ACN 111 723 883

ANNUAL FINANCIAL REPORT

For the year ended 30 June 2013

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CORPORATE DIRECTORY

Directors
Mr Richard Caldwell – Executive Chairman
Mr Gordon Thompson – Non Executive Director
Mr Ian Neal – Non Executive Director
Mr Gerry Grove-White – Non Executive Director
Mrs Nicola Swift – Non Executive Director

Company Secretary
Mr Kim Hogg

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CHAIRMAN'S LETTER

Dear Dyesol shareholders,

What a difference 12 months makes! Slowly but surely during 2013 Dyesol has emerged from the shadows of the solar market crisis to stake its claim as a lead contender for technology supremacy. Its share price has increased by 291% during the period and at the time of writing is 355% higher than June 30 2012. We still have a long way to go, but, importantly, we are well clear of listing price and the trend is positive. An even greater benefit is that the focus and emphasis of Company activities is on positive technical and business developments, rather than fighting for survival.

2013 is all about solid-state dye sensitised solar cells (ssDSC) - a truly remarkable advance in our technology. Revolution, not evolution! Simply, it ticks all the boxes of cost, efficiency and durability (and a few more). Currently, the official accredited world record efficiency is 14.1% however efficiencies exceeding 15% are being achieved in the laboratory and experts are forecasting well beyond 20% as achievable not too distantly. Certainly, there is scale-up or development work to be accomplished before the technology can be fully translated into commercial outcomes, but the obstacles appear far fewer. For the impatient, this is best described as taking one step backwards and three steps forwards. The big corporations are more interested in DSC than ever and mainly frustrated by the fact that Dyesol has its foot on something that they don't. Hence, we must remain vigilant on all fronts and not forget the good business practices that have allowed us to succeed where others have failed. Soon, it will be time to prosper, we hope.

The competitive environment still remains somewhat opaque. However, with the cheapest material set across all generations of technology, ssDSC is a winner. Importantly, Dyesol is now in a far stronger position to assert its commercial position and it is pressing its partners for better attention and focus. Undoubtedly, the global building materials industry is still suffering and a clear line needs to be drawn between Dyesol's building integrated photovoltaic (BIPV) proposition and building materials per se. Growth in solar installations is indisputably strong. As result of its repositioning, Dyesol will negotiate a more independent way forward partnering with large multi-nationals where the benefits are mutual and equitable. This is representative of current discussions in Wales and the behaviour of government there is admirable in nurturing technology and focus on long-term value and job creation.

By this time next year I would like to report a clear pathway to commercialisation for both glass and steel. The detail will address materials and module manufacture, sales, marketing, warranty and distribution. There are also detailed plans for intermediate product which will accelerate the Company's strive to revenue and profitability. This is the subject of a detailed FY2014 business plan, but clearly commercially sensitive and the subject of further partner negotiation.

While reflecting on the highs and lows of the year, Dyesol was pleased with the results of its share purchase plan (SPP). Although relatively small, it was a way of rewarding loyal investors for their valuable support through tougher times. It was even more satisfying to see that share price gains that came from positive technology announcements were sustained through this issuance with shareholders enjoying strong capital gains and the benefits of a very liquid share market. Further progress in market capitalisation and liquidity should see the Company included in more S&P indices, thus attracting an even more diverse shareholder base. By and large, though, the current share register is very "sticky" and the envy of other technology companies.

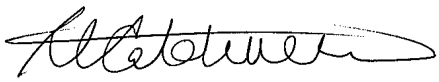
Since reducing its staffing levels during 2011 and 2012 to better manage costs it has now stabilised. It is gratifying for the Board to have the strong and loyal support of such skilled and talented people. We are many nationalities and spread quite thinly globally, however the response to Company challenges is always united and determined. During September 2013 we will implement the Dyesol Share Rights Plan across the entire work force. This is an important part of staff retention and reward for performance. Senior executives, in particular, will have their share vesting tied directly to the Dyesol share price performance relative to the ASX Small Ordinaries Index and also to specific personal key performance indicators. Dyesol is keen to see merit based remuneration. More than ever, it is promoting younger, high achievers to areas of key corporate responsibility to bring energy and drive to activities. As a pre-revenue company, it is important to find ways to compensate high achievement without squandering precious cash resources.

In terms of recruitment, the Board has also refreshed and recently announced the appointment of Mrs Nicola Swift. Board appointments continue to target talent and diversity to help navigate the Company through the challenges of corporate strategy and governance. From my point of view, the Board is now a cohesive and functional unit, always questioning, but never unprofessional, self-interested or divisive.

It is with some regret the Company has just witnessed the change of federal government. When elected to power, the Labor government promised proactive measures to tackle climate change. In many respects they delivered, with implementation sometimes betraying the quality of intent. Climate change is not fiction and Dyesol has a technology that can directly make a lasting impact. We look forward to working with the new government and trust that the policy void created by the change is not allowed to fill with coal dust.

Dyesol thanks its shareholders for their excellent commitment and financial support and looks forward to engaging with them over the year.

Yours faithfully,



Richard Caldwell

Chairman

Dyesol Limited

OPERATIONS REVIEW

Summary

Dyesol enjoyed a strong year with focus on shoring up its balance sheet, progressing towards industrialisation and asserting its position as the global leader in DSC technology. The Business Plan and Technology Development Plan for FY2014 reflect the introduction of new technology and its planned mass exploitation. In providing strong annual returns to its shareholders during the FY2013 period it has been rewarded for its financial prudence and attention to risk management.

Industry and Market Conditions

Global solar indices bottomed in November 2012 and have since recovered strongly to be approximately 100% higher than their low-point. At the time of writing the trend remains positive. Although the recovery was somewhat predictable, it was very reassuring and represents a strong response from the industry to improve both technical and financial performance in response to severe external challenges. As Dyesol predicted last year, solar industry rationalisation would ultimately have positive consequences and leave fewer companies in a better position from which to benefit in the coming years. The opportunity for Dyesol and solar is still blindingly large. Stabilisation of the market, advancement of its technology and greater access to risk capital are vital factors that will allow Dyesol to finally profit from the strong foundations that it has built since listing.

DSC Technology Research and Development

For the past 20 years there has been steady progress in taking DSC from the laboratory to the manufacturing plant. However, technology durability has always provided concerns when working with liquids. Not so much from the scientists, but more from the investors given the very considerable sums involved in providing a global solution for the enablement and integration of the technology into buildings. From every perspective the financial sums are large and the need for risk management of product liability absolutely critical. Dyesol has been focussed on these real and perceived challenges from the beginning. This has translated into significant improvement to electrolytes, encapsulants, seals and barriers, in particular. Note, for example, the excellent performance achieved by Dyesol panels in stringent durability tests based on the IEC 61646 international standard where benchmarks were exceeded by 400%, announced to the ASX in May 2013.

Liquid material sets have now been superseded by solid-state material sets, however. This is a qualified statement as there are some applications where the liquid material set is more than adequate. The advent of solid-state DSC is a revolution, not evolution, and justifies our funding separate liquid and solid-state development programmes in parallel, particularly in the past 2 - 3 years. Concerns relating to durability are now dashed away and it is time for detailed planning on the scale-up and industrialisation of the new material set. Clearly, the stock market has understood the importance of recent technical breakthroughs relating to solid-state by strongly rerating the Company's share price with each successive and positive announcement.

Dyesol has now translated these new and exciting developments into a revised Business Plan and an all new Technology Development Plan, which exceeds the previous technology roadmap in its detailed and costed implementation plan.

Dyesol currently has an Australian Government grant application which is designed to further rationalise and modernise its manufacturing facility and assist with the introduction of solid-state materials and processes. Long-term benefits and savings are expected to come in the form of more efficient work practices and reduced rent.

Intellectual Property

The creation, management and protection of its intellectual property (IP) is critical to Dyesol and the successful exploitation of its DSC technology.

Dyesol has two principal sources of IP, the École Polytechnique Fédéral de Lausanne (EPFL) and internally generated patents and know-how. To the former, there is access by the limited number of EPFL licensees and the latter is for the exclusive exploitation of Dyesol and its industrial partners.

In addition, our research collaboration with the Energy Research Institute at Nanyang Technological University (NTU) in Singapore with a two-year agreement will see a sharing of resources to create scalable and commercially feasible solid state Dye Solar Cell technology (DSC). Under the agreement, NTU and Dyesol will share Intellectual Property (IP) and Dyesol will have the opportunity to take out commercialisation rights for the new IP granted under this agreement.

Dyesol's IP strategy is steadfast. However, the advent of solid-state technology has caused a rationalisation by Dyesol of its IP portfolio. This means Dyesol's portfolio will be reduced by approximately 40% - 50% with future emphasis and spend on technology relating specifically to the scale-up of solid-state materials, processes and device architectures. This is consistent with prudent financial and knowledge management practices and will translate into same or lower related legal expenses. Surplus IP will be sold or retired. Importantly, Dyesol will retain access to the enormous IP pipeline in cultivation at the EPFL and it looks forward to close collaboration for translation from the laboratory to the production line.

The new material set involves use of perovskites as sensitisers, replacing dye, and the use of solid-state electrolytes such as Spiro, replacing iodine and cobalt based liquid electrolytes. Dyesol has already filed a related patent.

Business and Corporate Developments

Much work and sharing of ideas has been undertaken with Tasnee and its subsidiary, Cristal over the past 12 to 15 months. Tasnee has emerged as a key potential strategic investor in Dyesol and holds both a $4 million redeemable convertible note and an option to invest a further $16 million. This is a symbiotic relationship and has proceeded in a highly co-operative and respectful way. Tasnee is a successful Saudi-based, multi-national corporation operating in the global petro-chemical and titania markets and shares Dyesol's vision. There are opportunities for further investment, materials development and geographical access that would otherwise be difficult for Dyesol to achieve. It is invigorating for the management and staff to have a partner used to long-term product development cycles and patient and significant risk capital. Dyesol looks forward to working closely with Tasnee to confirm its investment.

Manufacturing Collaborations

Dyesol is recasting its business model to enable it to better exploit its technology. Formerly, Dyesol was keenly focussed on the provision of materials only. However, the new material is very significantly cheaper than the former liquid-based materials set and greater value may be realised by deeper vertical integration by Dyesol. This means that in Dyesol's new business model and with improved financial resources Dyesol is considering capturing greater and more diverse margin in the areas of materials, IP royalties and possibly module manufacture. This has potential for greater absolute profitability and represents an opportunity to diversify risk across some or all of the value creation process. That said, Dyesol recognises its commercial limitations, particularly in the areas of large-scale manufacture and distribution, and will fortify relationships in these areas to ensure exploitation is checked sufficiently by good risk management practices. Hence, it expects to remain 'capital light' as has been its intent from day one.

Dyesol has existing collaborations with prestigious and large industrial players in their field.

Tata Steel Europe Collaboration

Tata Steel Europe (TSE) has activities throughout Wales including relevant activity at Shotton in North Wales and Baglan in South Wales at SPECIFIC. Dyesol has enjoyed a good year at Shotton working closely with the new material set and supplying a significant chapter of the new business plan for commercialisation of solid-state DSC on steel to complement discussions with the Welsh Government, TSE and Tasnee. The focus of ongoing work is product durability in order to meet the demands of accreditation for the built environment. Dyesol hopes to announce related advances with new demonstration building projects over the current financial year.

Dyesol has continued to explore areas for close collaboration with TSE during the financial year, despite the expiry of the exclusivity period enjoyed by it in July 2013. It is well understood that the traditional or core steel industry is experiencing severe financial hardship at present due to global oversupply and weakness in construction and new housing starts. This has clearly inhibited TSE's ability to proceed as it once proposed. Hence, current discussions have included additional parties and government in an effort to better apportion technical risk and financial responsibility. Dyesol welcomes this broader approach as it means that better focus on the opportunity of DSC enabled steel will occur. The market "push" from original partners remains very strong, especially given recent technical breakthroughs, and the "pull" from the solar market is almost palpable. Market penetration of Building Integrated Photovoltaics (BIPV) is negligible in the UK and it remains highly prospective. In discussion, given its superior technical position, Dyesol now considers itself more in control of its commercial destiny than ever.

DyeTec Solar Joint Venture

Dyesol’s joint venture with Pilkington North America (PNA), named Dyetec Solar, is based in Ohio, USA and focuses on glass applications for DSC technology in the built environment. Activity in the past year has covered new designs and attention to product durability. Novel techniques based on laser sealing, in particular, have forged significant improvements in durability.

Next significant steps for this joint venture are still very much dependent on future funding. The Ohio Third Frontier Fund (OTFF) has recently changed its terms of engagement and it now appears more likely that the next significant tranche of risk capital set aside for this activity will come from elsewhere. This will allow Dyesol to rationalise its glass development activities in Australia, Korea and North America whilst remaining closely tied to Pilkington for the supply of its industry leading transparent conductive oxide glass (TCO) around the globe.

It is important to emphasise the very important advances that solid-state materials contribute to glass applications. Apart from higher efficiency, lower cost and longer life, manufacturability is vastly improved. At nano thicknesses, new glass applications will also be more homogeneous, have greater active area and have improved transparency and aesthetics. Essentially, solid-state enabled glass DSC is expected to be easily integrated into the built environment and better able to overcome technical and regulatory hurdles than any competing technologies.

Dyesol-Timo Joint Venture

Dyesol's investment in Dyesol-Timo remains very active. Dyesol-Timo is a hub for glass tile development activity and also distribution of materials into academic R&D activities in Korea. Under any rationalisation of global glass activities under a common business plan, the expertise and resources of Dyesol-Timo will play an important role. Activity in Korea is noted for its high quality, commercial focus and ready access to market. Of course, the transition to a new material set has required revisions to all business plans, but the ultimate possibility looks very promising.

In accord with this promise, Dyesol-Timo is currently involved in detailed due diligence with a Korean multi-national conglomerate for significant refunding, scale-up and commercialisation. The densely populated, high-rise cities of Asia have little or no solar market penetration and are well situated for commercial exploitation. In a credit to the Korean Government, their financial assistance has been a mainstay of this joint ventures success.

Merck Bulk Materials Manufacturing Collaboration

Dyesol has a joint development program with Merck, one of the world leaders in the development and production of ionic liquids - a key material used in DSC electrolytes.

Under this collaboration, both partners contribute to the synthesis, formulation and testing of high stability, scalable electrolyte formulations. Particular focus is given to alternative solvent evaluation for improved long term stability, particularly at elevated temperatures such as 85°C or above, where solar panels have to operate and pass international quality standards such as IEC 61646. The jointly developed Ultra High Stability Electrolyte sets the industry standard.

Dyesol and Merck are currently refreshing their Joint Collaboration Agreement with prospect to further new areas of co-development in solid-state materials. This is a key relationship in terms of creating and capturing intellectual property.

Marketing and Promotion

Dyesol is an industry leader in the manufacture and sale of materials for DSC applications. Its strengths are in organo-metallic dyes, nano-structured titania, high stability electrolytes and sealants. It has also developed niche products such conductive silver inks for non-core exploitation. We were very proud during the year to have solid state DSC cell efficiencies results exceeding 15% being achieved in the laboratory work at EPFL using Dyesol titania paste. This attention to quality has allowed Dyesol to enjoy a close collaboration with EPFL and is highly propitious for future developmental and scale-up work together.

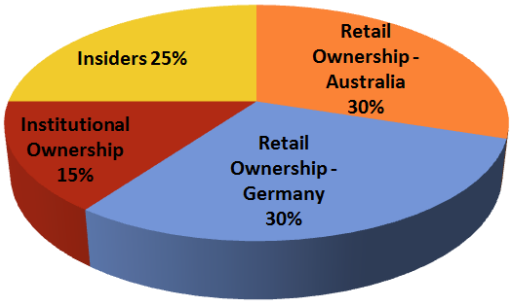
In our quest for improved sales and distribution, Dyesol released a new ecommerce website and product catalogue during the year. This has translated almost immediately into greater market capture with many new clients attracted to the high quality products and the ease of doing multi-currency business with Dyesol. The company expects further cross-selling opportunities to emerge from this increased sales activity.

It is important to comment that while material sales were lower for the year than in previous years, this is a reflection of the changing material set from liquid to solid rather than a loss of market share. Research programmes are being refocussed and Dyesol is moving to accommodate the changing needs of customers. Dyesol intends to extend its product range, which services the academic and corporate R&D community and helps subsidise 'burn', with additional solid-state material products at the beginning of calendar 2014. Of course, it is also preparing for large scale production for internal use in industrial scale projects.

Further, the Company has strongly grown its shareholder base during the period through the efforts of its Brand Manager, Angela Geary. In mid 2012, Dyesol had approximately 4,800 shareholders. By 30 June 2013 the shareholder count had increased to nearly 5,300. Proactive media and investor outreach during the year increased awareness of Dyesol and supported much higher liquidity both in Australian and German capital markets. The per cent share of retail ownership in these countries has also markedly increased as more individuals access information about Dyesol through the new website, eNewsletter, investor briefs, radio interviews, webcasts, press and other channels and choose to invest in Dyesol and a clean energy future for the masses.

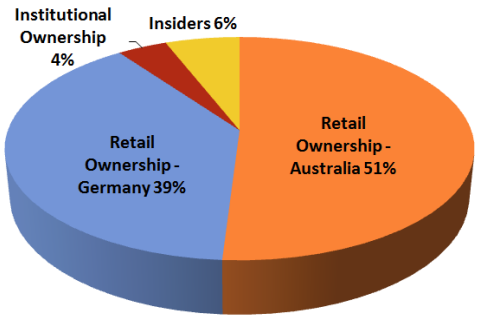
Dyesol Shareholder Structure June 2012

Approximately 196 million issued ordinary shares.



Dyesol Shareholder Structure 30 June 2013

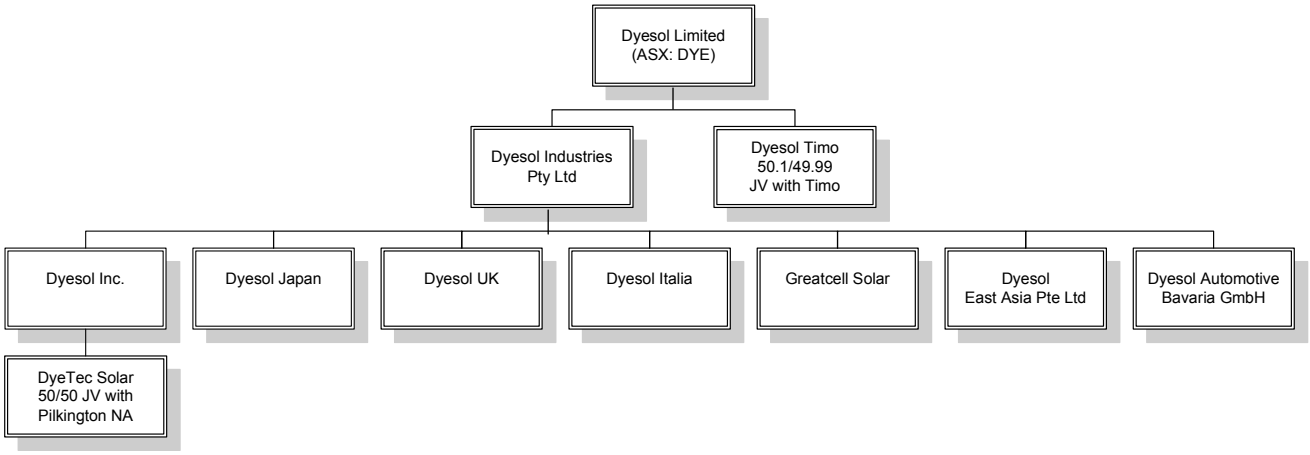
Approximately 221 million issued ordinary shares.



Corporate Structure

Dyesol Limited is a global company and the parent to a group of companies which operate in specific geographic jurisdictions around the world, including: Australia, the United Kingdom, Italy, Switzerland, the United States of America, Japan, Singapore, and South Korea. The overall corporate structure is shown in the chart below and has been conceived to maximise access to in-country government funding, particularly in UK, Europe and USA.

Dyesol Group of Companies Organisation Chart:



Each company is incorporated within the country shown and is required to operate within the laws of the country of incorporation and applicable financial regulations and corporations law.

Each subsidiary is also required to comply with the legislative and regulatory framework that the parent company, Dyesol Limited, is required to operate within. In addition, each subsidiary is required to comply with the delegated authority, governance guidelines and policy framework of the Company, Dyesol Limited. In certain jurisdictions it is mandatory to have a resident Director on the Board.

The structure is regularly reviewed to ensure it meets the objectives for which each subsidiary was established. Changes to the operating environment within any particular region may result in operational or structural changes. This is part of the ongoing operational review that identifies where savings can be made with little or no impact on company operations. As with Dyesol Automotive Bavaria last year, Dyesol Japan is currently being closed as it no longer meets our strategic objectives.

Dyesol Staff

Dyesol is an innovative technology company and employs a highly skilled technical and scientific team to innovate and drive technology development and commercialisation activities. The Company invests heavily in the core R&D work undertaken by the various specialist technical groups and supports their work at bringing next generation Dye Solar Cell technology to the mass market in collaboration with our manufacturing partners. This high calibre technical team is supported with well-equipped training rooms which are regularly used for in-house training sessions, with well-equipped R&D facilities, and through support for continuing education through fee assistance, sponsorship of further study, study leave, and supported attendance at international scientific conferences for educational purposes.

The Executive Committee is led by the Executive Chairman and CEO, Richard Caldwell. It is represented by executives based in Australia, UK, Europe and USA and meets fortnightly. Damion Milliken, formerly Manager of R&D, has recently been promoted to Chief Technical Officer giving him broader responsibilities and authorities within the Company. He also chairs the Technology Committee and participates in the IP Committee. During the year, Dyesol also promoted Luca Sorbello to Head of Sales. He is responsible for corporate sales and is based in Europe, reflecting Dyesol's understanding of growth opportunities. In a recently negotiated arrangement, smaller sales will increasingly be executed by Sigma Aldrich our agent based in the USA.

Dyesol has a comprehensive Operational, Health and Safety policy which supports a safe and healthy workplace for all staff, a Company Code of Conduct designed to support a positive, professional atmosphere at work and regulate the work environment. This is an important function in a chemical manufacturing company and Ben Jausnik, a long-time employee, now manages and co-ordinates all related compliance, education and reporting.

Sustainability at Dyesol

Dyesol is a sustainable company and two key aspects of Dyesol's business operations and philosophy make it an environmentally sustainable business and investment option:

1. Dyesol's Dye Solar Cell technology is a sustainable, renewable, non-toxic, clean energy technology; and
2. Dyesol's everyday business operations are conducted in an environmentally conscientious way.

