally disclosed the process in accordance with recommendations 2.5 and 2.6 of the ASX Corporate Governance Council. The board takes ultimate responsibility for these matters and does not consider the disclosure of the performance evaluation necessary at this stage.

Principle 3: Promote ethical and responsible decision making

Recommendation 3.1: Code of Conduct

The board recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity. The Group intends to maintain a reputation for integrity and is highly committed to demonstrating appropriate corporate practices and decision making. The Group's officers and employees are required to act in accordance with the law and with the highest ethical standards. The board has not adopted and disclosed a formal code of conduct applying to the board and all employees in accordance with recommendations 3.1 and 3.3 of the Corporate Governance Council. The board takes ultimate responsibility for these matters and does not consider the disclosure of the code necessary at this stage.

Securities Trading Policy

Effective from the 1 January 2011, the Group is required to adopt and disclose a securities trading policy under ASX Listing Rules. The Group has established a policy concerning trading in Group securities by Directors, senior executives and employees, and this is available on the announcements section of the ASX website www.asx.com.au. Therefore the Company complies with recommendation 3.2 of the second edition of the Corporate Governance Council principles.

Recommendations 3.2, 3.3, 3.4: Diversity

The ASX Corporate Governance Council has released amendments dated 30 June 2010 to the second edition Corporate Governance Principles and Recommendations (Principles and Recommendations) in relation to diversity. The Group is committed to supporting diversity, including consideration of gender, age, ethnicity and cultural background. The board is ultimately responsible for reviewing the achievement of this policy. The Group recognises that through consideration of diversity and the best available talent, it will assist in promoting a working

Corporate Governance Statement

30 June 2014

environment to maximise achievement of the corporate goals of the organisation.

The Group continues to strive towards achieving objectives established towards increasing gender diversity. The Company at 30 June 2014 has one employee (who is not female), four Non-executive Directors and a Managing Director. The Company therefore has no women in either executive positions or on the board. The Group is highly aware of the positive impacts that diversity may bring to an organisation. The Group continues to assess all staff and board appointments on their merits with consideration to diversity a driver in decision making. The Group has not developed or disclosed a formal diversity and policy and therefore has not complied with the recommendations 3.2 and 3.3 of the Corporate Governance Council.

Principle 4: Safeguard integrity in financial reporting

The Group has structured financial management to independently verify and safeguard the integrity of their financial reporting. The structure established by the Group includes:

- Review and consideration of the financial statements by the audit committee;
- A process to ensure the independence and competence of the Group's external auditors.

Recommendations 4.1, 4.2, 4.3: Audit Committee

The audit and risk management committee comprised of Mr Donald Stephens (Chairman), Mr Andrew Ford, Mr Vincent Rigano and Mr Edward Byrt. Only Mr Vincent Rigano is considered independent and as such, the committee does not comprise of a majority of independent directors. The committee has additionally not adopted or disclosed a formal charter. The Company has therefore not complied with recommendation 4.2, 4.3 and 4.4 of the Corporate Governance Council. The board will annually confirm the membership of the committee.

The committee's primary responsibilities are to:

- oversee the existence and maintenance of internal controls and accounting systems;
- oversee the management of risk within the Group;
- oversee the financial reporting process;
- review the annual and half-year financial reports and recommend them for approval by the board of Directors;
- nominate external auditors;
- review the performance of the external auditors and existing audit arrangements; and
- ensure compliance with laws, regulations and other statutory or professional requirements, and the Group's governance policies.

Principle 5: Make timely and balanced disclosure

The Group has a policy that all shareholders and investors have equal access to the Group's information. The board ensures that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the Corporations Act and ASX Listing Rules. The Company Secretary has primary responsibility for all communications with the ASX and is accountable to the board through the Chair.

Recommendations 5.1: Disclosure policy

The Group has not publicly disclosed a formal disclosure policy in accordance with recommendations 5.1 and 5.2 of the Corporate Governance Council. The board takes ultimate responsibility for these matters and does not consider disclosure of a disclosure policy to be appropriate at this stage.

Principle 6: Respect the rights of shareholders

The board strives to ensure that Shareholders are provided with sufficient information to assess the performance of the Group and its Directors and to make well-informed investment decisions.

Recommendations 6.1: Communications policy

Information is communicated to Shareholders through:

- annual, half-yearly and quarterly financial reports;
- annual and other general meetings convened for Shareholder review and approval of board proposals;
- continuous disclosure of material changes to ASX for open access to the public; and
- the Group maintains a website where all ASX announcements, notices and financial reports are published as soon as possible after release to ASX.

All information disclosed to the ASX is posted on the Group's web site www.papirusaustralia.com.au.

The auditor is invited to attend the annual general meeting of Shareholders. The Chairman will permit

Corporate Governance Statement

30 June 2014

Shareholders to ask questions about the conduct of the audit and the preparation and content of the audit report.

The Group has not publicly disclosed a communications policy in accordance with recommendations 6.1 and 6.2 of the Corporate Governance Council. The board takes ultimate responsibility for these matters and does not consider disclosure of a communications policy to be appropriate at this stage.

Principle 7: Recognise and manage risk

The board has identified the significant areas of potential business and legal risk of the Group. In addition the board has developed the culture, processes and structures of the Company to encourage a framework of risk management which identifies, monitors and manages the material risks facing the organisation.

Recommendations 7.1, 7.2: Risk management policy

The identification, monitoring and, where appropriate, the reduction of significant risk to the Group is the responsibility of the Managing Director and the board. The board reviews and monitors the parameters under which such risks will be managed. Management accounts are prepared and reviewed with the Managing Director at subsequent board meetings. Budgets are prepared and compared against actual results.

Management and the board monitor the Group's material business risks and reports are considered at regular meetings.

The Group has not publicly disclosed a policy for the oversight and management of material business risks in accordance with recommendations 7.1 and 7.4 of the Corporate Governance Council. The board takes ultimate responsibility for these matters and does not consider disclosure of a risk management policy to be appropriate at this stage.

Recommendations 7.3: Declaration from Managing Director and Company Secretary

The Managing Director and the Company Secretary will be required to state in writing to the board that the Group's financial reports present a true and fair view, in all material respects, of the Group's financial condition and operational results are in accordance with relevant accounting standards. Included in this statement will be confirmation that the Group's risk management and internal controls are operating efficiently and effectively.

Principle 8: Remunerate fairly and responsibly

The Chairman and the Non-Executive Directors are entitled to draw Director's fees and receive reimbursement of reasonable expenses for attendance at meetings. The Group is required to disclose in its annual report details of remuneration to Directors. The maximum aggregate annual remuneration which may be paid to Non-Executive Directors is \$300,000. This amount cannot be increased without the approval of the Group's shareholders. Please refer to the remuneration report within the Directors' report for details regarding the remuneration structure of the Managing Director and senior management.

Recommendation 8.1: Remuneration Committee

The board has not established a remuneration committee or disclosed a committee charter on the Company website and therefore has not complied with recommendations 8.1 and 8.3 of the Corporate Governance Council. The board takes ultimate responsibility for these matters and does not consider a remuneration committee to be appropriate at this stage.

Directors' Report

30 June 2014

The Directors present their report, together with the financial statements of the Group, being Papyrus Australia Ltd (the Group) and its controlled entities, for the financial year ended 30 June 2014.

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, Managing Director
Mr Donald Stephens, Non-Executive Director
Mr Vince Rigano, Non-Executive Director (appointed 27 November 2013)
Mr Andrew Ford, Non-Executive Director (appointed 27 November 2013)
Mr Colin Dunsford AM, Non-Executive Director (retired 27 November 2013)

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.

