UNAUDITED

Papyrus Australia Limited

ABN 63 110 868 409

Preliminary Final ASX Report

for the year ended 30 June 2013

	2013 $A	2012 $A		Percentage change
Revenues from ordinary activities	4,185	14,783	down	(72)%
Loss from ordinary activities after tax attributable to the members	(1,419,804)	(5,391,335)	down	74%
Loss for the period attributable to members	(1,419,804)	(5,391,335)	down	74%

Dividends (distributions)

No dividend has been paid during the year ended 30 June 2013

The directors have not proposed a dividend for the year ended 30 June 2013

Net Tangible Assets Per Security - cents	($0.008)	($0.007)

Basis of Financial Report Preparation

This financial report is for the year ended 30 June 2013 and has been prepared in accordance with the Australian Securities Exchange Listing rules as they relate to Appendix 4E and in accordance with the Corporations Act 2001. The accounting policies adopted with the contents of this report are consistent with those of the previous financial year and corresponding interim reporting period. Comments are for the twelve months ended 30 June 2013 with comparatives for the twelve months ended 30 June 2012 shown in parentheses. All amounts are measured in Australian Dollars, unless otherwise specified.

Audit Status

The financial statements contained within this Appendix 4E are in the process of being audited and, as such, the accounts are presented unaudited.

Review of Papyrus Australia Ltd 2013 Results

Corporate

Financial Year 2013 was particularly difficult for the Company with little tangible progress to report. The Directors have been diligent in ensuring the preservation of working capital, carefully monitoring the situation in Egypt and importantly, creating a viable commercial focus for the Company in the coming year, all of which are discussed in this report.
The Company's commercialisation strategy is to be a technology licensing company assisting suitable entities to establish banana veneering and fibre production factories in locations worldwide where bananas are grown. The Company's revenue will be generated from technology licencing fees, machinery sales, support services and dividends from any joint venture entered into. To that end the commercial focus during FY13 was on developing value-add manufacturing processes for composite fibre board and agriculture packaging products.

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

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

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

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

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

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

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

Intellectual Property

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

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

Papyrus Egypt

The Company's objective in Egypt is to develop the world's first integrated commercial banana fibre and banana veneer factory utilising waste banana tree trunks and developing strategic alliances with suppliers of raw materials, users of the factory's off take and distributers 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.

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

Yellow Pallet

In January 2013 the Company's relationship with its partners in the Yellow Pallet concept proposal broke down over a requirement by the other partners for Papyrus to put in further funds to assist in an additional feasibility study, which the Company disagreed with, preferring an approach to generate revenues as a priority. The Company's involvement with this project has not been wasted, as valuable knowledge has been gained and important new relationships have developed for the Company which it is now utilising: ASX Announcement 31 March 2013.

The Australian Advanced Manufacturing Centre Pty Ltd (AAMC)

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

MAP Capital Advisors

During Q1 and 2 of FY13 the Directors have been exploring options for the future of the Company given the difficult economic circumstances in the world economy and particularly in markets where the Company had focused its efforts.

Papyrus Australia Ltd engaged Melbourne based firm MAP Capital Advisors ("MAP Capital") to assist the Company in 3 broad areas, namely:

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

MAP Capital is a leading independent boutique investment and advisory house with offices in Sydney and Melbourne (ASX Announcement 1 March 2013).

The Company expects to be able to inform the market of progress with this assignment in Q1 of FY14.

