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# **DYESOL LIMITED**

ACN 111 723 883

## **ANNUAL FINANCIAL REPORT**

**For the year ended 30 June 2016**

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## Corporate Directory

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### **Directors**

Mr Ian Neal – Non-Executive Chairman  
Mr Richard Caldwell – Managing Director  
Mr Gordon Thompson – Non-Executive Director  
Ms Lynette McDonald – Non-Executive Director  
Mr Robert McIntyre – Non-Executive Director  
Mr Antoine Shirfan – Alternate Director

### **Company Secretary**

Mr Kim Hogg

### **Principal Place of Business**

11 Aurora Avenue  
Queanbeyan New South Wales 2620

Telephone: +61 2 6299 1592  
Facsimile: +61 2 6299 1698

### **Registered Office**

3 Dominion Place  
Queanbeyan New South Wales 2620

Telephone: +61 2 6299 1592  
Facsimile: +61 2 6299 1698

### **Auditor**

Grant Thornton Audit Pty Ltd  
Level 17, 383 Kent St.  
Sydney NSW 2000

### **Share Registry**

Computershare Investor Services Pty Ltd  
Level 11, 172 St George's Terrace  
Perth Western Australia 6000

Telephone: +61 8 9323 2000  
Facsimile: +61 8 9323 2033

### **Stock Exchange**

Australian Stock Exchange Limited  
Level 40, Central Park,  
152-158 St George's Terrace  
Perth Western Australia 6000

**ASX Code:** DYE

# Chairman's Letter

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The past year has seen our team continue to achieve well defined technical milestones, which are so critical to our success. The collaboration evident across work streams and between Dyesol, and EPFL in particular, reinforces our belief that we are well and truly at the forefront in the world, in commercialising the revolutionary Perovskite Solar Cell technology.

EPFL have, achieved ground breaking results reporting efficiencies of over 22% . Our own team has been solidly focussed on complementing these efficiency results with improvements in cell stability. In parallel with these two critical issues we have been undertaking extensive scale up testing. In order to de risk scale up we are taking a two stage approach, the first stage will be to produce a 45x65 cm panel (Mini Mass Area Demonstration (Mini MAD)) with our own internal expertise as an important next step in commercialisation during this coming year.

Preparatory phases for stage two of our scale up have been completed during the year with VDL appointed to complete the, Engineering and Design Study. In the coming year and building on the anticipated success of Mini MAD we will be working with VDL to prepare a detailed design for a prototype plant to construct full size modules (120x60 cm). Following successful prototype development we will be seeking partners for a pilot line phase. Depending upon developments in the coming year, Turkey remains an option for this stage, given the sizeable funding that may be available.

Conditions worldwide and now within Australia continue to improve and help drive both demand for what we are seeking to build and providing a positive environment for our endeavours. Having a Federal Government which is actively interested in creating jobs through new industries is a welcome and positive change which will form part of our decision set on where we locate scale-up activities in the future.

We have always believed in the value of partnerships as part of our commercialisation strategy. Our core competency at this point is in scaling lab sized test cells to commercial scale and part of our ongoing efforts has always been to attract competent partners whose skills, reach and capabilities complement our scientific prowess and will allow us to catapult product into the market and allow us to play to our strengths in those parts of the value chain where we have a competitive advantage.

The Managing Director will cover all of these aspects in more detail in the Operations Review. We are collaborating well with our colleagues at Cristal, VDL, ETG and Solliance, all of which are helping us gain momentum in developing a first commercial product which is anticipated to have very attractive cost benefit characteristics when compared to current solar cell technologies that are in the market.

Looking forward, we believe that the 45x65 cm prototype (mini-MAD) module which is part of this year's milestone plan will prove to be a catalyst along our journey and this is a particular focus for the team in Queanbeyan.

I would also like to thank again Lynette McDonald and Rob McIntyre as Tasnee's board representatives for their valuable contributions this year.

As usual, I look forward to the Annual General Meeting when we will give detailed presentations and updates to shareholders.

Yours faithfully,



Ian Neal  
Chairman

# Operations Review

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## Summary

For the first time in 3 years we are excited to report favourable tailwinds for Australian renewables companies like Dyesol. Mr Turnbull's appointment and the re-election of the Liberal Coalition are hinting at continuity and environmental responsibility, rather than the somewhat confusing dogma preceding it. Finally, we have bipartisanship on issues that few voters have ever really disputed.

Dyesol is systematically focusing on risk mitigation and achieving our long term technical and commercial goals. We are not Tesla, but it is patently wrong to think that we are inferior from a technology perspective. We do not think we are ahead of ourselves and strongly suspect our technology is more robust and promising than anything else on offer in 3<sup>rd</sup> Generation PV. The emerging PSC technology promises to be cheap and competitive with both fossil fuels and alternative renewable energy. However, we must pursue our goal of technology dominance carefully, rigorously and relentlessly.

FY2016 was remarkable for its continuity and consistency of scientific results and approach. The performance standard, IEC61646 is central to our agenda. In FY2017 we expect to transform that into further gains on our potential competitors - we intend to lead with results and not rhetoric. As our Operations Review clearly demonstrates, we have a singular focus and our plans and collaborations strongly augment this responsibility towards our valued and patient shareholders.

## Industry and Market Conditions

CY2015 was a record year for global PV installations with the International Energy Agency (IEA) estimating approximately 50 GW of new installations. This growth of 25% translates into cumulative installed global capacity of 227 GW. This solar PV capacity is still only supplying less than 2% of the world's electricity consumption and the market opportunities are still vast.

China and Japan enjoyed the strongest market growth, making Asia the global driver of demand, but all continental statistics exhibited growth, with the U.K. prominent in Europe. The more mature German and Italian markets contracted in terms of newly installed capacity, as the phasing out of feed-in tariffs impacted. Eastern Europe experienced growth, but is still relatively small.

In North America, the US market continued to grow, and reached 7.3 GW in 2015. Canada (600 MW) and, to a lesser extent, Mexico (103 MW) are also progressing.

At home, is it very pleasing to see the debate on the viability of renewables becoming more intelligent and less driven by the vested interest of the incumbent, fossil-fuel based, energy producers. The federal government has become less hostile as well and policy is increasingly supportive. In particular, after the July election the important roles and future of ARENA and CEFC appear more assured.

Elsewhere, new markets emerged. In the Middle East, Turkey installed 208 MW for the very first time, while Israel remained the very first country in terms of cumulative installed capacity with 200 additional MW installed.

## PSC Research and Development

It was a year of significant performance improvement for PSC technology with KRICT and EPFL going head-to-head on increases to conversion efficiency. Record accredited conversion efficiency now stands at 22.1%. In a few short years of development, PSC has converged with CdTe, CIGS and Multi-Crystalline Silicon which are all showing indications of plateauing while PSC retains a steep upwards trajectory. With laboratory cell performance similar across competing technologies, translation to industrial performance and competitive cost becomes critical. As PSC has lower projected material and manufacturing costs, it has positioned itself as a potential major disruptor in the PV industry. Dyesol is leading that industrialisation movement.

During FY2016, Dyesol pushed forwards hard in its scale-up activity, focusing on achieving the various individual tests that make up IEC61646. We announced 1000 hours of light soaking and thermal stability for porous carbon strip cells, as well as high correlations in translation of efficiency to larger modules. This is increasingly our focus, particularly in larger devices as we make preparation for translation of this strip cell and module know-how into panels of commercial scale and relevance.

Further tests that need to be satisfied over FY2017 include thermal cycling and UV testing. In addition, there will be further metals based milestones to be accomplished by Dyesol U.K. in its collaboration with Solliance in Eindhoven, The Netherlands, where establishing an inorganic material set is a prime focus. Stability testing on larger modules is ongoing as we relentlessly continue to scale-up. Technical risk mitigation is an essential step in successful scale-up and commercialisation.

We anticipate further acceleration of scale-up activity with the internal project having the most significance being the development of a 45 x 65 cm prototype, known as mini-Major Area Demonstration (mini-MAD). Mini-MAD is the pen-ultimate development step prior to the development of a full-scale prototype known as MAD, which Dyesol will develop with the assistance of VDL Enabling Technology Group, one of the most advanced manufacturing process and engineering companies in the world. When completed, MAD will be available for a multitude of pre-commercialisation activities, including showcasing, demonstration, testing and accreditation. A number of commercial and academic partners have registered their interest to participate in this exciting development.

# Operations Review

## Intellectual Property

Dyesol is a pioneer licensee of the EPFL in Switzerland. The licence in perpetuity provides Dyesol with IP rights in relation to all patented technology invented by the EPFL in relation to both Dye Solar Cells and Perovskite Solar Cells. Dyesol commissioned an independent freedom to operate study by the IP consultancy Stratagem which has confirmed our rights to IP necessary to operate in the field of DSC/PSC PV and to progress our business plans to full commercialisation. Dyesol continues to pay royalties to the EPFL in relation to materials produced and sold which are covered by their active patents. The EPFL augmented its portfolio of PSC relevant patents again this year - European application number 15173936.4.

Dyesol also has a suite of its own patents which significantly supplement the IP registered by the EPFL. This year it advanced its patent covering inorganic hole-transport-materials to national phases. In addition to registered IP, Dyesol is increasingly formally registering internal IP to ensure it has strong protection for all its materials, processes and know-how where practicable. This year 3 invention capture documents (ICDs) were registered internally, demonstrating strong invention in both new processes and device architectures, as well as documentation of a range of material specifications, process instructions, and test instructions which form the base of a suite of manufacturing IP for production of PSC technology.

During the year, Dyesol formalised its relationship with Cristal, the Tasnee subsidiary, with the execution of a joint development agreement. In particular, Dyesol works closely with Cristal in the development of zirconia and titania pastes which are fundamental to its Porous Carbon PSC architecture as well as more generally relevant.

One very exciting joint development was the registration of a provisional patent in relation to modified titania where early investigation has discovered a significant uplift in cell performance. Together, we are now undertaking further investigation to fully understand and quantify the benefit in conjunction with EPFL and the University of York in the U.K.

Partnering with Solliance has also given Dyesol access to its IP portfolio (33 patent applications).

Lastly, within the EFACEC programme running with the University of Porto, a new patent has been filed covering key elements of the low-temperature laser-assisted, glass frit sealing technology to which Dyesol has exclusive exploitation rights.

## Dyesol Industries & Dyesol Australia

Dyesol Industries is the principal employer in the Dyesol Group. Dyesol Australia currently engages in chemical production and materials scale-up (Faunce Street) and device development and scale-up (Aurora Avenue). Dominion Place, in close proximity to the other two centres of activity, conducts finance, administration and sales. It is currently being scoped to also host the imminent MAD project.

The Chief Technology Officer (CTO), Dr Damion Milliken, has global responsibility for all core R&D activity, including overseeing projects in Portugal, The Netherlands, Singapore and Switzerland. Dr Milliken reports directly to the Managing Director and is responsible for implementation of the Technology Development Plan and its regular review. During the financial year, Dr Hans Desilvestro, the Chief Scientist, was promoted to a more prominent role in that he now works more generally across all Dyesol technology projects, rather than having just a GSA focus, and assists the CTO, particularly in the rapid identification and processing of new ideas and hypotheses.

Chemical production is the responsibility of Dr Yanek Hebling, who has again done a commendable job this year in providing a new range of solid-state chemical products for both Dyesol's web-based sales and sales through our U.S.A. agent, Sigma Aldrich. Japanese agents have also played an increasing role in distribution during the year. Dyesol is currently exporting to 60+ countries and its current customer base of over 600 includes blue-chip institutions such as CSIRO, EPFL, Fraunhofer, KAUST, NREL, Cambridge University and Oxford University. US university purchase activity has also continued to grow.

Mr Sung IL Lee is Global Head of Glass, responsible for the deployment of PSC on glass substrates and Mr Chris Moore, Global Head of Metals, based in Manchester, U.K., is the equivalent for metal or flexible substrates. They have oversight of the MAD/VDL and Solliance relationships, respectively.

Dr Luca Sorbello co-ordinates global sales of materials and equipment from an office in Rome. Sales are expected to grow strongly again during FY2017. The product range of materials has steadily grown and has been further augmented with the addition of equipment, including a very cost effective LED solar simulator, known as Hyperion. Dyesol now confidently considers itself the lead manufacturer of high-quality materials and equipment for the global PSC R&D community.

All R&D activity in Australia includes regular interaction with CSIRO and the Australian National University.

## Business and Corporate Development

As a relatively small and disruptive technology company, navigating our way through the market place is sometimes very challenging. We have learnt many lessons since our original listing in 2005 which have generally caused us to be more self-reliant and cautious of the motives and shaky policy of large companies and governments, alike. In many respects the global solar industry has progressed and matured in spite of government in recent years, although some improvement is evident in Australia in the past 12 months.

# Operations Review

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The other, and somewhat related, wisdom that occurs to us is that we should lead with the technology as this is what creates true and sustainable value for our shareholders. Ostensibly, it may be less exciting, but it is certainly more responsible. Technology claims and headlines can be somewhat difficult to understand and interpret, even for appropriately qualified investors. Our technology, in particular, is very sophisticated and there are many daily reports in the rapidly growing field that can be confusing and dampen the effect of genuinely ground-breaking developments or unduly promote news which is nothing more than noise and distraction. In this respect, academic progress can have little relevance to the commercial world. A starting point for this understanding is the focus of academics institutions on conversion efficiency, often ignoring cost and stability or product life-time considerations. Dyesol attempts to educate and guide its shareholders to understand myriad headlines in these terms.

In that sense, Dyesol has subordinated business development recently until our technology is genuinely commercially ready, especially through its structured prototyping activity. While not expected to delay our commercialisation schedule in any way, it does give us greater opportunity to make good decisions and better price our achievements at the negotiation table. One hang-up from previous collaborations and partners was that exclusivity sometimes comes at great sacrifice and we wish to be able to discuss and promote our prospects widely in the very dynamic market place. Accordingly, investors tracking our progress should pay close attention to mini-MAD and MAD activity.