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

Donald 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, Petrathern Ltd, Papyrus Australia Ltd, Lawson Gold Ltd, Reproductive Health Science Ltd 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 and Musgrave Minerals Ltd. 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 Vincent Peter Rigano, BA Accounting, CPA (Non-Executive Director)

Vince is a CPA with over 25 years experience in corporate accounting, management consulting and company secretarial. Vince was company secretary for a number of years for Papyrus.

Vince provides management accounting and consulting services and to a variety of industry sectors including start-ups.

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

Mr Andrew Ford, B Arch (Non-Executive Director)

Andy Ford, retired Woods Bagot Director, is one of the leading design principals in Australia. His proven creative, technical and professional abilities in architecture and interior design are matched by an understanding and appreciation of commercial realities: he is both designer and manager, professional and businessman.

Recognised as a skilled leader and manager of multi-disciplinary teams, Andy's strategic expertise was utilized on major and special projects in Australia, Asia, Middle East, North America and Europe.

Andy has been a director of the South Australian Motor Sport Board since September 2001 and was appointed Chairman in October 2011. He is also a member of the Company's Audit Committee.

Directors' Report

30 June 2014

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 \$692,150 (2013: \$1,449,130).

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:

	Number of Ordinary Share	Number of Options of Ordinary Shares
Mr Edward Byrt	16,796,597	2,000,000
Mr Ramy Azer	29,203,853	3,000,000
Mr Donald Stephens	975,630	1,500,000
Mr Vincent Rigano	4,490,045	-
Mr Andrew Ford	1,046,090	-

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

The Company's activities for financial year 2014 were primarily focused on managing its scarce working capital, consolidating the intellectual property portfolio, progressing opportunities in Egypt and working with MAP Capital Advisors Pty Ltd (MAP Capital) in advancing a manufacturing facility in Far North Queensland.

The Company maintains its commercialisation strategy 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. In doing so the Company has learned that by partnering with others to demonstrate the technology and application is the most prudent way forward initially.

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.

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 2014 \$142,540 had been drawn down.

The Annual General Meeting of the Company was held on 27 November 2013 where the Chairman gave a comprehensive review of the Company's operations. At that meeting the Chairman announced the retirement of Mr Colin Dunsford from the Board and announced the appointments of Andrew Ford and Peter (Vince) Rigano as Directors all effective from that date.

Directors' Report

30 June 2014

Intellectual Property

During the year 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.

The Company's original patent titled *Method and Apparatus for Removing Sheets of Fibres from Banana Plants for the Production of Paper Products* - the patent for the production of veneer from banana tree trunks - has now been granted right of patent in the following countries – Australia, China, Egypt, France, Germany, Hong Kong, Israel, Japan, Malaysia, Republic of Korea, Philippines, United Kingdom, United States of America and Vietnam. Patents are pending in Brazil, India and Thailand.

The Company's patent application for *Improved Fibre Furnish* - the patent for the production of fibre chips from banana tree trunks to be used for the making of panel and other products (including papier-mâché) has now been granted right of patent in the following countries - Egypt, France, Germany, United Kingdom and the United States of America. Patents are pending in Australia, China and Hong Kong.

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.

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.

In light of the recently improved political, civil and economic conditions in Egypt the Directors agreed to ship the Banana Veneering Unit (BVU) – the machine that converts banana tree trunks to veneer and fibre – to the Egyptian factory site but remains secured by an appointed agent until adequate and appropriate financial arrangements for the purchase of the machine are met by EBFC.

Directors' Report

30 June 2014

MAP Capital Advisors

MAP Capital was engaged to provide strategic advice to the Company and recommended that the Company seek to establish an operating facility in Australia to produce banana fibre product for the local market, initially to produce what is known generically as papier mache products, which has a low capital entry requirement – producing items such as egg cartons, wine packaging, fruit packaging and display trays, etc for fruit and vegetable growers and sellers in Australia. The operation will be based at the Company's factory site at Walkamin in the Atherton Table Lands in Far North Queensland.

Papyrus Australia Ltd ("PPY") will have a 25% shareholding in the joint venture (JV), with other parties, including investors, the balance. The JV will manufacture the products under an exclusive licence within Australia and New Zealand granted by PPY. The operation of the JV will be self-funding. PPY's capital investment will be its existing equipment, site, intellectual property and know-how. PPY will also supply (at the cost of the JV) engineering and management support.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Company during the year ended 30 June 2014.

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

There have been no significant matters subsequent to the end of the financial year.

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Directors' Report

30 June 2014

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 2013	Net Issued/ (Exercised or expired) during year	Balance at 30 June 2014
17/03/2009	16/03/2014	\$1.50	125,000	-	125,000
17/03/2009	16/03/2014	\$1.75	125,000	-	125,000
01/07/2011	30/06/2016	\$0.12	750,000	-	750,000
16/12/2013	16/12/2016	\$0.035	-	5,100,000	5,100,000
16/12/2013	16/12/2016	\$0.05	-	4,100,000	4,100,000
			1,000,000	9,200,000	10,200,000

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

Pursuant to various motions passed at the Company's 2013 AGM, on 16 December 2013 a total of 5,100,000 unlisted options with an exercise price of \$0.035 and 4,100,000 unlisted options with an exercise price of \$0.05, both expiring on 15 December 2016 were issued to the Company's board and executives.

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 \$17,030 (2013: \$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

30 June 2014

REMUNERATION REPORT - AUDITED

This report outlines the remuneration arrangements in place for key management personnel 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 2014 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 key management personnel of the Group. The policy is to align key management personnel 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 9.25%, 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 key management personnel is expensed as incurred. Executives are also entitled to participate in the Group share option scheme. Options are valued using the Black-Scholes methodology.

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.

Directors' Report

30 June 2014

REMUNERATION REPORT CONTINUED- AUDITED

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 2013 ANNUAL GENERAL MEETING

Papyrus Australia Ltd's motion in relation to the approval of 2013 remuneration report passed with a vote total of more than 95%. 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 2014 and 30 June 2013

	Primary Benefits	Post Employment	Share-based Payments	Total
	Salary & Fees	Superannuation	Options	\$
Mr Edward Byrt	\$	\$	\$	
2014	-	-	24,200	24,200
2013	-	-	-	-
Mr Ramy Azer				
2014	-	-	36,300	36,300
2013	-	-	-	-
Mr Vince Rigano*				
2014	-	-	-	-
2013	-	-	-	-
Mr Donald Stephens				
2014	-	-	18,150	18,150
2013	-	-	-	-
Mr Andrew Ford*				
2014	-	-	-	-
2013	-	-	-	-
Mr Colin Dunsford**				
2014	-	-	12,800	12,800
2013	-	-	-	-
Total				
2014	-	-	91,450	91,450
2013	-	-	-	-

* Appointed 27 November 2013

** Resigned 27 November 2013

HLB Mann Judd (SA) Pty Ltd has received professional fees for accounting, taxation and secretarial services provided during the year amounting to \$40,082 (2013: \$56,788). The amount owing to HLB Mann Judd (SA) Pty Ltd as at 30 June 2014 was \$6,854 (2013: \$22,603). Mr Donald Stephens, Non-Executive Director and Company Secretary, is a consultant to HLB Mann Judd (SA) Pty Ltd.

The Company has an unsecured loan representing 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.