Update post 30 June 2013

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

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

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

Statement of Profit or Loss and Other Comprehensive Income
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

		Consolidated Group	
		30 June 2013 $	**30 June 2012 $**
Revenue from operating activities	**2 (a)**	4,185	14,783
Other income/(expenses)	**2 (b)**	1,080,132	202,211
Depreciation expense	**2 (c)**	(348,106)	(640,765)
Employee benefits expenses	**2 (d)**	(269,334)	(981,223)
Other expenses	**2 (e)**	(717,981)	(1,162,899)
Impairment expense	**7&8**	(1,315,330)	(3,113,104)
Loss before income tax benefit		(1,566,434)	(5,680,997)
Income tax benefit		146,630	289,662
Loss for the period		(1,419,804)	(5,391,335)
Loss attributable to members of the parent entity		(1,419,804)	(5,391,335)
Other comprehensive income		-	-
Total comprehensive income for the period		(1,419,804)	(5,391,335)
Total comprehensive income attributable to members of the parent entity		(1,419,804)	(5,391,335)
Earnings per share:		*Cents*	*Cents*
Basic earnings per share	**3**	(1.08)	(4.43)
Diluted earnings per share	**3**	(1.08)	(4.43)

Statement of Financial Position
AS AT 30 JUNE 2013

		Consolidated Group	
	Note	30 June 2013 $	30 June 2012 $
CURRENT ASSETS			
Cash and cash equivalents	4	151,111	366,071
Trade and other receivables	5	9,268	35,651
Other current assets	6	3,508	40,649
TOTAL CURRENT ASSETS		163,887	442,371
NON-CURRENT ASSETS			
Property, plant and equipment	7	1,170,737	1,810,628
Intangible assets	8	829,263	2,144,593
Other financial assets		-	19,367
TOTAL NON-CURRENT ASSETS		2,000,000	3,974,588
TOTAL ASSETS		2,163,887	4,416,959
CURRENT LIABILITIES			
Trade and other payables	9	97,197	82,386
Short-term borrowings	10	220,442	26,674
Other current liabilities	12	100,000	100,000
TOTAL CURRENT LIABILITIES		417,639	209,060
NON-CURRENT LIABILITIES			
Long-term borrowings	10	-	11,715
Other non-current liabilities	12	2,000,000	3,030,132
TOTAL NON-CURRENT LIABILITIES		2,000,000	3,041,847
TOTAL LIABILITIES		2,417,639	3,250,907
NET ASSETS		(253,752)	1,166,052
EQUITY			
Issued capital	13	19,459,231	19,459,231
Reserves	14	795,646	795,646
Retained earnings/(accumulated losses)		(20,508,629)	(19,088,825)
TOTAL EQUITY		(253,752)	1,166,052

Statement of Changes in Equity
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

		Consolidated Group			
	Note	Issued Capital $	Retained Earnings/ (Accumulated losses) $	Share Option Reserve $	Total $
Balance at 1 July 2011		18,380,815	(13,697,490)	769,771	5,453,096
Private placement on 9 November 2011	**13**	722,000	-	-	722,000
Private placement on 30 January 2012	**13**	160,000	-	-	160,000
Private placement on 10 February 2012	**13**	200,000	-	-	200,000
Share-based payments	**14**	-	-	25,875	25,875
Transaction costs (net of tax)	**13**	(3,584)	-	-	(3,584)
Total comprehensive income for the period		-	(5,391,335)	-	(5,391,335)
Balance at 30 June 2012		19,459,231	(19,088,825)	795,646	1,166,052
Balance at 1 July 2012		19,459,231	(19,088,825)	795,646	1,166,052
Total comprehensive income for the period		-	(1,419,804)	-	(1,419,804)
Balance at 30 June 2013		19,459,231	(20,508,629)	795,646	(253,752)

Statement of Cash Flows
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

		Consolidated Group	
		30 June 2013 $	30 June 2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		-	41,513
R&D concession received		146,630	363,999
Payments to suppliers and employees		(686,278)	(1,921,417)
Grant funds received		50,000	-
Interest received		4,185	14,783
NET CASH USED IN OPERATING ACTIVITIES	**4 (a)**	(485,463)	(1,501,122)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-	(92,024)
Purchase of development assets		-	(55,607)
Proceeds from sale of property, plant and equipment		88,450	131,700
NET CASH USED IN INVESTING ACTIVITIES		88,450	(15,931)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	1,082,000
Transaction costs on issue of shares		-	(5,121)
Proceeds from borrowings		200,000	
Repayment of borrowings		(17,947)	(26,674)
NET CASH PROVIDED BY FINANCING ACTIVITIES		182,053	1,050,205
Net (decrease)/increase in cash and cash equivalents		(214,960)	(466,848)
Cash at the beginning of the financial period		366,071	832,919
CASH AT THE END OF THE FINANCIAL PERIOD	**4**	151,111	366,071