In Dyesol's 2013 Sustainability Report the environmental advantages of Dye solar Cell technology (including low embodied energy, use of readily available and low toxicity raw materials, a being a value-add technology which can be integrated into products rather than standalone), commitment to environmental sustainability in business operations (including saving electricity, saving water, recycling and reusing, and limiting waste), social responsibility through commitment to staff and the community, and corporate responsibility are presented.

As a renewable energy company, Dyesol 's commitment and engagement on sustainability issues is a cornerstone of the Company's philosophy and a key driver in our ongoing quest to commercialise the world's cleanest solar technology through direct product integration in the building integrated photovoltaics sector.

Financial Review

Emphasis of Matter - Going Concern

Dyesol remains a technology commercialisation company in an early revenue stage of development and the Directors of the company recognise that additional investment capital will be required from time to time. As stated in the *Going Concern* Note 1(b) the Directors are still of the opinion at the conclusion of the current exclusivity period the company strategic investor will proceed with an equity based investment in the company which substantially addresses the going concern material uncertainty.

Emphasis of Matter - Impairment

The company has impaired intangible assets in recognition of the transition from liquid based from solid state DSC systems. This assessment involved a detailed evaluation to determine the applicability of the intangible assets for use in next generation solid state DSC systems and other revenue generating activities. As stated in Note 1(y) while no formal commitment has been received the Directors are still of the opinion it is likely that the DSC PV project will continue in a form that will generate sufficient revenue that supports the carrying revenue of these assets.

Financing and Equity (Refer to Consolidated Statement of Changes in Equity, Notes 16 and 23)

Dyesol commenced the year with 196,044,602 ordinary shares on issue and completed it with 221,361,987 shares on issue, an increase of 25,317,385 shares. As at June 30 2013, Dyesol had paid-up capital of $80,079,832 and a market capitalisation of $70,835,836 based on a closing price of 32 cents per share, while its fully diluted market capitalisation based on the anticipated conversion of a $4,000, 000 convertible note and an option to invest $16,000,000 at 18 cps was $107.2 million.

The principal contributor to the increase in issued capital was the issue of 24,098,015 shares at 16.6 cents to raise $4,000,250 from the Dyesol Share Purchase Plan (SPP). Under the Company's Employee Share Ownership Plan (ESOP) 847,357 share rights also vested, converting from share rights to ordinary shares.

Dyesol issued 372,013 ordinary shares to employees during the year as a result of their annual performance reviews and employment agreements.

Expenditure on Operations and Investments (Refer to Consolidated Statement of Cash Flows)

Net cash operating activities usage for FY2013 of $4.3 million was significantly lower than in FY2012 which was $10.1 million. This reflects a reduction of $5.8 million which demonstrated that cost controls are having an impact, assisted with an additional $2.2 million of R&D rebates receipts compared to last year. Customer receipts decreased by $249,321 from last year due to the difficult global economy. Despite the income reductions, the Company's cost saving measures and prudent discretionary spending has assisted in lowering the gross cash usage in operating activities from $903,463 average per month last year to $603,033 per month, excluding R&D rebates.

Net cash reserves were $5.2 million at financial year end, as a result of a successful Share Purchase Plan of $4 million and an investment of $4 million from The National Industrialization Company of Saudi Arabia (Tasnee).

Assets and Liabilities (Refer to Consolidated Statement of Financial Position and Notes 7 to 15 inclusive)

The Company's balance sheet finished the financial year with total net assets of $10.7 million, a decrease of $4.1 million, due mainly to the impairment provision and goodwill write-down (total $2.5 million - see Note 12).

The current liabilities increased by $3.03 million, due mainly to the $3.3 million borrowings (net after equity component) for the Tasnee's convertible note. The parent entity has issued a 15 month redeemable convertible note for a face value of $4 million on 14 March 2013 with a 0% coupon, in return for an investment of $4 million from The National Industrialization Company of Saudi Arabia (Tasnee). The conversion rate into Dyesol shares is at 16.6 cents per share. The notes are convertible into ordinary shares of the parent entity, at the option of the holder, or repayable on 14 June 2014. In addition, the CSIRO convertible notes liability of $1.2 million was reclassified into non-current liability, compared to last year's as a current liability because of the re-negotiated terms of the contract.

Trade and other receivables decreased by $216,683 due mainly to the fall in sales activity during the year and the focus on major projects. The fall in revenues was largely because sales of materials based on the liquid-state material set are falling as research and development programmes respond to the advent of solid-state materials. Solid-state materials will be less in volume and cost, but herald the beginning of a highly competitive solar technology.

During the year the Company has made a provision for slow moving inventory of $328,122, which reflected in the decrease in inventory by $429,225. The Company is aware of commercial activity by manufacturers of DSC consumer products using liquid based systems which mean that there is a good possibility that the current book value of these materials, such as ruthenium based dyes, will be realised.

Profit and Loss (Refer to Consolidated Statement of Profit or Loss and Other Comprehensive Income, Notes 2 and 3)

This year results showed an increase in financial net loss by 6% to $9.4 million. This was caused mainly by the impairment provision of $2,251,239 for the metal strip product development costs and the write-down of goodwill for Greatcell Solar SA of $298,279 (recognised in administration and corporate expenses - see Note 12).

Excluding these two non-cash and one off items, the adjusted financial loss was $6.9 million, a significant decrease in financial loss by 23% from the previous year ($8.9m). The major contributors to the reduced loss were due to a smaller Dyesol employee share ownership plan share based payment expense of $97,630 (2012: $601,345) i.e. reduced by $503,715, and a lower Group wages and salaries cost by $937,238.

Corporate development expenditure and administration cost reductions were achieved through a decrease in depreciation expense (reduced by $186,189), decreased in travel expense of $200,431 and a net reduction in the doubtful debts expense by $401,724. A tighter focus on new business development and has resulted in lower marketing expenditure by $605,857.

Revenue decreased by 48% from continuing operations during the year, down from $1.84 million in FY 2012 to $957,094 in FY 2013, resulting in lower gross margin contribution by $347,638. As explained above, this fall in materials and equipment sales is largely due to the transition in R&D activity from liquid to solid-state systems. Some larger scale commercial activity has also stalled to consider the implications of the new material sets.

The directors of Dyesol Limited present their report on the consolidated entity (Group), consisting of Dyesol Limited and the entities it controlled at the end of, and during, the financial year ended 30 June 2013.

DIRECTORS

The directors of the Company at any time during the year and to the date of this report are:

Mr Richard Caldwell (BEc, LLB, F Fin)

Executive Chairman *- appointed 20 October 2009*

Mr Caldwell, aged 51, as the Executive Chairman of the Board of Directors for Dyesol Limited, is chair of the Executive Committee and takes executive responsibility for business development, investor relations, capital raising and also assists with substantial contract negotiations.

Richard has a strong background in advising many successful high-tech Australian companies and assisting with public listing – particularly in the technology, biotechnology, and telecommunications sectors. He also brings considerable experience in the oil and gas, resources, and infrastructure sectors.

Before joining Dyesol, Richard had a twenty-five year career in finance. He was Head of Corporate Finance and Equity Capital Markets at StoneBridge, Head of Equity Capital Markets at Burdett Buckeridge and Young, and held a number of senior management positions at Citibank in Sydney and JP Morgan in London.

Richard holds a Bachelor of Laws and a Bachelor of Economics from Sydney University. Until recently he was a Fellow of Macquarie University where he conceived and taught the masters subject of Equity Capital Markets. He also has a Post Graduate Diploma in Finance from Finsia. Recently he was appointed as chairman of the Ascham School Foundation, a public company.

Mr Gordon Thompson (BE (Hons), M.EngSc, FIE (Aust), MAICD)

Non-Executive Director *- appointed 9 November 2004*

Mr Thompson, aged 66, as a Non-Executive Director of Dyesol Limited shares responsibility with the Board of Directors for developing corporate strategy, contributing to business and strategic planning, commercialisation projects and marketing programs. Gordon chairs the Audit and Remuneration Committees, is a Director of a number of Dyesol subsidiaries, and provides expert advice in commercial, operational activities and key relationship management.

Gordon brings an extensive background and experience in renewable energy and water resources sectors and international business development. He was the founding Managing Director of the United Nations sponsored International Centre for the Application of Solar Energy, the inaugural Chairman of the Sustainable Energy Industry Association of Australia, a Director of the Business Council for Sustainable Energy and Chairman of the Australian Indonesian Business Council (WA Chapter).

Mr Thompson assisted in the initial public listing of Dyesol and brings great depth of experience in business development, international business activities, business strategy and corporate management. He had an extensive and diverse leadership career at Melbourne Water Corporation, managing complex and large-scale water infrastructure projects and operations, and established a new business unit focussed on international operations. Gordon has a detailed knowledge of the Australian and international renewable energy market and an extensive national and international network in the government and private sector.

Mr Thompson was a Director at C@, an ASX listed company, where he assisted the Board through a critical business transition phase for the company.

Gordon holds a Bachelor of Electrical Engineering (Honours) and a Master of Engineering Science from Monash University, completed the Advanced Managed Program of the (now) Melbourne University Business School, is a Fellow of the Institution of Engineers Australia and a Member of the Australian Institute of Company Directors.

Mr Ian Neal (B Com, SF Fin)

Non-Executive Director *- appointed 8 September 2006*

Mr Neal, aged 56, as a Non-Executive Director of Dyesol Limited shares responsibility with the Board of Directors for developing corporate strategy, contributing to business and strategic planning, commercialization projects and marketing programs.

In addition to his work with Dyesol, Mr Neal is a Chairman for The Executive Connection and works with CEOs and entrepreneurs to help them maximize the value of their businesses.

Mr Neal was a co–founder and Managing Director of Nanyang Ventures Pty Ltd, which had a total of $140 million under management, invested in 27 companies across a range of industries from high technology to advanced manufacturing. Companies backed by Nanyang ranged from start up to $50 million in revenue.

Mr Neal has a strong background in financial markets, moving up the ranks from equities analyst through various executive banking positions until establishing Nanyang Ventures in 1993 with his partners.

DIRECTORS (CONT'D)

Mr Neal is a Life Member of the Financial Services Institute of Australasia and is a past National President of the former Securities Institute. Ian holds a Bachelor of Commerce with Merit from the University of NSW (double major in Business Finance and Accountancy) and a Diploma from the Securities Institute of Australia.

Gerry Grove-White, BSc (Hons) Mechanical Engineering

Non-Executive Director *– appointed 10 August 2011*

Mr Grove-White, aged 63, as a Non-Executive Director of Dyesol Limited shares responsibility with the Board of Directors for developing corporate strategy, contributing to business and strategic planning, commercialization projects and marketing programs.

Mr Grove-White brings over 40 years' international experience in power generation (gas, oil, coal, nuclear, wind, hydro and geothermal). His experience includes extensive project management and financing of IPPs, in addition to a wide range of operational engineering experience.

In addition to his work with Dyesol, he is a Non-Executive Director of Adani Mining Pty Ltd.

Mr Grove-White was the Managing Director of Geodynamics - an Australian geothermal company and has also held a number of senior management roles around the world, including Managing Director of Eraring Energy and COO of Tata Power (India's largest private generator).

Mr Grove-White also worked for PowerGen for 12 years during which time he was Country Director for PowerGen's business in India. PowerGen India successfully developed, financed, constructed and subsequently operated a 700MW CCGT in Gujarat, along with developing a number of other IPP's. In addition to his time in India, he managed PowerGen's European generating and mining assets in Germany, Hungary, and Portugal.

Gerry has a Bachelor of Science (Honours) in Mechanical Engineering from City University, London. He is a Member of the Institution of Mechanical Engineers, a Chartered Engineer, and has a Certified Diploma in Accountancy and Finance. In 1993 he attended the London Business School's Senior Executive Programme.

Mrs Nicola Swift (CFA, BA (Mod) Legal Science, MA, MAICD)

Non-Executive Director *- appointed 6 September 2013*

Mrs Swift, aged 51, as Non-Executive Director of Dyesol Limited, shares responsibility with the Board of Directors for developing corporate strategy, contributing to business and strategic planning, commercialization projects and marketing programs.

Mrs Swift has a deep interest and experience in business with over 15 years in the international investment management and securities industry. Her expertise is in rigorously analysing and investing in a range of both listed and private companies at varying stages of their development. She has held senior roles as a Fund Manager, Equity Analyst and Director of Global Research in a career divided between London, Sydney and Boston with global institutional investors Alliance Capital Management, AMP, and Independence Investment Associates.

Mrs Swift is a Chartered Financial Analyst, holds a Law Degree and a Master of Arts from Trinity College, Dublin and is a Member of the Australian Institute of Company Directors. She is an ex-Vice Chairman of the Board of Trustees of the Meadowbrook School in Massachusetts and is currently a Board Member of the Ascham Foundation in Sydney.

Dr Gavin Tulloch (BSc (Hons), PhD, CIEA, FAICD)

Executive Director *– appointed 26 October 2010, resigned 7 September 2012*

Dr Tulloch resigned as a director during the year.

Mrs Sylvia Tulloch (BSc, MSc)

Non-Executive Director *– appointed 20 October 2009, ceased 30 November 2012*

Mrs Tulloch resigned as a director after failing to receive shareholder support for her re-election at the 2012 AGM.

DIRECTORSHIPS IN OTHER LISTED ENTITIES

Directorships of other listed entities held by directors of the Company during the three years immediately before the end of the year are as follows:

Director	Company	Period of directorship From	To
Mr I Neal	Intrapower Limited	May 2007	September 2011
	Pearl Health Care Limited	October 2008	February 2012
	Prime Media Group Limited	June 2008	Present
Mr G Thompson	C@ Limited	August 2006	October 2010

COMPANY SECRETARY

Mr Kim Hogg (B Com), aged 54, was appointed to the position of company secretary on 9 November 2004. He has worked in the private sector for more than nineteen years as a principal of an accounting practice providing specialist services to clients seeking to raise capital and list on ASX. He has predominantly been involved in the preparation of prospectuses and in compliance work as company secretary for both listed and unlisted entities, and is currently secretary of several ASX-listed companies.

DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of the Company during the financial year ended 30 June 2013:

Director	Board Meetings A	Board Meetings B	Audit Committee Meetings A	Audit Committee Meetings B	Remuneration Committee Meetings+ A	Remuneration Committee Meetings+ B
Mr R Caldwell	21	21	-	-	2	2
Mr G Thompson	21	21	3	3	2	2
Mr I Neal	21	17	3	3	2	2
Mr G Grove-White	21	19	-	-	-	-
Dr G Tulloch	8	3	-	-	-	-
Mrs S Tulloch	13	12	-	-	-	-

A - number of meetings held during the time the Director held office during the year

B - number of meetings attended

+ held adjunct to board meetings

The Remuneration Committee members are comprised of Mr G. Thompson (chairman), Mr R. Caldwell and Mr I. Neal.

DIRECTORS' INTERESTS

The relevant interest of each director held directly, indirectly or beneficially in the shares, options and rights issued by the Company at the date of this report is as follows:

Director	Ordinary shares	Options	Rights
Mr R Caldwell (1)	3,356,043	1,000,000	-
Mr G Thompson (2)	2,330,058	1,000,000	-
Mr I Neal	200,000	1,000,000	-
Mr G Grove-White	30,425	-	200,000

DIRECTORS' INTERESTS (CONT'D)

1. 746,043 shares are held by Richard Caldwell, the trustee of the Frith Superannuation Fund, of which Richard Caldwell is the sole beneficiary.
2. Includes 1,790,308 shares held indirectly in the Thompson Family Superannuation Fund of which Mr Thompson is the joint trustee and a beneficiary of 1,750,308 shares. In addition 539,750 shares are held directly by Mr Thompson.

PRINCIPAL ACTIVITIES

During the year, the principal activities of the Company consisted of the industrialisation and commercialisation of Dye Solar Cell (DSC) technology, through the provision of a range of products and services including materials, consulting, R&D, collaborative product development, licensing, training, and turnkey manufacturing and laboratory facilities.

RESULTS

The result of the consolidated entity for the year ended 30 June 2013 was a loss after income tax of $9,396,196 [2012: $8,878,004].

OPERATING AND FINANCIAL REVIEW

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the review of operations on pages 4 – 9 of this Annual Report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Nil.

DIVIDENDS

No dividend has been declared or paid by the Company to the date of this report.

EVENTS SUBSEQUENT TO THE END OF REPORTING PERIOD

- The Company has commenced with the liquidation process required for the closing of its subsidiary company, Dyesol Japan Co. Ltd., which results from the further rationalisation of the Group operations to minimize costs. It is expected that the liquidation process will be completed during September 2013.
- On 29th August 2013 the Company received $2,840,785 research and development tax refund for the financial year ending 30 June 2013. This amount was recorded as other receivables at 30 June 2013.
- The due diligence by Tasnee has now concluded in relation to a strategic investment of $16 million in Dyesol. In planning for exercise of this investment option, Dyesol has agreed to extend the exercise period by 2 months to 14 November 2013.
- Dyesol has invested SGD75,000 in a strategic investment in Printed Power Pty Ltd, a spinoff company out of Nanyang Technological University (NTU). Printed Power is initially focussing on the integration of Dye Solar Cell (DSC) technology with printed storage and power management systems to create fully integrated Combined Energy Generation and Storage devices.

LIKELY DEVELOPMENTS

Information about likely developments in the operations of the Company is contained in the Operations and Corporate Review.

ENVIRONMENTAL REGULATION

The consolidated entity is subject to significant environmental regulation, in particular with respect to its manufacturing activities. The Board through its Senior Management Committee, monitors its environmental performance obligations. The consolidated entity has complied with all environmental regulations. Dyesol Australia Pty Ltd, the Dyesol subsidiary in which most manufacturing is undertaken, has established an Occupational Health and Safety Committee.

SHARE OPTIONS

There were no share options or performance share rights granted to any directors or key management personnel of the Company as part of their remuneration during and since the end of the financial year.

SHARES

There were 84,000 shares issued to one of the key management personnel of the Company as part of their remuneration during and since the end of the financial year.

Unissued ordinary shares

At the date of this report, unissued ordinary shares of the Company under option and share rights were:

Options

Expiry Date	Exercise Price	Number of Options
27 November 2013	$1.20	1,000,000
30 November 2013	$1.00	2,000,000
23 December 2013	$0.89	500,000
4 August 2014	$0.70	500,000
29 April 2015	$0.925	2,500,000

Performance rights (Dyesol Performance Right Plan)

Grant Date	Exercise Price	Vesting Date	Number of Rights
21 November 2011	-	21 November 2013	200,000
7 February 2013	-	31 December 2013	50,000
31 July 2013	-	30 September 2013	33,000

Rights exercised/ vested

The following ordinary shares of Dyesol Limited were issued during or since the end of the financial year as a result of exercise/vesting of rights granted under the Dyesol Limited Employee Incentive Option Plan:

Date Rights Granted	Date Shares Issued	Issue Price of Shares	Number of Shares Issued
22 June 2010	15 October 2012	-	847,357

No amounts are unpaid on these shares.

INDEMNIFICATION AND INSURANCE OF OFFICERS

Indemnification

The Company has agreed to indemnify current and former directors of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet to the maximum extent permitted by law, the full amount of any such liabilities, including costs and expenses.

Indemnification and insurance of auditors

No indemnities have been given to or insurance premiums on behalf of, during or since the end of the period, for any person who is or has been auditor of the Group.

Insurance Premiums

The Company paid a premium, during the year in respect of a director and officer liability insurance policy, insuring the directors of the Company, the company secretary, and all executive officers of the Company against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses' insurance contracts as such disclosure is prohibited under the terms of the contract.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

NON-AUDIT SERVICES

During the year Grant Thornton Audit Pty Ltd, the Company's auditor has performed certain other services in addition to their statutory duties. The Board is satisfied that the provision of those non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. On the advice of the Audit Committee, the directors are satisfied that the provision of non audit services as set out below did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the related practices of Grant Thornton Audit Pty Ltd for non-audit services provided during the year are set out below.

	2013 $	2012 $
Services other than statutory audit provided by an associated firm of Grant Thornton Audit Pty Ltd:		
- tax compliance	35,398	20,100

REMUNERATION REPORT - AUDITED

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the consolidated entity in accordance with the requirements of the Corporations Act 2001 and the Corporations Regulations 2001.

For the purposes of this report, key management personnel of the consolidated entity are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company.

KEY MANAGEMENT PERSONNEL

The key management personnel for the consolidated entity during the year were:

Mr R Caldwell	Executive Chairman (Acting CEO from 1 February 2013)
Dr G Tulloch	Non-executive Director (resigned 7 September 2012)
Ms S Tulloch	Non-executive Director (ceased 30 November 2012)
Mr G Thompson	Non-executive Director
Mr I Neal	Non-executive Director
Mr G Grove-White	Non-executive Director
Mr K L Niu	Chief Financial Officer
Mr M Thomas	President & CEO Dyesol Inc.
Dr A King	Director Dyesol UK Ltd
Mr C Moore	Manager, Steel
Mr D Milliken	R&D Manager
Dr H Desilvestro	Chief Scientist
Mr D Bundy	GM – Operations (resigned 9 April 2013)
Mr K Hogg	Company Secretary

The Company currently has an Acting CEO and will recruit a permanent CEO when its business plan for technology commercialisation and the business plans of its partners are finalised.

REMUNERATION COMMITTEE

The directors have authority and responsibility for planning, directing and controlling the activities of the Company and the consolidated entity. The Board has established a Remuneration Committee which provides advice on remuneration and incentive policies and practices. If necessary, the committee obtains independent advice on the appropriateness of remuneration packages given trends in comparable companies and in accordance with the objectives of the Company.

PRINCIPLES OF REMUNERATION

Compensation levels for key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives. The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The Committee has engaged independent remuneration consultants to provide any necessary information to assist in the discharge of its responsibilities (refer page 17 below).

The structures take into account the capability and experience of the key management personnel, as well as the key management personnel's ability to control the performance of their division.

Compensation packages can include a mix of fixed compensation and equity-based compensation as well as employer contributions to superannuation funds.

Shares and options may only be issued to directors subject to approval by shareholders in general meeting.

The consolidated entity does not have any scheme relating to retirement benefits for its key management personnel, other than payment of statutory superannuation contributions.

REMUNERATION STRUCTURE

The structure of non-executive directors' remuneration is clearly distinguished from that of executives.