During the period 5,525,000 shares were issued to Talisker to satisfy a \$57,460 tranche of the loan as detailed in the Company's 2013 Notice of Annual General Meeting and passed by resolution by the Company's shareholders at the 2013 Annual General Meeting. The loan is interest bearing at the rate of interest payable by the National Australia Bank Limited on 'Usaver savings accounts' or, '12 month term deposits' (whichever is greater) plus one percent (1%).

Directors' Report

30 June 2014

REMUNERATION REPORT CONTINUED- AUDITED

Table 2: Remuneration of key management personnel for the year ended 30 June 2014 and 30 June 2013

	Primary Benefits	Post Employment	Share-based Payments	Total
	Salary & Fees	Superannuation	Options	\$
Mr Geoff Whitbread	\$	\$	\$	
2014	78,028	-	18,150	96,178
2013	123,750	-	-	123,750
Total				
2014	78,028	-	18,150	96,178
2013	123,750	-	-	123,750

Options issued as part of remuneration during the year ended 30 June 2014

Pursuant to various motions passed at the Company's 2013 AGM, on 16 December 2013 a total of 5,100,000 unlisted options with an exercise price of \$0.035 and 4,100,000 unlisted options with an exercise price of \$0.05, both expiring on 15 December 2016 were issued to the Company's board and executives. The total expense incurred for the share options issued totalled \$112,020, of which \$109,600 related to those considered key management personnel. These options were valued using the Black Scholes method (Note 18).

	Grant Date	Grant Number	Exercise Period		Exercise Price	Fair Value of option at grant date	Total Fair Value	Expensed during the year	% of remuneration
			Exercise Date	Expiry Date					
R Azer	16/12/2013	1,500,000	16/12/2013	16/12/2016	\$ 0.035	\$ 0.0128	\$ 19,200	\$ 19,200	53%
R Azer	16/12/2013	1,500,000	16/12/2013	16/12/2016	\$ 0.050	\$ 0.0114	\$ 17,100	\$ 17,100	47%
E Byrt	16/12/2013	1,000,000	16/12/2013	16/12/2016	\$ 0.035	\$ 0.0128	\$ 12,800	\$ 12,800	53%
E Byrt	16/12/2013	1,000,000	16/12/2013	16/12/2016	\$ 0.050	\$ 0.0114	\$ 11,400	\$ 11,400	47%
D Stephens	16/12/2013	750,000	16/12/2013	16/12/2016	\$ 0.035	\$ 0.0128	\$ 9,600	\$ 9,600	53%
D Stephens	16/12/2013	750,000	16/12/2013	16/12/2016	\$ 0.050	\$ 0.0114	\$ 8,550	\$ 8,550	47%
G Whitbread	16/12/2013	750,000	16/12/2013	16/12/2016	\$ 0.035	\$ 0.0128	\$ 9,600	\$ 9,600	10%
G Whitbread	16/12/2013	750,000	16/12/2013	16/12/2016	\$ 0.050	\$ 0.0114	\$ 8,550	\$ 8,550	9%
C Dunsford	16/12/2013	1,000,000	16/12/2013	16/12/2016	\$ 0.035	\$ 0.0128	\$ 12,800	\$ 12,800	100%
Total		9,000,000					\$ 109,600	\$ 109,600	

Options holdings of Key Management Personnel

	Balance at 1 July 2013	Granted as remuneration	Balance at 30 June 2014	Exercisable at 30 June 2014
R Azer	-	3,000,000	3,000,000	3,000,000
E Byrt	-	2,000,000	2,000,000	2,000,000
D Stephens	-	1,500,000	1,500,000	1,500,000
V Rigano	-	-	-	-
A Ford	-	-	-	-
G Whitbread	750,000	1,500,000	2,250,000	2,250,000
Total	750,000	8,000,000	8,750,000	8,750,000

Directors' Report
30 June 2014

REMUNERATION REPORT CONTINUED- AUDITED

Key Management Personnel Shareholdings

	Balance at 1 July 2013	Net Change	Balance at 30 June 2014
R Azer*	28,678,853	5,525,000	34,203,853
E Byrt**	9,796,597	5,000,000	14,796,597
D Stephens	975,630	-	975,630
V Rigano	2,490,045	-	2,490,045
A Ford	46,090	-	46,090
G Whitbread	125,783	-	125,783
Total	42,112,998	10,525,000	52,637,998

* During the period 5,525,000 ordinary shares were issued to Talisker, an entity associated with Mr Azer, to satisfy a \$57,460 tranche of the loan as detailed in the Company's 2013 Notice of Annual General Meeting and passed by resolution by the Company's shareholders at the 2013 Annual General Meeting.

** During the period 5,000,000 ordinary shares were issued to Mr Byrt or his nominee, pursuant to a placement approved by the Company's shareholders at the 2013 Annual General Meeting.

END OF AUDITED REMUNERATION REPORT

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:

Number of meetings held	Directors' Meetings		Audit Committee	
	16		2	
Number of meetings attended:	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mr Edward Byrt	16	15	2	1
Mr Ramy Azer	16	15	2	1
Mr Donald Stephens	16	15	2	2
Mr Vincent Rigano	8	8	1	1
Mr Andrew Ford	8	7	1	1
Mr Colin Dunsford	8	7	1	1

Members acting on the audit committee of the Board are:

Vincent Rigano	Non-executive director
Andrew Ford	Non-executive director
Edward Byrt	Non-executive director
Donald Stephens	Non-executive director

Directors' Report

30 June 2014

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.

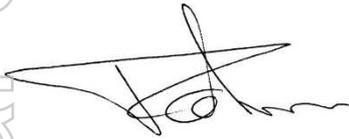
NON AUDIT SERVICES

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 2014 as required under section 307C of the Corporations Act 2001 has been received and can be found on page 16.

Signed in accordance with a resolution of the directors.



Mr Ramy Azer
Director

30 September 2014

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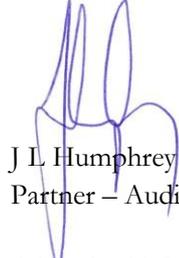
**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF PYPYRUS AUSTRALIA LTD**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Papyrus Australia Ltd for the year ended 30 June 2014, 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
Partner – Audit & Assurance

Adelaide, 30 September 2014

Grant Thornton Audit Pty Ltd ACN 130 913 594
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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2014

	Note	Consolidated	
		2014	2013
		\$	\$
Revenue	3(a)	158	4,185
Other income	3(b)	1,390,258	1,080,132
Impairment of non current assets	3(c)	(1,168,262)	(1,315,330)
Depreciation expense	3(c)	(201,322)	(348,106)
Employee benefits expense	3(c)	(293,381)	(269,334)
Other expenses	3(c)	(419,601)	(717,981)
Loss before income tax expense		(692,150)	(1,566,434)
Income tax benefit	4	-	117,304
Total loss for the year		(692,150)	(1,449,130)
Other comprehensive income, net of income tax			
Other comprehensive income		-	-
Total comprehensive income for the year		(692,150)	(1,449,130)
Earnings per share			
Basic earnings per share (cents)	5	(0.44)	(1.10)
Diluted earnings per share (cents)	5	(0.44)	(1.10)