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation

The Preliminary Final Report has been prepared in accordance with ASX Listing Rule 4.3A and has been derived from the unaudited consolidated Annual Financial Report.

The Preliminary Final Report has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The Financial Report also complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board. In preparing the Preliminary Financial Report, Papyrus Australia Ltd is a for-profit entity.

The Preliminary Final Report is presented in Australian dollars and has been prepared on the basis of historical cost except where assets and liabilities are stated at their fair values in accordance with relevant accounting policies.

The consolidated Annual Financial Report is in the process of being audited and will be made available prior to 30 September 2013. This Report should also be read in conjunction with any public announcements made by Papyrus during the year in accordance with the continuous disclosure requirements arising under the Corporations Act 2001 and ASX Listing Rules.

b. Basis of consolidation

The consolidated financial statements comprise the financial statements of Papyrus Australia Ltd and its subsidiaries as at 30 June each year (the Group).

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

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

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

c. Business combinations

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

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

d. Revenue Recognition

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

Sale of goods

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

Interest income

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

e. Government grants

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

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

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

f. Borrowing costs

Borrowing costs are recognised as an expense when incurred.

g. Leases

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

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

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

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

h. Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of 3 months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

i. Trade and other receivables

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

j. Income tax

Income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses. Current and deferred tax expense attributable to amounts recognised directly in equity is also recognised directly in equity.

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

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

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

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

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

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

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

k. Goods and Services Tax (GST)

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

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

- receivables and payables, which are stated with the amount of GST included.

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

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

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

I. Property, plant and equipment

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

Depreciation is calculated on a straight-line over the estimated useful life of the assets as follows:

Plant and equipment 2.5 - 10 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Impairment

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

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

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

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

For plant and equipment, impairment losses are recognised in the statement of comprehensive income in a combination of functional expense items.

m. Intangible assets

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

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

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

n. Trade and other payables

Trade payables and other payables are carried at cost 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.

o. 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.

p. Employee leave 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 year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than year 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 wages increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to matrity that match the expected timing of cash flows.

q. Share-based payment transactions

The Group provides benefits to employees and consultants of the Group in the form of share-based payments, whereby employees or consultants receive option 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 directors and employees.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The cost is recognised as an expense in the income statement, together with a corresponding increase in the share option reserve, when the options are issued. The fair value is determined using the Black Scholes option pricing model.

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

r. Contributed equity

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

s. Earnings per share

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

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

t. Significant accounting judgements and key estimates

The preparation of financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing this report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2012.

In the year ended 30 June 2013, management reassessed its estimates in respect of:

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

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

2. REVENUE AND EXPENSES

	Consolidated Group	
	30 June 2013 $	**30 June 2012 $**
REVENUE		
(a) Revenue from operating activities		
Interest received from other parties	4,185	14,783
	4,185	14,783
(b) Other income		
Grant revenue	1,080,132	202,211
	1,080,132	202,211
EXPENSES		
(c) Depreciation of non-current assets		
Plant and equipment	348,106	640,765
Total depreciation	348,106	640,765
(d) Employee benefits expense		
Wages, salaries and other remuneration expenses	262,384	1,012,324
Superannuation expense	6,950	24,820
Transfer to/(from) annual leave provision	-	(81,796)
Share based payments expense	-	25,875
Total employee benefits expense	269,334	981,223
(e) Other expenses		
Audit fees	32,000	37,000
Legal fees	850	38,537
Professional services	134,829	249,092
Travel and accomodation	54,037	106,955
Company secretarial	38,124	21,670
Rent	33,931	165,914
Communications expense	15,226	21,839
Share registry and ASX expenses	40,069	64,503
Marketing expenses	-	3,558
Motor vehicle costs	17,406	17,344
Factory operating costs	19,817	24,025
Net loss on disposal of plant and equipment	283,371	357,469
Other expenses	48,321	54,993
	717,981	1,162,899