Dyesol is working steadily towards valuable potential commercial outcomes in Australia, Hungary, Korea, Turkey and the U.K. and will assess each on its merits.

## **SPECIFIC**

The SPECIFIC partnership provides Dyesol with access to industrial, governmental and academic institutions enabling a broad range of collaborative and funding opportunities which have already been exploited to broaden Dyesol's U.K. and Europe-wide network. The principal partners of SPECIFIC are BASF, NSG Pilkington, Tata Steel, Swansea University and Cardiff University.

## **Solliance**

Solliance is a partnership of R&D organisations from the Netherlands, Belgium and Germany working in thin film photovoltaic solar energy. Research members include ECN, imec, TNO, Holst Centre, TU/e, Forschungszentrum Jülich, University Hasselt and Delft University of Technology.

Various state-of-the-art laboratories and pilot production lines are jointly used for dedicated research programs which are executed in close cooperation with the solar business community. Dyesol is in a 3 year development program and is utilising this partnership to gain access to first class scaling and process know-how and equipment. In particular, Dyesol is investigating materials, processes and device designs that meet the requirement for integration of PSC technology into flexible substrate based PV systems.

During the year, Dyesol made pleasing progress with novel materials and architectures that addressed the challenges of functionalising metals substrates. A number of internal milestones for FY2017 relate to achieving higher conversion efficiency and stability with a common, inorganic material stack.

## **VDL Enabling Technology Group**

VDL Enabling Technologies Group is a subsidiary of the VDL Group based in Eindhoven, The Netherlands. Dyesol was initially introduced to VDL by Solliance. It is a private commercial group with annual revenues in excess of €3 billion. A good example of its high precision engineering solutions capability includes the contract manufacture of Mini cars for the BMW Group. Generally, VDL ETG operates in the business of system integration of mechatronic (sub) systems and modules for OEMs in the high-tech capital equipment industry. Areas of demonstrated expertise include Automotive, Solar PV, Medical and Aerospace.

Dyesol has entered a 3 phase collaboration with VDL ETG structured to deliver a Major Area Demonstration prototype during 2017. This collaboration is stage-gated and requires successful completion of one phase before proceeding to the next phase, enabling Dyesol to examine alternative delivery options – local and international - that increase the cost effectiveness of the scale-up program. In the longer term, success at the prototype stage is intended to translate into further cooperation for the development of a production pilot line and full scale manufacturing lines designed for mass manufacture. The expertise of VDL ETG is particularly suited to fully automated and continuous processes in both sheet-to-sheet and roll-to-roll manufacture, suited to the PV functionalisation of glass and metals substrates, respectively.

# Operations Review

## Marketing and Promotion

During the last twelve months, Dyesol has strengthened and established its position as a leader in Perovskite Solar Cell Development. PSC is now considered the leading technology in 3<sup>rd</sup> Generation solar technology, with accredited efficiencies reaching over 22% and competing with traditional PV technologies.

Dyesol's efforts have been recognised as we have been selected as one of the Finalists of The Australian Innovation Challenge awards, in the category Minerals and Energy, and also ranked in the Science Meets Business Top 25 of Australia's technology and commercialisation companies. The Top 25 lists the best in the business – Australian companies that are successfully moving their R&D from lab to marketplace.

Dyesol has reinforced its positioning even further by releasing this year over 30 new products and categories during HOPV16 (Hybrid and Organic Photo Voltaic Conference 2016). Dyesol also participated and sponsored ABXPV (International Conference on Perovskite Thin Film Photovoltaics) and PSCO (Perovskite Solar Cells and Optoelectronics), the two additional, main conferences dedicated largely to Perovskite Solar Cells.

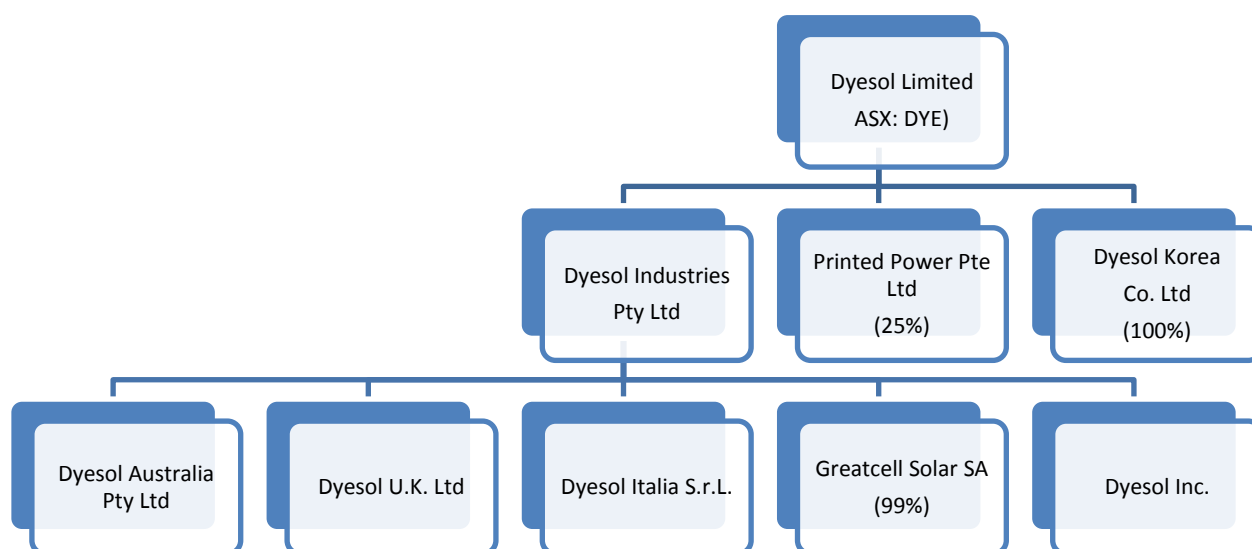
Our sales and distribution channels have been extended further with the introduction of targeted advertising via SciFinder, a research discovery application that provides unlimited access to the world's most comprehensive and authoritative source of references, substances and reactions in chemistry and related science. SciFinder offers a one-stop shop experience with flexible search and discover options based on user input and workflow.

Dyesol also increased its presence in India and subsequently won some tenders there, a must in its closed market structure. In addition, Dyesol continued to reinforce its relationship with existing distribution channels such as TCI (Tokyo Chemical Industry) and Sigma Aldrich.

Continuous improvements have been made regularly to our Marketing Channels: new Materials and Equipment catalogues, updated newsletters, and website optimisation.

## Corporate Structure

Dyesol is a global company and its structure is the result of careful planning to maximise opportunities, particularly in funding, recruitment, partnership and taxation, in the many different countries in which it chooses to operate. Dyesol Automotive Bavaria and Dyesol East Asia Pte Ltd no longer exist. All actions are taken to maximise future opportunities or eliminate cost where ongoing presence is not required. The board and senior management regularly review corporate structure to ensure it meets the Company's strategic needs.



### IR Highlights:

- Regular posts on the blog and a re-designed Aurora newsletter.
- Regular activity on Dyesol's social media accounts on Twitter @Dyesol (English), @DyesolLtd (German), and LinkedIn.
- Managing Director, Richard Caldwell, completed a U.K. and European Roadshow in May 2016.
- Dr Eva Reuter redesigned and renamed her website to Dr-reuter.eu. She continues publishing articles and dedicated videos in German for Dyesol Shareholders.

### HOPV16 Conference Highlights:

- Dyesol's was involved as a main Sponsor of HOPV16
- Luca Sorbello, Dyesol's Global Sales and Marketing Manager promoted Dyesol's new range of materials to existing and prospective customers resulting in increased interest and sales.
- Leading institutions and organisations were represented including EPFL, Nanyang Technical University (NTU), Oxford University, and the University of Toronto, to name a few.

# Operations Review

In other jurisdictions, namely Italy, Switzerland and the U.K., activity was maintained at the subsidiary level due to change of focus and availability of government R&D subsidies. The new roll-to-roll steel substrate activity at Solliance in Belgium, Germany and The Netherlands is being supervised out of the U.K.

Each company is incorporated within the country shown and is required to operate within the laws of the country of incorporation. Typically, employees enjoy the protection of the laws of the country in which they work. However, there is also an attempt to extend policies emanating from head-office across the entire Dyesol organisation where appropriate.

## Dyesol Staff

The Health and Safety of every Dyesol employee is our foremost consideration in everything we do. We have in place a WHS policy, WHS Management Plan, consultation arrangements, WHS structures and arrangements for all employees and at board level. There are also provisions relating to workplace inspections, training, and information and emergency procedures. Dyesol has 4 designated work groups, 3 Professional Health and Safety Representatives and a WHS Committee which meets on a monthly basis. There were no Notifiable accidents or incidents reportable to WorkCover NSW during 2015-2016 or at any time. There were no HSR Provisional Improvement Notices issued in 2015-2016.

Dyesol has continued to promote a proactive approach to work health and safety. During the year the most significant WHS initiatives were:

- Participating in Mental Health Workshops for all employees; conducted annually by 'Beyond Blue' - a Federal Government initiative;
- Providing Drug and Alcohol Awareness programs;
- Providing healthy lifestyle initiatives over the year, including Zumba classes and Yoga programs before work and at lunchtimes;
- Providing information on the flu vaccination program; available to all staff onsite;
- Conducting surveys for all employees on Health and Wellbeing and providing healthier choices of food for the employee quarterly BBQs.

Dyesol's philosophy provides a global expression of our HR mission and policies in addition to defining our responsibility to our employees in the form of management practices that value people; specifically:

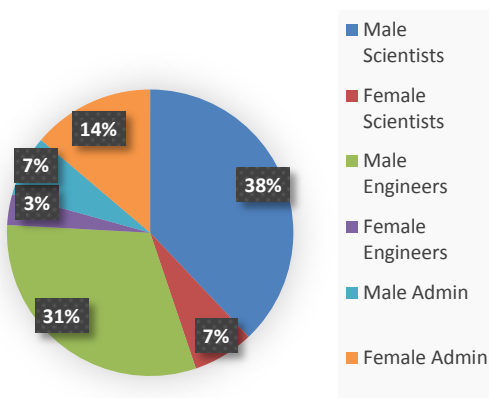
- Creating a positive environment, providing a setting where employees can work with assurance in terms of their health and safety;
- Providing opportunities for growth;
- Fostering an open, dynamic and unified workplace culture;
- To recruit, assign, retain and develop employees who are specialised and have the willingness and ability to contribute to continuous business growth.

Dyesol conducts Employee Satisfaction surveys and Peer Review surveys and the results show that staff enjoy a vibrant working life at Dyesol; demonstrated by the fact that our retention rate is an exceptional 93%.

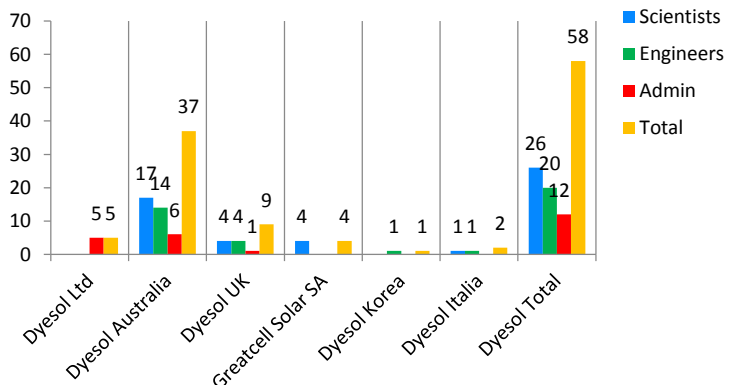
Dyesol recognises the importance of diversity; we value and appreciate the many perspectives that arise from a variety of cultures, races, gender, religions, ages, and physical and cognitive capabilities. Our diversity enables access to different perspectives that optimise our team's capacity and satisfaction.

Dyesol undertakes an annual salary review and there is provision for Staff bonuses and a Performance Rights Plan which continues to help attract, retain and motivate employees in all locations. The Dyesol Performance Development process is reviewed annually and we continue to emphasise our Employee Learning and Development Plan; which takes into account changes in work demands and needs, changed initiatives and new responsibilities emerging for the role or the team. Our continuing Leadership training provided to all managers and executives on a regular basis is paramount to our positive culture.

**Employees - Role & Gender**



**Employees - Number & Location**





# Operations Review

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## Sustainability at Dyesol

As an Australian clean-tech company, developing clean energy solutions for global energy needs, Dyesol demonstrates a strong commitment to sustainability through our primary purpose - the commercialisation of Perovskite Solar Cell technology - and through our efforts towards environmental sustainability, and corporate social responsibility in our daily business operations.

Dyesol is committed to developing a technology that is more environmentally friendly, not only than intensive carbon energy sources, but also than traditional PV technologies. Perovskite Solar Cells use abundant and safely recyclable materials and require simple processes with low embodied energy, even for scalable activities. Our long term BIPV goal and lower Levelised Cost of Electricity (LCOE) goals will not only contribute to reducing carbon footprint, but also accelerate the transition to solar energy.

During the past years Dyesol has implemented numerous sustainability practices such as recycling, energy efficiency initiatives, and responsible chemical disposal, to the installation of rain water tanks and implementing effective waste management and reduction. This year Dyesol has taken these steps further by growing towards a paperless office with a 90% free-paper goal by 2018, participating in the Earth Hour event by turning off all computers, lights and electricity for an hour and constantly revising chemical production processes to reduce waste.

Dyesol also integrates Social and Corporate responsibility by working with local businesses, and making donations to global disaster relief and local NGOs. Richard Caldwell also participated in the Vinnies CEO Sleepout, demonstrating Dyesol's mindset and values.