Consolidated Statement of Financial Position

As At 30 June 2014

		Consolidated	
	Note	2014	2013
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	16,360	151,111
Trade and other receivables	7	2,020	9,268
Other assets	8	-	3,508
TOTAL CURRENT ASSETS		18,380	163,887
NON-CURRENT ASSETS			
Plant and equipment	9	630,417	1,170,737
Intangible assets	10	-	829,263
TOTAL NON-CURRENT ASSETS		630,417	2,000,000
TOTAL ASSETS		648,797	2,163,887
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	77,534	97,197
Borrowings	12	149,269	220,442
Other liabilities	13	150,000	150,000
TOTAL CURRENT LIABILITIES		376,803	467,639
NON-CURRENT LIABILITIES			
Other liabilities	13	609,742	1,979,326
TOTAL NON-CURRENT LIABILITIES		609,742	1,979,326
TOTAL LIABILITIES		986,545	2,446,965
NET ASSETS		(337,748)	(283,078)
EQUITY			
Issued capital	14	19,984,691	19,459,231
Reserves	15	907,666	795,646
Accumulated losses	16	(21,230,105)	(20,537,955)
TOTAL EQUITY		(337,748)	(283,078)

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2014

2014

	Note	Consolidated			Total
		Issued Capital	Accumulated Losses	Share Option Reserve	
		\$	\$	\$	\$
Balance at 1 July 2013		19,459,231	(20,537,955)	795,646	(283,078)
Total profit or loss		-	(692,150)	-	(692,150)
Total other comprehensive income	16	-	-	-	-
Transactions with owners in their capacity as owners					
Shares issued via private placement on 4 October 2013	14	170,000	-	-	170,000
Fair value of shares issued, in lieu of cash for services rendered	14	48,000	-	-	48,000
Shares issued pursuant to resolutions passed at the Company's 2013 AGM	14	200,000	-	-	200,000
Shares issued to satisfy a loan in accordance with a resolution passed at the Company's 2013 AGM	14	57,460	-	-	57,460
Shares issued to sophisticated investor on 6 May 2014	14	50,000	-	-	50,000
Fair value of share based payments - options	15	-	-	112,020	112,020
Balance at 30 June 2014		19,984,691	(21,230,105)	907,666	(337,748)

2013

	Note	Consolidated			Total
		Issued Capital	Accumulated Losses	Share Option Reserve	
		\$	\$	\$	\$
Balance at 1 July 2012		19,459,231	(19,088,825)	795,646	1,166,052
Total profit or loss		-	(1,449,130)	-	(1,449,130)
Total other comprehensive income		-	-	-	-
Balance at 30 June 2013		19,459,231	(20,537,955)	795,646	(283,078)

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2014

	Note	Consolidated	
		2014	2013
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		-	8,785
Payments to suppliers and employees		(541,196)	(675,553)
Deposits received		-	50,000
Interest received		158	4,185
Research and Development concession received		-	146,630
Net cash provided by/(used in) operating activities	17	(541,038)	(465,953)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of plant and equipment		-	68,940
Net cash provided by/(used in) investing activities		-	68,940
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares		420,000	-
Proceeds from borrowings		-	200,000
Repayment of borrowings		(13,713)	(17,947)
Net cash provided by/(used in) financing activities		406,287	182,053
Net increase/(decrease) in cash and cash equivalents held		(134,751)	(214,960)
Cash and cash equivalents at beginning of year		151,111	366,071
Cash and cash equivalents at end of financial year	6(a)	16,360	151,111

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2014

This financial report covers the consolidated financial statements and notes of Papyrus Australia Ltd ('the Company') as an individual entity and the consolidated Group comprising Papyrus Australia Ltd and its Controlled Entities ('the Group'). Papyrus Australia Ltd is a for-profit Group limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange. The financial statements were authorised for issue by the Board of Directors on 29 September 2014.

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

The separate financial statements and notes of the parent entity, Papyrus Australia Ltd, have not been presented within this financial report as permitted by amendments made to the Corporations Act 2001. Parent entity summary is included in note 26.

1 Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements are general purpose financial statements that have 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*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

These financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The significant accounting policies used in the preparation and presentation of these financial statements are provided below and are consistent with prior reporting periods unless otherwise stated.

Except for the cash flow information, the financial statements are prepared on an accruals basis and are based on historical costs, except for the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(b) Principles of Consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

A list of controlled entities is contained in Note 22 to the financial statements.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the parent has control. Control is established when the parent is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(c) Business combinations

Business combinations are accounted for by applying the acquisition method which requires an acquiring entity to be identified in all cases. The acquisition date under this method is the date that the acquiring entity obtains control over the acquired entity.

The fair value of identifiable assets and liabilities acquired are recognised in the consolidated financial statements at the acquisition date.

Goodwill or a gain on bargain purchase may arise on the acquisition date, this is calculated by comparing the consideration transferred and the amount of non-controlling interest in the acquiree with the fair value of the net identifiable assets acquired. Where consideration is greater than the assets, the excess is recorded as goodwill. Where the net assets acquired are greater than the consideration, the measurement basis of the net assets are reassessed and then a gain from bargain purchase recognised in profit or loss.

All acquisition-related costs are recognised as expenses in the periods in which the costs are incurred except for costs to issue debt or equity securities.

Any contingent consideration which forms part of the combination is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity then it is not remeasured and the settlement is accounted for within equity. Otherwise subsequent changes in the value of the contingent consideration liability are measured through profit or loss.

(d) Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

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

Sale of goods

Revenue is recognised on transfer of goods to the customer as this is deemed to be the point in time when risks and rewards are transferred and there is no longer any ownership or effective control over the goods.

Interest revenue

Interest is recognised using the effective interest method.

Grant revenue

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(e) Finance costs

Finance costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other finance costs are recognised in income in the period in which they are incurred.

(f) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(g) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Bank overdrafts also form part of cash equivalents for the purpose of the consolidated statement of cash flows and are presented within current liabilities on the consolidated statement of financial position.

(h) 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 consolidated statement of profit or loss and other comprehensive income.

(i) Income Tax

The tax expense recognised in the consolidated statement of profit or loss and other comprehensive income relates to current income tax expense plus deferred tax expense (being the movement in deferred tax assets and liabilities and unused tax losses during the year).

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(i) Income Tax (continued)

year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the financial statements.

Deferred tax is not provided for the following:

- 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 accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

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

Deferred tax consequences relating to a non-monetary asset carried at fair value are determined using the assumption that the carrying amount of the asset will be recovered through sale.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting 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 each reporting 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.

Current tax assets and liabilities are offset where there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset where there is a legal right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(i) Income Tax (continued)

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.

(j) Goods and Services Tax (GST)

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

Receivables and payable are stated inclusive of GST.

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

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

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

(k) Plant and Equipment

Each class of plant and equipment are measured using the cost model as specified below.

Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(k) Plant and Equipment (continued)

Depreciation

The depreciable amount of all plant and equipment is depreciated on a straight-line and diminishing value basis from the date that management determine that the asset is available for use.

Assets held under a finance lease and leasehold improvements are depreciated over the shorter of the term of the lease and the assets useful life.

The estimated useful lives used for each class of depreciable asset are shown below:

Fixed asset class	Useful life
Plant and Equipment	2.5 - 10 years

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income.

(l) 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.

(m) Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially using trade date accounting, i.e. on the date that Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(m) Financial instruments (continued)

Classification and subsequent measurement

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 stated at amortised cost using the effective interest rate method.

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).

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Impairment of financial assets

At the end of the reporting period the Group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance accounts, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

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

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 expire. 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.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(n) Impairment of non-financial assets

At the end of each reporting period, the Group determines whether there is an evidence of an impairment indicator for non-financial assets.

Where this indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the assets is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

(o) Trade and other payables

Trade 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.

(p) 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.

(q) Employee benefits

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

Employee benefits expected to be settled more than twelve months after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

Employee benefits are presented as current liabilities in the consolidated statement of financial position if the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date regardless of the classification of the liability for measurement purposes under AASB 119.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(r) Equity-settled compensation

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 (ESOP) 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 were 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 consolidated statement of profit or loss and other comprehensive income, together with a corresponding increase in the share option reserve, when the options are issued. However, where options have vesting terms attached, the cost of the transaction is amortised over the vesting period.