Non-executive director remuneration

The Company's Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting of members. Total remuneration for all non-executive directors, last voted upon by shareholders at the 2012 Annual General Meeting, is not to exceed $400,000 per annum. Directors' fees cover all main board activities and membership of committees. Non-executive directors may receive performance rights under the Dyesol Performance Right Plan as a performance related compensation subject to shareholders' approval at the Annual General Meeting, statutory superannuation and no retirement benefits.

REMUNERATION STRUCTURE (CONT'D)

The vesting conditions currently applicable to the Directors' Performance Rights are as follows:

- 50% will vest provided there is an uninterrupted directorship for a period of 2 years from the date of issue of the Performance Rights; and
- 50% will vest based on the Company's share price outperforming the ASX Small Ordinaries Index over a period of 2 years from the date of issue of the Performance Rights.

Executive remuneration

Remuneration for executives is set out in employment and business service agreements.

Executive directors may receive performance related compensation but do not receive any retirement benefits, other than statutory superannuation.

Fixed compensation

Fixed compensation consists of base compensation as well as employer contributions to superannuation funds. Compensation levels are reviewed annually through a process that considers individual and overall performance of the consolidated entity.

Equity-based compensation (long-term incentives)

Equity-based long-term incentives may be provided to key management personnel via the Dyesol Performance Right Plan ("Plan") (refer to Note 23 to the financial statements). The incentives under the Scheme are provided as share rights over ordinary shares of the Company and may be provided to key management personnel based on their position within the Group. Vesting conditions may be imposed on any options granted, in accordance with the Scheme's terms and conditions. Such incentives are considered to promote continuity of employment and provide additional incentive to recipients to increase shareholder wealth.

The Plan is designed to:

- assist with the attraction and retention of directors, executives, senior managers and employees;
- continue to motivate and drive performance at both the individual and corporate level; and
- strengthen the alignment between employee and shareholder interests.

Use of remuneration consultants

The Company Remuneration Committee has employed the services of CRA Plan Managers Pty Ltd from time to time to review and to provide recommendations in respect of the amount and elements of executive remuneration, including short-term and long-term incentive plan design.

Under the terms of the engagement, CRA Plan Managers Pty Ltd has not provided any remuneration consulting services during the year as defined in section 9B of the Corporations Act 2001, and was paid $4,869 for other services.

CRA Plan Managers Pty Ltd has confirmed that for the previous financial periods any remuneration consulting services and recommendations have been made free from undue influence by members of the group's key management personnel.

CRA Plan Managers Pty Ltd was engaged by, and reported directly to, the chair of the Remuneration Committee. The agreement for the provision of remuneration consulting services was executed by the chair of the Remuneration Committee under delegated authority on behalf of the board.

As a consequence, the board is satisfied that the recommendations were made free from undue influence from any members of the key management personnel.

Consequences of performance on shareholder wealth

At this stage of the Group's development, the prime focus remains on the commercialisation of the Group's technology and expansion of activities to new markets and regions. The Group is yet to reach profitability, with main drivers towards wealth creation being business partnerships, contract R&D, licensing, and sale of equipment and materials. The link between financial results and share price movements has therefore yet to be established. Consequently, the policy towards remuneration has not addressed criteria based on profitability, but rather on project outcomes and developments in the Group's technology base.

REMUNERATION REPORT - AUDITED (CONT'D)

The following table sets out summary information about the Group's loss and movement in share price for the last 5 years:

	2008/09	2009/10	2010/11	2011/12	2012/2013
Net Loss for the year	$9,914,748	$14,372,212	$17,284,551	$8,878,004	$9,396,196
Dividends paid	nil	nil	nil	nil	nil
Change in share price	($0.13)	$0.16	($0.57)	($0.37)	$0.21
Share price at beginning of the period	$1.02	$0.89	$1.05	$0.48	$0.11
Share price at end of the period	$0.89	$1.05	$0.48	$0.11	$0.32
Loss per share	8.54 cents	11.04 cents	11.92 cents	4.83 cents	4.75 cents

SERVICE AGREEMENTS

Of the Group's key management personnel (listed earlier in this Report), Mr I Neal, Mr G Grove-White, Mr Gordon Thompson, Mr Gavin Tulloch and Ms Sylvia Tulloch are non-executive directors of the Company and derived fees for their role. The services of Mr G Thompson and Ms Sylvia Tulloch (in part) are engaged through business services agreements which are in progress of completion. All other key management personnel have entered into contracts of employment which outline the components of compensation paid to the key management personnel. The contracts are usually reviewed on an annual basis.

Details of remuneration paid to each key management person are shown later in this Report. In addition to those remuneration details, the following additional comments are provided in relation to the respective engagements.

Non-executive directors

As noted earlier, total directors' fees for all non-executive directors as determined by shareholders are not to exceed $400,000 per annum. At the present time, the fees paid to non-executive directors (excluding consultancy fees) amount to $179,160 per annum. Directors' fees cover all main Board activities and membership of committees. Non-executive directors currently do not receive performance-related compensation. The total remuneration pool for non-executive directors will be the subject of a vote by shareholders at the 2013 Annual General Meeting.

Business service agreements

The Group had an arrangement that it pays a consultancy fee of $1,000 per day (excluding GST) for the provision of agreed services to Tulloch Associates Pty Ltd (an entity controlled by Ms Sylvia Tulloch). In addition a fee of $50,000 per annum including superannuation was paid for her services as a non-executive director. Ms Sylvia Tulloch ceased as a non-executive director on 30 November 2012.

The Group has an existing business services agreement with Mr Gordon Thompson. The agreement covers the provision of business services to the Group for a consulting fee of $1,000 (excluding GST) per 8 hour day. The original agreement is still in effect pending current negotiations on the terms of retention for Mr Gordon Thompson. In addition, Mr Gordon Thompson receives $50,000 per annum (excluding GST) for his services provided as a non-executive director. Mr Gordon Thompson was the Acting CEO for the period 1 July 2012 to 31 January 2013.

The Group has entered into a business services agreement with EnerSTORE Consulting Limited (an entity controlled by Mr Hans Desilvesto). The agreement requires the provision of scientific services to the Group for a total of 12 days per month, a consulting service fee of $150,000 per annum plus travel and accommodation expenses paid by the Company. The agreement is renewable annually.

Employment contracts

Employment agreements have been entered into with all key management personnel, other than those engaged through business service agreements as itemised above. The agreements contain the usual terms and conditions found in such contracts. In addition, the following comments are made in relation to those contracts having performance conditions attached and how the terms of the contracts may affect compensation in future periods.

The Group has entered into an employment agreement with Mr Richard Caldwell to act as Executive Chairman effective from 20 October 2009, which has been extended. The agreement specifies the duties and obligations to be fulfilled by Mr Caldwell that is capable of termination on 3 months written notice. The Group has the right to terminate the contract immediately by paying three months salary in lieu of such notice. The agreement provides for a consulting fee of $1,000 per day plus superannuation and a performance bonus subject to achievement of predefined targets as set out in his contract. In addition, Mr Richard Caldwell receives $60,000 per annum plus superannuation for his services provided as Chairman of the Group. On appointment as Acting CEO from 1 February 2013 Mr Caldwell receives $25,000 per month including superannuation.

SERVICE AGREEMENTS (CONT'D)

The Group has entered into a service contract with its Chief Financial Officer, Mr Kian L. Niu that is capable of termination on three months' notice. The Group has the right to terminate the contract immediately by paying three months' salary in lieu of such notice. The agreement provides for a base salary of $205,000 per annum plus superannuation from 1 April 2013, a performance bonus subject to meeting predetermined conditions as set out in the contract, an annual performance review and a redundancy package of six months salary if the position within the company is made redundant.

The Group has entered into a service contract with its President & CEO, Dyesol Inc., Mr Marc Thomas. The agreement is for a period of 2 years from the date of signing that is capable of termination with 6 months written notice. The original agreement is still in effect pending current negotiations on the terms of retention for Mr Marc Thomas. The agreement provides for a total remuneration cost of USD $240,000 per annum inclusive of applicable superannuation, healthcare and other benefits and a performance bonus of share options subject to the achievement of predefined targets as set out in the contract. Mr Marc Thomas was also paid an 'away allowance' of USD $44,000 and USD $27,500 for relocation during the year. In addition, Mr Marc Thomas was provided for his use a fully maintained company vehicle. Mr Marc Thomas also received 84,000 ordinary shares as stipulated in his employment agreement and in pursuant to his relocation during the year.

The Group has entered into a service contract with its R & D Manager, Mr Damion Milliken that is capable of termination on three months' notice. The Group has the right to terminate the contract immediately by paying three months' salary in lieu of such notice. The agreement provides for a base salary of $110,092 per annum plus superannuation and an annual performance review.

The Group also makes payments for goods and services received from companies related to certain key management personnel. Such payments are not considered to be remuneration of key management personnel and are disclosed in Note 26 to the financial statements.

Voting and comments made at the Company's last Annual General Meeting

Dyesol Limited received more than 75% votes in favour of the adoption on its Remuneration Report for the financial year ending 30 June 2013. At the 2012 Annual General Meeting, the Company received feedback on its remuneration practices. As a result of the feedback received, the Board reviewed the remuneration terms of the Company's key management personnel. The Company confirms that in comparison to similar listed companies, the remuneration levels are in the lowest quartile. At this stage, the Company does not intend to amend its overall remuneration policy, which is considered appropriate to achieve the stated objectives of that policy.

(a) DETAILS OF REMUNERATION

Details of the nature and amount of each major element of the remuneration including entitlements such as accrued leave to each key management person of the consolidated entity for the year are:

2013	Short-Term Employment Benefits		Long-Term Benefits	Post-employment Benefits	Share Based Payments		TOTAL	Proportion of Remuneration that consists of options, rights or shares	Proportion of Remuneration that is performance based
	Salary & fees $	Non-monetary benefits $	Long Service Leave $	Superannuation benefits $	Options/ Rights $	Shares # $	$	%	%
Directors									
Non-executive									
Mr I Neal (5)	50,000	-	-	-	-	-	50,000	-	-
Mrs S Tulloch (2)	44,518	5,088	-	1,721	-	-	51,327	-	-
Mr G Grove-White (6) *	49,985	-	-	-	33,408	-	83,393	40	40
Executive									
Mr R Caldwell (1)	248,623	-	-	22,376	-	-	270,999	-	-
Mr G Thompson (4)	214,000	-	-	-	-	-	214,000	-	-
Dr G Tulloch (3)	7,647	-	-	688	-	-	8,335	-	-
Other Key Management Personnel									
Executive									
Mr K L Niu	189,130	-	-	18,320	-	-	207,450	-	-
Mr M Thomas ^	303,557	2,672	-	-	-	11,340	317,569	4	4
Dr A King	110,023	-	-	-	-	-	110,023	-	-
Mr C Moore	90,628	-	-	-	-	-	90,628	-	-
Mr D Milliken	98,354	-	-	24,770	-	-	123,124	-	-
Mr D Bundy "	133,854	-	-	21,980	-	-	155,834	-	-
Dr H Desilvestro	150,000	-	-	-	-	-	150,000	-	-
Mr K Hogg	48,000	-	-	-	-	-	48,000	-	-
Total	1,738,319	7,760	-	89,855	33,408	11,340	1,880,682		

(a) DETAILS OF REMUNERATION (CONT'D)

**** The Remuneration Report sets out the remuneration information pertaining to the Company's Directors and Senior Executives who are the key management personnel (KMP) of the consolidated entity for the purposes of the Corporations Act 2001 and the Corporations Regulations 2001.*

^ Included a share based payment of $11,340 for 84,000 shares issued to M Thomas on 6 March 2013. The shares issued to M Thomas were stipulated in his employment agreement and in pursuant to his relocation, and provided that he remains as an employee as at the allotment date.

 # Refer to page 22 for further details of the terms and conditions of options, rights and shares.

** The performance rights were issued to Mr G. Grove-White in the previous financial year.*

" resigned 9 April 2013.

Notes in relation to the table of remuneration:

1) Includes director fees, salary and consultancy fees.
2) Includes consultancy fees $25,400. Ceased as director 30 November 2012.
3) Director fees only. Resigned 7 September 2012.
4) Includes consultancy fees $164,000.
5) Directors fees only.
6) Director fees only.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed remuneration	At risk – Rights/ Shares
Mr G Grove-White	60%	40%
Mr M Thomas	96%	4%

The long-term incentives are provided by way of options, rights and shares. The percent disclosed for the long-term incentive are based on the value of options, rights and shares expensed during the year.

(a) DETAILS OF REMUNERATION (CONT'D)

 # Details of the terms and conditions of options, rights and shares granted to key management personnel and executives as compensation during the reporting period are as follows:

2013	No. options/ rights granted	No. shares granted	Grant date	No. options/ rights vested	No. shares	Fair value per option/ right at grant date	Fair value per share at grant date	Exercise price	Amount paid or payable	Expiry date	Date exercisable	% Vested in current year	% Forfeited in current year	% Available for vesting in future years	Value of options/rights /shares at grant date *
Key Management Personnel															
Shares															
Mr M Thomas	-	84,000	31/12/2012	-	84,000	-	$0.135	-	-	-	-	-	-	-	11,340

(a) DETAILS OF REMUNERATION

Details of the nature and amount of each major element of the remuneration including entitlements such as accrued leave to each key management person of the consolidated entity for the year are:

2012	Short-Term Employment Benefits		Long-Term Benefits	Post-employment Benefits	Share Based Payments		TOTAL	Proportion of Remuneration that consists of options, rights or shares	Proportion of Remuneration that is performance based
	Salary & fees $	Non-monetary benefits $	Long Service Leave $	Superannuation benefits $	Options/ Rights # $	Shares # $	$	%	%
Directors									
Non-executive									
Mr I Neal (5)	50,000	-	-	-	-	-	50,000	-	-
Mrs S Tulloch (2)	172,350	10,073	-	-	-	-	182,423	-	-
Ms N Young (6)	16,667	-	-	-	-	-	16,667	-	-
Mr. G. Grove-White (7)	45,820	-	-	-	20,411	-	66,231	31	31
Executive									
Mr R Caldwell (1)	192,524	-	-	17,327	-	-	209,851	-	-
Mr G Thompson (4)	226,000	-	-	-	-	-	226,000	-	-
Dr G Tulloch (3)	219,152	-	-	-	-	-	219,152	-	-
Other Key Management Personnel									
Executive									
Mr K L Niu # #	193,341	-	-	16,200	47,250	-	256,791	18	18
Mr M Thomas ^	304,093	-	-	-	20,710	-	324,803	6	6
Dr A King # #	165,527	-	-	-	39,874	-	205,401	19	19
Mr C Moore # #	91,960	-	-	-	26,582	-	118,542	22	22
Mr D Milliken # #	112,405	-	-	9,908	19,936	-	142,249	14	14
Mr D Bundy # #	168,596	-	-	14,850	28,350	-	211,796	13	13
Mr K Hogg	48,000	-	-	-	-	-	48,000	-	-
Total	2,006,435	10,073	-	58,285	203,113	-	2,277,906		

(a) DETAILS OF REMUNERATION (CONT'D)

**** The Remuneration Report sets out the remuneration information pertaining to the Company's Directors and Senior Executives who are the key management personnel (KMP) of the consolidated entity for the purposes of the Corporations Act 2001 and the Corporations Regulations 2001.*

^ Included a share based payment of $20,710 for 500,000 options issued to M Thomas on 24 August 2011. The options issued to M Thomas were based on the delivery of a funded DyeTec Solar Inc. project within a 6 month time frame from signing his employment agreement, and provided that he remains as an employee as at the vesting dates.

 # Refer to page 25 for further details of the terms and conditions of options, rights and shares.

 # # The rights issued to K Niu, A King, C Moore, D Milliken, D Bundy were all based on each individual achievement of cost centre project objectives set for the previous year, and provided that they remain as employees as at the vesting dates.

Notes in relation to the table of remuneration:

1) Includes director fees, salary and consultancy fees.
2) Includes consultancy fees $122,350.
3) Includes consultancy fees $146,856 and allowances $22,296. Resigned 7 September 2012.
4) Includes consultancy fee $176,000.
5) Directors fees only.
6) Director fees only. Resigned 18 November 2011.
7) Director fees only. Appointed Director 10 August 2011.

(a) DETAILS OF REMUNERATION (CONT'D)

 # Details of the terms and conditions of options, rights and shares granted to key management personnel and executives as compensation during the reporting period are as follows:

2012	No. options/ rights granted	No. shares granted	Grant date	No. options/ rights vested	No. shares	Fair value per option/ right at grant date	Fair value per share at grant date	Exercise price	Amount paid or payable	Expiry date	Date exercisable	% Vested in current year	% Forfeited in current year	% Available for vesting in future years	Value of options/rights /shares at grant date *
Director															
Performance rights															
Mr. G. Grove-White	200,000	-	21/11/11	-	-	$0.335	-	-	-	-	21/11/13	-	-	-	$67,000
Other Key Management Personnel															
Options															
Mr M Thomas	500,000	-	04/08/11	500,000	-	$0.041	-	$0.70	-	04/08/14	24/08/11	100	-	-	$20,710

(b) Equity instruments issued on exercise of remuneration rights

Details of equity instruments issued during the period to key management personnel and executives as a result of rights vested that had previously been granted as compensation are as follows:

2013 ***Name***	Number of shares issued on vesting of rights	Number of rights vested	Amount paid per share	Amount unpaid per share
Key management personnel				
Mr K L Niu	75,000	75,000	-	-
Dr A King	63,291	63,291	-	-
Mr C Moore	42,194	42,194	-	-
Mr D Milliken	31,646	31,646	-	-
Mr D Bundy	45,000	45,000	-	-
	257,131	257,131	-	-

(c) Value of options and rights held by key management personnel and executives

Details of the value of options and rights granted, exercised, vested and lapsed during the year to key management personnel and executives as part of their remuneration are summarised below:

	Value of options/rights issued at grant date * ***$***	***Value of options exercised during the year ***** ***$***	***Value of rights vested during the year ***** ***$***	***Value of options lapsed during the year****** ***$***
Rights				
Mr K L Niu	-	-	8,250	-
Dr A King	-	-	6,962	-
Mr C Moore	-	-	4,641	-
Mr D Milliken	-	-	3,481	-
Mr D Bundy	-	-	4,950	-

In accordance with the company's general share trading policy and employee share plan rules, participants are prohibited from engaging in hedging arrangements over unvested securities issued pursuant to any employee or director.

** The value of options/ rights granted during the period differs to the expense recognised as part of each key management persons' or executives' remuneration in (c) above because this value is the grant date fair value calculated in accordance with AASB 2 Share-based Payment.*

*** The value of options/ rights exercised at exercise date has been determined as the intrinsic value of the options/ rights at exercise date, i.e. the excess of the market value at exercise date over the strike price of the options/ rights.*

**** Options/ rights lapsed due to vesting conditions not being satisfied. The value of options/ rights at date of lapse is determined assuming that the vesting condition has been satisfied.*

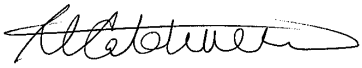
END OF AUDITED REMUNERATION REPORT

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 82.

Dated at Sydney, New South Wales this 27th day of September 2013.

Signed in accordance with a resolution of the directors:



Richard Caldwell
Chairman

Consolidated Statement Of Profit or Loss and Other Comprehensive Income

for the Year Ended 30 June 2013

	Note	Consolidated 2013 $	2012 $
Revenue from sale of goods and services	2	957,094	1,839,836
Cost of sales		(543,629)	(1,078,733)
Gross profit		413,465	761,103
Interest revenue	2	89,877	61,628
Other income	2	914,536	1,367,170
Technical expenses	3	(4,812,612)	(6,569,267)
Administration and corporate expenses		(7,548,500)	(6,139,787)
Marketing expenses		(510,425)	(1,616,695)
Borrowing costs	3	(357,647)	(75,210)
Intellectual property expenses		(518,013)	(426,274)
Loss before income tax benefit		(12,329,319)	(12,637,332)
Income tax benefit	5	2,933,123	3,759,328
Net loss for the year		(9,396,196)	(8,878,004)
Other comprehensive loss			
Foreign currency translation difference		455,117	(30,141)
Total comprehensive loss for the year		(8,941,079)	(8,908,145)
Loss is attributable to:			
Owners of Dyesol Limited		(9,399,150)	(8,880,872)
Non-controlling interest		2,954	2,868
		(9,396,196)	(8,878,004)
Total comprehensive loss for the year is attributable to:			
Owners of Dyesol Limited		(8,944,846)	(8,910,773)
Non-controlling interest		3,767	2,628
		(8,941,079)	(8,908,145)
Basic and diluted loss per share	6	(4.75 cents)	(4.83 cents)

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

Consolidated Statement Of Financial Position
for the Year Ended 30 June 2013

	Note	Consolidated 2013 $	2012 $
ASSETS			
Current assets			
Cash and cash equivalents	7	5,167,332	2,510,305
Trade and other receivables	8	3,233,607	3,450,290
Inventories	9	970,644	1,399,869
Other current assets	10	351,014	309,468
Total current assets		9,722,597	7,669,932
Non-current assets			
Property, plant and equipment	11	1,083,954	2,022,958
Intangible assets	12	8,283,789	9,640,061
Total non-current assets		9,367,743	11,663,019
Total assets		19,090,340	19,332,951
LIABILITIES			
Current liabilities			
Trade and other payables	13	2,638,796	2,144,243
Borrowings	14	3,430,173	1,170,437
Provisions	15	498,839	224,771
Total current liabilities		6,567,808	3,539,451
Non-current liabilities			
Borrowings	14	1,190,283	-
Provisions	15	91,356	386,085
Deferred tax liability	5(e)	517,085	590,954
Total non-current liabilities		1,798,724	977,039
Total liabilities		8,366,532	4,516,490
Net assets		**10,723,808**	**14,816,461**
EQUITY			
Contributed equity	16	80,079,832	76,127,923
Other reserves	17	5,325,659	3,974,838
Accumulated losses		(74,689,220)	(65,290,070)
Capital and reserves attributable to owners of Dyesol Limited		**10,716,271**	**14,812,691**
Non-controlling interest	18	7,537	3,770
Total equity		**10,723,808**	**14,816,461**