3. EARNINGS PER SHARE

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

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

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

	Consolidated Group	
	2013	**2012**
	$	**$**
Net loss attributable to ordinary equity holders of the parent	(1,419,804)	(5,391,335)
	2013	**2012**
Weighted average number of ordinary shares for basic earnings per share	131,144,764	121,606,841
Effect of dilution		
Share options	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	131,144,764	121,606,841

Earnings per share:	*Cents*	*Cents*
Basic earnings per share	(1.08)	(4.43)
Diluted earnings per share	(1.08)	(4.43)

In accordance with AASB 133 ‘Earnings per Share’, as potential ordinary shares may only result in a situation where their conversion results in an increase in loss per share or decrease in profit per share from continuing operations, no dilutive effect has been taking into account.

4. CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2013	**2012**
	$	**$**
Cash at bank and in hand	151,111	832,919
	151,111	832,919

	Consolidated Group 2013 $	Consolidated Group 2012 $
Reconciliation to Statement of Cash Flows		
For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 30 June:		
Cash at banks and in hand	151,111	366,071
	151,111	366,071

	2013 $	2012 $
4(a) Reconciliation of net loss after tax to net cash flows from operations		
Net loss	(1,419,804)	(5,391,335)
Adjustments for non-cash items:		
Impairment of assets	1,315,330	3,113,104
Depreciation	348,106	640,765
Share-based payments	-	25,875
Non cash tax expense	-	1,537
Net (profit)/loss from sale of property, plant and equipment	283,371	357,469
Non cash write down	19,367	-
Changes in assets and liabilities		
Decrease/(Increase) in trade and other receivables	26,383	16,900
Decrease/(Increase) in other current assets	37,141	33,707
Increase(Decrease) in trade and other payables	(65,225)	(293,041)
Increase/(Decrease) in provisions	-	81,796
Increase/(Decrease in deferred income	(1,030,132)	(87,899)
Net cash from operating activities	(485,463)	(1,501,122)

5. TRADE AND OTHER RECEIVABLES

Current

	2013 $	2012 $
Trade receivables	9,568	18,353
Net GST receivable	(300)	17,298
	9,268	35,651

6. OTHER CURRENT ASSETS

	Consolidated Group 2013 $	Consolidated Group 2012 $
Prepayments	3,508	34,149
Other	-	6,500
	3,508	40,649

7. PROPERTY, PLANT AND EQUIPMENT

	Consolidated Group 2013 $	Consolidated Group 2012 $
Plant and equipment		
Cost		
Opening balance	2,854,344	1,650,601
Additions	-	72,657
Disposals	(535,994)	(441,769)
Transfer from capital works in progress	-	3,886,615
Impairment of assets	-	(2,313,760)
	2,318,350	2,854,344
Accumulated depreciation		
Opening balance	1,043,716	443,446
Depreciation for the period	348,106	640,765
Disposals	(244,209)	(40,495)
	1,147,613	1,043,716
Net book value of plant and equipment	1,170,737	1,810,628
Capital works in progress		
Cost		
Opening balance	3,886,615	3,886,615
Additions	-	-
Transfer to plant and equipment	(3,886,615)	(3,886,615)
Net book value of capital works in progress	-	-
Total net book value of property, plant and equipment	1,170,737	1,810,628

No impairment loss has been recognised in the 2013 financial statements in relation to property, plant and equipment (2012: $2,313,760).