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

(s) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options which vest immediately are recognised as a deduction from equity, net of any tax effects.

(t) Earnings per share

The Group presents basic and diluted earnings per share information for its ordinary shares.

Basic earnings per share is calculated by dividing the profit attributable to members of the Group by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share adjusts the basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

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 in 2014 and 2013.

(u) Comparative Amounts

Comparatives are consistent with prior years, unless otherwise stated.

Where a change in comparatives has also affected the opening retained earnings previously presented in a comparative period, an opening consolidated statement of financial position at the earliest date of the comparative period has been presented.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(v) 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 \$692,150 (2013: \$1,449,130) and a net cash outflow from operating and investing activities of \$541,038 (2013: \$397,013) during the year ended 30 June 2014. The Group continues to be economically dependent on the unsecured loan facility provided by an entity associated with the Managing Director, 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 and potential partners to evaluate alternative means of raising additional capital.

The Group's ability to continue as a going concern is contingent upon the above matters. If sufficient funds are not available under the loan facility, 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.

(w) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements 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.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

Key estimates - impairment

The Group assesses impairment at the end of each reporting year by evaluating conditions specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key estimates - development cost

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 2014, the commercialisation was not complete.

(x) Adoption of new and revised accounting standards

During the current year, the following standards became mandatory and have been adopted retrospectively by the Group:

- AASB 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*
- AASB 12 *Disclosure of Interests in Other Entities*
- AASB 13 *Fair Value Measurement*

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(x) Adoption of new and revised accounting standards (continued)

- AASB 119 *Employee Benefits*
- AASB 127 *Separate Financial Statements*
- AASB 128 *Investment in Associates and Joint Ventures*
- AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]*
- AASB 2012-9 *Amendments to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039*
- AASB 2012-2 *Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities*

The accounting policies have been updated to reflect changes in the recognition and measurement of assets, liabilities, income and expenses and the impact of adoption of these standards is discussed below.

AASB 10 *Consolidated Financial Statements* is effective for annual reporting periods beginning on or after 1 January 2013 and therefore the Group has applied it for the first time in these financial statements. AASB 10 includes a new definition of control, including additional guidance for specific situations such as control in a principal / agent situation and when holding less than majority voting rights may give control. AASB 10 supersedes the previous requirements of AASB 127 *Consolidated and Separate Financial Statements* and Interpretation 112 *Consolidation - Special Purpose Entities* and resulted in consequential amendments to a number of other standards.

The Group has reviewed its investment in other entities to determine whether any changes were required to the consolidated entity under AASB 10. The composition of the consolidated entity is the same under AASB 10 and therefore there is no change to the reported financial position and performance.

AASB 11 *Joint Arrangements* replaces AASB 131 *Interests in Joint Ventures* and Interpretation 112 *Jointly-Controlled Entities - Non-monetary Contributions by Venturers* as well as consequential amendments to a number of other standards. AASB 11 uses the revised definition of control from AASB 10 and once joint control is determined, then classifies joint arrangements as either joint ventures or joint operations. Joint ventures are accounted for using the equity method, proportionate consolidation is not permitted under AASB 11. Joint operations are accounted for by incorporating the venturer's share of assets, liabilities, income and expenses into the financial statements. There were no changes to the accounting for joint arrangements under AASB 11.

AASB 12 *Disclosure of Interests in Other Entities* includes all disclosures relating to an entity's interest in associates, joint arrangements, subsidiaries and structured entities. On adoption of AASB 12, additional disclosures have been included in the financial statements in relation to investments held.

AASB 13 *Fair Value Measurement* does not change what and when assets or liabilities are recorded at fair value. It provides guidance on how to measure assets and liabilities at fair value, including the concept of highest and best use for non-financial assets. AASB 13 has not changed the fair value measurement basis for any assets or liabilities held at fair value, however additional disclosures on the methodology and fair value hierarchy have been included in the financial statements.

AASB 119 *Employee benefits* changes the basis for determining the income or expense relating to defined

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(x) Adoption of new and revised accounting standards (continued)

benefit plans and introduces revised definitions for short-term employee benefits and termination benefits.

The Group reviewed the annual leave liability to determine the level of annual leave which is expected to be paid more than 12 months after the end of the reporting period. Whilst this has been considered to be a long-term employee benefits for the purpose of measuring the leave under AASB 119, the effect of discounting was not considered to be material and therefore has not been performed.

In accordance with the transition provisions in the standard, the comparative figures have been restated.

(y) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. The following table summarises those future requirements, and their impact on the Group:

Standard Name	Effective date for Group	Requirements	Impact
AASB 9 Financial Instruments	30 June 2019	Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value.	The impact of AASB 9 has not yet been determined.
AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2009)			
AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transitional Disclosures			
AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments		Amends measurement rules for financial liabilities that the entity elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the entity's own credit risk are presented in other comprehensive income.	
AASB 2014-1 Amendments to Australian Accounting Standards		AASB 2013 – 9 also permits an entity to elect to apply the own credit risk provisions without applying the other requirements in AASB 9 (2010). If an entity does so, it is required to disclose that fact and provide the disclosures in paragraphs 10-11 of AASB 7 concerning financial liabilities designated at fair value. AASB 2014-1 defers the effective date to 1 January 2018.	

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(y) New Accounting Standards and Interpretations (continued)

<p>AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]</p>	<p>30 June 2015</p>	<p>This Standard 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.</p>	<p>The adoption of this standard will not change the reported financial position and performance of the Group, there are no impact on disclosures as there are no offsetting arrangements currently in place.</p>
<p>AASB 2013 – 3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets</p>	<p>30 June 2015</p>	<p>This standard amends AASB 136 to require additional disclosures about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. In addition, a further requirement has been included to disclose the discount rates that have been used in the current and previous measurements if the recoverable amount of impaired assets based on fair value less costs of disposal was measured using a present value technique.</p>	<p>There are no changes to reported financial position or performance from AASB 2013 – 3, however additional disclosures may be required.</p>
<p>AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</p>	<p>30 June 2015</p>	<p>This standard withdraws the substantive content in AASB 1031 and provides signpost references to materiality in other Australian Accounting Standards.</p>	<p>There is not expected to be any changes to the reported financial position, performance or cash flows of the Group.</p>
<p>AASB 2014-1 Amendments to Australian Accounting Standards</p>		<p>AASB 2014 -1 makes amendments to particular Australian Accounting Standards to delete their references to AASB 1031 Materiality as each standard is amended for another purpose.</p>	

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Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (continued)

(y) New Accounting Standards and Interpretations (continued)

AASB 2014-1 Amendments to Australian Accounting Standards (2010 – 2012 cycle) 30 June 2015

The following standards and changes are made under AASB 2014-1:

There are not expected to be any changes to reported financial position or performance arising from the adoption of part A of AASB 2014-1.

- AASB 2 Share-based Payments – amendments to definitions

- AASB 3 Business Combinations – clarification that contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date.

- AASB 8 Operating Segments – amendments to disclosures

- AASB 3 Business Combinations – references to contingent consideration

- AASB 13 Fair value measurement – minor clarification re: measurement of short-term receivables and payables

- AASB 116 Property, plant and equipment – clarifies that when an item of property, plant and equipment is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

- AASB 124 Related Party Disclosures – clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

- AASB 138 Intangible Assets – clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

2 Operating Segments

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.