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

Consolidated Statement Of Cash Flows
for the Year Ended 30 June 2013

	Note	Consolidated 2013 $	2012 $
Cash flows from operating activities			
Cash receipts from customers		1,216,055	1,465,376
Cash payments to suppliers and employees		(9,033,858)	(13,016,390)
R&D tax rebate received		2,951,443	729,843
Interest received		61,782	34,494
Interest paid		(6,385)	(40,038)
Grants received		531,295	715,007
Net cash used in operating activities	21	(4,279,668)	(10,111,708)
Cash flows from investing activities			
Payments for plant and equipment		(63,291)	(394,785)
Payments for product development costs		(1,136,776)	(1,316,441)
Proceeds from disposal of joint venture interests		107,640	-
Net cash used in investing activities		(1,092,427)	(1,711,226)
Cash flows from financing activities			
Proceeds from borrowings		4,750,000	1,166,372
Repayment of borrowings		(750,000)	(776,802)
Proceeds from the issue of shares		4,000,250	7,726,060
Share issue costs		(19,573)	(332,564)
Proceeds from joint venture interests		-	300,000
Net cash provided by financing activities		7,980,677	8,083,066
Net increase in cash and cash equivalents		2,608,582	(3,739,868)
Net foreign exchange differences		48,445	(43,267)
Cash and cash equivalents at beginning of period		2,510,305	6,293,440
Cash and cash equivalents at end of period	7	**5,167,332**	**2,510,305**

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

Consolidated Statement Of Changes In Equity For the Year Ended 30 June 2013

CONSOLIDATED ENTITY

	Contributed Equity	Accumulated losses	Reserves: Equity-settled benefit	Reserves: Foreign currency translation reserve	Reserves: Other Reserve	Total	Non-controlling interest	Total equity
	$	$	$	$	$	$	$	$
	66,848,603	**(56,409,198)**	**4,380,884**	**(977,489)**	**-**	**13,842,800**	**1,141**	**13,843,941**
Total comprehensive income for the year								
Loss for the year	-	(8,880,872)	-	-	-	(8,880,872)	2,868	(8,878,004)
Other comprehensive income								
Foreign currency translation reserve differences	-	-	-	(29,902)	-	(29,902)	(239)	(30,141)
Total comprehensive income for the year	-	(8,880,872)	-	(29,902)	-	(8,910,774)	2,629	(8,908,145)
Transaction with owners, in their capacity as owners								
Contributions of equity, net of transaction costs	9,279,320	-	-	-	-	9,279,320	-	9,279,320
Issue of shares as a share based payments	-	-	-	-	-	-	-	-
Share-based payment expense	-	-	601,345	-	-	601,345	-	601,345
Total transactions with owners	9,279,320	-	601,345	-	-	9,880,665	-	9,880,665
At 30 June 2012	**76,127,923**	**(65,290,070)**	**4,982,229**	**(1,007,391)**	**-**	**14,812,691**	**3,770**	**14,816,461**
Total comprehensive income for the year								
Loss for the year	-	(9,399,150)	-	-	-	(9,399,150)	2,954	(9,396,196)
Other comprehensive income								
Foreign currency translation reserve differences	-	-	-	454,304	-	454,304	813	455,117
Total comprehensive income for the year	-	(9,399,150)	-	454,304	-	(8,944,846)	3,767	(8,941,079)
Transaction with owners, in their capacity as owners								
Contributions of equity, net of transaction costs	3,951,909	-	-	-	-	3,951,909	-	3,951,909
Share-based payment expense	-	-	97,630	-	-	97,630	-	97,630
Equity component on convertible note	-	-	-	-	798,887	798,887	-	798,887
Total transactions with owners	3,951,909	-	97,630	-	798,887	4,848,426	-	4,848,426
At 30 June 2013	**80,079,832**	**(74,689,220)**	**5,079,859**	**(553,087)**	**798,887**	**10,716,271**	**7,537**	**10,723,808**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

The financial statements of Dyesol Limited for the year ended 30 June 2013 were authorised for issue in accordance with a resolution of the directors on 27 September 2013 and covers the consolidated entity consisting of Dyesol Limited and its subsidiaries as required by the Corporations Act 2001. Dyesol Limited is a for-profit entity for the purpose of preparing the financial statements.

Dyesol Limited is a listed public company, incorporated and domiciled in Australia.

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The accounting policies applied by the consolidated entity in this year financial statements are the same as those applied in its financial statements as at and for the year ended 30 June 2012.

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

Reporting Basis and Conventions

New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised, or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the Group from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy.

The adoption of these Accounting Standards and Interpretations did not have any impact on the financial performance or position of the Group. The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 2011-9 Amendments to Australian Accounting Standards Presentation of Items of Other Comprehensive Income s (AASB 101 Amendments)

The AASB 101 Amendments required an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. The adoption of the new and revised Australian Accounting Standard and Interpretation has had no impact on the amounts reported during the period. The adoption of AASB 2011-9 has resulted in changes to the Group's presentation of its financial statements. The change to the current presentation of items in other comprehensive income has not affected the measurement or recognition of such items.

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

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 1 (y).

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Going Concern

The financial statements have been prepared on a going concern basis.

The Group incurred an operating loss after income tax for the year of $9,396,196 (2012: $8,878,004) and an operating net cash outflow of $4,279,668 (2012: $10,111,708) for the year ended 30 June 2013. Cash held at bank as at 30 June 2013 was $5,167,332 (30 June 2012: $2,510,305), of which $64,911 relates to cash held in joint ventures.

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal activities and realisation of assets and settlement of liabilities in the normal course of business. In order for Dyesol to continue as a going concern and further progress the development of its technology and intellectual property, and in particular the accelerated development of solid state - DSC for scale up activities, additional capital will be required. Dyesol has previously raised capital when required and the Directors expect the Company will be successful in raising the required additional capital in future.

The Directors have initiated the following strategies to secure the going concern status and have determined that these accounts should be prepared on a going concern basis as these strategies are expected to be successful:

(a) Research and Development Tax Credit

In August 2013 the Company received a $2,840,785 research and development tax refund for the financial year 30 June 2013. This amount was recorded as other receivables at 30 June 2013.

(b) Tasnee prospective investment

The parent entity has issued a 15 month redeemable convertible note for a face value of $4 million on 14 March 2013 with a 0% coupon, in return for an investment of $4 million from The National Industrialization Company of Saudi Arabia (Tasnee). The conversion rate into Dyesol shares is at 16.6 cents per share. The notes are convertible into ordinary shares of the parent entity, at the option of the holder, or repayable on 14 June 2014.

In addition, under the Share Subscription Agreement, Tansee will have an option to invest up to a maximum of $16 million in equity at conversion price of 18 cents per share. The option has an associated exclusivity period during which certain restrictions apply including the issue of new equity in the Company. The due diligence by Tasnee has now concluded in relation to this strategic investment of $16 million in Dyesol. In planning for exercise of this investment option, Dyesol has agreed to extend the exercise period by 2 months to 14 November 2013. Based on the assumption that the convertible note is converted into Dyesol shares and to the extent that the investment is beyond 20% ownership in Dyesol and/or exceeds capacity under ASX Listing Rule 7.1, the strategic investment will require shareholder approval as required by the Corporations Act and the ASX Listing Rules, respectively.

(c) Other funding support

In July 2013, the Company submitted a preliminary application for Australian Government funding of an estimated amount of $7 million over a 3 year period, to enable Dyesol to be at the forefront of commercialising solid-state DSC technology, enabling a first mover advantage to be achieved.

(d) Reduction of the cost base and future investment

The Company cost saving measures and prudent discretionary spending has assisted in lowering the net cash usage in operating activities from $903,463 average per month last year to $603,033 per month, excluding R&D rebate receipts.

In addition to the initiatives set out in (a) to (d) above, the Board of Directors continues to look at the long term investment options to provide the working capital to implement its technology pathway to achieve successful commercialisation, and continues to believe that the Company will be successful in developing the business to achieve a cash flow positive phase. Until this is achieved additional funding will continue to be required and the Board will select the most appropriate strategic investment options. Based on the factors above the Directors have prepared the financial report on a going concern basis. Accordingly, the financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts or classification of liabilities that might be necessary should the company not be able to continue as a going concern.

Accounting Policies

(a) Principles of Consolidation

Subsidiaries

A subsidiary entity is any entity over which Dyesol Limited has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

A list of subsidiaries is contained in Note 25 to the financial statements. All subsidiaries have a June financial year-end.

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation unless the transactions provide evidence of the impairment of the assets transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies, to the extent possible given compliance with local regulations, with those policies applied by the parent entity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income and statement of financial position respectively. Total comprehensive income is attributable to owners of Dyesol Limited and non-controlling interests even if this results in the non-controlling interests having a debit balance.

Jointly controlled entities

Jointly controlled entities are accounted for by means of the proportionate consolidation method whereby the Group's share of the assets, liabilities, income, expenses and cash flows of the jointly controlled entities are included on a line by line basis in the consolidated financial statements from the date on which the jointly controlled entities commence until the date on which the jointly controlled entities cease.

Details of the jointly controlled entities are set out in Note 28.

Changes in ownership interest

Transactions with non-controlling interests that increase or decrease the group's ownership interest in a subsidiary, but which do not result in a change of control, are accounted for as transactions with equity owners of the group. An adjustment is made between the carrying amount of the group's controlling interest and the carrying amount of the non-controlling interests to reflect their relative values in the subsidiary. Any difference between the amount of the adjustment to the non-controlling interest and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Dyesol Limited.

Where the Group loses control of a subsidiary but retains significant influence, joint control, or an available-for-sale investment, the retained interest is remeasured to fair value at the date that control is lost and the difference between fair value and the carrying amount is recognised in profit or loss. This fair value is the initial carrying amount for the retained investment in the associate, jointly controlled entity or available-for-sale financial asset. If no ownership interest is retained, or if any remaining investment is classified as available-for-sale, any amounts previously recognised in other comprehensive income in respect of the entity are accounted for as if the Group had directly disposed of the related assets or liabilities and may be recognised in profit or loss. To the extent that the Group retains significant influence or joint control, balances of other comprehensive income relating to the associate or jointly controlled entity will only be reclassified from other comprehensive income to profit or loss to the extent of the reduced ownership interest so that the balance of other comprehensive represents the Group's proportionate share of other comprehensive income of the associate/jointly controlled entity.

(b) Income tax

The charge for current income tax expense is based on the profit or loss for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted at the end of the reporting period.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and interests in joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances relating to amounts recognised directly in other comprehensive income or equity are also recognised directly in other comprehensive income or equity respectively.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

The Company applies for registration of R&D expenses which meet R&D Tax Concession requirements with the Department of Innovation, and calculates the R&D tax credit owing based on that registration when it submits the annual tax return. Although the $2,840,785 R&D Tax Incentive for financial year ending 30 June 2013 was not received during the year, it was included in the reporting period in accordance with accounting standards. The cash rebate is recognised as R&D tax rebate in income tax expense/ benefit (refer Note 5).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Dyesol Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax assets and liabilities, except for any deferred tax assets resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 20 August 2006.

The tax consolidated group has entered a tax funding agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the tax payable of the tax consolidated group.

The members of the tax-consolidated group have also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax funding agreement is considered remote.

The stand-alone taxpayer within a group approach has been used to allocate current income tax expense and deferred tax expense to wholly-owned subsidiaries that form part of the tax consolidated group.

(c) Intangible assets

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically feasible, the Group has sufficient resources to complete development and the Group is able to demonstrate how the product or process will generate future economic benefits.

Expenditure which may be capitalised includes the cost of materials, direct labour, subcontract expenditure and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. The carrying amounts of the capitalised development expenditure are reviewed annually to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see accounting policies 1(e) and 1(y)).

Goodwill

Goodwill represents the excess of the consideration transferred and the amount of the non-controlling interest in the acquiree over fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Intellectual Property & Patents

Intellectual Property and Patents that are acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy (e)).

Amortisation

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets are amortised from the date that they are available for use, not from the date of generation or acquisition.

Class of Intellectual Property & Patents	*Expected useful life*	*Remaining Life*
EPFL Licences	13 years	7 years
Technologies and Process	13 years	7 years
Flexible Cells Process	19 Months	Nil
Paralec Licences	5 to 8 years	4 to 5 years

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(d) Property, plant and equipment

Property, plant and equipment, are recognised initially at cost or fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Depreciation

Depreciation is charged in profit or loss on a straight-line basis over the estimated useful life of the asset or in the case of leasehold improvements, the shorter lease term as follows:

Class of Fixed Asset	*Expected useful life*
Plant and factory equipment	5 years
Office equipment	3 years
Computer software	3 years
Furniture & fittings	5 years
Leasehold improvements	lease term

Motor vehicles are depreciated at 22.5% per annum using a diminishing balance method.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are calculated as the difference between the net disposal proceeds and the asset's carrying amount and are included in profit or loss in the year that the item is derecognised. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(e) Impairment

The carrying amounts of the Group's assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal in other comprehensive income to the extent of that previous revaluation with any excess recognised through profit or loss.

Impairment losses recognised in respect of the cash-generating unit (which is the business as a whole), are first allocated to reduce the carrying amount of goodwill and then to reduce the carrying amount of other assets.

(f) Fair values

Fair values may be used for financial asset and liability measurement as well as for sundry disclosures.

Fair values for financial instruments traded in active markets are based on quoted market prices at the end of reporting period.

If the fair value of financial instruments is not available from an active market, the Group establishes its fair value using valuation techniques. Assumptions used are based on observable market prices and rates at the end of the reporting period. Other financial instruments are calculated based on the present value of future principal and interest cash flow, discounted at the market rate of interest at the end of the reporting period. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

(g) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the group will not be able to collect the debt. Objective evidence of impairment includes financial difficulties of a debtor, default payments or debts more than 90 days overdue. On confirmation that the trade receivable will not be collectible, the gross carrying value of the asset is written off against the associated provision.

(h) Trade and other payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

(j) Borrowings

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the loans and borrowings using the effective interest rate method.

The fair value of a liability portion of a convertible note is determined using a market rate of interest for an equivalent non-convertible note and stated on an amortised cost basis until conversion or maturity of the notes. The remainder of the proceeds is allocated to the conversion option and is shown as equity. Issue costs are apportioned between the liability and equity components based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

All borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(k) Borrowing Costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

(l) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated. For service warranties, the likelihood that an outflow will be required to settle the obligation is determined by considering the class of obligations as a whole. Provisions are not recognised for future operating losses.

(m) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of Dyesol Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(n) 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 from the proceeds.

(o) Employee Benefits

Wages, salaries, annual leave and non-monetary benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees up to the end of the reporting period. Employee benefits that are expected to be settled within 1 year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than 1 year have been measured at the present value (using the national government bond rate) of the estimated future cash outflows to be made for those benefits.

Long service leave

Liabilities for long service leave are recognised as part of the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees to the end of the reporting period using the projected unit credit method. Consideration is given to expect future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using national government bond rates at the end of the reporting period with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Share-based payment transactions

An expense is recognised for all equity-based remuneration, including shares and options issued to employees and directors. The fair value of securities granted is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The fair value of options granted is measured using a generally accepted valuation model, taking into account the terms and conditions upon which the options were granted. The fair value of shares and options issued to employees is based on the fair value of the equity instruments issued.

(p) Financial instruments

Recognition

Financial instruments are initially measured at fair value on trade date, plus transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below:

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.

Financial liabilities

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

Compound financial instruments

Compound financial instruments issued by the Group comprise of convertible notes that can be converted to share capital at the option of both the issuer and holder, and the number of shares to be issued is equal to the fair value of the notes.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instruments as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity compound in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of compound financial instruments is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not measured subsequent to initial recognition. Interest, dividends, losses and gains relating to the financial liability are recognised in profit or loss.

(q) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(r) Revenue recognition

Revenue from the sale of goods is recognised upon the dispatch of goods to customers.

Revenue from the rendering of services is recognised upon the delivery of the services to the customers.

Revenue from the sale of equipment is recognised when the legal title to the equipment passes, which is usually upon delivery or installation and acceptance.

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

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

(s) Government grants

Grants from the government are recognised at their fair value, where there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions. Unconditional grants are recognised in profit or loss as other income, when the grant becomes receivable. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in current liabilities as deferred income and credited to profit or loss on a straight line basis over the expected lives of the related assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Goods and Services Tax

Revenues, 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 Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

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

(u) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of transaction. Foreign currency monetary items are translated at the exchange rate at the end of the reporting period. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

Exchange differences arising on translation are recognised in profit or loss.

Group Companies

At the end of the reporting period, the assets and liabilities of overseas subsidiaries are translated into the presentation currency of the group at the rate of exchange ruling at the end of the reporting period and income and expenses are translated at the average exchange rates for the year. All resulting exchange differences are recognised in other comprehensive income as a separate component of equity (foreign currency translation reserve).

On consolidation, exchange differences arising from the translation of any net investment in any foreign entities are taken to other comprehensive income (foreign currency translation reserve). When a foreign operation is sold or borrowings repaid, a proportionate share of the foreign currency translation reserve is recognised in profit or loss as part of the gain or loss on sale or repayment.

(v) Segment reporting

The Group reviewed segment information using a 'management approach', i.e. segment information is provided on the same basis as information used for internal reporting purposes by the chief operating decision maker (executive management committee that makes strategic decisions). The operating segments results are reviewed regularly by the executive management committee to make decisions about resources to allocate the segments and assess its performance.

During the year the committee monitors the business based on product and services factors and has identified four major product and services segments. These are as follows:

- Glass and Equipment
- Metal Strip
- Flexibles
- R&D Materials

In addition, the committee monitors the business based on geographic factors and has identified four major geographical segments. These are as follows:

- Australia
- Asia
- Europe
- North America

All of these entities are involved in the industrialisation and commercialisation of Dye Solar Cell (DSC) technologies.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(w) Business combinations

The acquisition method of accounting is used to account for all business combinations. Consideration is measured at the fair value of the assets transferred, liabilities incurred and equity interests issued by the group on acquisition date. Consideration also includes the acquisition date fair values of any contingent consideration arrangements, any pre-existing equity interests in the acquiree and share-based payment awards of the acquiree that are required to be replaced in a business combination. The acquisition date is the date on which the group obtains control of the acquiree. Where equity instruments are issued as part of the consideration, the value of the equity instruments is their published market price at the acquisition date unless, in rare circumstances it can be demonstrated that the published price at acquisition date is not fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are, with limited exceptions, initially measured at their fair values at acquisition date. Goodwill represents the excess of the consideration transferred and the amount of the non-controlling interest in the acquiree over fair value of the identifiable net assets acquired. If the consideration and non-controlling interest of the acquiree is less than the fair value of the net identifiable assets acquired, the difference is recognised in profit or loss as a bargain purchase price, but only after a reassessment of the identification and measurement of the net assets acquired.

For each business combination, the group measures non-controlling interests at either fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed when incurred. Transaction costs arising on the issue of equity instruments are recognised directly in equity and transaction costs arising on the issue of debt as part of the consideration are accounted for in accordance with Note 1(k).

Where the group obtains control of a subsidiary that was previously accounted for as an equity accounted investment in associate or jointly controlled entity, the group remeasures its previously held equity interest in the acquiree at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss. Where the group obtains control of a subsidiary that was previously accounted for as an available-for-sale investment, any balance on the available-for-sale reserve related to that investment is recognised in profit or loss as if the group had disposed directly of the previously held interest.

Where settlement of any part of the cash consideration is deferred, the amounts payable in future are discounted to present value at the date of exchange using the entity's incremental borrowing rates.

(x) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases and capitalised at 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 charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership of the net asset are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(y) Key estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts n the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities revenue and expenses.

Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgement and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Key Estimates

Impairment of non-current assets

The Group assesses impairment at the end of each reporting period by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

The consolidated entity's intangible assets amounting to $8,283,789 and its property, plant and equipment amounting to $1,083,954 relates substantially to the consolidated entity's project to develop Dye Sensitised Photovoltaic on coil coated steel (the DSC PV project) in collaboration with Tata Steel Europe.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The directors have assessed impairment of intangible assets (including capitalised development costs) and property, plant and equipment, with regard to the expected success and future net cash flows to be generated by the DSC PV project. After careful consideration of the capitalized product development costs for the metal strip project, the Directors considered that some impairment was necessary to reflect the transition from liquid to solid-state based systems. The carrying value of $3,039,840 after the impairment of $2,251,239 is considered representative of the value to the organization for existing project and test activities, servicing a diverse client base and for use in the new ss-DSC related projects.

The next stage in the pathway to commercialisation of DSC PV on steel is capital commitment in the U.K. supported by technical feasibility studies and commercialisation plans to develop grid parity product with a minimum of 15 year lifetime, and to achieve market competitiveness of DSC PV efficiency and durability.

Development expenditure incurred on the DSC PV project has been capitalised (see Note 1 (c)). This is supported by the continued work undertaken by the Company on refining the core component material set, including important advances in dyes and titania pastes and product encapsulation solutions, with the commercial objectives to develop grid competitive and durable product.

At the date of this report a formal commitment to further progress the DSC PV project to commercialisation has not been received. Notwithstanding this uncertainty, based on information available to them, the Directors are of the opinion that it is most likely that such a commitment will be received and that the DSC PV project will progress to commercialisation.

Accordingly the Directors continue to expect that sufficient net cash flows will be generated by these assets to support their carrying values and apart from the impairment of $2,251,239 for the translation from liquid to solid-state based systems, no other impairment of these assets exists at 30 June 2013.

Should the above assumptions regarding further progression to commercialisation of this project prove to be incorrect the consolidated entity's intangibles and property, plant and equipment assets may be impaired.

In addition, the goodwill resulting from the Greatcell Solar SA acquisition was reviewed by the Directors. The circumstances under which Greatcell Solar SA now operates have changed since the original acquisition and it was considered that a further impairment of $298,251 was warranted.

R&D Tax Incentive

Dyesol's R&D Tax Incentive claim of $2.8 million for the year ended 30 June 2013 was calculated in accordance with the requirements of the new scheme framework. Unlike the previous R&D Tax Rebate scheme which focussed on high risk and innovative R&D the new framework focuses on R&D carried out using a rigorous scientific method.

As part of obtaining an Advance Finding granting approval for claim of R&D expenses incurred overseas, which is an AusIndustry requirement, Dyesol demonstrated via provision of technical reports, research and development plans, site tours of facilities, and discussions with personnel, that both its Australian and overseas R&D satisfy the requirements of the scheme.

The financial data leading to the figures provided to the Australian Taxation Office (ATO) in the company tax return was compiled using the government preferred methodology for primarily R&D enterprises, of subtracting out non-R&D related costs and methodically apportioning related supporting overhead costs. This financial apportionment was facilitated by Dyesol's comprehensive project financial management systems, which clearly delineate R&D and non-R&D related costs in a fully transparent manner.

The Company submitted its tax return on 6 August 2013 and consequently, has received the R&D tax rebate on the 29 August 2013. The Directors believe that the Company has satisfied the criteria to be eligible for R&D tax refunds in the current and prior years, however the Company's tax positions remain open to review by the ATO.