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# Operations Review

## Financial Review

### Financing and Equity (Refer to Consolidated Statement of Changes in Equity, Notes 18 and 25)

Dyesol commenced the year with 339,033,459 ordinary shares on issue and completed it with 370,812,058 shares on issue, an increase of 31,778,599 shares. As at June 30 2016, Dyesol had paid-up capital of \$108,329,352 and a market capitalisation of \$79,724,592 based on a closing price of 21.5 cents per share.

The increase in issued capital were mainly for

- Issue of 2,717,279 shares at 31.8 cents per share to repay CSIRO loan
- Issue of 29,446,253 shares at 26 cents per share for cash pursuant to the Company's Share Purchase Plan Offer and
- Issue of 1,756,685 shortfall shares at 26 cents per share to underwriters of the Company's Share Purchase Plan Offer

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

Net cash usage (outflows) from operating activities for 2016 financial year decreased marginally by 3% to \$7.4 million, as the Company continues to focus on its technology pathway to achieve successful commercialisation. The net cash outflow was largely reduced with a significant increase in grants receipts by \$644,051. In addition the R&D tax Incentive accrued for FY2016 is higher by \$517,615 compared to last year. With the R&D rebates, the net cash usage in operating activities was \$614,479 average per month compared to \$636,401 per month last year.

Net cash reserves were \$4.6 million at financial year end.

### Assets and Liabilities (Refer to Consolidated Statement of Financial Position and Notes 7 to 17 inclusive)

The Company's balance sheet finished the financial year with total net assets of \$8.5 million, a decrease of \$3.3 million (28%) from last year, mainly due to

- A non-cash impairment of intangible assets and goodwill totalling \$3,699,705 (Note 12)
- Lower cash reserves of \$4.6 million at year end compared to previous year of \$5.4 million

Trade and other receivables increased by 19% or \$696,432 due largely to the Company's expectation to receive a refundable research and development tax credit amounting to \$3.8 million for the 2016 R&D Tax Incentive, which has been recognised as an asset at 30 June 2016.

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

This year's results showed an increase in financial net loss after income tax to \$11.3 million. Excluding the one-off item (non-cash) of impairment provision for intangible assets and goodwill of \$3,699,705, the adjusted current year financial loss showed a significant decrease in net loss by \$1,003,045 (12%) compared to the last year's results.

The major factors affecting the current year's results were:

- Lower annual sales revenue by \$415,896.
- An increase in the receivable for 2016 R&D tax Incentive claim by \$517,615, from \$3,282,385 in FY 2015 to \$3.8 million.
- The one off impairment loss (non-cash) on intangible assets and goodwill of \$3,699,705 (see Note 12).

Of the total goodwill \$3,600,474, \$3,437,119 previously recorded by the Group relates to the acquisition of Sustainable Technologies International Pty Limited (STI) in July 2006. The Directors of Dyesol consider a number of the underpinning factors that supported this initial goodwill valuation still apply, namely access to EPFL IP and technology knowhow, and contributing to the freedom to operate in the relevant technology IP space. However, upon conducting the annual impairment assessment in accordance with the prescriptive valuation requirements of accounting standard AASB136 and considering the forecast timelines associated with commercialising the technology, the directors have determined that the appropriate accounting treatment is to recognise an impairment of this goodwill in 2016

- Dyesol Limited Performance Rights Plan share-based payment expense (non-cash) of \$524,404 (see Note 3).
- Administration and corporate expenses decrease mainly due to reduction in legal fee by \$364,615.
- Grant income increase by \$304,174 for our overseas R&D projects.
- Australian Renewable Energy Agency (ARENA) grant income of \$450,000.

Excluding the non-cash items, the adjusted financial net loss was reduced to \$7.1 million.

# Directors' Report

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

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 2016.

## 1. DIRECTORS

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

### **Mr Ian Neal (B Com, SF Fin)**

**Non-Executive Chairman** - appointed 5 May 2014, previously Non-Executive Director since 8 September 2006

Mr Neal as the Non-Executive Chairman of the Board of Directors for Dyesol Limited, shares responsibility with the Board of Directors for developing corporate strategy, contributing to business and strategic planning, commercialisation 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.

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.

### **Mr Richard Caldwell (BEc, LLB, S Fin)**

**Managing Director** - appointed 5 May 2014, previously Executive Chairman since 18 March 2005

Mr Caldwell was appointed as Managing Director of Dyesol Limited from 5 May 2014. Richard takes executive responsibility for business development, investor relations, capital raising and also assists with substantial contract negotiations. He chairs the Executive Committee consisting of the global senior executive. Prior to his change of role, Richard has held positions of Non-Executive and Executive Chairman since the Company's listing in 2005.

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.

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 Buckenridge 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. In 2012, he was appointed as chairman of the Ascham School Foundation, an unlisted public company.

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

**Non-Executive Director** - appointed 9 November 2004

Mr Thompson 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 Risk Committee, 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, and previously was 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.

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.

# Directors' Report

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## Ms. Lynette McDonald (LLB (Hons))

**Non-Executive Director** – appointed 7 April 2015, previously alternate director since 26 March 2015

Ms McDonald holds a Bachelor of Laws and has worked in the field of corporate law and company management for fifteen years in law firms, public companies and in her own consulting company. She held the position of Company Secretary and Commercial Manager in the publicly listed Bemax Resources Limited from 2004 until its takeover by Cristal in 2008.

Since 2008, Ms McDonald has run her own legal and commercial consulting business for clients with a focus on mergers and acquisitions and commercial negotiations primarily in the Middle East and USA. She has extensive debt and equity raising experience both in the Australian and overseas markets.

## Dr. Robert McIntyre (Ph.D. in Surface Electrochemistry)

**Non-Executive Director** – appointed 13 March 2015

Dr McIntyre has a Ph.D in Fundamental Surface Electrochemistry which he obtained from the University of Newcastle-Upon-Tyne. He was then awarded a Max Planck Fellowship to Study under Professor Heinz Gerischer, Director of the Fritz-Haber Institute. He worked there as a group leader for 5 years on fundamental surface chemistry of semi-conductors and metals and for that work he was awarded the Tajima Prize for Electrochemistry, awarded annually by the International Society of Electrochemistry. He has since held management positions at Courtaulds Chemicals, now AKZO, ICI, Tioxide, now Huntsman, and most recently, Cristal Global, formerly Millennium Chemicals. Dr McIntyre has been a Director of Stainless Steel International (UK), Millennium Chemicals (UK), Cristal UK, and many other Cristal companies for the past 10 years. He has a wide range of publications and patents and in the last 15 years has directed teams which have been responsible for the scale-up of many of Cristal's major pigments and speciality products.

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

**Non-Executive Director** – appointed 6 September 2013, resigned 3 August 2016

Mrs Swift as 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.

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 Graduate 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 Director of Ascham School Ltd and Ascham Foundation Ltd in Sydney, both unlisted public companies.

Mrs Swift resigned as a director on 3 August 2016.

## Mr Antoine Shirfan (M.Eng (Mech))

**Non-Executive Director** – appointed 2 May 2014, ceased 26 March 2015; appointed alternate director 26 March 2015

Mr Shirfan joined the Dyesol Board in May 2014. He received his initial Bachelor's Degree in Engineering in Beirut at the American University before achieving his Masters in Engineering at Maine University in the United States. Mr Shirfan has a long history in successfully developing chemical and mining assets, including working with Cristal, a Tasnee subsidiary, in their global operations and as Managing Director of Bemax Resources, a mineral sands miner formerly listed on the Australian Securities Exchange. Mr Shirfan's appointment strengthens co-operation and communication with strategic investor, Tasnee.

## 2. 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	Prime Media Limited	June 2008	Present

## 3. COMPANY SECRETARY

Mr Kim Hogg (B Com) was appointed to the position of company secretary in November 2004. He has worked in the private sector for more than twenty 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' Report

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 4. 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 2016:

Director	Board Meetings		Audit and Risk Committee Meetings		Remuneration Committee Meetings +	
	A	B	A	B	A	B
Mr R Caldwell	12	12	-	-	3	3
Mr G Thompson	12	12	4	4	-	-
Mr I Neal	12	12	-	-	4	4
Mrs N Swift	12	12	4	4	4	4
Ms L McDonald	12	11	-	-	1	1
Mr Robert McIntyre	12	10	-	-	-	-

**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

## 5. 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	9,960,000	-	3,150,000
Mr G Thompson	2,387,751	-	-
Mr I Neal	257,693	-	-
Mrs N Swift <sup>1</sup>	257,693	-	-

1. Resigned 3 August 2016

## 6. PRINCIPAL ACTIVITIES

During the year, the principal activities of the Company consisted of the up-scale and commercialisation of Perovskite Solar Cells (PSC), 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.

## 7. RESULTS

The result of the consolidated entity for the year ended 30 June 2016 was a loss after income tax of \$11,295,300 [2015: \$8,958,640].

## 8. 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 3 – 9 of this Annual Report.

## 9. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs.

# Directors' Report

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 10. DIVIDENDS

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

## 11. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

There are no subsequent events to the end of the report period.

## 12. LIKELY DEVELOPMENTS

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

## 13. UNISSUED SHARES UNDER PERFORMANCE RIGHTS

At the date of this report, unissued ordinary shares of the Company under performance rights are:

Grant date	Exercise price	Vesting date	Number of rights
27 November 2014	-	05 May 2017	2,000,000
27 October 2015	-	1 December 2016	1,032,500
27 October 2015	-	1 December 2017	737,500
27 October 2015	-	30 November 2018	1,180,000
26 November 2015	-	30 November 2018	1,150,000
			6,100,000

## 14. SHARES ISSUED DURING OR SINCE THE END OF THE YEAR AS A RESULT OF EXERCISE

During or since the end of the financial year, the Company issued ordinary shares as a result of the exercise of rights as follows (there were no amounts unpaid on the shares issued):

Date of issue of shares	Number of shares issued
23 November 2015	1,484,065
25 November 2015	253,026
	1,737,091

# Directors' Report

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 15. 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:

#### Executive Director

Mr R Caldwell Managing Director (appointed 5 May 2014), prior as Executive Chairman and Acting CEO

#### Non- Executive Directors

Mr I Neal Non-executive Chairman (appointed 5 May 2014), prior as non-executive Director

Mr G Thompson Non-executive Director

Mrs N Swift Non-executive Director (appointed 6 September 2013), (resigned 3 August 2016)

Ms L McDonald Non-executive Director (appointed 26 March 2015)

Mr R McIntyre Non-executive Director (appointed 13 March 2015)

Mr A Shirfan Non-executive Director (appointed alternate director 26 March 2015)

#### Executives

Mr K L Niu Chief Financial Officer

Dr A King Director Dyesol UK Ltd

Mr C Moore Manager, Steel

Dr D Milliken Chief Technology Officer

Dr H Desilvestro Chief Scientist

Mr K Hogg Company Secretary

Dr Y Hebling Head of Production

Dr L Sorbello Commercial Manager, Sales and Marketing

Mr S Lee Global Head of Glass

### The Role of the Remuneration Committee

The Board maintains the authority and responsibility for oversight of the Company's remuneration policy and the principles and processes which underpin this policy. The Board has established a Remuneration Committee to provide advice and recommendations to the Board on remuneration and incentive policies and practices. The Remuneration Committee is responsible for:

- Reviewing and making recommendations to the Board on the specific structure and level of remuneration for the directors, senior executives and the company secretary; and
- Reviewing and making recommendations to the Board regarding the design of all executive incentive plans.

### The Structure of the Remuneration Committee

In compliance with Recommendation 8 of ASX principles of Good Corporate Governance Recommendations, the Remuneration Committee has three members, the majority of whom are independent, non-executive directors. The Chair is held by an independent, non-executive director. The Remuneration Committee Charter is available on the company's website. Members and frequency of attendance at meetings is detailed on Page 12. Although the Managing Director is a member of the Remuneration Committee he is recused from involvement with his own remuneration at either the Remuneration Committee or Board level, except when invited to comment. When forming a recommendation to the Board on the structure and level of Managing Director remuneration the Remuneration Committee includes a third non-executive director.

### Principles of Remuneration

Dyesol's remuneration strategy is designed to attract, retain and motivate appropriately qualified and experienced directors, executives, senior managers and employees. Key principles in developing the remuneration structure and levels include the creation of longer term shareholder value, alignment with shareholder interests, market competitiveness, recognition of individual performance and experience and divisional and group performance. The Remuneration Committee regularly reviews remuneration policies and practices in order to ensure that its recommendations to the Board are consistent with Dyesol's strategic goals and are designed to enhance corporate and individual performance.

# Directors' Report

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 15. REMUNERATION REPORT – AUDITED (continued)

### Use of external advisors and remuneration consultants

As necessary, the Remuneration Committee obtains independent, external recommendations and advice from Boardroom Pty Limited Services and Crichton Associates Pty Ltd. on matters including:

- Executive remuneration, including short-term and long-term incentive plan design; and
- Non-executive directors' remuneration.

The Remuneration Committee did not receive remuneration recommendations from Boardroom Pty Limited and Crichton and Associates Pty Ltd. during this time period as defined in section 9B of the Corporations Act 2001. Boardroom Pty Limited Services and Crichton and Associates Pty Ltd. were paid \$20,308 and \$17,216 respectively for other services including management of the Dyesol Performance Rights Plan.

### REMUNERATION STRUCTURE

The structure of remuneration is clearly distinguished between non-executive directors, the Managing Director and executives.

#### 1. Non-executive directors remuneration

Dyesol has four non-executive directors and a non-executive Chairman. The remuneration of non-executive directors including the non-executive Chairman consists of director's fees. Each director receives a fixed annual fee as a non-executive director and a further fixed fee for membership of each Board sub-committee; the Audit and Risk Committee and the Remuneration Committee. Additional remuneration for Mr Gordon Thompson in his role as a consultant to Dyesol is set out in a separate business service agreement.