Notes to the Financial Statements

For the Year Ended 30 June 2014

3 Revenue and expenses

(a) Revenue

	Consolidated	
	2014	2013
	\$	\$
Interest received from other parties	158	4,185

(b) Other income

Grant revenues (released from deferred income)	1,390,258	1,080,132
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(c) Expenses

Impairment of Non-Current Assets

Impairment of development costs	829,263	1,315,330
Impairment of property, plant and equipment	338,999	-
	1,168,262	1,315,330

Depreciation of Non-Current Assets

Depreciation of plant and equipment	201,322	348,106
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Employee Benefits Expense

Wages, salaries, directors fees & other remuneration expenses	174,987	262,384
Superannuation	6,374	6,950
Share-based payments expense	112,020	-

Total employee benefits expense

Other Expenses from Ordinary Activities

Company secretarial	9,930	38,124
Rent	10,037	33,931
Share registry and ASX expenses	53,932	40,069
Communications expense	11,530	15,226
Factory operating costs	22,127	19,817
Professional services	70,991	134,829
Net (gain)/loss on disposal of plant and equipment	(535)	222,845
Travel and accommodation	57,779	54,036
Motor vehicle costs	17,772	17,406
Fixed asset write off	-	60,526
Audit fees	24,250	32,000
Legal fees	6,930	850
Other expenses	134,858	48,322

Total other expenses from ordinary activities

	419,601	717,981
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Notes to the Financial Statements

For the Year Ended 30 June 2014

4 Income Tax Expense

The major components of tax expense (income) comprise:

	Consolidated	
	2014	2013
	\$	\$
Current tax expense		
Current income tax charge/(benefit)	-	-
Research & development tax offset	-	(117,304)
Total income tax expense/(benefit)	-	(117,304)
(a) Reconciliation of income tax to accounting profit/(loss):		
Accounting loss before income tax	(692,150)	(1,566,434)
Group's statutory income tax rate	30%	30%
	(207,645)	(469,930)
Add:		
Tax effect of:		
- expenditure not allowable for income tax purposes	380,684	394,599
- tax losses not recognised due to not meeting recognition criteria	(173,039)	75,331
Income tax expense	-	-

The Group has tax losses arising in Australia of \$11,937,968 (2013: \$11,245,818) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

No deferred tax asset has been recognised because it is not likely future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised.

5 Earnings per Share

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

Diluted earnings per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the Group 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:

(a) Reconciliation of earnings to profit or loss from continuing operations

Net loss attributable to ordinary equity holders of the parent	(692,150)	(1,449,130)
Earnings used to calculate basic EPS from continuing operations	(692,150)	(1,449,130)
Earnings used in the calculation of dilutive EPS from continuing operations	(692,150)	(1,449,130)

Notes to the Financial Statements

For the Year Ended 30 June 2014

5 Earnings per Share (continued)

(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS

	Consolidated	
	2014	2013
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	158,435,358	131,144,764
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	158,435,358	131,144,764

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 in 2014 or 2013. The number of options over ordinary shares at the balance date was 10,200,000 (2013: 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.

6 Cash and cash equivalents

Cash at bank and in hand		16,360	151,111
Total cash and cash equivalents	6(a)	16,360	151,111

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.

(a) Reconciliation of cash

Cash and Cash equivalents reported in the consolidated statement of cash flows are reconciled to the equivalent items in the consolidated statement of financial position as follows:

Cash and cash equivalents	6	16,360	151,111
Balance as per consolidated statement of cash flows		16,360	151,111

Notes to the Financial Statements

For the Year Ended 30 June 2014

7 Trade and other receivables

		Consolidated	
		2014	2013
	Note	\$	\$
CURRENT			
Trade receivables	7(a)	1,531	9,568
Net GST receivable		489	(300)
Total current trade and other receivables		2,020	9,268

(a) Trade receivables

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

8 Other assets

CURRENT			
Prepayments		-	3,508
Total current other assets		-	3,508

9 Plant and equipment

PLANT AND EQUIPMENT			
Plant and equipment			
At cost		1,778,029	2,318,350
Accumulated depreciation and impairment		(1,147,612)	(1,147,613)
Total plant and equipment		630,417	1,170,737

(a) Movements in carrying amounts of plant and equipment

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current and previous financial years:

Consolidated	Plant and Equipment \$
Year ended 30 June 2014	
Balance at the beginning of year	1,170,737
Depreciation expense	(201,321)
Impairment of assets	(338,999)
Balance at the end of the year	630,417

Notes to the Financial Statements

For the Year Ended 30 June 2014

9 Plant and equipment (continued)

(a) Movements in carrying amounts of plant and equipment (continued)

Consolidated	Plant and Equipment \$
Year ended 30 June 2013	
Balance at the beginning of year	1,810,628
Disposals - written down value	(291,785)
Depreciation expense	(348,106)
	<u>1,170,737</u>
Balance at the end of the year	<u><u>1,170,737</u></u>

(b) Impairment and depreciation of plant and equipment

\$339,048 (2013: Nil) impairment loss was recognised for the year ended 30 June 2014 with respect to plant and equipment. This was recognised in the consolidated statement of profit or loss and other comprehensive income in the line item "Impairment of non current assets".

10 Intangible Assets

	Consolidated	
	2014	2013
	\$	\$
Patents and intellectual property		
Cost	-	766,447
Net carrying value	<u>-</u>	<u>766,447</u>
Development costs		
Cost	-	1,378,146
Accumulated amortisation and impairment	-	(1,315,330)
Net carrying value	<u>-</u>	<u>62,816</u>
Total Intangibles	<u><u>-</u></u>	<u><u>829,263</u></u>

(a) Reconciliation Detailed Table

Consolidated	Patents and intellectual property \$	Development costs \$	Total \$
Year ended 30 June 2014			
Balance at the beginning of the year	766,447	62,816	829,263
Impairment loss	(766,447)	(62,816)	(829,263)
Closing value at 30 June 2014	<u>-</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements

For the Year Ended 30 June 2014

10 Intangible Assets (continued)

(a) Reconciliation Detailed Table (continued)

Consolidated	Patents and intellectual property	Development costs	Total
	\$	\$	\$
Year ended 30 June 2013			
Balance at the beginning of the year	766,447	1,378,146	2,144,593
Impairment loss	-	(1,315,330)	(1,315,330)
Closing value at 30 June 2013	<u>766,447</u>	<u>62,816</u>	<u>829,263</u>

In 2014, an impairment loss of \$829,263 (2013: \$1,315,330) represented the Group writing down its capitalised development costs to its recoverable amount. This was recognised in the consolidated statement of profit or loss and other comprehensive income in the line item "Impairment of non current assets".

11 Trade and other payables

	Note	Consolidated	
		2014	2013
		\$	\$
CURRENT			
Unsecured liabilities			
Trade payables	11(a)	43,832	62,254
Sundry payables and accrued expenses		33,702	34,943
Total current trade and other payables		<u>77,534</u>	<u>97,197</u>

(a) Trade payables

Trade payables are non-interest bearing and normally settled on 60-day terms.

Information regarding the risks associated with current payables is set out in Note 23.

12 Borrowings

CURRENT

Unsecured liabilities:

Other loans	12(a)	<u>142,540</u>	200,000
Total unsecured liabilities		<u>142,540</u>	<u>200,000</u>

Secured liabilities:

Finance lease	19	<u>6,729</u>	20,442
Total secured liabilities		<u>6,729</u>	<u>20,442</u>

Total current borrowings		<u>149,269</u>	<u>220,442</u>
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Notes to the Financial Statements

For the Year Ended 30 June 2014

12 Borrowings (continued)

(a) Unsecured loan

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.