8. INTANGIBLE ASSETS

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

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

9. TRADE AND OTHER PAYABLES

Trade payables	62,254	56,824
Sundry payables and accrued expenses	34,943	25,562
	97,197	82,386

10. BORROWINGS

SHORT-TERM BORROWINGS		
Finance Lease	20,442	26,674
Unsecured loan (a)	200,000	-
	220,442	26,674
LONG-TERM BORROWINGS		
Finance Lease	-	11,715
	-	11,715

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

	Consolidated Group	
	2013	2012
	$	$

11. PROVISIONS

	2013 $	2012 $
Short term		
Opening balance	-	66,608
Net increase/(decrease) in provision during financial year	-	(66,608)
Closing balance	-	-
Long term		
Opening balance	-	15,188
Net increase/(decrease) in provision during financial year	-	(15,188)
Closing balance	-	-

12. OTHER NON-CURRENT LIABILITIES

	2013 $	2012 $
Current		
Deferred income +	100,000	100,000
	100,000	100,000
Non-current		
Opening balance 1 July	3,030,132	3,118,031
Receipt of grants	50,000	114,312
Release of grant income	(1,080,132)	(202,211)
Closing balance 30 June ++	2,000,000	3,030,132

+ Deferred income of $100,000 represents the initial non-refundable deposit from the Egyptian Fibre Company ("EBFC") for machinery to be built and delivered by the Company. For further information refer to the Company's release to the ASX dated 20 October 2011.

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

13. ISSUED CAPITAL

	Consolidated Group 2013	Consolidated Group 2012
131,144,764 fully paid ordinary shares (2012: 131,144,764)	19,459,231	19,459,231
	19,459,231	19,459,231

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

14. RESERVES

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

15. SHARE BASED PAYMENTS

Employee Share Option Plan

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

- All employees (full time and part time) will be eligible to participate in the Plan.
- Options are granted under the Plan at the discretion of the board and if permitted by the board, may be issued to an employee's nominee.
- Each option is to subscribe for one fully paid ordinary share in the Company and will expire 5 years from its date of issue. An option is exercisable at any time from its date of issue (provided all relevant vesting conditions, if applicable, have been met. Options will be issued free. The exercise price of options will be determined by the board. The total number of shares the subject of options issued under the Plan, when aggregated with issues during the previous 5 years pursuant to the Plan and any other employee share plan, must not exceed 5% of the Company's issued share capital.

- If, prior to the expiry date of options, a person ceases to be an employee of a Group company for any reason other than retirement at age 60 or more (or such earlier age as the board permits), permanent disability, redundancy or death, the options held by that person (or that person's nominee) automatically lapse on the first to occur of a) the expiry of the period of 30 days from the date of such occurrence, and b) the expiry date. If a person dies, the options held by that person will be exercisable by that person's legal personal representative.
- Options cannot be transferred other than to the legal personal representative of a deceased option holder.
- The Company will not apply for official quotation of any options.
- Shares issued as a result of the exercise of options will rank equally with the Company's previously issued shares.
- Option holders may only participate in new issues of securities by first exercising their options.

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

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) and movements in share options issued during the year (including those issues outside of the ESOP plan):

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

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

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

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

16. INTEREST IN SUBSIDIARIES

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

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

17. 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.

18. SUBSEQUENT EVENTS

No matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either:

- The entity's operations in future financial years;
- The results of those operations in future financial years; or
- The entity's state of affairs in future financial years.

19. GOING CONCERN

The financial report has been prepared on the basis of going concern. The company continues to be economically dependent on generating profits from the business and/or raising additional capital for the continued development of its Banana Ply Project and working capital. The Company continues to be in consultation with its advisers to evaluate alternative means of raising additional capital.

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

COMPLIANCE STATEMENT

1. This report has been prepared in accordance with AASB Standards, other authoritative pronouncements and Urgent Issues Group Consensus Views.

2. This report gives a true and fair view of the matters disclosed.

3. This report is based on accounts which are in the process of being audited

Ramy Azer
Managing Director

30 August 2013