UNAUDITED

Papyrus Australia Limited

ABN 63 110 868 409

Preliminary Final ASX Report

for the year ended 30 June 2014

	2014 $A	2013 $A		Percentage change
Revenues from ordinary activities	158	4,185	down	(96)%
Loss from ordinary activities after tax attributable to the members	(638,094)	(1,449,130)	down	56%
Loss for the period attributable to members	(638,094)	(1,449,130)	down	56%

Dividends (distributions)

No dividend has been paid during the year ended 30 June 2014

The directors have not proposed a dividend for the year ended 30 June 2014

Net Tangible Assets Per Security - cents	($0.002)	($0.008)

Basis of Financial Report Preparation

This financial report is for the year ended 30 June 2014 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 2014 with comparatives for the twelve months ended 30 June 2013 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.

Statement of Profit or Loss and Other Comprehensive Income
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

		Consolidated Group	
		30 June 2014 $	30 June 2013 $
Revenue from operating activities	**2 (a)**	158	4,185
Other income/(expenses)	**2 (b)**	1,390,258	1,080,132
Depreciation expense	**2 (c)**	(100,636)	(348,106)
Employee benefits expenses	**2 (d)**	(293,381)	(269,334)
Other expenses	**2 (e)**	(365,545)	(717,981)
Impairment expense	**7&8**	(1,268,948)	(1,315,330)
Loss before income tax benefit		(638,094)	(1,566,434)
Income tax benefit		-	117,304
Loss for the period		(638,094)	(1,449,130)
Loss attributable to members of the parent entity		(638,094)	(1,449,130)
Other comprehensive income		-	-
Total comprehensive income for the year		(638,094)	(1,449,130)
Total comprehensive income attributable to members of the parent entity		(638,094)	(1,449,130)

Earnings per share:		*Cents*	*Cents*
Basic earnings per share	**3**	(0.40)	(1.10)
Diluted earnings per share	**3**	(0.40)	(1.10)

Statement of Financial Position
AS AT 30 JUNE 2014

	Note	Consolidated Group 30 June 2014 $	Consolidated Group 30 June 2013 $
CURRENT ASSETS			
Cash and cash equivalents	**4**	16,360	151,111
Trade and other receivables	**5**	56,077	9,268
Other current assets	**6**	-	3,508
TOTAL CURRENT ASSETS		72,437	163,887
NON-CURRENT ASSETS			
Property, plant and equipment	**7**	630,416	1,170,737
Intangible assets	**8**	-	829,263
TOTAL NON-CURRENT ASSETS		630,416	2,000,000
TOTAL ASSETS		702,853	2,163,887
CURRENT LIABILITIES			
Trade and other payables	**9**	77,534	97,197
Short-term borrowings	**10**	149,269	220,442
Other current liabilities	**11**	150,000	150,000
TOTAL CURRENT LIABILITIES		376,803	467,639
NON-CURRENT LIABILITIES			
Other non-current liabilities	**11**	609,742	1,979,326
TOTAL NON-CURRENT LIABILITIES		609,742	1,979,326
TOTAL LIABILITIES		986,545	2,446,965
NET ASSETS		(283,692)	(283,078)
EQUITY			
Issued capital	**12**	19,984,691	19,459,231
Reserves	**13**	907,666	795,646
Retained earnings/(accumulated losses)		(21,176,049)	(20,537,955)
TOTAL EQUITY		(283,692)	(283,078)

Statement of Changes in Equity
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

		Consolidated Group			
	Note	Issued Capital $	Retained Earnings/ (Accumulated losses) $	Share Option Reserve $	Total $
Balance at 1 July 2012		19,459,231	(19,088,825)	795,646	1,166,052
Total comprehensive income for the period		-	(1,449,130)	-	(1,449,130)
Balance at 30 June 2013		19,459,231	(20,537,955)	795,646	(283,078)
Balance at 1 July 2013		19,459,231	(20,537,955)	795,646	(283,078)
Shares issued via private placement on 4 October 2013	**12**	170,000	-	-	170,000
Fair value of shares issued, in lieu of cash for services rendered	**12**	48,000	-	-	48,000
Shares issued pursuant to resolutions passed at the Company's AGM 2013	**12**	200,000	-	-	200,000
Shares issued to satisfy a loan in accordance with a resolution passed at the Company's 2013 AGM	**12**	57,460	-	-	57,460
Fair value of share-based payments - options	**13**	-	-	112,020	112,020
Shares issued to sophisicated investor on 6 May 2014	**12**	50,000	-	-	50,000
Total comprehensive income for the period		-	(638,094)	-	(638,094)
Balance at 30 June 2014		19,984,691	(21,176,049)	907,666	(283,692)