During the period 5,525,000 shares were issued to Talisker to satisfy a \$57,460 tranche of the loan as detailed in the Company's 2013 Notice of Annual General Meeting and passed by resolution by the Company's shareholders at the 2013 Annual General Meeting. The loan is interest bearing at the rate of interest payable by the National Australia Bank Limited on 'Usaver savings accounts' or, '12 month term deposits' (whichever is greater) plus one percent (1%).

13 Other liabilities

		Consolidated	
		2014	2013
	Note	\$	\$
CURRENT			
Deferred income	13(a)	150,000	150,000
Total current other liabilities		150,000	150,000
NON-CURRENT			
Government grants received in advance	13(b)	609,742	1,979,326
Total non-current other liabilities		609,742	1,979,326

(a) Deferred income

Deferred income included in 2013 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.

(b) Government grants received in advance

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 2014. 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 consolidated statement of profit and loss and other comprehensive income with the depreciation and impairment of the relevant assets. For the year ended 30 June 2014, \$1,369,584 has been released (2013: \$1,080,132).

14 Issued Capital

177,736,431 (2013: 131,144,764) fully paid ordinary shares	19,984,691	19,459,231
Total issued capital	19,984,691	19,459,231

Notes to the Financial Statements

For the Year Ended 30 June 2014

14 Issued Capital (continued)

(a) Ordinary shares

	2014 No.	Consolidated		2013 \$
		2014 \$	2013 No.	
At the beginning of the reporting period	131,144,764	19,459,231	131,144,764	19,459,231
Shares issued during the year				
- shares issued pursuant to private placement	17,000,000	170,000	-	-
- shares issued pursuant to resolutions passed at 2013 AGM	20,000,000	200,000	-	-
- shares issued to satisfy a loan in accordance with a resolution passed at the Company's 2013 AGM	5,525,000	57,460	-	-
- shares issued in lieu of cash for services rendered	2,400,000	48,000	-	-
- shares issued to sophisticated investor	1,666,667	50,000	-	-
At the end of the reporting period	177,736,431	19,984,691	131,144,764	19,459,231

The holders of ordinary shares are entitled to participate in dividends (in the event when a dividend is declared) and the proceeds on winding up of the Group. On a show of hands at meetings of the Group, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Group does not have authorised capital or par value in respect of its shares.

In the event of winding up the Company, ordinary shareholders rank after all creditors and are fully entitled to any net proceeds of liquidation.

(b) Capital 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 14, 15 and 16 respectively.

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

15 Reserves

	Note	Consolidated	
		2014 \$	2013 \$
Share option reserve			
Balance at beginning of financial year		795,646	795,646
Share based payments		112,020	-
Balance at end of the year	15(a)	907,666	795,646
Total reserves		907,666	795,646

Notes to the Financial Statements

For the Year Ended 30 June 2014

15 Reserves (continued)

(a) 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.

16 Accumulated losses

	Consolidated	
	2014	2013
	\$	\$
Accumulated losses at the beginning of the financial year	(20,537,955)	(19,088,825)
Net loss attributable to members of the parent entity	(692,150)	(1,449,130)
Accumulated losses at end of the financial year	(21,230,105)	(20,537,955)

17 Cash Flow Information

(a) Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

Net loss	(692,150)	(1,449,130)
Non-cash flows in profit:		
- depreciation	201,322	348,106
- impairment of non-current assets	1,168,262	1,315,330
- net loss from sale of plant and equipment	-	222,845
- share based payments	160,020	-
- non-cash write down of investment in other financial assets	-	19,893
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	7,247	26,383
- (increase)/decrease in other assets	3,508	37,141
- increase/(decrease) in income in advance	(1,369,584)	(857,038)
- increase/(decrease) in trade and other payables	(19,663)	(129,483)
Net cash (used in)/provided by operating activities	(541,038)	(465,953)

18 Share-based Payments

(i) Employee Share Option Plan

The Group 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 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.

Notes to the Financial Statements

For the Year Ended 30 June 2014

18 Share-based Payments (continued)

- 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 the Group 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 can't 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 issued under the plan.
- 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. The expense recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in relation to share-based payments is disclosed in Note 3(c).

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

A summary of the Group options issued is as follows:

2014		Granted during the year	Exercised during the year	Cancelled during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Exercise price WAEP	Start of the year No.	No.	No.	No.	No.	No.
0.50	1,000,000	-	-	-	1,000,000	1,000,000
0.04	-	9,200,000	-	-	9,200,000	9,200,000
	1,000,000	9,200,000	-	-	10,200,000	10,200,000

2013		Granted during the year	Exercised during the year	Cancelled during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Exercise Price WAEP	Start of the year No.	No.	No.	No.	No.	No.
0.33	8,692,641	-	-	-	8,692,641	8,692,641
0.28	-	-	-	(7,692,641)	(7,692,641)	(7,692,641)
	8,692,641	-	-	(7,692,641)	1,000,000	1,000,000

Notes to the Financial Statements

For the Year Ended 30 June 2014

18 Share-based Payments (continued)

The weighted average remaining contractual life of options outstanding at year end was 2.42 years (2013: 2.43 years).

The range of exercise prices for options outstanding at the end of the year was \$0.035 - \$0.12 (2013: \$0.12 - \$1.75).

The weighted average fair value of employee options granted during the year was \$Nil (2013: \$Nil), as no employee options were issued during 2014 and 2013.

Pursuant to various motions passed at the Company's 2013 AGM, on 16 December 2013 a total of 5,100,000 unlisted options with an exercise price of \$0.035 and 4,100,000 unlisted options with an exercise price of \$0.05, both expiring on 15 December 2016 were issued to the Company's key management personnel. The total expense incurred for the share options issued totalled \$112,020. The Company has valued these options using a Black-Scholes option pricing model, using the inputs listed below:

Share price at grant date:	\$0.021
Exercise price:	\$0.035 and \$0.05
Expected share price volatility:	113.80%
Risk-free interest rate:	3.40%
Fair value at grant date:	\$0.0128 and \$0.0114

19 Capital and Leasing Commitments

(a) Operating Leases

	Consolidated	
	2014	2013
	\$	\$
Minimum lease payments under non-cancellable operating leases:		
- not later than one year	-	704
Minimum lease payments	-	704

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.

20 Contingencies

In the opinion of the Directors, the Group did not have any contingencies at 30 June 2014 (30 June 2013:None).

21 Remuneration of Auditors

Remuneration of the auditor of the Company, Grant Thornton Audit Pty Ltd, for:

- auditing or reviewing the financial report	24,250	32,000
Total remuneration of auditors	24,250	32,000

No non-audit services have been provided.

Notes to the Financial Statements

For the Year Ended 30 June 2014

22 Interests in Subsidiaries

	Principal place of business / Country of Incorporation	Percentage Owned (%)* 2014	Percentage Owned (%)* 2013
Parent entity:			
Papyrus Australia Ltd (a)	Australia		
Subsidiaries:			
PPY EU Pty Ltd (b)	Australia	100	100
Papyrus Technology Pty Ltd (b)	Australia	100	100
PPY Manufacturing Pty Ltd (b)	Australia	100	100
Australian Advanced Manufacturing Centre Pty Ltd (b)	Australia	100	100
Pulp Fiction Manufacturing Pty Ltd (b)	Australia	100	100
Papyrus Egypt (c)	Egypt	50	50
Yellow Pallet B.V. (c)	The Netherlands	50	50

*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

- (a) Papyrus Australia Ltd is the head entity within the tax-consolidated group.
- (b) These companies are members of the tax-consolidated group.
- (c) These entities were non-operating shell companies at 30 June 2014.