Provision for Impairment of Receivables

Where receivables are outstanding beyond the normal trading terms, the likelihood of the recovery of these receivables is assessed by management (see Note 19).

Share options

The Group measures the cost of equity-settled share-based payments at fair value at the grant date using the Black-Scholes formula, taking into accounts the terms and conditions upon which the instruments were granted, estimates of volatility and interest rate (see Note 23).

Amortisation of intangible assets

As described at Note 1 (c), the various classes of licences have estimated useful lives from 5 to 13 years and amortisation is charged to profit or loss on a straight line basis over the estimated useful lives. The Group reviews the estimated useful lives at the end of each reporting period.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Key Judgments

Recovery of deferred tax assets

Deferred tax assets arising from tax losses are not recognised as their recovery is dependent upon the generation of sufficient future taxable profits. The group is currently loss making. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Capitalisation of development cost

Distinguishing the research and development phases of the metal strip project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired (see Note 1(y) and Note 12).

Inventories

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Long Service Leave

Management's estimate of the long service leave is based on a number of critical underlying assumptions such as probability of staff remaining with the company for a period of 10 years, standard rates of inflation, discount rate and anticipation of future salary increases. Estimation uncertainties exist particularly with regard to the assumed probabilities of staff remaining with the group. Variation in these assumptions may significantly impact the long service leave amount and the annual long service leave expenses.

(z) Accounting standards issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement.

Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

- AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 is applicable to annual reporting periods beginning on or after 1 January 2015. Management has yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, they do not expect to implement the amendments until all chapters of AASB 9 have been published and they can comprehensively assess the impact of all changes.
- AASB 10 Consolidated Financial Statements changes the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements. AASB 10 introduces a single definition of control that applies to all entities. This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same. While the Company does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.
- AASB 11 Joint Arrangements deals with the classification of joint arrangements with two or more parties having joint control. This standard also deals with the joint arrangements where parties do not share joint control. AASB 11 replaces AASB 131 Interests in Joint Ventures. Under AASB 11 joint ventures are accounted for using equity method. This standard is effective from 1 January 2013. The entity has not yet determined all of the potential effects of the standard, however notes that the joint ventures are currently accounted for using proportionate consolidation and therefore the method of accounting is likely to change.
- AASB 12 Disclosure of Interest in Other Entities is a disclosure standard and therefore will not affect any of the amounts recognised in the financial statements. This standard is applicable to the entities with interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. AASB 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- AASB 13 Fair Value Measurement and AASB 2001-8 Amendments to Australian Accounting Standards arising from AASB 13. It explains how to measure fair value and aims to enhance fair value disclosures. AASB 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2013. The Company has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Company will adopt the new standard from its operative date, which means that it will be applied in the annual reporting period ending 30 June 2014.
- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (effective 1 July 2013). In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the Corporations Act 2001. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The Corporations Act requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.
- AASB 2012-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets (effective 1 January 2014). The AASB has made small changes to some of the disclosures that are required under AASB 136 Impairment of Assets. These may result in additional disclosures if the group recognises an impairment loss or the reversal of an impairment loss during the period. They will not affect any of the amounts recognised in the financial statements. The Company intends to apply the amendment from 1 July 2014.

	Consolidated	
	2013 $	2012 $
2. REVENUE AND OTHER INCOME		
Rendering of services	58,887	296,067
Sale of goods	898,207	1,543,769
Revenue from sale of goods and services	957,094	1,839,836
Interest received	89,877	61,628
Other income		
Government grant	792,686	1,290,922
Other income	121,850	76,248
Total other income	914,536	1,367,170
3. EXPENSE		
Loss before income tax includes the following expenses:		
Depreciation and amortisation		
Amortisation of intangible assets	268,812	241,513
Depreciation expense	989,015	1,175,204
	1,257,827	1,416,717
Share-based payments		
Share based payments to company employees/directors	97,630	601,345
	97,630	601,345
Technical expenses (including R&D expenses)		
Wages and salaries costs	3,223,708	4,128,351
Materials	715,817	748,350
Consultants	676,322	1,613,186
Other overheads	196,765	79,380
	4,812,612	6,569,267
Total employee benefits expense		
Wages and salaries costs	4,793,349	5,730,587
Superannuation costs	315,910	290,429
Redundancy payments	25,018	40,994
(Decrease)/ increase in liability for annual leave	(25,932)	8,502
Increase in liability for long service leave	5,271	24,984
Share based payments to company employees/directors	97,630	601,345
	5,211,246	6,696,841

	Consolidated	
	2013 $	2012 $
3. EXPENSES (CONT'D)		
Loss before income tax includes the following expenses:		
Borrowing costs		
Interest expenses	357,647	75,210
Rental expenses on operating lease		
Minimum lease payment	621,327	621,473
Foreign currency translation		
Net foreign exchange loss/ (gain)	85,517	(24,132)
Impairment		
Impairment of intangible assets	2,251,239	-
Goodwill impairment	298,297	-
	2,549,536	-
Fair value loss on derivative liability		
Loss on movement in fair value of derivative liability	-	85,925
4. AUDITORS' REMUNERATION		
(a) Amount paid or due and payable to Grant Thornton Audit Pty Ltd for:		
- An audit and review of the financial statements of the entity and any other entity in the group.	112,750	65,000
- Tax compliance	35,398	20,100
(b) Amount paid or due and payable to non Grant Thornton Audit Pty Ltd network firms for:		
- An audit and review of the financial statements of the entity and any other entity in the group.	26,536	54,258
- Other services in relation to the entity and any other entity in the consolidated entity.	24,812	48,683
	199,496	188,041

	Consolidated 2013 $	Consolidated 2012 $
5. INCOME TAX		
(a) Income tax benefit		
R&D tax rebate	(2,859,254)	(3,685,459)
Deferred tax	(73,869)	(73,869)
	(2,933,123)	(3,759,328)
(b) Numerical reconciliation between tax benefit and pre-tax net loss		
Loss before income tax	(12,329,319)	(12,637,332)
Income tax benefit calculated at 30% (2012: 30%)	(3,698,796)	(3,791,200)
Tax effect of amounts which are not tax deductible:		
• Share based payments	29,289	180,404
• Impairment of intangible assets	675,372	-
• Impairment of goodwill	89,489	-
• Loss on movement in fair value of derivative liability	-	25,778
• Sundry amounts	1,527	3,462
• Impact of foreign tax rate differential	102,712	43,912
Net deferred tax assets not recognised	2,726,538	3,463,775
R&D tax rebate	(2,859,254)	(3,685,459)
Income tax benefit	(2,933,123)	(3,759,328)
(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised (as recovery is currently not probable)		
Tax effected	21,103,465	18,327,068
(d) Unrecognised temporary differences		
Temporary differences for which deferred tax assets have not been recognised (at 30%)		
- Employee benefits provision	72,559	93,257
- Capital raising costs	149,630	246,373
- IP costs	391,765	340,489
- other	69,250	59,250
Unrecognised deferred tax assets relating to the above temporary differences (at 30%)	683,204	739,369
Temporary differences for which deferred tax liabilities have not been recognised (at 30%)		
- Prepayments	44,616	50,921

	Consolidated	
	2013 $	2012 $
5. INCOME TAX (CONT'D)		
Temporary differences in relation to other comprehensive income for which deferred tax assets have not been recognised (at 30%)		
- Foreign currency translation reserves (relating to investments in subsidiaries)	165,926	302,217

A deferred tax asset has not been recognised in respect of the temporary difference on the foreign currency translation reserve of $553,087 (2012: $1,007,391) arising from translating the financial statements of the overseas subsidiaries because the deferred tax asset will only arise on disposal of the subsidiaries, which is not expected in the foreseeable future.

(e) Recognised temporary differences

Deferred tax liability on intangibles recognised in a business combination (at 30%)	517,085	590,954
	517,085	590,954

(f) Tax Rates

The consolidated entity operates in a multi-jurisdictional tax environment, which makes meaningful comparison of weighted average effective tax rates difficult. The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits/(loss) under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period. Corporate tax rates in jurisdictions where the company has subsidiaries and joint ventures are Singapore 17%, United Kingdom 28%, Italy 31%, Switzerland 13-20%, Republic of Korea 11%, Germany 30%, Japan 40% and USA 35%.

(g) Income Tax Loss

Deferred tax assets arising from tax losses of the Group not brought to account at the end of the reporting period as realisation of the benefit is not regarded as probable is $21,103,465.

The benefit for tax losses will only be obtained if:

(i) the company derives future assessable income of a nature and amount sufficient to enable the benefit from the tax losses to be realized;

(ii) the company continues to comply with the conditions for deductibility imposed by tax legislation and;

(iii) there are no adverse changes in tax legislation.

(h) Tax consolidation

Dyesol Limited and its wholly owned Australian controlled entities implemented the tax consolidation legislation with effect from 20 August 2006. The accounting policy in relation to this legislation is set out in Note 1(b).

The members of the tax-consolidated group have also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(i) Franking credits

There are no franking credits available as income tax has not been paid in Australia.

	Consolidated	
	2013	2012
	$	$

6. EARNINGS PER SHARE

Reconciliation of earnings to profit or loss

Loss attributable to owners of Dyesol Limited used to calculate earnings per share	(9,399,150)	(8,880,872)

The calculation of basic loss per share at 30 June 2013 was based on the loss attributable to owners of Dyesol Limited $9,399,150 (2012: $8,880,872) and a weighted average number (W.A.N.) of ordinary shares outstanding during the financial year ended 30 June 2013 of 198,046,098 (2012: 183,803,036) shares calculated as follows:

	2013		2012	
	Actual No.	W.A.N.	Actual No.	W.A.N.
Issued ordinary shares at beginning of year	196,044,602	196,044,602	153,894,736	153,894,736
Effect of shares issued pursuant to placement	24,098,015	1,320,439	41,536,261	28,876,467
Effect of issue of shares as a share based payment	1,219,370	681,057	613,605	1,031,833
Issued ordinary shares at end of year	221,361,987	198,046,098	196,044,602	183,803,036

Diluted loss per share, calculated by taking into account 6,500,000 outstanding options (2012: 9,214,000), 460,000 performance rights (2012: 200,000) and convertible notes, does not show an inferior view of the earnings performance of the Company than is shown by basic loss per share and is not disclosed for this reason.

	Consolidated	
	2013	2012
	$	$

7. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	1,167,332	1,010,305
Money market at call	4,000,000	1,500,000
	5,167,332	2,510,305

Cash at bank and in hand has interest bearing accounts which earn interest at rates from 0.00% pa to 3.10 pa%. The term deposits bear fixed interest rates of 3.38% p.a. and 4.07% pa. The term deposits have 14 days and 76 days to maturity at 30 June 2013.

8. TRADE AND OTHER RECEIVABLES

Trade receivables, gross	171,659	379,168
Allowance for doubtful debts	(98,079)	(98,079)
Trade receivables	73,580	281,089
Directors' loans, gross	355,823	329,734
Allowance for doubtful debts	(355,823)	(329,734)
Directors' loans – Note 24(e)	-	-
R & D tax rebate receivable	2,859,254	2,951,443
Interest receivable	2,153	-
Other receivables	298,620	217,758
	3,233,607	3,450,290

8. TRADE AND OTHER RECEIVABLES (CONT'D)

Provision for doubtful debts

Trade receivables are non-interest bearing and are generally on 30 to 90 day payment terms. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts.

At 30 June 2013 an allowance of $98,079 (2012: $98,079) was made for certain trade receivables considered doubtful due to financial difficulties of the customers.

Credit risk- directors' loans, grant receivable and other receivables

An allowance was provided for directors' loans in accordance with accounting standards. The loan is subject to legal recovery proceedings by the Company. Refer to the commentaries in Note 24e for directors' loan.

Past due but not considered doubtful

At 30 June 2013 trade receivables of $60,122 (2012: $203,256) were past due. The balance were not considered to be doubtful. The balance of trade receivables relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated	
	2013	**2012**
	$	**$**
Not past due	13,458	77,833
1 to 30 days past due	10,463	11,270
31 – 60 days past due	3,647	3,493
Over 60 days past due	46,012	188,493
Balance at end of year	73,580	281,089

Receivable balances which are neither overdue nor impaired are expected to be received when due, as they relate to long standing customers with good payment history or government entities which typically have long payment delays.

9. INVENTORIES

At Cost

Finished goods	459,264	482,785
Raw materials	416,020	738,150
Work in progress	95,360	178,934
	970,644	1,399,869

A provision for slow moving inventory in relation to dye and raw materials on hand of $58,366 and $269,756 were recorded respectively.

	Consolidated 2013 $	Consolidated 2012 $
10. OTHER CURRENT ASSETS		
Prepaid expenses	207,880	252,716
GST receivable	143,134	56,752
	351,014	309,468
11. PROPERTY, PLANT AND EQUIPMENT		
Office furniture and equipment, at cost	759,453	744,355
Less: Accumulated depreciation	(726,374)	(665,117)
	33,079	79,238
Plant and equipment, at cost	5,844,744	5,743,194
Less: Accumulated depreciation	(4,870,444)	(3,890,372)
	974,300	1,852,822
Motor vehicles, at cost	77,390	93,866
Less: Accumulated depreciation	(50,309)	(68,339)
	27,081	25,527
Computer software, at cost	332,480	300,906
Less: Accumulated depreciation	(299,193)	(267,951)
	33,287	32,955
Leasehold improvements, at cost	2,356,592	2,356,592
Less: Accumulated depreciation	(2,340,385)	(2,324,176)
	16,207	32,416
Total property, plant and equipment	**1,083,954**	**2,022,958**

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

Office furniture and equipment		
Balance at beginning of year	79,238	145,554
Effect of movement in Foreign Exchange	2,380	519
Additions	9,088	20,193
Depreciation	(57,627)	(87,028)
Balance at end of year	33,079	79,238
Plant and equipment		
Balance at beginning of year	1,852,822	2,623,908
Effect of movement in Foreign Exchange	(3,185)	1,761
Additions	6,163	366,288
Disposals	(14,128)	(105,904)
Depreciation	(867,372)	(1,033,231)
Balance at end of year	974,300	1,852,822

	Consolidated 2013 $	2012 $
11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)		
Motor vehicles		
Balance at beginning of year	25,527	34,034
Effect of movement in Foreign Exchange	685	148
Additions	25,903	-
Disposals	(8,467)	-
Depreciation	(16,567)	(8,655)
Balance at end of year	27,081	25,527
Leasehold improvements		
Balance at beginning of year	32,416	-
Additions	-	44,204
Depreciation	(16,209)	(11,788)
Balance at end of year	16,207	32,416
Computer software		
Balance at beginning of year	32,955	65,021
Additions	31,572	2,436
Depreciation	(31,240)	(34,502)
Balance at end of year	33,287	32,955
12. INTANGIBLE ASSETS		
Intellectual property and patents, at cost	3,747,022	3,747,022
Less: Accumulated amortisation	(1,944,913)	(1,676,101)
	1,802,109	2,070,921
Product development costs	3,039,840	3,829,003
Goodwill at cost	3,441,840	3,740,137
	8,283,789	9,640,061
Patents		
Balance at beginning of year	2,070,921	2,339,732
Effect of movement in Foreign Exchange	-	(25,098)
Disposals	-	(2,201)
Amortisation	(268,812)	(241,512)
Balance at end of year	1,802,109	2,070,921
Product Development Costs		
Balance at beginning of year	3,829,003	2,411,386
Effect of movement in Foreign Exchange	325,300	33,711
Additions	1,136,776	1,383,906
Impairment loss	(2,251,239)	-
Balance at end of year	3,039,840	3,829,003

	Consolidated 2013 $	Consolidated 2012 $

12. INTANGIBLE ASSETS (CONT'D)

Goodwill

Balance at beginning of year	3,740,137	3,740,137
Impairment loss	(298,297)	-
Balance at end of year	3,441,840	3,740,137

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense in profit or loss.

The directors have assessed impairment of intangible assets (including capitalised development costs) and property, plant and equipment, with regard to the expected success and future net cash flows to be generated by the DSC PV project. After careful consideration of the capitalized product development costs for the metal strip project, the Directors considered that some impairment was necessary to reflect the transition from liquid to solid-state based systems. The carrying value of $3,039,840 after the impairment of $2,251,239 is considered representative of the value to the organization for existing project and test activities, servicing a diverse client base and for use in the new ss-DSC related projects.

In addition, the goodwill resulting from the Greatcell Solar SA acquisition was reviewed by the Directors. The circumstances under which Greatcell Solar SA now operates have changed since the original acquisition and it was considered that a further impairment of $298,251 was warranted.

Intangible assets have been allocated to the Metal Strip cash-generating unit (CGU). The recoverable amount of the CGU is based on the value-in-use calculations which use cash flow projections based on management's estimates and assumptions (refer Note 1y). Key assumptions include:

- The continued work on the Metal Strip project undertaken by the Company to develop a grid competitive and durable product.
- The Company has resources to complete the Metal Strip project and is confident of raising the required funds.
- The project will continue to be technically feasible and in particular it is most likely that capital commitment by the Company's strategic investors will be received.
- Estimated market demand for DSC PV products will continue and grow in the future.
- Dyesol will secure the required materials supply arrangements in respect of the solid-state material set to be used by steel and other building material manufacturers.

Management also calculates fair value less costs to sell with reference to the company's market capitalisation listed on the Australian Stock Exchange. As at 30 June 2013, the company had 221,361,987 shares on issue and the market price per share was $0.32. Market capitalisation was $70,835,836 compared with net assets of $10,723,808.

13. TRADE AND OTHER PAYABLES

Unsecured liabilities – current

Trade creditors	718,166	348,554
Other creditors and accruals	1,264,146	891,064
Unearned income	442,868	761,034
Other payables (non-trade)	213,616	143,591
	2,638,796	2,144,243

14. BORROWINGS

Current

Convertible note – unsecured (a)	134,043	1,170,437
Convertible note – secured (b)	3,296,130	-
	3,430,173	1,170,437

Non-Current

Convertible note – unsecured (a)	1,190,283	-
	1,190,283	-

14. BORROWINGS (CONT'D)

(a) Convertible note – unsecured

The convertible notes issued in previous financial years, pursuant to the funding agreement with CSIRO to carry out a research and development project amounts to $1,324,326. CSIRO has provided funds to the value of $1,172,698 in three separate instalments and in return the company has issued convertible notes with a face value equal to the funds received of $1,172,698. In the current year the terms of repayment were re-negotiated and as a result additional interest charges have been recognised to increase the carrying value at 30 June 2013 to $1,324,326. Repayments of $134,063, $443,272 and $864,110 are due on the 1 December 2013, 1 December 2014 and 1 December 2015 respectively. On initial recognition, the interest rate charged on the loan was lower than the market rate for similar financing, and therefore, the difference between the face value of $1,172,698 and the fair value of the instrument of $1,044,713 was recognised as grant income over the term of the loan. The Funding Agreement and the Deed of Amendment between the Company and CSIRO governs the terms and circumstances of redemption or conversion to satisfy the indebtedness of this note, and the granting of a licence. The option to convert into ordinary shares equal to the face value of the note or redeem for cash is with the Company. The company has an option period between 1 August 2013 and 30 November 2013 to exercise its right to take up an exclusive licence under the Project IP set out in the CSIRO Licence Agreement. During this option period the Company will carry out internal research, evaluation and scale up activities to enable the Company to determine whether it wishes to take up the licence to commercially exploit the Project IP. The convertible note is presented in the balance sheet as follows:

	Consolidated	
	2013	**2012**
	$	**$**
Face value of notes issued	1,172,698	1,172,698
Deferred grant income of convertible note	(127,985)	(127,985)
	1,044,713	1,044,713
Interest expense*	279,613	125,724
	1,324,326	**1,170,437**
Broken down as follows:		
Current liability	134,043	1,170,437
Non-current liability	1,190,283	-
	1,324,326	**1,170,437**

* On initial recognition the applicable rate of interest on the loan notes is BBSW, as this is not considered a market rate of interest, the convertible notes require discounting at a market rate to their present value, with the difference being recognised as deferred government grant (in accordance with AASB 120 as CSIRO is a government body) and being released as the fees are incurred. The market rate on initial recognition was assessed at 8% p.a.

(b) Convertible note – secured

The parent entity has issued a 15 month redeemable convertible note for a face value of $4 million on 14 March 2013 with a 0% coupon, in return for an investment of $4 million from The National Industrialization Company of Saudi Arabia (Tasnee). The conversion rate into Dyesol shares is at 16.6 cents per share. The notes are convertible into ordinary shares of the parent entity, at the option of the holder, or repayable on 14 June 2014. In addition, under the Share Subscription Agreement, Tansee will have an option to invest up to a maximum of $16 Million in equity at a conversion price of 18 cents per share. The option has an associated exclusivity period during which certain restrictions apply including the issue of new equity in the Company. To the extent that investment is beyond 20% ownership in Dyesol and/or exceeds capacity under ASX Listing Rule 7.1, the strategic investment will require shareholder approval as required by the Corporations Act and the ASX Listing Rules, respectively.

The convertible note is secured by a floating charge over the assets of Dyesol Industries Pty Ltd., including the patent portfolio and EPFL licences, and the plant, equipment and inventory of Dyesol Australia Pty Ltd. In addition, the convertible note is secured by first mortgages over the ordinary shares of both Dyesol Industries Pty Ltd and Dyesol Australia Pty Ltd.

The convertible note is secured by a negative pledge that imposes certain covenants on both of the subsidiaries. The negative pledge states that :

(i) subject to certain exceptions, Dyesol Industries Pty Ltd and Dyesol Australia Pty Ltd. will not provide any other security over Tasnee's convertible note's secured assets.

(ii) subject to certain exceptions and only in the ordinary course of the ordinary business of the Company, Dyesol Industries Pty Ltd and Dyesol Australia Pty Ltd will not sell, assign, transfer or otherwise dispose Tasnee's convertible note's secured assets.

14. BORROWINGS (CONT'D)

The convertible note is presented in the balance sheet as follows:

	Consolidated	
	2013	2012
	$	$
Face value of notes issued	4,000,000	-
Equity component of convertible note	(798,887)	-
Transaction fee payable	(80,000)	-
	3,121,113	-
Interest expense*	175,017	-
Current liability	**3,296,130**	**-**

* The applicable rate of interest on the loan notes is Nil, as this is not considered a market rate of interest, the convertible notes require discounting at a market rate to their present value, with the difference being recognised as equity component and being released as the fees are incurred. The market rate on initial recognition was assessed at 20% p.a. Interest expense is calculated by applying the effective interest rate of 22.4% to the liability component.