Statement of Cash Flows
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

		Consolidated Group	
		30 June 2014 $	30 June 2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		-	8,785
R&D concession received		-	146,630
Payments to suppliers and employees		(541,196)	(675,553)
Grant funds received		-	50,000
Interest received		158	4,185
NET CASH USED IN OPERATING ACTIVITIES	**4 (a)**	(541,038)	(465,953)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-	-
Purchase of development assets		-	-
Proceeds from sale of property, 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	-
Transaction costs on issue of shares		-	-
Proceeds from borrowings		-	200,000
Repayment of borrowings		(13,713)	(17,947)
NET CASH PROVIDED BY FINANCING ACTIVITIES		406,287	182,053
Net (decrease)/increase in cash and cash equivalents		(134,751)	(214,960)
Cash at the beginning of the financial year		151,111	366,071
CASH AT THE END OF THE FINANCIAL YEAR	**4**	16,360	151,111

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 2014. 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 2014.

In the year ended 30 June 2014, 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 2014, the commercialisation of the project was not yet complete.

2. REVENUE AND EXPENSES

	Consolidated Group	
	30 June 2014 $	30 June 2013 $
REVENUE		
(a) Revenue from operating activities		
Interest received from other parties	158	4,185
	158	4,185
(b) Other income		
Grant revenue	1,390,258	1,080,132
	1,390,258	1,080,132

Refer to note 11 for further information regarding the release of grant revenue.

EXPENSES		
(c) Depreciation of non-current assets		
Plant and equipment	100,636	348,106
Total depreciation	100,636	348,106
(d) Employee benefits expense		
Wages, salaries and other remuneration expenses	174,987	262,384
Superannuation expense	6,374	6,950
Share based payments expense	112,020	-
Total employee benefits expense	293,381	269,334
(e) Other expenses		
Audit fees	24,250	32,000
Legal fees	6,930	850
Professional services	70,991	134,829
Travel and accomodation	57,779	54,037
Directors fees	-	-
Company secretarial	9,935	38,124
Rent	10,037	33,931
Communications expense	11,530	15,226
Share registry and ASX expenses	53,932	40,069
Motor vehicle costs	17,771	17,406
Factory operating costs	22,126	19,817
Net (profit)/loss on disposal of plant and equipment	(535)	222,845
Fixed asset write off	-	60,526
Other expenses	80,799	48,321
	365,545	717,981

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	
	2014	**2013**
	$	**$**
Net loss attributable to ordinary equity holders of the parent	(638,094)	(1,449,130)
	2014	**2013**
Weighted average number of ordinary shares for basic earnings per share	158,435,358	131,144,764
Effect of dilution		
Share options	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	158,435,358	131,144,764

Earnings per share:	*Cents*	*Cents*
Basic earnings per share	(0.40)	(1.10)
Diluted earnings per share	(0.40)	(1.10)

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 2014 $	Consolidated Group 2013 $
Cash at bank and in hand	16,360	151,111
	16,360	151,111

	Consolidated Group 2014 $	Consolidated Group 2013 $
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	16,360	151,111
	16,360	151,111

4(a) Reconciliation of net loss after tax to net cash flows from operations		
Net loss	(638,094)	(1,449,130)
Adjustments for non-cash items:		
Impairment of assets	1,268,948	1,315,330
Depreciation	100,636	348,106
Share-based payments	160,020	-
Non cash tax expense	-	-
Net (profit)/loss from sale of property, plant and equipment	-	222,845
Non cash write down	-	19,893
Changes in assets and liabilities		
Decrease/(Increase) in trade and other receivables	(46,809)	26,383
Decrease/(Increase) in other current assets	3,508	37,141
Increase(Decrease) in trade and other payables	(19,663)	(129,483)
Increase/(Decrease) in provisions	-	-
Increase/(Decrease) in deferred income	(1,369,584)	(857,038)
Net cash from operating activities	(541,038)	(465,953)

5. TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2014	2013
	$	$
Current		
Other receivables	55,587	9,568
Net GST receivable	490	(300)
	56,077	9,268

6. OTHER CURRENT ASSETS

	Consolidated Group	
	2014	2013
	$	$
Prepayments	-	3,508
	-	3,508

7. PROPERTY, PLANT AND EQUIPMENT

	Consolidated Group	
	2014	2013
	$	$
Plant and equipment		
Cost		
Opening balance	2,318,350	2,854,344
Disposals	-	(535,994)
Impairment of assets	(439,685)	-
	1,878,665	2,318,350
Accumulated depreciation		
Opening balance	1,147,613	1,043,716
Depreciation for the period	100,636	348,106
Disposals	-	(244,209)
	1,248,249	1,147,613
Net book value of plant and equipment	630,416	1,170,737
Total net book value of property, plant and equipment	630,416	1,170,737

In 2014, an impairment loss of $439,685 (2013: nil) represented the group writing down its property, plant and equipment to its recoverable amount. This was recognised in the statement of comprehensive income in the line item “Impairment expense”. The recoverable amount was based on value in use and determined using the insured value.