23 Financial Risk Management

Categories of financial instruments

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

		Consolidated	
		2014	2013
		\$	\$
Financial Assets			
Cash and cash equivalents	6	16,360	151,111
Loans and receivables	7	2,020	9,268
Total financial assets		18,380	160,379
Financial Liabilities			
Financial liabilities at amortised cost			
- Trade and other payables	11	77,534	97,197
- Borrowings	12	149,269	220,442
Total financial liabilities		226,803	317,639

Notes to the Financial Statements

For the Year Ended 30 June 2014

23 Financial Risk Management (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

The Group has adopted a policy of only dealing with creditworthy counterparties 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.

Market risk

(i) Cash flow interest rate sensitivity

The Group is exposed to interest rate risk as it holds some bank deposits at floating rates.

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term deposits are therefore usually at fixed rates. At the reporting date, the Group is exposed to changes in market interest rates through its short term bank deposits, which are subject to variable interest rates.

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +0.50% and -0.50% (2013: +0.50%/-0.50%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions.

The calculations are based on the financial instruments held at each reporting date. All other variables are held constant.

	2014		2013	
	+0.50%	-0.50%	+0.50%	-0.50%
	\$	\$	\$	\$
Cash and cash equivalents				
Net results	1,042	(1,042)	756	(756)
Equity	1,042	(1,042)	756	(756)

Notes to the Financial Statements

For the Year Ended 30 June 2014

23 Financial Risk Management (continued)

(ii) Financial instrument composition and maturity analysis

The Group's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Maturing within 1 Year		Non-interest Bearing		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	%	%	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets:										
Cash and cash equivalents	-	-	16,360	151,111	-	-	-	-	16,360	151,111
Trade and other receivables	-	-	-	-	-	-	2,020	9,268	2,020	9,268
Total Financial Assets			16,360	151,111	-	-	2,020	9,268	18,380	160,379
Financial Liabilities:										
Trade and other payables	-	-	-	-	-	-	77,534	97,197	77,534	97,197
Hire purchase liabilities	6.38	6.38	-	-	149,269	220,442	-	-	149,269	220,442
Total Financial Liabilities			-	-	149,269	220,442	77,534	97,197	226,803	317,639

The Company is not materially exposed to any effects on changes in interest rates.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, whom 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.

Notes to the Financial Statements

For the Year Ended 30 June 2014

24 Related Parties

(a) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

- HLB Mann Judd (SA) Pty Limited has received professional fees for accounting, taxation and secretarial services provided during the year totalling \$40,082 (2013: \$56,788). Mr Donald Stephens, a Non-Executive Director and the Company Secretary, is a consultant with HLB Mann Judd (SA) Pty Limited. All transactions were conducted on commercial terms and were arms length transactions. At 30 June 2014, the Group owed \$6,854 (2013: \$22,603) to HLB Mann Judd (SA) Pty Ltd.
- Einstein's Cafe has received payments in relation to meals and refreshments made available to the staff of Papyrus. Mr Ramy Azer is a director of Einstein's Cafe. Papyrus has made payments of \$78 (2013: \$51) during the financial year. No amount was owed to the entity at 30 June 2014 (2013: \$Nil).
- The Company has an unsecured loan representing 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. The loan is interest bearing at the rate of interest payable by the National Australia Bank Limited on 'Usaver savings accounts' or, '12 month term deposits' (whichever is greater) plus one percent (1%) and is considered payable at the time the loan is repaid.

(b) 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.

(c) Interests of Key Management Personnel (KMP)

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

For details of Key Management Personnel's interests in shares and options of the Company, refer to Key Management Personnel disclosures in the Remuneration Report contained in the Directors' Report.

Notes to the Financial Statements

For the Year Ended 30 June 2014

25 Key Management Personnel Disclosures

Key Management Personnel

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 Vincent Rigano - Non-Executive Director (appointed 27 November 2013)

Mr Andrew Ford - Non-Executive Director (appointed 27 November 2013)

Mr Geoff Whitbread - Chief Executive

Mr Colin Dunsford – Non-Executive Director (retired 27 November 2013)

Totals of remuneration paid

Key management personnel remuneration included within employee expenses for the year is shown below:

	2014	2013
	\$	\$
Short-term employee benefits	78,028	123,750
Post employment benefits	-	-
Share based payments	112,020	-
Total remuneration paid to key management personnel	190,048	123,750

The audited remuneration report contained in the Directors' Report contains details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2014.

Other key management personnel transactions

For details of other transactions with key management personnel, refer to Note 24: Related Party Transactions.

Notes to the Financial Statements

For the Year Ended 30 June 2014

26 Parent entity

The following information has been extracted from the books and records of the parent, Papyrus Australia Ltd and has been prepared in accordance with Accounting Standards.

The financial information for the parent entity, Papyrus Australia Ltd has been prepared on the same basis as the consolidated financial statements except as disclosed below.

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of the parent entity. Dividends received from associates are recognised in the parent entity profit or loss, rather than being deducted from the carrying amount of these investments.

	2014	2013
	\$	\$
Consolidated Statement of Financial Position		
Assets		
Current assets	8,670	156,683
Non-current assets	640,127	1,467,241
Total Assets	648,797	1,623,924
Liabilities		
Current liabilities	376,803	467,639
Non-current liabilities	609,742	2,041,490
Total Liabilities	986,545	2,509,129
Equity		
Issued capital	19,984,691	19,459,231
Accumulated losses	(21,230,105)	(21,140,082)
Reserves	907,666	795,646
Total Equity	(337,748)	(885,205)
Consolidated Statement of Profit or Loss and Other Comprehensive Income		
Total loss for the year	547,457	1,217,637
Other comprehensive loss	-	-
Total comprehensive loss	547,457	1,217,637

Notes to the Financial Statements

For the Year Ended 30 June 2014

26 Parent entity (continued)

Contingent liabilities

Contingent liabilities of the parent entity have been incorporated into the Group information in Note 20. The contingent liabilities of the parent are consistent with that of the Group.

Contractual commitments

Contractual commitments of the parent entity have been incorporated into the Group information in Note 19. The contractual commitments of the parent are consistent with that of the Group.

27 Events Occurring After the Reporting Date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

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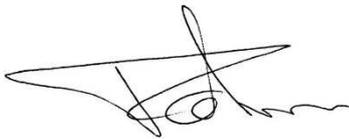
Directors' Declaration

The directors of the Group declare that:

1. the financial statements and notes for the year ended 30 June 2014 are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards, which, as stated in accounting policy note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position and performance of the consolidated group;
2. the Managing Director and Company Secretary have given the declarations required by Section 295A that:
 - a. the financial records of the Group 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, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable with the continuing support of creditors.

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

Director



Mr Ramy Azer
Managing Director

Dated this 30th day of September 2014

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

Report on the financial report

We have audited the accompanying financial report of Papyrus Australia Ltd (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2014, 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

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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 Ltd is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Material uncertainty regarding going concern

The consolidated entity incurred a net loss after tax of \$692,150 during the year ended 30 June 2014, and had a net cash outflow of \$541,038 from operating and investing activities. The consolidated entity continues to be reliant upon completion of capital raising for continued operations and the provision of working capital.

Without qualifying our audit opinion attention is drawn to Note 1(v) Going Concern in the financial report. These conditions 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 amounts stated in the financial report.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2014. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Papyrus Australia Ltd for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J L Humphrey
Partner – Audit & Assurance

Adelaide, 30 September 2014