On the recommendation of the Remuneration Committee, the Board has approved a cash based, fixed fee structure inclusive of statutory superannuation for non-executive Directors as below. In considering its recommendation to the Board regarding the level of remuneration for non-executive directors, the Remuneration Committee considered industry survey data and other information about the level of fees and benefits being paid to non-executive directors within comparable companies both by industry and market capitalisation. The Board targets to set non-executive director fees at approximately the median of non-executive director fees within its peer group:

- Chairman of the Board: \$90,000 per annum.
- Non-executive directors: \$60,000 per annum.
- Membership including Chairmanship of each Board sub-committee: \$5,000 per Committee per annum.
- No director fees are payable to the Managing Director.

Performance based compensation is not part of the remuneration structure offered to non-executive directors. No performance rights or options are held by any non-executive director. Non-executive directors do not receive retirement benefit.

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 2011 Annual General Meeting, is not to exceed \$400,000 per annum. During the financial year ended 2016 total remuneration for non-executive directors, excluding consulting fees paid to Mr Gordon Thompson under a separate business services agreement for focused project work within Dyesol, was \$288,922. Non-executive director remuneration is reviewed regularly by the Remuneration Committee and recommendations are made to the Board.

#### 2. Managing Director Remuneration

On the recommendation of the Remuneration Committee, the Board approved a remuneration structure and level for Managing Director, Mr Richard Caldwell from 5 May 2014 as below. In considering the structure and level of remuneration for Mr Caldwell, the Remuneration Committee considered industry survey data and other information about the structure and level of fixed remuneration, short term incentives and long term incentives paid to Managing Directors within comparable companies both by industry and market capitalisation. The Board targets to set Managing Director Total Annual Remuneration (TAR) including both Total Fixed Remuneration (TFR) and performance based "at risk" remuneration (STI and LTI) at approximately the median of Managing Director Total Annual Remuneration (TAR) within its peer group. The Board recognises Dyesol's cash constraints and the need to incentivise and reward progress and the Board seeks to offer a remuneration structure which rewards Mr Caldwell for effective leadership and which aligns him with shareholders. The Board will seek annual shareholder approval for equity based "at risk" long term incentive remuneration which it believes has the additional benefit of aligning Mr Caldwell's interests with that of shareholders.



# Directors' Report

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 15. REMUNERATION REPORT – AUDITED (CONTINUED)

**The Managing Director's total remuneration consists of the following components:**

**Total Fixed Remuneration:** comprising of a base salary inclusive of statutory superannuation. Although reviewed annually, there is no provision for a guaranteed increase.

**Performance Based or "At Risk" Remuneration:** comprising of a:

**Short Term Incentive (STI):** The STI provides the Managing Director with the opportunity to receive an additional "at risk" cash payment inclusive of superannuation in each financial year, subject to meeting specific key performance indicators (KPIs) and various conditions over the 12 month financial period from 1 July to 30 June each year. On an annual basis, the Remuneration Committee, after consideration of performance against KPI's recommends to the Board an amount, if any, subject to a maximum of 30% of Total Fixed Remuneration, to be paid to the Managing Director, normally within 3 months of the end of the financial year. Once approved by the Board the annual STI is paid as a cash bonus.

**Long Term Incentive (LTI):** On invitation, the LTI provides the Managing Director with the opportunity to receive performance rights in each financial year, or such other equity or cash alternative considered appropriate. The issue of performance rights under the Dyesol Performance Rights Plan administered by Boardroom Pty Limited is subject to shareholder approval under the listing rules of the ASX. The annual LTI opportunity or grant value subject to such approval is 70% of Total Fixed Remuneration or as otherwise agreed. The vesting period is 36 months from date of grant and vesting will be dependent on meeting relative and absolute Dyesol Total Shareholder Return (TSR) performance hurdles. In assessing whether the performance hurdles have been met Dyesol will receive independent data and advice. The Long Term Incentive is designed to:

- Assist with the attraction and retention of Mr Caldwell;
- Continue to motivate Mr Caldwell to perform and make a contribution to the long term sustainable performance of Dyesol; and
- Strengthen the alignment between Mr Caldwell and shareholder interests.

The circumstances under which Mr Caldwell is entitled to retain these performance rights if he should leave the company before the vesting date is controlled by the terms of the Dyesol Performance Rights Plan and is at the discretion of the Board. Change of control clauses exist.

At the next AGM, the Board of Directors will seek approval for a grant of Performance Rights to Mr Caldwell under the Dyesol Performance Rights Plan, subject to certain terms and conditions. The number of Performance Rights for which approval is sought will be determined by the annual LTI opportunity or grant value of 70% of Total Fixed Remuneration (TFR).

### 3. Executive Remuneration

Executive total remuneration consists of the following components:

**Total Fixed Remuneration:** comprising of a base salary inclusive of statutory superannuation. Although reviewed annually, there is no provision for a guaranteed increase.

**Performance Based or "At Risk" Remuneration:**

This provides each Key Management Personnel (KMP) with the opportunity to receive Performance Rights under the Dyesol Performance Rights Plan, administered by Boardroom Pty Limited. The extent of the opportunity varies by KMP and is fixed at grant date. Vesting occurs over a number of tranches or time frames providing both a short term and medium term performance incentive.

The performance conditions applicable to the performance rights issued to the KMP's during the year are as follows:

- 35% of the Performance Rights will vest determined by the assessment of individual performance against individual KPIs in the financial year 1 July 2015 to 30 June 2016.
- Up to 25% of the Performance Rights will vest if Dyesol's Total Shareholder Return outperforms the S&P/ASX Small Ordinaries Index over the Measurement Period 1 July 2015 to 30 June 2017 (TSR Hurdle).
- Up to 40% of the Performance Rights will vest if the Service condition for this tranche is met.

There must be uninterrupted employment from the date of issue of the performance rights until the vesting date.

See pages 23 to 25 for more details of value of rights issued, number of rights vested, value of rights vested and number of shares issued as a result to KMPs in 2016.

Performance based "At Risk" Remuneration is designed to:

- Assist with the attraction and long term retention of Key Management Personnel;
- Continue to motivate Key Management Personnel to perform and make a contribution to the sustainable performance of Dyesol; and
- Strengthen the alignment between Key Management Personnel and shareholder interests.

The circumstances under which a Key Management Personnel is entitled to retain these performance rights if he or she should leave the company before the vesting date is controlled by the terms of the Dyesol Performance Rights Plan and is at the discretion of the Board. Change of control clauses exist.

# Directors' Report

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 15. REMUNERATION REPORT – AUDITED (CONTINUED)

### EMPLOYMENT CONTRACTS

Of the Group's Key Management Personnel (listed earlier in this Report), Mr I Neal, Mr G Thompson, Ms L McDonald and Mr R McIntyre are non-executive directors of the Company and derive fees for their role.

The additional services of Mr G Thompson are engaged through a business services agreement.

All other Key Management Personnel have entered into contracts of employment which outline the components of compensation paid to the Key Management Personnel. The agreements contain the usual terms and conditions found in such contracts. The contracts are usually reviewed on an annual basis.

Details of remuneration paid to each Key Management Personnel are shown on pages 20 to 21 in this report. In addition to those remuneration details, the following additional comments are provided in relation to the respective engagements.

#### 1. Executive Service Agreements

##### Managing Director

The Managing Director contract provides for an annual Total Fixed Remuneration (TFR) of \$350,000 per annum inclusive of superannuation and other benefits.

No additional Directors fees are payable. Fixed remuneration is reviewed annually but there is no provision for a guaranteed increase. Mr Caldwell's employment contract has no fixed term. Mr Caldwell sits on the Remuneration Committee Mr Caldwell is entitled to 6 weeks of paid annual leave (which exceeds the entitlement under the National Employment Standards). For each year of service with the Group, Mr Caldwell is entitled to 10 days paid personal/ carer's leave.

The Group may terminate Mr Caldwell's Agreement and his employment at any time with or without reason with 6 months' written notice. In the case of notice of termination by the Group, the Group may satisfy its obligations by payment in lieu of all or part of the notice period. In the event that payment in lieu of notice is made the payment will, subject to relevant legislation, be based on the amount of Total Fixed Remuneration less superannuation. Mr Caldwell's entitlement to redundancy pay will be determined in accordance with the National Employment Standards.

A Short Term Incentive (STI) payment inclusive of superannuation will be considered by the Board for the 2016 financial year end based on Mr Caldwell's performance against agreed individual key performance indicators for the financial period from 1 July 2015 to 30 June 2016. Although confidential in nature, reflecting the research and development Dyesol conducts in perovskite solar cell technology, KPI's for the financial year ending June 2016 related to developing and meeting technology milestones, business development and planning, successful financing of the business and organisational structure. The STI opportunity for the financial year ending 30 June 2016 is accounted as a bonus on an accruals basis in Table 15a.

A Long Term Incentive (LTI) was approved at the 2015 AGM, with shareholders approving a grant of 1,150,000 Performance Rights to Mr Caldwell under The Dyesol Performance Rights Plan.

All performance rights were granted for nil consideration over unissued ordinary shares.

The vesting period is 36 months from date of grant and vesting will be subject to a market vesting condition (Absolute TSR Hurdle) and a non-market service vesting condition.

100% of the Performance Rights will be subject to a performance hurdle relating to absolute TSR over a period from grant date to 30 November 2018. The Dyesol TSR will be set at 100 on the date of grant of the Performance Rights and must be equal or exceed 350 on 30 November 2018: that is, the Dyesol TSR must increase by 250% over the measurement period for the Performance Rights to vest.

In addition to the performance vesting conditions above, the performance rights will only vest if there is uninterrupted employment with Dyesol from grant date until vesting date. Change of control provisions exist.

The fair value of the 1,150,000 performance rights granted to Mr Richard Caldwell was calculated at the date of grant using the Monte Carlo valuation approach and allocated to each reporting period evenly over the period from grant date to vesting date. In valuing the performance rights, market conditions have been taken into account. The following table gives the assumptions made in determining the fair value of these performance rights on grant date:

Description	Performance Rights
Grant date	26 November 2015
Number of performance rights	1,150,000
Vesting date	30 November 2018
Exercise price	\$0.00
Price of shares on grant date	\$0.29
Estimated volatility	65.00%
Risk-free interest rate	2.11%
Dividend yield	0%

# Directors' Report

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 15. REMUNERATION REPORT – AUDITED (CONTINUED)

Based on the approach and assumptions detailed above, the estimated fair value of Mr Richard Caldwell's performance rights is \$0.0892 per share.

### Executives

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, a performance bonus subject to meeting pre-determined conditions as set out in the contract, an annual performance review and a redundancy package of six months' salary if the position within the Group is made redundant.

The Group has entered into a service contract with its Chief Technology Officer, 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 \$136,986 per annum plus superannuation, other benefits and an annual performance review.

The Group has entered into a service contract with its Chief Scientist, Mr Hans Desilvestro for 2 years from the commencement date of 1 February 2016. The contract 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 total employment cost of CHF 155,580 per annum including superannuation (less all amounts required to be deducted by Swiss Law), other benefits and an annual performance review.

The Group has entered into a service contract with the Dyesol UK Ltd Director, Mr Andrew King for two years from 14 August 2015 to 14 August 2017, that is capable on 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. Prior to the expiry date, the Group may negotiate a further term of employment on such other terms as the parties agree. The agreement provides GBP 60,000 per annum and other benefits. The salary is based on Mr King working a minimum of 16 hours per week. If Mr Andrew King works less than this, his salary will be adjusted accordingly.

The Group has entered into a service contract with its Manager Steel, Mr Chris Moore 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 GBP 75,000 per annum plus employer pension contribution, and other benefits and an annual performance review.

The Group has entered into a service contract with its Global Head of Glass, Mr Sung Lee 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 \$120,000 per annum plus superannuation, other benefits and an annual performance review.

The Group has entered into a service contract with its Head of Production, Dr Yanek Hebting 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 \$110,000 per annum plus superannuation, other benefits and an annual performance review.

The Group has entered into a service contract with its Commercial Manager, Sales and Marketing, Dr Luca Sorbello. The Group has the right to terminate the contract immediately by giving 45 days prior written notice up to 5 years of seniority in accordance with National Collective Labour Agreement (Italy Employment Law), and then for seniority over 5 years, the length of the notice period shall be provided by National Collective Labour Agreement (Italy Employment Law). The agreement provides for a base salary of EU70,000 per annum plus applicable pension contribution, other benefits and an annual performance review. In addition to the base salary, Luca receives sales commission based a minimum annual materials sales of AUD1 million to be eligible for any sales commission, and on the following structure; 2.5% commission for new material sales generated between AUD1 million to AUD2 million, 5% commission for new material sales generated between AUD2 million to AUD3 million and 7.5% commission for new material sales generated between AUD3 million to AUD4 million.

### Business Service Agreements

The Group has an existing business services agreement with Mr G Thompson. The agreement covers the provision of consulting services to the Group for a fee of \$1,000 (excluding GST) per 8 hour day. In addition, Mr G Thompson receives fees of \$65,000 (excluding GST) for his services as a non-executive director.

### Consequences of performance on shareholder wealth

At this stage of the Group's development, the prime focus remains on the research and development of the Group's technology into perovskite solar cells with the aim of product commercialisation and expansion of activities to new markets and regions. As the Group is yet to reach profitability, the link between financial results and share price movements has yet to be established. Consequently, the policy towards equity based performance remuneration for the Managing Director and Key Management Personnel has not addressed criteria based on profitability, but rather focussed on alignment with shareholder interest through focus on Dyesol TSR hurdles and, additionally, in the case of Key Management Personnel, on outcomes under the control of the individual employee.