The carrying amounts of assets pledged as security for current borrowings are:

	Note	2013	2012
		$	$
Current			
Floating charge			
Cash and cash equivalents	7	3,123	-
Intangible assets	12	1,723,615	-
Total current assets pledged as security		**1,726,738**	**-**
Non-current			
Floating charge			
Plant and equipment	11	710,212	-
Inventories	9	908,584	-
Total non-current assets pledged as security		**1,618,796**	**-**
Total assets pledged as security		**3,345,534**	**-**

15. PROVISIONS

	Consolidated	
	2013	2012
	$	$
Current		
Employee benefit provision	198,839	224,771
Make good provision	300,000	-
	498,839	224,771
Non-Current		
Employee benefit provision	91,356	86,085
Make good provision	-	300,000
	91,356	386,085

Make good provision

The Group is required under the terms of its lease to restore the leased premises at the end of the lease to its original condition. A provision has been recognised for the present value of the estimated expenditure required to demolish any leasehold improvements at the end of the lease. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets. The lease premises are due to expire during the next financial year and the Company is presently evaluating the options for favourable renewal terms that will meet the Company's requirements.

	Consolidated	
	2013	2012
	$	$

16. CONTRIBUTED EQUITY

Issued and paid-up capital

221,361,987 (2012: 196,044,602) fully paid ordinary shares	80,079,832	76,127,923

Ordinary Shares	2013 Number	2013 $	2012 Number	2012 $
Balance at beginning of year	196,044,602	76,127,923	153,894,736	66,848,603
Placement of shares for cash at $0.166 per share	24,098,015	4,000,250	-	-
Issue of shares in relation to SpringTree Agreement upon redemption of convertible security at $0.3852 per share	-	-	2,076,843	800,000
Loss on movement in fair value of derivative liability, of the convertible security in relation to SpringTree Agreement	-	-	-	363,032
Issue of shares in relation to SpringTree Agreement monthly tranche advance at $0.4279 per share	-	-	934,798	400,000
Issue of shares as share based payment *	1,219,370	-	613,605	-
Issue of shares in relation to SpringTree Agreement monthly tranche advance at $0.3866 per share	-	-	1,034,661	400,000
Issue of shares in relation to SpringTree Agreement monthly tranche advance at $0.2769 per share	-	-	1,444,565	400,000
Issue of shares in relation to SpringTree Agreement monthly tranche advance at $0.2655 per share	-	-	1,506,591	400,000
Offset of collateral shares in relation to SpringTree Agreement against the monthly tranche advance	-	-	-	351,260
Loss on movement in fair value of derivative liability, of the monthly tranche advances in relation to SpringTree Agreement	-	-	-	235,089
Issue of shares as collateral in relation to Bergen Agreement	-	-	1,300,000	-
Issue of shares in relation to Bergen Agreement monthly tranche advance at $0.2399 per share	-	-	1,667,361	400,000
Issue of shares in relation to Bergen Agreement monthly Tranche advance at $0.1928 per share	-	-	2,074,689	400,000

16. CONTRIBUTED EQUITY (CONT'D)

Ordinary Shares	2013 Number	2013 $	2012 Number	2012 $
Issue of shares in relation to Bergen Agreement upon partial redemption of convertible security at $0.1601 per share	-	-	1,249,219	200,000
Placement of shares for cash at $0.18 per share	-	-	5,927,778	1,067,000
Placement of shares for cash at $0.18 per share	-	-	21,710,000	3,907,800
Offset of collateral shares in relation to Bergen Agreement against the convertible security	-	-	-	203,580
Issue of shares in relation to Bergen Agreement to offset the convertible security at $0.164 per share	-	-	609,756	100,000
Transaction costs of share issues	-	(48,341)	-	(348,441)
Balance at the end of year	221,361,987	80,079,832	196,044,602	76,127,923

** 1,219,370 shares were issued to employees pursuant to the Dyesol Limited Employee Option Scheme.*

Share Options

The following options to subscribe for ordinary fully paid shares are outstanding as at the end of the reporting period:

	Consolidated	
	2013 Number	2012 Number
Options exercisable at $1.16 each	-	714,000
Options exercisable at $1.20 each	1,000,000	1,000,000
Options exercisable at $1.10 each	-	2,000,000
Options exercisable at $1.00 each	2,000,000	2,000,000
Options exercisable at $0.89 each	500,000	500,000
Options exercisable at $0.925 each	2,500,000	2,500,000
Options exercisable at $0.70 each	500,000	500,000
	6,500,000	9,214,000
The following movements in the number of options occurred during the year:		
Balance at the beginning of the year	9,214,000	8,714,000
Issue of options for nil cash consideration	-	500,000
Options lapsed during the year	(2,714,000)	-
Balance at the end of the year	6,500,000	9,214,000

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

Share Rights

The share rights issued under Dyesol Limited Employee Option Scheme for ordinary fully paid shares outstanding as at the end of the reporting period was Nil (refer note 23) (2012: 877,948).

Performance Rights

The performance rights issued under Dyesol Limited Performance Rights Plan for ordinary fully paid shares outstanding as at the end of the reporting period was 460,000 (refer note 23) (2012: 200,000).

	Consolidated	
	2013	2012
	$	$
17. RESERVES		
Equity-settled benefit (a)	5,079,859	4,982,229
Foreign currency translation reserve	(553,087)	(1,007,391)
Equity component on convertible note	798,887	-
	5,325,659	3,974,838

(a) Equity-settled benefit

The equity settled benefit reserve is used to record the value of options and share rights issued as share based payments provided to employees, including key management personnel, and consultants as part of remuneration.

Movement in reserve during the year:		
Balance at the beginning of the year	4,982,229	4,380,884
Options/Share rights granted to employees/directors	97,630	601,345
	5,079,859	4,982,229

18. NON-CONTROLLING INTEREST		
Non-controlling interest in controlled entities comprise:		
Interest in share capital	2,758	2,758
Interest in reserve	(2,087)	(2,900)
Retained earnings	6,866	3,912
Total non-controlling interest	7,537	3,770

19. FINANCIAL INSTRUMENTS DISCLOSURE

Overview

In common with all other businesses, the consolidated entity is exposed to risks that arise from its use of financial instruments. This note describes the consolidated entity's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The consolidated entity has exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the consolidated entity exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit Committee, which is responsible for developing and monitoring risk management policies. The committee reports regularly to the Board of Directors on its activities. In addition, a Senior Management Committee that comprises management from various disciplines reviews and monitors in detail the risk management framework and reports its findings regularly to the Board.

Risk management policies and procedures are established to identify and analyse the risks faced by the consolidated entity to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the consolidated entity's activities. The consolidated entity, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with consolidated entity's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the consolidated entity.

	Consolidated	
	2013 Carrying amount $	**2012 Carrying amount $**
Financial Assets		
Cash and cash equivalents	5,167,332	2,510,305
Loans and receivables	3,233,607	3,450,290
Total financial assets	8,400,939	5,960,595
Financial liabilities at amortised cost		
Trade and other payables	1,994,996	1,278,223
Borrowings	4,620,456	1,170,437
Total financial liabilities at amortised cost	6,615,452	2,448,660
Total financial liabilities	6,615,452	2,448,660

Credit risk

Credit risk is the risk of financial loss to the consolidated entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Cash

The consolidated entity places its cash deposits with high credit quality financial institutions and uses a number of institutions. 94% of cash is held with St George Bank in Australia. The remaining cash is held at reputable financial institutions in various geographical locations.

19. FINANCIAL INSTRUMENTS DISCLOSURE (CONT'D)

Trade and other receivables

The credit risk on financial assets of the consolidated entity is the carrying amount of receivables, net of provisions for impairment loss against doubtful debts. The consolidated entity minimises its concentrations of this credit risk by undertaking transactions with customers and counterparties in various countries. As at 30 June 2013, the majority of exposure to trade receivables is in Italy and Republic of Korea.

The consolidated entity has established a credit policy under which each new customer is first encouraged to use on line ordering and credit card payment. If the customer contacts Dyesol requesting other arrangements, the customer is analysed individually for creditworthiness before appropriate payment and delivery terms and conditions are offered. The consolidated entity's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and approved per authority levels outlined in the credit policy. These limits are reviewed in accordance with the credit policy frequency guidelines. Customers that fail to meet the consolidated entity's benchmark creditworthiness may transact with the consolidated entity only on a prepayment or cash only basis.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Customers that are graded as 'high risk' are placed on a restricted customer list, and future sales are made on a prepayment or cash only basis.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the consolidated entity may have a secured claim. In certain circumstances the consolidated entity requires collateral or bank guarantees in respect of trade and other receivables.

The loan issued previously to TMPL Pty Ltd., a company controlled by Dr Gavin Tulloch and Mrs Sylvia Tulloch, two previous Dyesol Limited directors, is still outstanding at the end of the current year. Whilst the loan has been provided for, Dyesol has taken legal advice and continues to pursue the full recovery of the monies.

The maximum exposure to credit risk at the end of the reporting period is as follows:

	Consolidated	
	2013 Carrying amount $	**2012 Carrying amount $**
Cash and cash equivalents	5,167,332	2,510,305
Loans and receivables	3,233,607	3,450,290
Total	8,400,939	5,960,595

The consolidated entity's maximum exposure to credit risk for loans and receivables and cash and cash equivalents at the end of the reporting period by geographic region was:

Carrying Amount

	Consolidated	
	2013	**2012**
Country	**$**	**$**
Australia	7,730,945	4,841,381
UK	69,963	210,733
Italy	120,147	66,710
Switzerland	215,940	137,117
Germany	7,570	66,881
USA	56,422	78,593
Rest of Americas	-	20,749
Japan	27,138	132,763
China	-	136,915
Republic of Korea	165,718	258,785
Rest of Asia	7,096	9,968
	8,400,939	5,960,595

Included in loans and receivables is the consolidated entity's most significant customer, located in Republic of Korea and owing $21,614, which accounts for 29% of trade receivables at 30 June 2013.

19. FINANCIAL INSTRUMENTS DISCLOSURE (CONT'D)

Liquidity risk

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. The consolidated entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the consolidated entity's reputation.

Typically the consolidated entity ensures that it has sufficient cash available on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Maturity Analysis

The following are the Contractual Maturities of Financial Liabilities:

Consolidated 2013

	Carrying Amount	Contractual Cash Flow	6 Months or Less	6-12 Months	1-2 Years	2-3 Years
	$	$	$	$	$	$
Non-derivatives						
Borrowings	4,620,456	4,737,555	134,043	3,296,130	443,272	864,110
Trade and other payables	1,994,996	1,994,996	1,994,996	-	-	-
Total financial liabilities	6,615,452	6,732,551	2,129,039	3,296,130	443,272	864,110

Consolidated 2012

Non-derivatives						
Borrowings	1,170,437	1,170,437	1,170,437	-	-	-
Trade and other payables	1,278,223	1,278,223	1,278,223	-	-	-
Total financial liabilities	2,448,660	2,448,660	2,448,660	-	-	-

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the consolidated entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The consolidated entity is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the parent company. The major functional currencies of the group entities are the Australian dollar (AUD), the Euro (EUR), the Pound Sterling (GBP), the Yen (JPY), the US Dollar (USD), the Swiss Franc (CHF), Singapore dollar (SGD) and the Republic of Korea Won (KRW). Primarily the transactions undertaken by the group entities are denominated in their functional currency.

Accounts payable and borrowings, which include amounts payable in foreign currencies, are shown in their Australian dollar equivalents.

In respect of other monetary assets and liabilities denominated in foreign currencies and to provide cash for forecast commitments in other jurisdictions, the consolidated entity ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The consolidated entity does not enter into forward or other contracts to hedge currency risk.

19. FINANCIAL INSTRUMENTS DISCLOSURE (CONT'D)

The consolidated entity's exposure to foreign currency risk at the end of the reporting period was as follows:

	Consolidated	
	2013	**2012**
	$	**$**
GBP Denominated		
Financial Assets		
Cash and cash equivalents	54,648	235,434
Loans and receivables	5,292	2,875
Total financial assets	59,940	238,309
Financial liabilities		
Trade and other payables	175,141	57,501
Total financial liabilities	175,141	57,501
Net Exposure	(115,201)	180,808
EURO Denominated		
Financial Assets		
Cash and cash equivalents	74,738	159,404
Loans and receivables	62,968	51,005
Total financial assets	137,706	210,409
Financial liabilities		
Trade and other payables	111,304	96,095
Total financial liabilities	111,304	96,095
Net Exposure	26,402	114,314
CHF Denominated		
Financial Assets		
Cash and cash equivalents	22,576	3,898
Loans and receivables	193,363	133,219
Total financial assets	215,939	137,117
Financial liabilities		
Trade and other payables	131,586	117,062
Total financial liabilities	131,586	117,062
Net Exposure	84,353	20,055
SGD Denominated		
Financial Assets		
Cash and cash equivalents	-	11,141
Total financial assets	-	11,141
Financial liabilities		
Trade and other payables	39,310	-
Total financial liabilities	39,310	-
Net Exposure	(39,310)	11,141
JPY Denominated		
Financial Assets		
Cash and cash equivalents	22,583	113,990
Total financial assets	22,528	113,990

19. FINANCIAL INSTRUMENTS DISCLOSURE (CONT'D)

The consolidated entity's exposure to foreign currency risk at the end of the reporting period was as follows:

	Consolidated	
	2013	**2012**
	$	**$**
Financial liabilities		
Trade and other payables	86,603	16,522
Total financial liabilities	86,603	16,522
Net Exposure	(64,020)	97,468
USD Denominated		
Financial Assets		
Cash and cash equivalents	56,617	73,083
Loans and receivables	2,903	98,323
Total financial assets	59,520	171,406
Financial liabilities		
Trade and other payables	6,954	66,943
Total financial liabilities	6,954	66,943
Net Exposure	52,566	104,463
KRW Denominated		
Financial Assets		
Cash and cash equivalents	64,911	185,518
Loans and receivables	9,153	45,801
Total financial assets	74,064	231,319
Financial liabilities		
Trade and other payables	134,217	89,184
Total financial liabilities	134,217	89,184
Net Exposure	(60,153)	142,135

19. FINANCIAL INSTRUMENTS DISCLOSURE (CONT'D)

Sensitivity analysis

A 10% strengthening or weakening of the Australian Dollar against other foreign currencies at 30 June 2013 would have increased/ (decreased) profit and equity by the amounts below. Analysis assumes that all other variables, in particular interest rates, remain constant.

Judgements of reasonably possible movements:

	Post Tax Profits and Equity Higher/(Lower) Consolidated	
	2013	2012
	$	$
GBP Denominated		
+10% (AUD/GBP)	11,520	(18,081)
-10% (AUD/GBP)	(11,520)	18,081
EUR Denominated		
+10% (AUD/EUR)	(2,640)	(11,431)
-10% (AUD/EUR)	2,640	11,431
CHF Denominated		
+10% (AUD/CHF)	(8,435)	(2,006)
-10% (AUD/CHF)	8,435	2,006
SGD Denominated		
+10% (AUD/SGD)	3,931	(1,114)
-10% (AUD/SGD)	(3,931)	1,114
JPY Denominated		
+10% (AUD/JPY)	6,402	(9,747)
-10% (AUD/JPY)	(6,402)	9,747
USD Denominated		
+10% (AUD/USD)	(5,257)	(10,446)
-10% (AUD/USD)	5,257	10,446
KRW Denominated		
+10% (AUD/KRW)	6,015	(14,214)
-10% (AUD/KRW)	(6,015)	14,214

Interest rate risk

The consolidated entity's exposure to market interest rates relates primarily to the investments of cash balances. The consolidated entity has cash reserves held primarily in AUD, GBP, JPY, EUR, CHF, USD and KRW and places funds on deposit with financial institutions for periods generally not exceeding three months.

At the end of the reporting period the consolidated entity's exposure to interest rate risk is as follows:

	Consolidated	
	2013	2012
	$	$
Cash at bank and on hand	1,167,332	1,010,305
Short term deposits	4,000,000	1,500,000
	5,167,332	2,510,305

19. FINANCIAL INSTRUMENTS DISCLOSURE (CONT'D)

Sensitivity Analysis

At 30 June 2013, if interest rates applicable to cash at bank denominated in AUD, GBP, EUR, JPY, KRW and CHF had moved as illustrated in the table below, with all other variables held constant, post tax profit would have been affected as follows:

Judgements of reasonably possible movements:

	Post Tax Profits Higher/(Lower) Consolidated	
	2013	**2012**
	$	**$**
+1% (100 basis points)	11,673	10,103
-1% (100 basis points)	(11,673)	(10,103)

At the reporting rate the interest rate profile of the Company is as follows:

	Fixed Rate	Floating Rate	Non-Interest Bearing	Total
	$	**$**	**$**	**$**
Consolidated 2013				
Financial Assets				
Cash and cash equivalents	4,000,000	1,167,332	-	5,167,332
Loans and receivables	-	-	3,233,607	3,233,607
	4,000,000	1,167,332	3,233,607	8,400,939
Financial Liabilities				
Trade and other payables	-	-	1,994,996	1,994,996
Borrowings	1,324,326	-	3,296,130	4,620,456
	1,324,326	-	5,291,126	6,615,452
Consolidated 2012				
Financial Assets				
Cash and cash equivalents	1,500,000	1,010,305	-	2,510,305
Loans and receivables	-	-	3,450,290	3,450,290
	1,500,000	1,010,305	3,450,290	5,960,595
Financial Liabilities				
Trade and other payables	-	-	1,278,223	1,278,223
Borrowings	1,170,437	-	-	1,170,437
	1,170,437	-	1,278,223	2,448,660

19. FINANCIAL INSTRUMENTS DISCLOSURE (CONT'D)

Capital Risk Management

The Group considers its capital to comprise of its ordinary share capital less accumulated losses.

The consolidated entity's objectives for managing capital are to ensure its ability to operate as a going concern. The group policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to ensure the future development of the company.

In order to achieve this objective, the Group assesses each relevant transaction to ensure risks and returns are at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims the Group considers not only its short-term position but also its long-term operational and strategic objectives.

The Group regularly reviews its capital requirements and determines whether or not to increase or decrease its borrowings.

There have been no other significant changes to the Group's capital management objectives, policies and processes in the year nor has there been any change in what the Group considers to be its capital.

During the period the Group complied with all externally imposed capital requirements and covenants to which it is subject.

The Gearing Ratio as at 30 June 2013 is:

	Consolidated	
	2013	**2012**
	$	**$**
Gearing ratios		
Net debt	4,620,456	1,170,437
Total Equity	10,723,808	14,816,458
Gearing ratio	43.09%	7.90 %

The gearing ratio has increased to 43% mainly due to the Tasnee's convertible note (refer note 14). Dyesol will be required to issue shares upon conversion between now and 14 June 2014 or repay the debt on 14 June 2014.

Fair values

The directors consider that the carrying amount of cash and cash equivalents, trade and other receivables, trade and other payables and borrowings recorded in the financial statements approximates their fair values.

20. SEGMENT REPORTING

Description of segments

Operating segments have been determined on the basis of reports reviewed by the executive management committee. The executive management committee ("committee") is considered to be the chief operating decision maker of the group. The committee considers the business from both a product and geographic perspective and assesses performance and allocates resources on this basis. The reportable segments are as follows:

1. Glass and Equipment

The Glass and Equipment business unit's goals are to develop the glass-based DSC market, to support current and generate future sales of Dyesol manufactured materials and equipments. The business unit has three activities which it supports on a global basis: Partner and Customer Business Development, Glass Application Development, and Equipment Engineering. Revenues are derived from partner and customer funded development activities in relation to products and equipments, grants, and from sales and service of equipment sets.

2. Flexibles

The Flexibles business unit pursues commercialisation of early market entry DSC products on flexible metal substrates. Activities include a range of development both in-house and in conjunction with 3rd parties having either key enabling technologies or specific routes to market. The business earns revenue from technology development contracts and grants and ultimately through direct manufacture of product or royalties from licensed manufacture, or on-selling of 3rd party manufactured product, as well as materials supply contracts.

3. Metal Strip

The Metal Strip business unit is involved in the development of DSC on coil steel in collaboration with Tata Steel Europe. This is a major IP development project addressing ultimately worldwide markets for DSC roofing and metal building products. The business specifies materials to be supplied by the Materials Supply operations. The business earns revenue from technology development contracts and grants and ultimately through royalties from licensed manufacture of the products.

4. R&D Materials and Products

Within Dyesol, the R&D Materials business unit undertakes core DSC material technology research and development of a generic nature which is applicable to a wide range of ultimate DSC device product forms, as well as materials scale-up and manufacture for sale to internal business units, partners, and 3rd parties. A determining factor in maintaining the core DSC material R&D activity distinct from the various partner focussed business units is the preservation of Dyesol exclusivity and control of generated intellectual property (IP). Revenues are derived from sales of materials to external customers, grants, and technology development/service agreement provisions. The business unit also undertakes R&D into novel DSC device designs and multi-function products.

Segment accounting policies are the same as the Group's policies described in Note 1.

20. SEGMENT REPORTING (CONT'D)

Information provided to the executive management committee

Segment information provided to the executive management committee for the year ended 30 June 2013 is as follows:

	Glass & Equipment		Metal Strip		Flexible		R&D Materials		Total	
	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $
Total Segment Revenue	152,697	820,674	-	-	-	-	848,412	1,139,471	1,001,109	1,960,145
Inter Segment Revenue	(32,009)	(202,672)	-	-	-	-	(70,893)	(213,704)	(102,902)	(416,376)
Segment Revenue from External Customers	120,688	618,002	-	-	-	-	777,519	925,767	898,207	1,543,769
Net Loss	(866,775)	(1,341,085)	(141,228)	(483,568)	-	(114,981)	(1,745,145)	(2,485,583)	(2,753,148)	(4,425,217)
Other segment information										
Non-cash expenses other than depreciation and amortisation	23,182	89,099	-	111,146	-	13,806	26,429	99,717	49,611	313,768

20. SEGMENT REPORTING (CONT'D)

Other segment information

Segment revenue

Product segment revenue reconciles to total revenue from sales of goods and services

	Consolidated	
	2013	**2012**
	$	**$**
Total segment revenue	1,001,109	1,960,144
Inter segment revenue	(102,902)	(416,375)
Other segment revenue		
Licence fee	9,092	19,336
Technical services	49,795	276,731
Total revenue from sale of goods and services (Note 2)	957,094	1,839,836

The provision of technical services unit does not meet the quantitative thresholds required by AASB 8 for reportable segments. Information about these operating segments has been combined and disclosed as the Other segment.