8. INTANGIBLE ASSETS

	Consolidated Group 2014 $	Consolidated Group 2013 $
Patents and intellectual property		
Cost		
Opening balance	766,447	766,447
Impairment of assets	(766,447)	-
	-	766,447
Development costs		
Cost		
Opening balance	62,816	1,378,146
Impairment of assets	(62,816)	(1,315,330)
Net book value of development costs	-	62,816
Total net book value of intangible assets	-	829,263

In 2014, an impairment loss of $829,263 (2013: $1,315,330) represented the group writing down its patents and intellectual property to nil. This was recognised in the statement of comprehensive income in the line item “Impairment expense”.

9. TRADE AND OTHER PAYABLES

	2014	2013
Trade payables	43,832	62,254
Sundry payables and accrued expenses	33,702	34,943
	77,534	97,197

10. BORROWINGS

SHORT-TERM BORROWINGS

	2014	2013
Finance Lease	6,729	20,442
Unsecured loan (a)	142,540	200,000
	149,269	220,442

(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.

11. OTHER NON-CURRENT LIABILITIES

	Consolidated 2014 $	Consolidated 2013 $
Current		
Deferred income +	150,000	150,000
	150,000	150,000
Non-current		
Opening balance 1 July	1,979,326	3,030,132
Receipt of grants	-	29,326
Release of grant income	(1,369,584)	(1,080,132)
Closing balance 30 June ++	609,742	1,979,326

+ Deferred income of $150,000 represents the initial non-refundable deposit from the Egyptian Fibre Company ("EBFC") for machinery to be built and delivered by the Company.

++ 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 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 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, $1,390,258 has been released (2013: $1,080,132).

12. ISSUED CAPITAL

	Consolidated Group 2014	Consolidated Group 2013
177,736,431 fully paid ordinary shares (2013: 131,144,764)	19,984,691	19,459,231
	19,984,691	19,459,231

Ordinary shares

	2014 Number	2014 $	2013 Number	2013 $
Balance at beginning of year	131,144,764	19,459,231	109,504,764	18,380,815
Shares issued pursuant to private placement	17,000,000	170,000	21,640,000	1,082,000
Shares issued pursuant to resolutions passed at the Company's AGM 2013	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	-	-
Transaction costs (net of tax)	-	-	-	(3,584)
Balance at end of financial year	177,736,431	19,984,691	131,144,764	19,459,231

13. RESERVES

	Consolidated Group 2014 $	Consolidated Group 2013 $
Share-option reserve	907,666	795,646
	907,666	795,646

Share-option reserve		
Balance at beginning of financial year	795,646	795,646
Share based payments	112,020	-
Balance at end of financial year	907,666	795,646

14. 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):

	2014 No.	2014 WAEP	2013 No.	2013 WAEP
Outstanding at the beginning of the year	1,000,000	0.50	8,692,641	0.33
Granted during the year	9,200,000	0.04	-	-
Expired during the year	-	-	(7,692,641)	0.28
Outstanding at the end of the year	10,200,000	0.54	1,000,000	0.50
Exercisable at the end of the year	10,200,000	0.54	1,000,000	0.50

The weighted average remaining contractual life for the share options outstanding as at 30 June 2014 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).

Grant date	Number of instruments	Vesting conditions	Contractual life of options
16 December 2013	5,100,000	Not Applicable	3 years
16 December 2013	4,100,000	Not Applicable	3 years

On 16 December 2013, pursuant to a mandate executed with MAP Advisors, the Company granted (without vesting conditions) a total of 9,200,000 options in lieu of advisory services rendered. The Company has valued these options using a black-scholes model, using the below listed inputs.

Fair value at grant date	$0.0128 & $0.0114
Share price	$0.021
Exercise price	$0.035 & $0.05
Expected volatility	113.8%
Risk-free interest rate	3.40%

15. INTEREST IN SUBSIDIARIES

Name of entity	Country of Incorporation	Ownership Interest 2014 %	Ownership Interest 2013 %
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 2014.

16. 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.

17. 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.

18. 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

29 August 2014