# Directors' Report

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 15. REMUNERATION REPORT – AUDITED (CONTINUED)

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

	2011/12	2012/13	2013/14	2014/15	2015/16
Net Loss for the year	\$8,878,004	\$9,396,196	\$12,578,057	\$8,598,640	\$11,295,300
Dividends paid	Nil	Nil	Nil	Nil	Nil
Change in share price	(\$0.37)	\$0.21	(\$0.10)	(\$0.05)	-
Share price at beginning of the period	\$0.48	\$0.11	\$0.32	\$0.22	\$0.215
Share price at end of the period	\$0.11	\$0.32	\$0.22	\$0.215	\$0.215
Loss per share	4.83 cents	4.75 cents	4.95 cents	2.73 cents	3.16 cents

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# Directors' Report

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 15. REMUNERATION REPORT – AUDITED (continued)

### (a) Details of remuneration\*\*\*

Details of the nature and amount of each major element of remuneration for Directors and Key Management Personnel of the consolidated entity for the year are:

		Short-term employment benefits		Long-term benefits	Post-employment benefits	Share based payments		TOTAL \$	Proportion of remuneration that consists of rights or shares %	Proportion of remuneration that is performance based %
		Salary & fees \$	Bonus \$	Long Service Leave \$	Superannuation benefits \$	Rights # \$	Shares # \$			
<b>Executive Director</b>										
Mr R Caldwell <sup>(1)</sup> Managing Director	2016	314,115	91,324*	-	39,042	151,612	-	596,093	25	41
	2015	305,307	109,589*	-	37,729	77,478	-	530,103	15	35
<b>Non-Executive Directors</b>										
Mr I Neal <sup>(2)</sup> Non-Executive Chairman	2016	90,000	-	-	-	-	-	90,000	-	-
	2015	90,000	-	-	-	-	-	90,000	-	-
Mr G Thompson <sup>(3)</sup>	2016	127,750	-	-	-	-	-	127,750	-	-
	2015	138,000	-	-	-	-	-	138,000	-	-
Mrs N Swift <sup>(4)</sup>	2016	64,084	-	-	6,088	-	-	70,172	-	-
	2015	64,084	-	-	6,088	-	-	70,172	-	-
Mr A Shirfan	2016	-	-	-	-	-	-	-	-	-
	2015	45,000	-	-	-	-	-	45,000	-	-
Ms L McDonald <sup>(5)</sup>	2016	60,000	-	-	-	-	-	60,000	-	-
	2015	15,000	-	-	-	-	-	15,000	-	-

# Directors' Report

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 15. REMUNERATION REPORT – AUDITED (continued)

### (a) Details of remuneration\*\*\* (continued)

Details of the nature and amount of each major element of remuneration for Directors and Key Management Personnel of the consolidated entity for the year are:

		Short-term employment benefits		Long-term benefits	Post-employment benefits	Share based payments		TOTAL \$	Proportion of remuneration that consists of rights or shares %	Proportion of remuneration that is performance based %
		Salary & fees \$	Bonus \$	Long Service Leave \$	Superannuation benefits \$	Rights # \$	Shares # \$			
<b>Other Key Management Personnel</b>										
Mr K L Niu Chief Financial Officer	2016	215,349	10,000	-	20,425	20,175	-	265,949	8	11
	2015	189,008	-	-	35,330	29,695	-	254,033	12	12
Dr A King Director Dyesol UK Ltd	2016	122,255	-	-	-	11,661	-	133,916	9	9
	2015	184,219	-	-	-	22,271	-	206,490	11	11
Mr C Moore Manager Steel	2016	158,109	-	-	4,586	14,802	-	177,497	8	8
	2015	153,516	-	-	-	25,983	-	179,499	14	14
Dr D Milliken Chief Technology Officer	2016	134,630	-	-	13,045	21,165	-	168,840	13	13
	2015	136,736	-	-	13,045	29,695	-	179,476	17	17
Dr H Desilvestro Chief Scientist	2016	189,781	-	-	24,785	15,668	-	230,234	7	7
	2015	194,905	-	-	25,266	25,983	-	246,154	11	11
Mr K Hogg Company Secretary	2016	48,000	-	-	-	-	-	48,000	-	-
	2015	48,000	-	-	-	-	-	48,000	-	-
Dr Y Hebbing Head of Production	2016	110,815	5,000	-	10,524	14,596	-	140,935	10	14
	2015	106,904	-	-	10,156	7,425	-	124,485	6	6
Dr L Sorbello Commercial Manager, Sales and Marketing	2016	108,009	10,000	-	32,880	12,610	-	163,499	8	14
	2015	102,504	-	-	28,430	7,425	-	138,359	5	5
Mr S Lee Global Head of Glass	2016	127,253	-	-	12,103	21,247	-	160,603	13	13
	2015	21,120	-	-	-	-	-	21,120	-	-
<b>2016 Total</b>	<b>Total</b>	<b>1,870,150</b>	<b>116,324</b>	<b>-</b>	<b>163,478</b>	<b>283,536</b>	<b>-</b>	<b>2,433,488</b>	<b>12</b>	<b>16</b>
<b>2015 Total</b>	<b>Total</b>	<b>1,794,303</b>	<b>109,589</b>	<b>-</b>	<b>156,044</b>	<b>225,955</b>	<b>-</b>	<b>2,285,891</b>	<b>10</b>	<b>15</b>

Mr R McIntyre did not receive any remuneration during the year.

# Directors' Report

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 15. REMUNERATION REPORT – AUDITED (continued)

\*\*\* The Remuneration Report sets out the remuneration information pertaining to the Company's Directors and Senior Executives who are the Key Management Personnel of the consolidated entity for the purposes of the Corporations Act 2001 and the Corporations Regulations 2001.

# Refer to pages 23 - 25 for further details of the terms and conditions of rights and shares.

\* The bonus is for the short term incentive (STI) accrued payment of \$100,000 inclusive of superannuation as a result of Mr Caldwell meeting his individual key performance indicators for the financial period from 1 July 2015 to 30 June 2016.

Notes in relation to the table of remuneration:

- 1) Salary and bonus. The bonus for 2016 is on an accruals basis (2015: includes director fees, bonus and salary).
- 2) Director fees only.
- 3) Includes consultancy fees \$59,000 (2015: \$68,000).
- 4) Director fees only. Resigned 3 August 2016.
- 5) Director fees only.

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

Name	Fixed remuneration	At risk
<b>Executive Director</b>		
Mr R Caldwell	59 %	41 %
<b>Non-Executive Directors</b>		
Mr I Neal	100 %	-
Mr G Thompson	100 %	-
Mrs N Swift	100 %	-
Ms L McDonald	100 %	-
<b>Other Key Management Personnel</b>		
Mr K L Niu	89 %	11 %
Dr A King	91 %	9 %
Mr C Moore	92 %	8 %
Dr D Milliken	87 %	13 %
Dr H Desilvestro	93 %	7 %
Mr K Hogg	100 %	-
Dr Y Hebting	86 %	14 %
Dr L Sorbello	86 %	14 %
Mr S Lee	87 %	13 %

# Directors' Report

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 15. REMUNERATION REPORT – AUDITED (continued)

### (b) Share-based remuneration

Details of the terms and conditions of performance rights and shares granted to Key Management Personnel and executives as compensation during the reporting period are as follows:

		No. of rights granted	No. of shares granted	Grant date	No. of rights vested	No. of shares	Fair value per 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/ lapsed in current year	% Available for vesting in future years	Value of rights/ shares at grant date \$
<b>Director: Performance rights</b>																
Mr R Caldwell	2016	1,150,000	-	26/11/15	-	-	\$0.0892	-	-	-	30/12/18	30/11/18	-	-	100	102,580
	2015	1,200,000	-	27/11/14	-	-	\$0.1819	-	-	-	4/06/17	5/05/17	-	-	100	218,280
		800,000	-	27/11/14	-	-	\$0.1262	-	-	-	4/06/17	5/05/17	-	-	100	100,960

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# Directors' Report

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 15. REMUNERATION REPORT – AUDITED (continued)

### (b) Share-based remuneration (continued)

Details of the terms and conditions of performance rights and shares granted to Key Management Personnel and executives as compensation during the reporting period are as follows:

2016	No. of rights granted	No. of shares granted	Grant date	No. of rights vested	No. of shares	Fair value per 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/ lapsed in current year	% Available for vesting in future years	Value of rights/ shares at grant date \$
<b>Other Key Management Personnel: Performance rights</b>															
Mr K L Niu	56,000	-	27/10/15	-	-	\$0.3000	-	-	-	1/01/17	1/12/16	-	-	100	45,430
	40,000					\$0.2356				1/01/18	1/12/17				
	64,000					\$0.3001				30/12/18	30/11/18				
Dr A King	35,000	-	27/10/15	-	-	\$0.3000	-	-	-	1/01/17	1/12/16	-	-	100	28,394
	25,000					\$0.2356				1/01/18	1/12/17				
	40,000					\$0.3001				30/12/18	30/11/18				
Mr C Moore	42,000	-	27/10/15	-	-	\$0.3000	-	-	-	1/01/17	1/12/16	-	-	100	34,073
	30,000					\$0.2356				1/01/18	1/12/17				
	48,000					\$0.3001				30/12/18	30/11/18				
Dr D Milliken	56,000	-	27/10/15	-	-	\$0.3000	-	-	-	1/01/17	1/12/16	-	-	100	45,430
	40,000					\$0.2356				1/01/18	1/12/17				
	64,000					\$0.3001				30/12/18	30/11/18				
Dr H Desilvestro	42,000	-	27/10/15	-	-	\$0.3000	-	-	-	1/01/17	1/12/16	-	-	100	34,073
	30,000					\$0.2356				1/01/18	1/12/17				
	48,000					\$0.3001				30/12/18	30/11/18				
Dr Y Hebbing	42,000	-	27/10/15	-	-	\$0.3000	-	-	-	1/01/17	1/12/16	-	-	100	34,073
	30,000					\$0.2356				1/01/18	1/12/17				
	48,000					\$0.3001				30/12/18	30/11/18				
Dr L Sorbello	35,000	-	27/10/15	-	-	\$0.3000	-	-	-	1/01/17	1/12/16	-	-	100	28,394
	25,000					\$0.2356				1/01/18	1/12/17				
	40,000					\$0.3001				30/12/18	30/11/18				

# Directors' Report

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 15. REMUNERATION REPORT – AUDITED (continued)

### (b) Share-based remuneration (continued)

Details of the terms and conditions of performance rights and shares granted to Key Management Personnel and executives as compensation during the reporting period are as follows:

2016	No. of rights granted	No. of shares granted	Grant date	No. of rights vested	No. of shares	Fair value per 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/ lapsed in current year	% Available for vesting in future years	Value of rights/ shares at grant date \$
<b>Other Key Management Personnel: Performance rights</b>															
Mr S Lee	42,000	-	27/10/15	-		\$0.3000	-	-	-	1/01/17	1/12/16	-	-	100	34,073
	30,000					\$0.2356				1/01/18	1/12/17				
	48,000					\$0.3001				30/12/18	30/11/18				

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# Directors' Report

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 15. REMUNERATION REPORT – AUDITED (continued)

### (c) Equity instruments issued on exercise performance rights

Details of equity instruments issued during the period to Key Management Personnel and executives as a result of performance rights vested that had previously been granted as compensation are as follows:

Key management person	Number of shares issued on vesting of rights	Number of rights vested	Amount paid per share	Amount unpaid per share
Mr K L Niu	108,000	108,000	-	-
Dr A King	76,500	76,500	-	-
Mr C Moore	91,875	91,875	-	-
Dr D Milliken	111,000	111,000	-	-
Dr H Desilvestro	94,500	94,500	-	-
Dr Y Hebling	67,500	67,500	-	-
Dr L Sorbello	67,500	67,500	-	-
Mr S Lee	87,500	87,500	-	-

### (d) Value of performance rights held by Key Management Personnel

Details of the value of rights granted, exercised, vested and lapsed during the year to Key Management Personnel as part of their remuneration are summarised below:

Key management person	Value of rights at grant date *	Value of rights vested during the year **	Value of rights lapsed during the year***
	\$	\$	\$
<b>Executives</b>			
Mr K L Niu	45,430	29,160	3,960
Dr A King	28,394	20,655	4,455
Mr C Moore	34,073	24,806	4,331
Mr D Milliken	45,430	29,970	2,970
Dr H Desilvestro	34,073	25,515	3,465
Dr Y Hebling	34,073	18,825	2,475
Dr L Sorbello	28,394	18,825	2,475
Mr S Lee	34,073	24,500	4,125

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

\*\* The value of rights vested has been determined as the intrinsic value of the rights at the date they vested, i.e. the excess of the market value at vesting date over the strike price of the right.

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

# Directors' Report

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 15. REMUNERATION REPORT – AUDITED (continued)

### Other information

#### Performance rights holdings of Key Management Personnel

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

2016					
Key management person	Held at 30 June 2015	Granted as remuneration	Rights lapsed	Rights vested and exercised	Held at 30 June 2016
Mr R Caldwell	2,000,000	1,150,000	-	-	3,150,000
Mr K L Niu	120,000	160,000	12,000	108,000	160,000
Dr A King	90,000	100,000	13,500	76,500	100,000
Mr C Moore	105,000	120,000	13,125	91,875	120,000
Dr D Milliken	120,000	160,000	9,000	111,000	160,000
Dr H Desilvestro	105,000	120,000	10,500	94,500	120,000
Dr Y Hebbing	75,000	120,000	7,500	67,500	120,000
Dr L Sorbello	75,000	100,000	7,500	67,500	100,000
Mr S Lee	-	120,000	12,500	87,500	120,000

#### Shareholdings of Key Management Personnel

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

2016						
Key management person	Held at 30 June 2015	Granted as remuneration	Purchased	Rights converted into shares	Other #	Held at 30 June 2016
Mr R Caldwell	8,400,000	-	1,050,000	-	-	9,450,000
Mr G Thompson	2,330,058	-	57,693	-	-	2,387,751
Mr I Neal	200,000	-	57,693	-	-	257,693
Ms N Swift	200,000	-	57,693	-	-	257,693
Mr R McIntyre	40,001	-	-	-	(40,001)	-
Mr K L Niu	300,043	-	-	108,000	-	408,043
Dr A King	60,300	-	-	76,500	-	136,800
Mr C Moore	157,888	-	-	91,875	-	249,763
Dr D Milliken	135,501	-	-	111,000	-	246,501
Dr H Desilvestro	73,500	-	-	94,500	-	168,000
Dr Y Hebbing	-	-	-	67,500	-	67,500
Dr L Sorbello	-	-	-	67,500	-	67,500
Mr S Lee	-	-	-	87,500	-	87,500

# Other represents sales, transfers and adjustments.

# Directors' Report

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 15. REMUNERATION REPORT – AUDITED (continued)

### (e) Loans to Key Management Personnel

The following loan was issued to a Key Management Personnel during the previous reporting period:

2016	Balance at 1 July 2015 \$	Interest paid and payable on loan \$	Amount loaned in year \$	Loan repayment \$	Balance at 30 June 2016 \$
Key management person					
Mr K L Niu	47,917	2,078	-	27,078	22,917

For the loan issued to Mr K L Niu the highest amount owed in the current year was \$22,917.