Net Loss

Net Loss reconciles to loss before income tax as follows:

Total segment net loss	(2,753,148)	(4,425,217)
Inter-segment eliminations*	3,890,302	7,740,249
	1,137,154	3,315,032
Unallocated corporate and other business units income and expenses		
Impairment of intercompany loans	(4,623,403)	(7,766,303)
Impairment of goodwill	(298,297)	-
Impairment of product development cost	(2,251,239)	-
Depreciation and amortisation	(1,257,827)	(1,416,717)
Loss on movement in fair value of derivative liability	-	(85,925)
Employment cost	(1,828,521)	(2,232,759)
Share based payment	(48,019)	(287,577)
Marketing expenses	(221,208)	(922,685)
Foreign currency losses	(20,011)	1,631
Unrealised foreign exchange losses	(65,506)	48,555
Interest paid	(357,647)	(75,210)
Interest income	89,877	61,628
Intellectual property expenses	(249,201)	(184,761)
Professional fees	(535,358)	(428,551)
Legal fees	(219,556)	(286,832)
Board, secretarial & other expenses	(798,292)	(396,478)
Provisions for doubtful debts / write-off	(26,089)	(480,540)
Other	(756,178)	(1,499,840)
Total unallocated corporate and other business units income and expenses	(13,466,475)	(15,952,364)
Loss before income tax from continuing operations	(12,329,321)	(12,637,332)

** Included within inter-segment eliminations is an impairment loss of $4,623,403 (2012 $7,766,303) in relation to intercompany receivables in subsidiaries.*

20. SEGMENT REPORTING (CONT'D)

Segment assets

Segment assets are not required to be disclosed if they are not provided to the chief operating decision maker.

Segment liabilities

Segment liabilities are not required to be disclosed if they are not provided to the chief operating decision maker.

Geographical information

The Group operates in four major geographical segments, being Australia, Asia, Europe (including Switzerland, Italy, Germany and the UK) and North America, being where the customers are based. All of these entities are involved in the industrialisation and commercialisation of Dye Solar Cell (DSC) technology.

Segment information provided to the executive management committee for the year ended 30 June 2013 is as follows:

	Australia		Asia		Europe		North America		Total	
	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $
Segment revenue										
Total segment revenue	76,537	74,832	607,889	1,127,972	551,798	711,852	172,580	869,388	1,408,804	2,784,044
Inter-segment revenue	-	(2,369)	(27,705)	(147,953)	(367,329)	(379,650)	(56,676)	(414,237)	(451,710)	(944,209)
Segment revenue from external customers	76,537	72,463	580,184	980,019	184,469	332,202	115,904	455,151	957,094	1,839,835

Segment revenue

Geographical segment revenue from external customers is measured in accordance with the accounting policies in note 1. The segment revenue reconciles directly to total revenue from continuing operations and therefore no reconciliation is required.

Major customers

The Group had made supplies to one of its major customers in the Asia region which account for 16% of external revenue (2012: 23%). The next most significant client, in the Asia region, accounts for 13% of external revenue (2012: 6%).

Segment assets

The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in Australia is $6,031,425 (2012: $7,309,782) and the total of non-current assets located in other countries is $3,336,318 (2012: $4,353,236). Of the total of non-current assets located in other countries, $3,203,216 (2012: $4,163,665) or 34% (2012: 36%) is represented by United Kingdom.

Segment assets are allocated to countries based on where the assets are located.

	Consolidated	
	2013 $	2012 $
21. NOTES TO THE STATEMENT OF CASH FLOWS		
(a) Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash and cash equivalents	5,167,332	2,510,305
(b) Reconciliation of net cash flows from operating activities to loss after income tax		
Loss after income tax	(9,396,196)	(8,878,004)
Add / (less) items classified as investing / financing activities:		
Loans to directors	-	-
Add non-cash items:		
Depreciation	989,015	1,175,204
Amortisation	268,812	241,513
Impairment of intangible assets	2,251,239	-
Share based payment expenses	97,630	601,345
Unrealised exchange (gain)/ loss	65,506	(22,501)
Goodwill impairment	298,297	-
(Profit)/ Loss on sale of property, plant & equipment	8,467	(6,223)
Loss on movement in fair value of derivative liability	-	85,925
Interest on convertible notes	175,017	-
Changes in assets and liabilities during the year:		
Decrease/ (increase) in trade and other receivables	216,683	(2,378,050)
(Increase)/ decrease in other current assets	(41,546)	39,637
Decrease in inventories	429,225	216,945
Increase/ (decrease) in trade and other payables	452,714	(1,143,891)
(Decrease)/ increase in provisions	(20,662)	33,487
Decrease in deferred tax liability	(73,869)	(77,095)
Net cash used in operating activities	(4,279,668)	(10,111,708)

	Consolidated 2013 $	2012 $
22. CAPITAL AND OTHER COMMITMENTS		
(a) Operating lease commitments		
Property rent and lease commitment related to office premises in Australia and UK		
Not later than one year	284,715	346,917
Later than one year but not later than five years	-	207,585
	284,715	554,502

The consolidated entity enters into operating leases in relation to the lease of buildings. Leases generally provide the consolidated entity with right of renewal at which time all terms are renegotiated. The lease premises are due to expire during the next financial year and the Company is presently evaluating the options for favourable renewal terms that will meet the Company's requirements. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rent is based on the relevant index or operating criteria.

(b) Capital commitments		
Payable not later than one year	6,720	4,249
	6,720	4,249

23. SHARE-BASED PAYMENTS

The total expense recognised in the profit or loss in relation to share-based payments is as follows:		
Share rights granted under the performance rights plan	47,409	601,345
Shares granted to employees	50,221	-
	97,630	601,345

Employee share option plan

Dyesol Limited Employee Option Scheme

The Company operates an incentive scheme known as the Dyesol Limited Employee Option Scheme ("Scheme"), which was approved at a shareholders' meeting held on 2 November 2007.

The maximum number of options that can be granted under the Scheme is determined by the Board in its discretion and in accordance with the Scheme and applicable law. There is no issue price for any options granted under the Scheme.

Each option is convertible to one ordinary share. The exercise price of the options is determined by the Board on such terms as the Board considers appropriate on or before the date of issue, subject to any minimum price specified in the Listing Rules of the ASX. The expiry date of the options will be as determined by the Board, being a date up to 5 years from the issue date of the options. Shares issued on exercise of options will rank equally with other shares.

An option may only be exercised after that option has vested and any other conditions of exercise imposed by the Board are satisfied. The Board has the discretion to determine any vesting conditions that may apply. The Board may also determine other vesting conditions. Options will generally not be forfeited if an employee leaves the Company. There are no voting or dividend rights attaching to the options.

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

23. SHARE-BASED PAYMENTS (CONT'D)

Employee share options

Consolidated 2013

Grant Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Exercisable at end of the year
			No.	No.	No.	No.	No.	No.
23 Dec 2010	23 Dec 2013	$0.89	500,000	-	-	-	500,000	500,000
04 Aug 2011	04 Aug 2014	$0.70	500,000	-	-	-	500,000	500,000

Consolidated 2012

Grant Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Exercisable at end of the year
			No.	No.	No.	No.	No.	No.
31 Dec 2007	31 Dec 2012	$1.16	714,000	-	-	-	714,000	714,000
23 Dec 2010	22 Dec 2013	$0.89	500,000	-	-	-	500,000	500,000
04 Aug 2011	04 Aug 2014	$0.70	-	500,000	-	-	500,000	500,000

Fair value of options granted

For equity-settled share-based payment transactions, the Company is required to measure the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, it is required to measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

The fair value of 500,000 options granted in the previous year to Mr M Thomas was calculated at the date of grant using a Black-Scholes model and charged entirely to the reporting period in which they were issued as the options vested immediately. In valuing the options, market conditions have been taken into account. The following table gives the assumptions made in determining the fair value of these options on grant date:

Fair value per option

Description	Mr M Thomas
Grant date	04 August 2011
Number of options	500,000
Expiry date	04 August 2014
Exercise price	$0.70
Price of shares on grant date	$0.47
Estimated volatility	39.2%
Risk-free interest rate	5.01%
Dividend yield	0%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

The fair value of 500,000 options granted previously to Mr K L Niu was calculated at the date of grant using a Black-Scholes model and charged entirely to the reporting period in which they were issued as the options vested immediately. In valuing the options, market conditions have been taken into account. The following table gives the assumptions made in determining the fair value of these options on grant date:

23. SHARE-BASED PAYMENTS (CONT'D)

Fair value per option

Description	Mr K L Niu
Grant date	23 December 2010
Number of options	500,000
Expiry date	22 December 2013
Exercise price	$0.89
Price of shares on grant date	$0.77
Estimated volatility	48.6%
Risk-free interest rate	5.33%
Dividend yield	0%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Director Share Options

No options were granted to the directors during the year.

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options for the directors during the year:

	2013		2012	
	No.	WAEP	No.	WAEP
Outstanding at the beginning of the year	5,000,000	$1.08	5,000,000	$1.08
Forfeited/expired	(2,000,000)	$1.10	-	-
Outstanding at the end of the year	3,000,000	$1.07	5,000,000	$1.08
Exercisable at the end of the year	3,000,000	$1.07	5,000,000	$1.08

The fair value of 2,000,000 options granted previously to Mr Gordon Thompson and Mr Ian Neal was calculated at the date of grant using a Black-Scholes model and charged entirely to the reporting period in which they were issued as the options vested immediately. In valuing the options, market conditions have been taken into account. The following table gives the assumptions made in determining the fair value of these options on grant date:

Fair value per option

Description	Mr Gordon Thompson	Mr Ian Neal
Grant date	29 November 2010	29 November 2010
Number of options	1,000,000	1,000,000
Expiry date	30 November 2013	30 November 2013
Exercise price	$1.00	$1.00
Price of shares on grant date	$0.73	$0.73
Estimated volatility	52.5%	52.5%
Risk-free interest rate	5.11%	5.11%
Dividend yield	0%	0%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

The fair value of 1,000,000 options granted previously to Mr Richard Caldwell was calculated at the date of grant using a Black-Scholes model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in the reporting period. In valuing the options, market conditions have been taken into account. The following table gives the assumptions made in determining the fair value of these options on grant date:

23. SHARE-BASED PAYMENTS (CONT'D)

Fair value per option

Description	Tranche 2
Grant date	27 November 2009
Number of options	1,000,000
Expiry date	27 November 2013
Exercise price	$1.20
Price of shares on grant date	$0.86
Estimated volatility	48%
Risk-free interest rate	5.15%
Dividend yield	0%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Consultant share options, shares and share based payments

No options were granted to consultants during the year.

SpringTree Special Opportunities Fund, LP Share Purchase and Convertible Security Agreement share options

2,500,000 options were granted previously pursuant to the Share Purchase and Convertible Security Agreements between Dyesol Limited and SpringTree Special Opportunities Fund, LP.

Employee share rights

There were no share rights granted to any employees during the year under the Dyesol Limited Employee Option Scheme.

The following illustrates the number of, and movements in, share rights issued to employees under the Dyesol Limited Employee Option Scheme during the year:

	2013 Number	2012 Number
Share rights		
Share rights exercisable	**-**	**877,948**
The following movements in the number of share rights occurred during the financial period:		
Balance at the beginning of year	877,948	1,672,038
Issue of share rights to employees for nil consideration	-	29,535
Share rights lapsed	(30,591)	(210,020)
Share rights exercised	(847,357)	(613,605)
Balance at the end of year	-	877,948

23. SHARE-BASED PAYMENTS (CONT'D)

Dyesol Limited Performance Rights Plan

The Company operates an incentive scheme known as the Dyesol Limited Employee Performance Rights Plan ("Plan"), which was approved at a shareholders' meeting held on 21st November 2011. Dyesol Performance Right Plan ("Plan") replaces the current Dyesol Limited Employee Option Scheme ("Scheme") as the Company ceases making new grants under the Scheme. However, the rights, entitlements and obligations of existing participants in the Scheme will continue on the same basis as before the introduction of the Plan.

The number of Performance Rights which may be granted under this Plan must not exceed (assuming all outstanding Performance Rights were exercised), when aggregated with any shares issued during the previous 5 years pursuant to any other employee share scheme operated by the Company, a maximum of five percent (5%) of the total issued capital of the Company at the time of the grant of the Performance Rights, excluding unregulated offers.

Each Performance Right has an entitlement to acquire a share in the Company at no cost. Shares issued on exercise of Performance Rights will rank equally with other shares.

Performance Rights will only vest and be automatically exercised if the applicable vesting conditions under the Plan have been satisfied or waived by the Board. All unvested Performance Rights will automatically lapse, unless the Board determines in its sole and absolute discretion to allow some or all of those Performance Rights to vest, in which case those Performance Rights will automatically exercise. There are no voting or dividend rights attaching to the Performance Rights.

Director Performance Rights

There were no performance rights issued to any directors during the year under the Dyesol Performance Rights Plan.

Employee Performance Rights

During the year the company granted 300,000 performance rights under the Dyesol Performance Rights Plan to employees for nil consideration over unissued ordinary shares. The vesting conditions to apply to the Performance Rights are as follows:

- 250,000 performance rights vesting on or before 1 August 2013
- 50,000 performance rights vesting on or before 31 January 2014

The following illustrates the number of, and movements in, performance rights issued to employees and directors under the Dyesol Performance Rights Plan during the year:

	2013 Number	2012 Number
Performance rights		
Performance rights exercisable	**460,000**	**200,000**
The following movements in the number of Performance rights occurred during the financial period:		
Balance at the beginning of year	200,000	-
Issue of performance rights to employees for nil consideration	300,000	200,000
Performance rights lapsed	(40,000)	-
Balance at the end of year	460,000	200,000

24. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation for the year is as follows:

	Consolidated	
	2013 $	2012 $
Short-term benefits	1,743,407	2,016,508
Post-employment benefits	89,855	58,285
Share based payments	44,748	203,113
	1,878,010	**2,277,906**

24. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT'D)

(b) Individual Directors and Executives compensation contacts

Disclosures of remuneration policies, service contacts and details of remuneration, are included in the Remuneration Report set out in the Directors Report.

(c) Options and rights holdings of key management personnel

Share options

The movement during the reporting year in the number of options over ordinary shares held, directly, indirectly or beneficially by each key management person, including their personally-related entities, are as follows:

2013	Held at 30 June 2012	Granted as Remuneration	Options Lapsed	Options Exercised	Held at 30 June 2013	Total Vested and Exercisable at 30 June 2013
Mr R Caldwell	3,000,000	-	(2,000,000)	-	1,000,000	1,000,000
Mr G Thompson	1,000,000	-	-	-	1,000,000	1,000,000
Mr I Neal	1,000,000	-	-	-	1,000,000	1,000,000
Mr K L Niu	500,000	-	-	-	500,000	500,000
Mr M Thomas	500,000	-	-	-	500,000	500,000

2012	Held at 30 June 2011	Granted as Remuneration	Options Lapsed	Options Exercised	Held at 30 June 2012	Total Vested and Exercisable at 30 June 2012
Mr R Caldwell	3,000,000	-	-	-	3,000,000	3,000,000
Mr G Thompson	1,000,000	-	-	-	1,000,000	1,000,000
Mr I Neal	1,000,000	-	-	-	1,000,000	1,000,000
Mr K L Niu	500,000	-	-	-	500,000	500,000
Mr M Thomas	-	500,000	-	-	500,000	500,000

Share rights (Dyesol Limited Employee Option Scheme)

The movement during the reporting year in the number of share rights over ordinary shares held, directly, indirectly or beneficially by each key management person, including their personally-related entities, are as follows:

2013	Held at 30 June 2012	Granted as Remuneration	Rights Lapsed	Rights Exercised	Held at 30 June 2013	Total Vested at 30 June 2013
Mr K L Niu	75,000	-	-	75,000	-	75,000
Dr A King	63,291	-	-	63,291	-	63,291
Mr C Moore	42,194	-	-	42,194	-	42,194
Mr D Milliken	31,646	-	-	31,646	-	31,646
Mr D Bundy*	45,000	-	-	45,000	-	45,000

** at resignation date*

2012	Held at 30 June 2011	Granted as Remuneration	Rights Lapsed	Rights Exercised	Held at 30 June 2012	Total Vested at 30 June 2012
Mr K L Niu	120,000	-	-	45,000	75,000	45,000
Dr A King	101,266	-	-	37,975	63,291	37,975
Mr C Moore	67,510	-	-	25,316	42,194	25,316
Mr D Milliken	50,633	-	-	18,987	31,646	18,987
Mr D Bundy	72,000	-	-	27,000	45,000	27,000

24. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT'D)

Performance rights (Dyesol Performance Rights Plan)

The movement during the reporting year in the number of performance rights over ordinary shares held, directly, indirectly or beneficially by each key management person, including their personally-related entities, are as follows:

2013	Held at 30 June 2012	Granted as Remuneration	Rights Lapsed	Rights Exercised/ Vested	Held at 30 June 2013	Total Vested at 30 June 2013
Mr G Grove-White	200,000	-	-	-	200,000	-

2012	Held at 30 June 2011	Granted as Remuneration	Rights Lapsed	Rights Exercised/ Vested	Held at 30 June 2012	Total Vested at 30 June 2012
Mr G Grove-White	-	200,000	-	-	200,000	-

(d) Shareholdings of key management personnel

The movement during the year in the number of ordinary shares held, directly, indirectly or beneficially by each key management person, including their personally-related entities, is as follows:

2013	Held at 30 June 2012	Purchased	Options Exercised	Rights converted into shares	Other#	Held at 30 June 2013
Mr R Caldwell	2,880,000	216,043	-	-	-	3,096,043
Dr G Tulloch /Mrs S Tulloch ^	20,172,213	-	-	-	(168,023)	20,004,190
Mr G Thompson	2,274,015	16,043	-	-	40,000	2,330,058
Mr I Neal	200,000	-	-	-	-	200,000
Mr G Grove-White	30,425	-	-	-	-	30,425
Mr K L Niu	52,500	-	-	75,000	(127,500)	-
Mr M Thomas	131,000	-	-	84,000	(130,000)	85,000
Dr A King	63,291	-	-	63,291	(126,582)	-
Mr C Moore	42,194	-	-	42,194	-	84,388
Mr D Milliken	31,645	-	-	31,645	(11,790)	51,500
Mr D Bundy *	45,000	-	-	45,000	-	90,000

 # Other represents sales, transfers and adjustments.

^ shareholdings as at 30 November 2012 (date Mrs Sylvia Tulloch ceased as a director)

** at resignation date*

24. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT'D)

2012	Held at 30 June 2011	Purchased	Options Exercised	Rights converted into shares	Other#	Held at 30 June 2012
Mr R Caldwell	2,190,000	690,000	-	-	-	2,880,000
Dr G Tulloch /Mrs S Tulloch	23,356,135	-	-	-	(3,183,922)	20,172,213
Mr G Thompson	2,154,015	120,000	-	-	-	2,274,015
Mr I Neal	200,000	-	-	-	-	200,000
Mr G Grove-White	10,425	20,000	-	-	-	30,425
Mr K L Niu	30,000	-	-	45,000	(22,500)	52,500
Mr M Thomas	131,000	-	-	-	-	131,000
Dr A King	25,316	-	-	37,975	-	63,291
Mr C Moore	16,878	-	-	25,316	-	42,194
Mr D Milliken	12,658	-	-	18,987	-	31,645
Mr D Bundy	18,000	-	-	27,000	-	45,000

 # Other represents sales, transfers and adjustments.

Further information regarding the key management personnel can be found in the Remuneration Report section in the Directors Report. All other related party transactions involving key management personnel are disclosed in Note 26.

(e) Loans to Key Management Personnel

No loans were issued to key management personnel during the year ended 30 June 2013.

The following table shows the loans at the end of the reporting period:

2013	Balance at 1 July 2012	Interest paid and payable on Loan	Interest not Charged	Amount loaned in year	Loan Repayment	Balance at 30 June 2013
Dr G Tulloch & Mrs S Tulloch (TMPL Pty Ltd.)	329,734	26,089	-	-	-	355,823
Total	329,734	26,089	-	-	-	355,823

The amounts shown for interest not charged in the tables above represent the difference between the amount paid and payable for the year and the amount of interest that would have been charged on an arm's-length basis.

For the loan issued to TMPL Pty Ltd, a company controlled by Dr G Tulloch & Mrs S Tulloch the highest amount owed in the current year was $355,823.

The loan issued previously to TMPL Pty Ltd., a company controlled by Dr Gavin Tulloch and Mrs Sylvia Tulloch, two previous Dyesol Limited directors, is still outstanding at the end of the current year. Whilst the loan has been provided for, Dyesol has taken legal advice and continues to pursue the full recovery of the monies.

The following loans were issued to key management personnel during the year ended 30 June 2012:

2012	Balance at 1 July 2011	Interest paid and payable on Loan	Interest not Charged	Amount loaned in year	Loan Repayment	Balance at 30 June 2012
Dr G Tulloch & Mrs S Tulloch (TMPL Pty Ltd.)	303,581	26,153	-	-	-	329,734
Total	303,581	26,153	-	-	-	329,734

The amounts shown for interest not charged in the tables above represent the difference between the amount paid and payable for the year and the amount of interest that would have been charged on an arm's-length basis.

For the loan issued to TMPL Pty Ltd, a company controlled by Dr G Tulloch & Mrs S Tulloch the highest amount owed in the previous year was $329,734.

24. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT'D)

The loan outstanding (issued on 12 May 2011) at the end of the current year was to TMPL Pty Ltd., a company controlled by Dr Gavin Tulloch and Mrs Sylvia Tulloch, two Dyesol Limited directors. The loan is secured and the repayment date was 31 March 2012. Interest is payable on the loans at 8.72% per annum. Subsequent to the year end, TMPL Pty Limited was put into liquidation. Whilst the loan has been provided for, Dyesol has taken legal advice and continues to pursue the full recovery of the monies.

(f) Loans from Key Management Personnel

The following loans were issued by key management personnel during the year ended 30 June 2013:

2013	Balance at 1 July 2012	Interest paid and payable on Loan	Interest not Charged	Amount loaned in year	Loan Repayment	Balance at 30 June 2013
Gundog Investments Pty Ltd	-	6,385	-	750,000	(756,385)	-
Total	-	6,385	-	750,000	(756,385)	-

Gundog Investments Pty Ltd, a company associated with Mr R Caldwell provided a bridging loan facility to the consolidated entity under independent contract arrangements. Terms of such services are based on market rates and payable under normal payment terms.