The loan has an interest rate payable at 5.65% per annum.

### (f) Other transactions and balances with Key Management Personnel

There were no other transactions and balances with Key Management Personnel and their related parties during the year.

## END OF AUDITED REMUNERATION REPORT

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# Directors' Report

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 16. ENVIRONMENTAL REGULATION

The consolidated entity is subject to significant environmental regulation, in particular with respect to its manufacturing activities. The Board through its Executive Committee, monitors its environmental performance obligations. The consolidated entity has complied with all environmental regulations.

## 17. WORK SAFETY AND HEALTH

Dyesol Australia Pty Ltd, the Dyesol subsidiary in which most manufacturing is undertaken, has established a Work, Health and Safety Committee. This Committee undertakes a range of activities to ensure we comply with the legislation and improve the awareness of our staff on health and safety issues.

## 18. CORPORATE GOVERNANCE

The Company's Corporate Governance Report can be found at [www.dyesol.com](http://www.dyesol.com).

## 19. 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*

During or since the end of the period, no indemnities have been given to, and no insurance premiums have been paid on behalf of, any person who is or has been an 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.

## 20. 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.

## 21. 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.

# Directors' Report

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 21. NON-AUDIT SERVICES (CONTINUED)

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.

	2016	2015
	\$	\$
Services other than statutory audit provided by an associated firm of Grant Thornton Audit Pty Ltd:		
- tax compliance	38,041	49,061

## 22. 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 81.

Dated at Sydney, New South Wales this 26th day of August 2016.

Signed in accordance with a resolution of the directors:



Richard Caldwell  
Managing Director

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# Consolidated Statement of Profit or Loss and Other Comprehensive Income

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
Revenue from sale of goods and services	2	1,024,542	1,440,438
Cost of sales		(428,259)	(612,898)
<b>Gross profit</b>		596,283	827,540
Interest revenue	2	92,165	138,594
Other income	2	1,050,940	477,341
Technical expenses	3	(7,959,285)	(6,814,703)
Administration and corporate expenses		(4,218,078)	(5,108,378)
Impairment of intangible assets	12	(3,669,705)	(66,732)
Marketing expenses		(955,212)	(1,065,511)
Borrowing costs	3	(37,574)	(74,886)
Intellectual property expenses		(413,877)	(383,639)
Share of profit/ (losses) of associate/ joint ventures		21	(9,312)
<b>Loss before income tax benefit</b>		(15,514,322)	(12,079,686)
Income tax benefit	5	4,219,022	3,481,046
<b>Net loss for the year</b>		<b>(11,295,300)</b>	<b>(8,598,640)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations - Group		(150,665)	119,034
<b>Other comprehensive income for the period, net of tax</b>		(150,665)	119,034
<b>Total comprehensive loss for the year</b>		<b>(11,445,965)</b>	<b>(8,479,606)</b>
<b>Loss is attributable to:</b>			
Owners of Dyesol Limited		(11,290,499)	(8,594,041)
Non-controlling interest		(4,801)	(4,599)
		<b>(11,295,300)</b>	<b>(8,598,640)</b>
<b>Total comprehensive loss for the year is attributable to:</b>			
Owners of Dyesol Limited		(11,441,183)	(8,475,782)
Non-controlling interest		(4,782)	(3,824)
		<b>(11,445,965)</b>	<b>(8,479,606)</b>
Basic loss per share	6	( 3.2 cents)	( 2.7 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

DYESOL LIMITED AND ITS CONTROLLED ENTITIES AS AT 30 JUNE 2016

	Note	2016 \$	2015 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	4,560,518	5,402,909
Trade and other receivables	8	4,344,446	3,648,014
Inventories	9	628,106	731,355
Other current assets	10	382,507	404,696
<b>Total current assets</b>		<b>9,915,577</b>	<b>10,186,974</b>
<b>Non-current assets</b>			
Property, plant and equipment	11	651,670	891,667
Intangible assets	12	915,692	4,919,758
Investment in associate/ joint ventures	13	117,183	117,162
<b>Total non-current assets</b>		<b>1,684,545</b>	<b>5,928,587</b>
<b>Total assets</b>		<b>11,600,122</b>	<b>16,115,561</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	1,775,267	2,072,710
Lease liabilities	15	37,792	107,404
Borrowings	16	-	853,617
Provisions	17	662,569	504,116
<b>Total current liabilities</b>		<b>2,475,628</b>	<b>3,537,847</b>
<b>Non-current liabilities</b>			
Other payables	14	130,400	86,934
Lease liabilities	15	-	36,598
Provisions	17	247,247	300,907
Deferred tax liability	5(e)	295,478	395,786
<b>Total non-current liabilities</b>		<b>673,125</b>	<b>820,225</b>
<b>Total liabilities</b>		<b>3,148,753</b>	<b>4,358,072</b>
<b>Net assets</b>		<b>8,451,369</b>	<b>11,757,489</b>
<b>EQUITY</b>			
Contributed equity	18	108,329,352	100,713,911
Reserves	19	7,274,654	6,900,934
Accumulated losses		(107,151,187)	(95,860,688)
<b>Capital and reserves attributable to owners of Dyesol</b>		<b>8,452,819</b>	<b>11,754,157</b>
Non-controlling interest	20	(1,450)	3,332
<b>Total equity</b>		<b>8,451,369</b>	<b>11,757,489</b>

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

# Consolidated Statement of Cash Flows

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Cash receipts from customers		1,027,310	1,485,014
Cash payments to suppliers and employees		(13,031,878)	(12,150,192)
R&D tax rebate received		3,521,160	2,476,193
Interest received		101,417	197,450
Interest paid		(22,140)	(31,608)
Grants received		1,030,386	386,335
<b>Net cash used in operating activities</b>	23	<b>(7,373,745)</b>	<b>(7,636,808)</b>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(244,432)	(367,643)
Proceeds from disposal of plant and equipment		10,669	15,180
Loans to related parties		-	(50,000)
Loans repaid by related parties		25,000	2,083
Proceeds on maturity of/ (investment in) term deposits		-	2,200,000
<b>Net cash used in investing activities</b>		<b>(208,763)</b>	<b>1,799,620</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	244,946
Repayment of borrowings		(119,473)	(89,605)
Purchase of Treasury shares		(897,008)	(45,963)
Proceeds from the issue of shares		7,698,853	6,000,000
<b>Net cash provided by financing activities</b>		<b>6,682,372</b>	<b>6,109,378</b>
<b>Net increase/(decrease) in cash and cash equivalents held</b>		<b>(900,136)</b>	<b>272,190</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>5,402,909</b>	<b>5,178,902</b>
<b>Effect of exchange rates on cash holdings in foreign currencies</b>		<b>57,745</b>	<b>(48,183)</b>
<b>Cash and cash equivalents at end of period</b>	7	<b>4,560,518</b>	<b>5,402,909</b>

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

# Consolidated Statement of Changes in Equity

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

	Contributed equity \$	Accumulated losses \$	Equity-settled benefit \$	Reserves		Total \$	Non-controlling interest \$	Total equity \$
				Foreign currency translation reserve \$	Other reserve \$			
<b>Balance at 1 July 2014</b>	<b>94,183,006</b>	<b>(87,266,647)</b>	<b>5,784,868</b>	<b>(273,099)</b>	<b>798,887</b>	<b>13,227,015</b>	<b>7,156</b>	<b>13,234,171</b>
<b>Total comprehensive income for the year</b>								
Loss for the year	-	(8,594,041)	-	-	-	(8,594,041)	(4,599)	(8,598,640)
<b>Other comprehensive income</b>								
Foreign currency translation reserve differences	-	-	-	118,259	-	118,259	775	119,034
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(8,594,041)</b>	<b>-</b>	<b>118,259</b>	<b>-</b>	<b>(8,475,782)</b>	<b>(3,824)</b>	<b>(8,479,606)</b>
<b>Transaction with owners, in their capacity as owners</b>								
Contributions of equity, net of transaction costs	6,070,380	-	-	-	-	6,070,380	-	6,070,380
Conversion of CSIRO loan to equity	443,201	-	-	-	-	443,201	-	443,201
Share-based payment expense	-	-	522,829	-	-	522,829	-	522,829
Treasury shares purchase (Note 18)	(45,963)	-	-	-	-	(45,963)	-	(45,963)
Allocation of Treasury shares (Note 18)	63,287	-	(50,810)	-	-	12,477	-	12,477
<b>Total transactions with owners</b>	<b>6,530,905</b>	<b>-</b>	<b>472,019</b>	<b>-</b>	<b>-</b>	<b>7,002,924</b>	<b>-</b>	<b>7,002,924</b>
<b>Balance at 30 June 2015</b>	<b>100,713,911</b>	<b>(95,860,688)</b>	<b>6,256,887</b>	<b>(154,840)</b>	<b>798,887</b>	<b>11,754,157</b>	<b>3,332</b>	<b>11,757,489</b>
<b>Total comprehensive income for the year</b>								
Loss for the year	-	(11,290,499)	-	-	-	(11,290,499)	(4,801)	(11,295,300)
<b>Other comprehensive income</b>								
Foreign currency translation reserve differences	-	-	-	(150,684)	-	(150,684)	19	(150,665)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(11,290,499)</b>	<b>-</b>	<b>(150,684)</b>	<b>-</b>	<b>(11,441,183)</b>	<b>(4,782)</b>	<b>(11,445,965)</b>
<b>Transaction with owners, in their capacity as owners</b>								
Contributions of equity, net of transaction costs	6,751,346	-	-	-	-	6,678,767	-	6,678,767
Conversion of CSIRO loan to equity	864,095	-	-	-	-	1,833,683	-	1,833,683
Share-based payment expense	-	-	524,404	-	-	524,404	-	524,404
Treasury shares purchase (Note 18)	(897,009)	-	-	-	-	(897,009)	-	(897,009)
<b>Total transactions with owners</b>	<b>7,615,441</b>	<b>-</b>	<b>524,404</b>	<b>-</b>	<b>-</b>	<b>8,139,845</b>	<b>-</b>	<b>8,139,845</b>
<b>Balance at 30 June 2016</b>	<b>108,329,352</b>	<b>(107,151,187)</b>	<b>6,781,291</b>	<b>(305,524)</b>	<b>798,887</b>	<b>8,452,819</b>	<b>(1,450)</b>	<b>8,451,369</b>

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

# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Corporate Information

The financial statements of Dyesol Limited for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the directors on 26th August 2016 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's financial statements are the same as those applied in its financial statements as at and for the year ended 30 June 2016.

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*

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.

#### **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.

### 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 \$11,295,300 (2015: \$8,598,640) and an operating net cash outflow of \$7,373,745 (2015: \$7,636,808) for the year ended 30 June 2016. Cash held at bank as at 30 June 2016 was \$4,560,518 (30 June 2015: \$5,402,909).

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 Perovskite Solar Cell (PSC) for scale up activities, additional capital will be required. Dyesol has previously raised capital when required and the Directors anticipate that the company will be successful in raising the required additional capital in future.

# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 anticipated to be successful:

### (i) Research and Development Tax Credit

The Company expects to receive a refundable research and development tax credit amounting to \$3.8 million prior to 30 September 2016 and has recognised this asset at 30 June 2016.

### (ii) Other funding support

The Company is submitting applications for Australian Government funding for several million dollars to enable Dyesol to remain at the forefront of commercialising perovskite solar cell (PSC) technology in Australia.

In addition to the initiatives set out in (i) and (ii) above, the Directors continue to look at various sources of funding support and other long term investment options to provide the working capital required to implement Dyesol's Technology Development Plan, successful completion of which, the Directors believe, will create a pathway to achieve successful commercialisation and business development. 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*

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and

any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date of the Company gains control until the date when the Company ceases to control the subsidiary.

A list of subsidiaries is contained in Note 27 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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other 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 equity method of accounting ("equity method") for the investments in associate and joint ventures whereby the investments are initially recorded at the cost of acquisition and adjusted thereafter for post-acquisition changes in the investor's share of the net assets of the investee. The profit and loss statement reflects the investor's share of the profit or loss of the investee.

# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Details of the jointly controlled entities are set out in Note 13.

### *Changes in ownership interest*

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets and liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

### **(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 jointly controlled entities 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 AusIndustry, and calculates the R&D tax credit owing based on that registration when it submits the annual tax return. Although the \$3.8 million R&D Tax Incentive for financial year ending 30 June 2016 was not received during the year, it was included in the reporting period on an accruals basis in accordance with AASB 112 *Income Taxes*. The cash rebate accrual is recognised as R&D tax rebate in income tax expense/ benefit (refer Note 5).

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.

# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (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.

#### 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 1(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	4 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.

#### 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.

# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (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 of disposal and value in use.

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 the 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 the 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.

### (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.



# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (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 expected 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.

#### *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.

# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (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.

### (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.

# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Transactions 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 three major product and services segments. These are as follows:

- Glass and Equipment
- Metal Strip
- 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

### **(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.

# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Judgments

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in 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* AASB 136: Impairment of Assets requires an assessment of impairment at least annually for indefinite lived intangibles and Goodwill.

Recoverable amount in accordance with AASB 136 is defined as the higher of the asset (or cash generating unit's) fair value less costs of disposal and its value in use.

#### *Value-in-use calculations*

The directors have performed their impairment assessment on an annual basis of a cash generating unit (CGU) based on value-in-use calculations. The recoverable amount of the cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. Refer to Note 12 for details in relation to the key assumptions of estimates used.

#### *R&D Tax Incentive*

Dyesol's R&D Tax Incentive claim of \$3.8 million for the year ended 30 June 2016 was calculated in accordance with the requirements of the scheme framework which focuses on R&D carried out using a rigorous scientific method.

The financial data leading to the figures provided to the 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 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.

#### *Performance rights*

The Group measures the cost of equity-settled share-based payments at fair value at the grant date using the Black-Scholes formula and Monte Carlo Simulation valuation methodology, taking into account the terms and conditions upon which the instruments were granted, estimates of volatility and interest rates (see Note 25).

#### *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 8).

# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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### 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.

#### *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 2016 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.

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# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Title of standard	Nature of change	Mandatory application date/ Date of adoption by group	Impact
AASB 9 <i>Financial Instruments</i> (December 2014)	<p>AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities.</p> <p>The requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:</p> <p>a) Financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows.</p> <p>b) Allows an irrevocable election on initial recognition to present gains or losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.</p> <p>d) Financial assets can be designed and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains or losses on them, on different bases.</p> <p>e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> <li>• the change attributable to changes in credit risk are presented in Other Comprehensive Income ('OCI')</li> <li>• the remaining change is presented in profit or loss</li> </ul> <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p> <p>Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:</p> <ul style="list-style-type: none"> <li>• classification and measurement of financial liabilities; and</li> <li>• derecognition requirements for financial assets and liabilities.</li> </ul> <p>AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial</p>	1 January 2018	<p>When adopted, the standard will not have any significant impact as on the financial statements unless the Company acquires financial assets and liabilities.</p> <p>There will be no impact on the group's accounting for financial assets, as the new requirements only affect the accounting for available-for-sale financial assets and the group does not have any such assets.</p> <p>There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities.</p>

# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Title of standard	Nature of change	Mandatory application date/ Date of adoption by group	Impact
	<p>statements.</p> <p>Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.</p>		
<p>AASB 2014-3 <i>Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations</i></p>	<p>The amendments to AASB 11 state that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a 'business', as defined in AASB 3 <i>Business Combinations</i>, should:</p> <ul style="list-style-type: none"> <li>• apply all the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except principles that conflict with the guidance of AASB 11. This requirement also applies to the acquisition of additional interests in an existing joint operation that results in the acquirer retaining joint control of the joint operation (note that this requirement applies to the additional interest only, i.e., the existing interest is not remeasured) and to the formation of a joint operation when an existing business is contributed to the joint operation by one of the parties that participate in the joint operation; and</li> <li>• provide disclosures for business combinations as required by AASB 3 and other Australian Accounting Standards.</li> </ul>	1 January 2016	<p>The entity is yet to undertake a detailed assessment of the impact of AASB 2014-3. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2017.</p>
<p>AASB 2015-2 <i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101</i></p>	<p>The amendments:</p> <ul style="list-style-type: none"> <li>• clarify the materiality requirements in AASB 101, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information</li> <li>• clarify that AASB 101's specified line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated</li> <li>• add requirements for how an entity should present subtotals in the statement(s) of profit and loss and other comprehensive income and the statement of financial position</li> <li>• clarify that entities have flexibility as to the order in which they present the notes, but also emphasise that understand ability and comparability should be considered by an entity when deciding that order</li> <li>• remove potentially unhelpful guidance in IAS 1 for identifying a significant accounting policy.</li> </ul>	1 January 2016	<p>The entity is yet to undertake a detailed assessment of the impact of AASB 2015-2. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2017.</p>

# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Title of standard	Nature of change	Mandatory application date/ Date of adoption by group	Impact
AASB 15 Revenue from Contracts with Customers	<p>AASB 15:</p> <ul style="list-style-type: none"> <li>• replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations:</li> <li>– establishes a new revenue recognition model</li> <li>– changes the basis for deciding whether revenue is to be recognised over time or at a point in time</li> <li>– provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing)</li> <li>– expands and improves disclosures about revenue</li> </ul>	1 January 2018	The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.
AASB 16 Leases	<p>AASB 16:</p> <ul style="list-style-type: none"> <li>• replaces AASB 117 Leases and some lease-related Interpretations</li> <li>• requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases</li> <li>• provides new guidance on the application of the definition of lease and on sale and lease back accounting</li> <li>• largely retains the existing lessor accounting requirements in AASB 117</li> <li>• requires new and different disclosures about leases</li> </ul>	1 January 2019	The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard will result in operating lease asset and liability being recognised in the financial statements when it is first adopted for the year ending 30 June 2020.



# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
<b>2. REVENUE AND OTHER INCOME</b>		
Rendering of services	1,729	229,465
Sale of goods	1,022,813	1,210,973
Revenue from sale of goods and services	1,024,542	1,440,438
Interest received	92,165	138,594
<b>Other income</b>		
Government grant	853,375	99,201
Net gain on disposal of equipment	-	11,670
Gain on obtaining control of Dyesol Korea Co. Ltd	-	105,423
Gain on foreign exchange	-	220,041
Other income	197,565	41,006
Total other income	1,050,940	477,341
<b>3. EXPENSES</b>		
Loss before income tax includes the following expenses:		
<b>Depreciation and amortisation</b>		
Amortisation of intangible assets	334,361	716,174
Depreciation expense	472,423	538,574
	806,784	1,254,748
<b>Share-based payments</b>		
Share based payments to company employees/directors	524,404	522,829
	524,404	522,829
<b>Technical expenses (including R&amp;D expenses)</b>		
Wages and salaries	4,256,997	3,762,869
Materials	709,596	917,358
Consultants	1,536,996	1,081,187
Other overheads	1,455,696	1,053,289
	7,959,285	6,814,703
<b>Total employee benefits expense</b>		
Wages and salaries	5,160,547	4,726,405
Superannuation	415,546	294,417
Redundancy payments	-	11,772
Increase in liability for annual leave	41,254	109,839
Increase in liability for long service leave	41,340	50,917
Share based payments to company employees/directors	524,404	522,829
	6,183,091	5,716,179

# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
<b>3. EXPENSES (continued)</b>		
Loss before income tax includes the following expenses:		
<b>Borrowing costs</b>		
Interest expenses	37,574	74,886
<b>Rental expenses on operating lease</b>		
Minimum lease payments	651,999	687,594
<b>Foreign currency translation</b>		
Net foreign exchange losses	116,146	
<b>Impairment</b>		
Impairment of intangible assets (Note 12)	69,231	66,732
Impairment of goodwill (Note 12)	3,600,474	-
<b>4. AUDITORS' REMUNERATION</b>		
<b>(a) Amount paid or due and payable to Grant Thornton Audit Pty Ltd for:</b>		
- An audit and review of the financial statements of the entity and any other entity in the Group	123,700	113,000
- Tax compliance provided by related practice of the auditors	38,041	49,061
<b>(b) Amount paid or due and payable to non-Grant Thornton Audit Pty Ltd network firms for:</b>		
- Other services in relation to the entity and any other entity in the consolidated entity	20,660	57,682
	<b>182,401</b>	<b>219,743</b>

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# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
<b>5. INCOME TAX</b>		
<b>(a) Income tax benefit</b>		
R&D tax rebate	(4,118,714)	(3,274,982)
Deferred tax	(100,308)	(206,064)
	<b>(4,219,022)</b>	<b>(3,481,046)</b>
<b>(b) Numerical reconciliation between tax benefit and pre-tax net loss</b>		
Loss before income tax	(15,514,323)	(12,079,686)
Income tax benefit calculated at 30% (2015: 30%)	(4,654,297)	(3,623,906)
Tax effect of amounts which are not tax deductible:		
• Share based payments	157,322	156,849
• Impairment of intangible assets	20,769	20,020
• Impairment of goodwill	1,080,142	-
• Sundry amounts	1,703	1,320
• Impact of foreign tax rate differential	154,247	158,271
Net deferred tax assets not recognised	3,139,806	3,081,382
R&D tax rebate	(4,118,714)	(3,274,982)
<b>Income tax benefit</b>	<b>(4,219,022)</b>	<b>(3,481,046)</b>
<b>(c) Tax losses</b>		
Unused tax losses for which no deferred tax asset has been recognised (as recovery is currently not probable)		
Tax effected (at 30%)	<b>30,132,731</b>	<b>26,997,079</b>
<b>(d) Unrecognised temporary differences</b>		
Temporary differences for which deferred tax assets have not been recognised (at 30%)		
• Employee benefits provision	154,430	130,196
• Capital raising costs	134,218	62,272
• IP costs	418,920	401,003
• Other	(8,148)	115,362
Unrecognised deferred tax assets relating to the above temporary differences (at 30%)	<b>699,420</b>	<b>708,833</b>

# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
<b>5. INCOME TAX (continued)</b>		
Temporary differences for which deferred tax liabilities have not been recognised (at 30%)		
• Prepayments	58,642	65,394
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)	91,657	46,452
<p>A deferred tax asset has not been recognised in respect of the temporary difference on the foreign currency translation reserve of \$305,524 (2015: \$154,840) 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.</p>		
<b>(e) Recognised temporary differences</b>		
Deferred tax liability on intangibles recognised in a business combination (at 30%)	295,478	395,786

**(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/(losses) 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 22%, Italy 31%, Switzerland 13-20%, Republic of Korea 11%, Germany 30% 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 \$30,132,731 (2015: \$26,997,079).

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 realised;
- (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.

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# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
<b>6. EARNINGS PER SHARE</b>		

## Reconciliation of earnings to profit or loss

Loss attributable to owners of Dyesol Limited used to calculate earnings per share	(11,290,499)	(8,594,041)
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The calculation of basic loss per share at 30 June 2016 was based on the loss attributable to owners of Dyesol Limited of \$11,290,499 (2015: \$8,594,041) and a weighted average number (W.A.N.) of ordinary shares outstanding during the financial year ended 30 June 2016 of 357,108,158 (2015: 315,114,046) calculated as follows:

	2016		2015	
	Actual No.	W.A.N.	Actual No.	W.A.N.
Issued ordinary shares at beginning of year	339,033,459	339,033,459	303,326,443	303,326,443
Effect of shares issued pursuant to placement	33,920,217	18,798,350	35,167,016	11,364,583
Effect of shares issued pursuant to business combination	-	-	500,000	402,740
Effect of issue of shares as a share based payment	1,737,088	1,051,572	40,000	20,280
	372,953,676	357,831,809	338,993,459	315,093,766
Effect of Treasury shares purchase	(3,878,706)	(1,775,223)	-	-
<b>Issued ordinary shares at end of year</b>	<b>370,812,058</b>	<b>357,108,158</b>	<b>339,033,459</b>	<b>315,114,046</b>

Diluted loss per share, calculated by taking into account 6,100,000 performance rights (2015: 3,994,500) 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.

	2016 \$	2015 \$
<b>7. CASH AND CASH EQUIVALENTS</b>		

Cash at bank and in hand	4,560,518	5,402,909
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Cash at bank and in hand has interest bearing accounts which earn interest at rates from 0.00% pa to 3.15% pa. The Company has a bank guarantee of \$110,000 towards a leasing facility for plant and machinery purchases.

	2016 \$	2015 \$
<b>8. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	66,380	55,758
Loans	22,917	54,518
R & D tax rebate receivable	3,800,000	3,200,000
Interest receivable	3,846	12,927
Other receivables	451,303	324,811
	<b>4,344,446</b>	<b>3,648,014</b>

# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 8. TRADE AND OTHER RECEIVABLES (continued)

### 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.

### Past due but not considered doubtful

At 30 June 2016 trade receivables of \$38,535 (2015: \$19,231) were past due. The balance was 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:

	2016 \$	2015 \$
Not past due	27,845	36,527
1 to 30 days past due	27,643	16,275
31 – 60 days past due	160	-
Over 60 days past due	10,732	2,956
Balance at end of year	<b>66,380</b>	<b>55,758</b>

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 net realisable value

Finished goods	338,721	356,905
Raw materials	239,423	283,161
Work in progress	49,962	91,289
	<b>628,106</b>	<b>731,355</b>

Included in the above net realisable value is a provision for slow moving inventory in relation to equipment and materials on hand of a total of \$783,326 (2015: \$745,120) that were recorded mainly in relation to liquid DSC technology.