The amounts shown for interest not charged in the tables above represent the difference between the amount paid and payable for the year and the amount of interest that would have been charged on an arm's-length basis.

For the loan issued by Gundog Investments Pty Ltd, a company controlled by Mr R Caldwell, the highest amount owed in the current year was $756,385. The loan is secured with interest rate payable on the loans at 8.72% per annum. The loan was fully repaid at the end of the reporting period.

(g) Other transactions and balances with key management personnel

For information on other transactions and balances with key management personnel, and their related parties, please refer to Note 26.

25. SUBSIDIARIES

The consolidated financial statements include the financial statements of Dyesol Limited and the subsidiaries listed in the following table. All shares held are ordinary shares.

			% Equity interest		Investment ($)	
Name	Holding Company	Country of incorporation	2013	2012	2013	2012
Dyesol Industries Pty Ltd	Dyesol Limited	Australia	100	100	6,980,572	6,980,572
Greatcell Solar SA	Dyesol Industries Pty Ltd	Switzerland	99	99	482,660	482,660
Dyesol East Asia Pte Ltd	Dyesol Industries Pty Ltd	Singapore	100	100	7,676	7,676
Dyesol UK Ltd	Dyesol Industries Pty Ltd	United Kingdom	100	100	24,895	24,895
Dyesol Italia S.r.L.	Dyesol Industries Pty Ltd	Italy	100	100	274,865	274,865
Dyesol Australia Pty Ltd	Dyesol Industries Pty Ltd	Australia	100	100	100	100
Dyesol Inc.	Dyesol Industries Pty Ltd	United States of America	100	100	6,402	6,402
Dyesol Japan Co. Ltd.	Dyesol Industries Pty Ltd	Japan	100	100	115,002	115,002
Dyesol Automotive Bavaria	Dyesol Industries Pty Ltd	Germany	100	100	44,061	44,061
					7,936,233	7,936,233

26. OTHER RELATED PARTY TRANSACTIONS

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of those entities transacted with the consolidated entity during the financial year. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

Director/Key Management Personnel	Transaction	Note	2013 $	2012 $
Dr G Tulloch /Mrs S Tulloch / Mr G Thompson	Equipment Purchase/Consultancy/Labour supply (Sensol Ltd)	(i)	16,149	20,190
Mr M Thomas	Administration and accounting services (The Tech Group)	(ii)	64,250	62,901
Mr R Caldwell	Gundog Investments Pty Ltd	(iii)	756,385	-

(i) Sensol Ltd, a company associated with Dr G Tulloch, Mrs S Tulloch and Mr G Thompson provided equipment, consultancy services and labour hire services to the consolidated entity under independent contractual arrangements. Terms of such services are based on market rates and payable under normal payment terms. Mr. G Thompson has resigned as a director of Sensol Ltd effective November 2012.

(ii) The Tech Group, a company associated with Mr Marc Thomas provided administrative and accounting services to the consolidated entity under independent contractual arrangements. Terms of such services are based on market rates and payable under normal payment terms.

(iii) Gundog Investments Pty Ltd, a company associated with Mr R Caldwell provided a bridging loan facility to the consolidated entity under independent contract arrangements. Terms of such services are based on market rates and payable under normal payment terms.

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties	2013 $	2012 $
Current Assets		
Directors loan	355,823	329,734
	355,823	**329,734**

27. CONTINGENT LIABILITIES

- The Company has received a claim in previous periods from Dr Gavin Tulloch alleging wrongful termination of his role as Director of Technology and seeking payment of a significant unsubstantiated amount. In the Directors opinion this claim is without basis and the Company will strenuously defend this matter.
- Dyesol is the subject of an unquantified defamation claim. Dyesol considers the claim as spurious and will defend it if it proceeds to a legal determination.
- On 2nd August 2013 Dyesol received an arbitration hearing request from National Institute for Materials Science (NIMS) for a disputed contract balance payment of USD 352,741. The Company will strenuously defend this matter to ensure the best outcome of this matter for Dyesol is achieved.

The Directors believe that there are no other material contingent liabilities at the end of the reporting period.

28. INVESTMENT IN JOINT VENTURES

The consolidated financial statements include the financial statements of Dyesol Limited and the joint ventures listed in the following table:

			% Ownership interest		Investment $	
Name	**Venturer**	**Country of incorporation**	**2013**	**2012**	**2013**	**2012**
Dyesol-Timo Co.Ltd	Dyesol Industries Pty Ltd	Republic of Korea	50.1	50.1	-	-
DyeTec Solar Inc.	Dyesol Inc	United States of America	50	50	-	-

Dyesol-Timo Co. Ltd

Dyesol Limited has entered into a joint venture agreement with Timo Technology Co. Ltd. on 30 July 2008, involving a jointly-controlled entity called Dyesol-Timo Co. Ltd, to commercialise Dye Solar Technology (DSC) in the Republic of Korea. The parties have entered into a contractual agreement sharing control in Dyesol-Timo Co. Ltd, whereby the strategic financial and operating decisions relating to Dyesol-Timo Co. Ltd activities require the consent of 75% of the directors. Each party has two directors of Dyesol Timo.

In November 2009, the consolidated entity invested an additional $ 927,535 in cash in Dyesol Timo Ltd, increasing its interests in the joint venture from 49% to 50.1%. The consolidated entity's interests in the assets, liabilities, revenues and expenses of the joint venture are included in the consolidated statement of financial position in accordance with the accounting policy described in Note 1 (a) under the following classifications:

	2013 $	2012 $
Share of Assets and Liabilities		
Current Assets		
Cash and cash equivalents	64,911	185,518
Trade and other receivables	9,153	45,801
Inventories	2,046	2,755
Other current assets	20,840	40,179
Total Current Assets	96,950	274,253
Non-Current Assets		
Property, plant and equipment	130,322	187,839
Total Non-current Assets	130,322	187,839
Current Liabilities		
Trade and other payables	236,496	213,182
Total Current Liabilities	236,496	213,182
Share of Capital Employed	(9,224)	248,910
Share of Revenue and Expenses		
Revenues	94,735	330,279
Expenses	(409,547)	(563,638)
Loss before income tax	(314,812)	(233,359)
Income tax expense	-	-
Loss after tax	(314,812)	(233,359)

28. INVESTMENT IN JOINT VENTURES (CONT'D)

DyeTec Solar Inc.

Dyesol Inc, 100% subsidiary of Dyesol Industries Pty Ltd, has entered into a joint venture agreement with Pilkington North America, Inc on 8 June 2010, involving a jointly-controlled entity called DyeTec Solar Inc. to develop and deliver the Standard Technology Platform (STP) solution for mass manufacture of BIPV (Building Integrated Photovoltaic), AIPV (Automotive Integrated Photovoltaic) as well as interior PV generating glass base products, powered displays and security devices. Dyesol Inc has 50% interest in the joint venture.

	2013 $	2012 $
Share of Assets and Liabilities		
Current Assets		
Cash and cash equivalents	-	3,498
Total Current Assets	-	3,498
Current Liabilities		
Trade and other payables	-	25,210
Total Current Liabilities	-	25,210
Share of Capital Employed	-	(21,712)
Share of Revenue and Expenses		
Revenues	70,862	389,702
Expenses	34,583	(160,593)
Profit before income tax	105,445	229,109
Income tax expense	-	-
Profit after tax	105,445	229,109

Contingent liabilities relating to joint ventures

There are no material contingent liabilities relating to the joint ventures at the end of the reporting period.

Share of joint venture commitments

The joint ventures have no material commitments at the end of the reporting period.

29. PARENT ENTITY INFORMATION

The following details information related to the parent entity, Dyesol Limited, at 30 June 2013. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	2013 $	2012 $
Asset		
Current assets	7,915,544	5,535,328
Non-current assets	4,242,462	7,119,637
Total Assets	12,158,006	12,654,965
Liability		
Current liabilities	4,887,142	1,580,886
Non-current liabilities	6,392	304,227
Total Liabilities	4,893,534	1,885,113
Net Assets	7,264,472	10,769,852
Equity		
Issued Capital	80,079,831	76,127,923
Reserves- Equity-settled benefit	5,878,745	4,982,228
Accumulated Loss	(78,694,104)	(70,340,299)
Total Equity	7,264,472	10,769,852
Loss for the year	(8,353,805)	(8,698,202)
Total comprehensive income for the year	(8,353,805)	(8,698,202)

Contingent liabilities

- The Company has received a claim in previous periods from Dr Gavin Tulloch alleging wrongful termination of his role as Director of Technology and seeking payment of a significant unsubstantiated amount. In the Directors opinion this claim is without basis and the Company will strenuously defend this matter.
- Dyesol is the subject of an unquantified defamation claim. Dyesol considers the claim as spurious and will defend it if it proceeds to a legal determination.
- On 2nd August 2013 Dyesol received an arbitration hearing request from National Institute for Materials Science (NIMS) for a disputed contract balance payment of USD 352,741. The Company will strenuously defend this matter to ensure the best outcome of this matter for Dyesol is achieved.

The Directors believe that there are no other material contingent liabilities related to the parent entity at the end of the reporting period.

Capital commitments

There are no material capital commitments related to the parent entity at the end of the reporting period.

30. EVENTS SUBSEQUENT TO THE END OF REPORTING PERIOD

- The Company has commenced with the liquidation process required for the closing of its subsidiary company, Dyesol Japan Co. Ltd., which results from the further rationalisation of the Group operations to minimize costs. It is expected that the liquidation process will be completed during September 2013.

- On 29th August 2013 the Company received $2,840,785 research and development tax refund for the financial year ending 30 June 2013. This amount was recorded as other receiveables at 30 June 2013.
- The due diligence by Tasnee has now concluded in relation to a strategic investment of $16 million in Dyesol. In planning for exercise of this investment option, Dyesol has agreed to extend the exercise period by 2 months to 14 November 2013.
- Dyesol has invested SGD75,000 in a strategic investment in Printed Power Pty Ltd, a spinoff company out of Nanyang Technological University (NTU). Printed Power is initially focussing on the integration of Dye Solar Cell (DSC) technology with printed storage and power management systems to create fully integrated Combined Energy Generation and Storage devices.

The directors of the company declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:
   (a) comply with Accounting Standards and the Corporations Regulations 2001; and
   (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date.
2. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
4. The remuneration disclosures included in pages 16 to 26 of the directors' report (as part of audited Remuneration Report), for the year ended 30 June 2013, comply with section 300A of the Corporations Act 2001.
5. The directors have been given the declarations by the Executive Chairman and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Gordon Thompson, Director

Date this 27th day of September 2013

Grant Thornton

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Auditor's Independence Declaration
To the Directors of Dyesol Limited

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

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

LMWorsley.

L M Worsley
Partner – Audit & Assurance

Sydney, 27 September 2013

Grant Thornton

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Independent Auditor's Report
To the Members of Dyesol Ltd

Report on the financial report

We have audited the accompanying financial report of Dyesol Ltd (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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 Dyesol 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 2013 and of its performance for the year ended on that date; and

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

a the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Emphasis of Matter: Significant uncertainty regarding Continuation as a Going Concern

Without qualifying our opinion expressed above, we draw attention to Note 1 to the financial report which sets out the basis on which the Directors have determined that the consolidated entity is a going concern.

The consolidated entity incurred a net loss after income tax of $9,396,196 and an operating net cash outflow of $4,279,668 during the year ended 30 June 2013. Cash and cash equivalents amount to $5,167,332 at 30 June 2013.

In Note 1, it is stated that the consolidated entity requires additional cash from the receipt of a research and development tax incentive, reductions in Dyesol's cost base, a prospective investment which is subject to shareholder approval and potential government funding in order to continue as a going concern.

These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the Company's and the consolidated entity's ability to continue as a going concern and therefore, the Company and the consolidated entity may be unable to realise their assets and discharge their liabilities in the normal course of business, and at the amounts stated in the financial report.

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Emphasis of Matter: Material Uncertainty regarding Impairment of Non-Current Assets

Without qualifying our opinion, we draw attention to Note 1(e) and 1(y) in the financial report which discloses the consolidated entity's accounting policy and related estimates and judgements regarding the assessment of impairment of non-current assets.

Included in the statement of financial position is property, plant and equipment amounting to $1,083,954 and intangible assets amounting to $8,283,789, which relate substantially to the consolidated entity's project to develop Dye Sensitised Photovoltaic on coil coated steel (the DSC PV project) in collaboration with Tata Steel Europe.

In Note 1 (y) it is stated that at the date of this report a formal commitment to further progress the DSC PV project to commercialisation has not been received. Notwithstanding this uncertainty, based on information available to them, the Directors are of the opinion that there are other viable collaboration partners within the market and that the DSC PV project will progress to commercialisation.

Accordingly, the Directors continue to expect that sufficient net cash flows will be generated by these assets to support the carrying values of non-current assets and no further impairment of these assets exists at 30 June 2013.

The above conditions indicate there is inherent uncertainty regarding the assumption that commercial viability will be achieved to further progress the DSC PV project and should this assumption prove to be incorrect the consolidated entity's property, plant and equipment and intangible assets may be impaired.

Report on the remuneration report

We have audited the remuneration report included in pages 16 - 26 of the directors' report for the year ended 30 June 2013. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

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

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GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

LMWorsley.

L M Worsley
Partner - Audit & Assurance

Sydney, 27 September 2013

The Board of Directors is responsible for the overall corporate governance of Dyesol Limited, and is committed to the principles underpinning best practice in corporate governance, applied in a manner that meets ASX standards and best addresses the Directors' accountability to Shareholders. However, whilst the Company will endeavour to comply with all of the guidelines under the ASX Corporate Governance Recommendations, the Board considers that the Company's structure and present stage of development does not warrant compliance with all recommendations.

A brief summary of Dyesol's main corporate governance policies and practices is outlined below. In addition, the following policies and procedures have been adopted and are available for viewing on the Company's website:

- Statement of Matters Reserved to the Board;
- Corporate Code of Conduct;
- Continuous Disclosure Policy;
- Securities Trading Policy;
- Risk Management Policy;
- Environmental Policy;
- Corporate Social Responsibility Policy;
- Audit Committee Charter;
- Remuneration Committee Charter;
- Shareholder Communications Strategy; and
- Summary of Procedure for Selection of External Auditor and Rotation of Engagement Audit Partner.

THE BOARD OF DIRECTORS

The Board will comprise both executive and non-executive Directors. Presently there are four non-executive Directors and one executive Director. It is Dyesol's intention to have a majority of non-executive directors as it expands operations globally, although that composition will take some time to achieve in order to ensure an appropriate balance of relevant experience and expertise is achieved.

The membership of the Board, its activities and composition is subject to yearly review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include the quality of the individual, experience and achievement, credibility within the Company's scope of activities, intellectual ability to contribute to the Board's duties and ability and commitment to undertake Board duties and responsibilities.

COMMITTEES OF THE BOARD

The Board has established the following committees:

Audit Committee

The Audit Committee comprises two non-executive Board members. The primary responsibility of this Committee is to monitor the integrity of the financial statements of the Company, and to review and monitor the Company's internal financial control system.

Remuneration Committee

The Remuneration Committee comprises three Board members, two of these being non-executive Directors. The primary responsibility of this Committee is to discharge the Board's responsibilities in relation to remuneration of the Company's executives, including share and benefit plans.

ROLE OF THE BOARD

The management and control of the business is vested in the Board. The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of the shareholders.

The Board strives to create shareholder value and ensure that shareholders' funds are prudently invested.

The other key responsibilities of the Board include:

- appointing, evaluating, rewarding and, if necessary, removing the Chairman, Managing Director and Senior Executives;
- development of corporate objectives and strategy with management and approving plans, new investments, major capital and operating expenditures and major funding activities proposed by management;
- monitoring actual performance against budgeted and forecast performance and reviewing operating information to understand at all times the state of the health of the Company;
- overseeing the management of business risks, staff welfare, personnel equity, safety and occupational health, environmental issues and community development;
- being satisfied that the financial statements of the Company fairly and accurately set out the financial position and financial performance for the year under review;

ROLE OF THE BOARD (CONT'D)

- being satisfied that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, risk management and internal control processes are in place and functioning appropriately and further, approving and monitoring financial and other reporting;
- being assured that appropriate audit arrangements are in place;
- ensuring that the Company its officers and staff act legally, ethically and responsibly on all matters and assuring itself that a code of business ethics has been adopted and that the Company practice is consistent with that Code; and reporting to and advising shareholders.

ASX BEST PRACTICE RECOMMENDATIONS

The Company acknowledges the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition) (the "Recommendations") applicable to ASX-listed entities. The ASX Listing Rules require listed companies to include in their Annual Report a statement disclosing the extent to which they have complied with the Recommendations in the year. The recommendations are not prescriptive and if a company considers that a recommendation is inappropriate having regard to its particular circumstances, the company has the flexibility not to adopt it.

Performance assessment

This summary outlines the approach adopted in reviewing the Directors' performance evaluation for Dyesol Limited ("Dyesol" or the "Company"). To the extent practicable, the Company has followed the ASX Corporate Governance Council's *Corporate Governance principles and Recommendations* (2nd Edition).

1. THE BOARD AND INDIVIDUAL DIRECTORS

1.1. The Board reviews its performance each year to ensure individual directors and the Board as a whole work efficiently and effectively in achieving their functions as set out in the Board Charter.

Approach

1.2. Each director completes an externally prepared peer performance evaluation of fellow directors and this is processed by the company secretary on behalf of the Chairman. Individual performance scores are then circulated and areas for review and improvement identified.

1.3. The Board as a whole discusses and analyses its own performance during the year including suggestions for change or improvement. The Board may also utilise the services of an external party to review the performance of the Board.

The Company sets out below an explanation of the areas where Dyesol does not presently comply with ASX Best Practice recommendations:

Independence of Chairman

The Chairman of the Board, Mr Richard Caldwell, is currently not considered to be an independent Director. The Board consider Mr Caldwell's role as Chairman to be appropriate given the Company's present size and Mr Caldwell's experiences and expertise.

Board committees

The Company does not presently have a separate Nomination Committee. The entire Board conducts the function of such a committee at the present time. The duties of such a committee have been considered and adopted by the Board. The Board will, if considered appropriate, invite persons with relevant industry and financial experience when required to carry out the functions of such a committee.

The Audit Committee does not comprise at least 3 members, nor are the majority independent non-executive directors, primarily because of the Company's present size and Board structure. The composition of the Committee will be reviewed as the Board is expanded.

The Company has a Technology Advisory Board comprising international experts in the technology, and plans to broaden this into an Advisory Board of international experts in the business areas in which the Company operates. The Advisory Board meets irregularly at the request of the Director of Technology, who is secretary to the Advisory Board. Any member of the Advisory Board may communicate directly with director(s) of the Company.

Risk Management

Recommendation 7.1 suggests the establishment of policies on risk oversight and management. The Company's website contains various policies, one of which is Risk Management Policy. The Policy notes that a formal documented risk management strategy has not been prepared, but enunciates the Company's broad policy and strategy in this area. The Company's approach to financial risk management is detailed in the notes to the financial statements The Company is presently reviewing its overall risk management approach and is in the process of expanding its risk management policy.

Diversity Policy

While the Company provides a workplace that is open to gender diversity, the Company currently does not have a formal policy or specific objectives for gender diversity. The Board recognises the benefits of a diverse workforce and the value of considering how the Company can best achieve these benefits at its current stage of development.

The proportion of women within the organisation is as follows:

- women on the Board 1 (20%)
- women in senior management roles 2 (22%)
- women employees in the Group 14 (25%)

Top holders

The 20 largest registered holders of each class of quoted equity security as at 19 September 2013 were:

Fully paid ordinary shares

	Name	No. of Shares	%
1.	JP Morgan Nominees Australia Limited <Cash Income A/C>	83,863,875	37.89
2.	HSBC Custody Nominees (Australia) Limited – A/C 2	2,767,821	1.25
3.	CS Fourth Nominees Pty Ltd	2,666,959	1.20
4.	Thomas Hans Offermann <The Offermann Family A/C>	2,016,043	0.91
5.	Babak Goodarzi	1,949,448	0.88
6.	Richard Alexander Caldwell	1,850,000	0.84
7.	GTST Holdings Pty Ltd <Tulloch Family A/C>	1,826,358	0.83
8.	Gordon Thompson + Jeanette Thompson <Thompson Family S/F A/C>	1,750,308	0.79
9.	Gwynvill Trading Pty Limited	1,641,538	0.74
10.	Merrill Lynch (Australia) Nominees Pty Limited <Nom1 A/C>	1,534,608	0.69
11.	Goodarzi Holdings Pty Ltd < Goodarzi Family Service A/C>	1,500,848	0.68
12.	Citicorp Nominees Pty Limited	1,403,374	0.63
13.	Mark John Conway	1,392,856	0.63
14.	HSBC Custody Nominees (Australia) Limited	1,270,067	0.57
15.	Brazil Farming Pty Ltd	960,000	0.43
16.	Yong International Investments Pty Ltd <Yong S/F A/C>	916,043	0.41
17.	UBS Wealth Management Australia Nominees Pty Ltd	812,500	0.37
18.	Fitplanet Investments Pty Ltd <The Fitplanet A/C>	801,155	0.36
19.	Declast Pty Ltd <Tulloch Superannuation A/C>	762,500	0.34
20.	Richard Alexander Caldwell <Frith Super Fund A/C>	746,043	0.34
		112,432,344	50.78

Distribution schedules

A distribution schedule of each class of equity security as at 19 September 2013:

Ordinary fully paid shares

Range			Holders	Units	%
1	-	1,000	822	384,623	0.17
1,001	-	5,000	1,453	4,119,063	1.86
5,001	-	10,000	797	6,244,271	2.82
10,001	-	100,000	1,934	59,676,659	26.96
100,001	-	Over	216	150,937,371	68.19
Total			5,222	221,361,987	100.00

Options

The Company has the following unlisted options on issue as at 19 September 2013:

Expiry Date	Exercise Price	Number of Options	Number of Holders
29 April 2015	$0.925	2,500,000	3

Substantial shareholders

There were no substantial shareholders in Dyesol Limited as at 19 September 2013.

Restricted Securities

As at 19 September 2013, the Company had no restricted securities on issue.

Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 1,352 shares as at 19 September 2013):

Holders	Units
1,001	595,611

Voting Rights

The voting rights attaching to ordinary shares are:

On a show of hands, every member present in person or by proxy shall have one vote, and upon a poll, each share shall have one vote.

Options do not carry any voting rights.

On-Market Buy Back

There is no current on-market buy-back.