## 10. OTHER CURRENT ASSETS

Prepaid expenses	298,795	318,635
GST receivable	83,712	86,061
	<b>382,507</b>	<b>404,696</b>

# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
<b>11. PROPERTY, PLANT AND EQUIPMENT</b>		
Office furniture and equipment, at cost	829,939	838,813
Less: Accumulated depreciation	(766,817)	(767,949)
	63,122	70,864
Plant and equipment, at cost	6,250,628	7,638,268
Less: Accumulated depreciation	(5,687,910)	(6,883,527)
	562,718	754,741
Motor vehicles, at cost	23,864	128,584
Less: Accumulated depreciation	(20,931)	(95,155)
	2,933	33,429
Computer software, at cost	392,535	376,153
Less: Accumulated depreciation	(369,638)	(343,520)
	22,897	32,633
Leasehold improvements, at cost	2,356,592	2,356,592
Less: Accumulated depreciation	(2,356,592)	(2,356,592)
	-	-
<b>Total property, plant and equipment</b>	<b>651,670</b>	<b>891,667</b>
<b>Reconciliations</b>		
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:		
<b>Office furniture and equipment</b>		
Balance at beginning of year	70,864	74,701
Effect of movement in foreign exchange	(2,203)	2,073
Effect of Dyesol Korea Co. Ltd business combination	-	1,712
Additions	30,348	25,061
Write off	(195)	-
Depreciation	(35,692)	(32,683)
Balance at end of year	<b>63,122</b>	<b>70,864</b>
<b>Plant and equipment</b>		
Balance at beginning of year	754,741	508,913
Effect of movement in foreign exchange	(15,614)	2,572
Effect of Dyesol Korea Co. Ltd business combination	-	22,319
Additions	251,844	680,836
Disposals	(19,674)	-
Depreciation	(408,579)	(459,899)
Balance at end of year	<b>562,718</b>	<b>754,741</b>

# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
<b>11. PROPERTY, PLANT AND EQUIPMENT (continued)</b>		
<b>Motor vehicles</b>		
Balance at beginning of year	33,429	10,243
Effect of movement in foreign exchange	-	695
Effect of Dyesol Korea Co. Ltd business combination	-	48,288
Disposals	(28,454)	(5,791)
Depreciation	(2,042)	(20,006)
Balance at end of year	<b>2,933</b>	<b>33,429</b>
<b>Computer software</b>		
Balance at beginning of year	32,633	58,061
Effect of movement in foreign exchange	-	(1)
Additions	16,374	559
Depreciation	(26,110)	(25,986)
Balance at end of year	<b>22,897</b>	<b>32,633</b>
<b>12. INTANGIBLE ASSETS</b>		
Intellectual property and patents, at cost	3,791,610	3,791,610
Less: Accumulated amortisation	(2,806,687)	(2,560,456)
Less: Impairment Loss	(69,231)	-
	915,692	1,231,154
Customer contracts	528,780	528,780
Less: Accumulated amortisation	(528,780)	(440,650)
	-	88,130
Goodwill at cost	-	3,600,474
<b>Total intangible assets</b>	<b>915,692</b>	<b>4,919,758</b>
<b>Reconciliations</b>		
Reconciliations of the carrying amounts for each class of intangible asset are set out below:		
<b>Patents</b>		
Balance at beginning of year	1,231,154	1,573,410
Additions	-	-
Impairment loss	(69,231)	(66,732)
Amortisation	(246,231)	(275,524)
Balance at end of year	<b>915,692</b>	<b>1,231,154</b>
<b>Customer contracts</b>		
Balance at beginning of year	88,130	-
Effect of Dyesol Korea Co. Ltd business combination	-	528,780
Amortisation	(88,130)	(440,650)
Balance at end of year	-	<b>88,130</b>



# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$
<b>12. INTANGIBLE ASSETS (continued)</b>		
<b>Goodwill</b>		
Balance at beginning of year	3,600,474	3,441,840
Impairment loss*	(3,600,474)	-
Deferred tax liability on intangibles recognised in business combination	-	158,634
Balance at end of year	-	<b>3,600,474</b>

\*Of the total goodwill \$3,600,474, \$3,437,119 previously recorded by the Group relates to the acquisition of Sustainable Technologies International Pty Limited (STI) in July 2006. The directors have performed their annual impairment assessment on the goodwill in accordance with the requirements of AASB136 Impairment of Assets and have determined that, in light of the Group's change of direction towards Perovskite Solar Cell (PSC) technology, the synergies that previously existed as a result of the STI acquisition are no longer supportable. Having conducted a value in use calculation with goodwill allocated across all cash generating units (CGU) and therefore, all operating segments, an impairment loss of \$3,600,474 was recognised.

A pre-tax discount rate of 14% p.a. was applied to all CGUs.

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.

## 13. INVESTMENT IN ASSOCIATE/ JOINT VENTURES

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

Name	Venturer	Country of incorporation	% Ownership interest		Investment \$	
			2016	2015	2016	2015
Printed Power Pte Ltd.	Dyesol Limited	Singapore	25	25	117,183	117,162

*Printed Power Pte Ltd.*

Dyesol Limited holds a 25% equity stake through a strategic investment of \$117,183 in Printed Power Pte 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 aim is to be at the forefront of fully printed and self-sustaining Combined Energy Generation and Storage (CEGS) solutions globally. CEGS devices have a range of applications including sensor networks and smart building applications, thereby opening up a wide range of commercial opportunities.

# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 13. INVESTMENT IN ASSOCIATE/ JOINT VENTURES (continued)

The movement in investment in associate and investments in joint ventures during the year is as follows:

	Joint ventures		Associate		Total	
	Dye Tec Solar Inc.		Printed Power Pte Ltd			
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$
Deemed cost of investment at the beginning of year	-	(3,112)	117,162	129,586	117,162	126,474
Loss during year	-	3,112	21	(12,424)	21	(9,312)
Forex translation movement during year	-	-	-	-	-	-
Loan to joint venture	-	-	-	-	-	-
Cost of acquisition/ investment	-	-	-	-	-	-
<b>Deemed cost of investment at end of period</b>	<b>-</b>	<b>-</b>	<b>117,183</b>	<b>117,162</b>	<b>117,183</b>	<b>117,162</b>

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# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
<b>13. INVESTMENT IN ASSOCIATE/ JOINT VENTURES (continued)</b>		
<b>Share of associate's and joint ventures' commitments</b>		
Lease commitment	-	-
Summarised financial information in respect of the Group's joint ventures and associates as set out below:		
<b>Financial position of associate/ joint ventures</b>		
Total assets	25,071	19,133
Total liabilities	19,261	13,081
Net assets	5,810	6,052
<b>Financial performance of associate/ joint ventures</b>		
Total revenue and grant income	27,165	22,611
Total profit/ (loss) for the year	21	(9,312)
<b>Contingent liabilities relating to associate/ joint ventures</b>		
There are no material contingent liabilities relating to the associate/ joint ventures at the end of the reporting period.		
<b>Share of associate/ joint ventures commitments</b>		
The associate/ joint ventures have no material commitments at the end of the reporting period.		
<b>14. TRADE AND OTHER PAYABLES</b>		
<b>Unsecured liabilities – current</b>		
Trade creditors	390,472	464,814
Other creditors and accruals	540,922	808,588
Unearned income	635,018	442,364
Other payables (non-trade)	208,855	356,944
	<b>1,775,267</b>	<b>2,072,710</b>
<b>Unsecured liabilities – non-current</b>		
Other payables (non-trade)	130,400	86,934
	<b>130,400</b>	<b>86,934</b>
<b>15. LEASE LIABILITIES</b>		
<b>Secured lease liabilities</b>		
Current	37,792	107,404
Non-current	-	36,598
	<b>37,792</b>	<b>144,002</b>
<b>Assets pledged as security</b>		
The lease liabilities are effectively secured as the rights to the leased assets recognised in the balance sheet revert to the lessor in the event of default. A bank guarantee \$110,000 was effected for the lease facility used for the purpose of plant and machinery purchases.		

# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
<b>16. BORROWINGS</b>		
<b>Current</b>		
Convertible note – unsecured	-	853,617
	<b>-</b>	<b>853,617</b>

<b>17. PROVISIONS</b>		
<b>Current</b>		
Employee benefit provision	390,370	349,116
Make good provision	272,199	155,000
	<b>662,569</b>	<b>504,116</b>
<b>Non-Current</b>		
Employee benefit provision	247,247	205,907
Make good provision	-	95,000
	<b>247,247</b>	<b>300,907</b>

### 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. Some of the leases 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.

<b>18. CONTRIBUTED EQUITY</b>		
<b>Issued and paid-up capital</b>		
Fully paid ordinary shares 372,953,676 (2015: 338,993,459)	109,226,361	100,700,223
Treasury shares: 2,141,618 (2015: Nil)	(897,009)	-
Contributed equity	108,329,352	100,713,911

### Ordinary Shares

The movements in ordinary shares throughout the year were as follows:

	Number	\$
<b>Balance at 1 July 2014</b>	<b>303,326,443</b>	<b>94,183,006</b>
Issue of shares to CSIRO as repayment of loan @\$0.2417 per share	1,833,683	443,201
Issue of shares to Tasnee following shareholder approval @\$0.18 per share#	33,333,333	6,000,000
Acquisition of the 49.9% minority interest in Dyesol-Timo Co. Ltd held by Nearena	500,000	105,000
Transaction costs of share issues	-	(30,984)
	<b>338,993,459</b>	<b>100,700,223</b>

# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 18. CONTRIBUTED EQUITY(continued)

	Number	\$
Treasury shares purchase @\$0.2400 average per share*	(191,572)	(45,963)
Treasury shares issued on exercise of performance rights @\$0.2576 average per share*	231,572	59,651
<b>Balance at 30 June 2015</b>	<b>339,033,459</b>	<b>100,713,911</b>
Issue of shares to CSIRO as repayment @\$0.318 per share	2,717,279	864,095
Issue of shares for cash pursuant to the Company's Share Purchase Plan Offer at \$0.26 per share	29,446,253	7,656,026
Issue of shortfall shares to underwriters of the Company's Share Purchase Plan Offer at \$0.26 per share	1,756,685	456,738
Transaction costs of share issues	-	(464,409)
	<b>372,953,676</b>	<b>109,226,361</b>
Treasury shares purchase @\$0.2313 average per share*	(3,878,706)	(897,009)
Treasury shares issued on exercise of performance rights @\$0.2200 average per share*	1,737,088	-
<b>Balance at 30 June 2016</b>	<b>370,812,058</b>	<b>108,329,352</b>

\* Treasury shares are shares in Dyesol Limited that are held by "AET SFS Pty Ltd (previously Dyesol EST Managers Pty Ltd)," for the purpose of issuing shares under the Dyesol Limited Performance Rights Plan. During the period, the Company acquired 3,878,706 of its own shares at a cost of \$897,009 for the purpose of making awards under the Dyesol Limited Employee Performance Rights Plan ("Plan") and these shares have been classified in the balance sheet as treasury shares within equity. A total of 1,737,088 treasury shares have now been fully allotted to various employees upon vesting of their performance rights during the period. Shares issued to employees are on a first in first out basis.

### Share Options

No options were issued or exercised during the year.

### Performance Rights

The performance rights issued under the Dyesol Limited Performance Rights Plan for ordinary fully paid shares outstanding as at the end of the reporting period was 6,100,000 (2015: 3,994,500).

# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
<b>19. RESERVES</b>		
Equity-settled benefit (a)	6,781,291	6,256,887
Foreign currency translation reserve	(305,524)	(154,840)
Equity component on convertible note	798,887	798,887
	<b>7,274,654</b>	<b>6,900,934</b>
<b>(a) Equity-settled benefit</b>		
<p>The equity-settled benefit reserve is used to record the value of options, share rights and shares issued as share-based payments provided to employees, including key management personnel and consultants as part of remuneration.</p> <p><i>Movement in reserve during the year:</i></p>		
Balance at the beginning of the year	6,256,887	5,784,868
Share rights granted to employees/directors	524,404	522,829
Issue of Treasury shares	-	(50,810)
	<b>6,781,291</b>	<b>6,256,887</b>
<b>20. NON-CONTROLLING INTEREST</b>		
<p><i>Non-controlling interest in controlled entities comprise:</i></p>		
Interest in share capital	2,758	2,758
Interest in reserve	(1,044)	(1,063)
Retained earnings	(3,164)	1,637
<b>Total non-controlling interest</b>	<b>(1,450)</b>	<b>3,332</b>

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# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 21. FINANCIAL INSTRUMENTS DISCLOSURE

### Overview

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, and the management of capital. 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

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Risk Committee, which is responsible for overseeing how management monitors compliance with the consolidated entity's risk management policies and procedures and reviewing the adequacy of the risk management framework in relation to the risks faced by the consolidated entity. 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 Risk Committee oversees how management monitors compliance with the 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.

### (a) Fair value hierarchy

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the fair value hierarchy, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company however has no financial instruments by levels 1, 2 or 3 at the end of the financial year reporting period.

# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 21. FINANCIAL INSTRUMENTS DISCLOSURE (continued)

	2016 Carrying amount \$	2015 Carrying amount \$
Dyesol holds the following financial instruments:		
<i>Financial assets</i>		
Cash and cash equivalents	4,560,518	5,402,909
Loans and receivables	418,073	329,922
<b>Total financial assets</b>	<b>4,978,591</b>	<b>5,732,831</b>
<i>Financial liabilities at amortised cost</i>		
Trade and other payables	1,094,617	1,567,708
Borrowings	-	853,617
<b>Total financial liabilities at amortised cost</b>	<b>1,094,617</b>	<b>2,421,325</b>
<b>Total financial liabilities</b>	<b>1,094,617</b>	<b>2,421,325</b>

### **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 and term deposits**

The consolidated entity places its cash deposits with high credit quality financial institutions and uses a number of institutions. 95% of cash are held with St George Bank in Australia. The remaining cash is held at reputable financial institutions in various geographical locations.

### **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 2016, the majority of exposure to trade receivables is in Europe and USA.

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



# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 21. FINANCIAL INSTRUMENTS DISCLOSURE (continued)

	2016 Carrying amount \$	2015 Carrying amount \$
Cash and cash equivalents	4,560,518	5,402,909
Loans and receivables	418,073	329,922
<b>Total</b>	<b>4,978,591</b>	<b>5,732,831</b>

	2016 \$	2015 \$
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:		
<b>Country</b>		
Australia	4,575,620	4,768,363
UK	45,913	208,198
Italy	189,097	519,812
Switzerland	68,868	192,057
Germany	17,739	17,693
USA	(29)	(28)
Rest of Americas	22,768	5,682
Japan	1,812	2,928
Republic of Korea	49,245	9,448
Rest of Asia	7,558	8,678
	<b>4,978,591</b>	<b>5,732,831</b>

Included in loans and receivables is the consolidated entity's most significant customer, located in Rest of Americas and owing \$21,769 which accounts for 33% of trade receivables at 30 June 2016.

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# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 21. FINANCIAL INSTRUMENTS DISCLOSURE (continued)

### 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 2016

	Carrying amount \$	Contractual cash flow \$	6 Months or less \$	6-12 Months \$	1-2 Years \$	2-3 Years \$
<i>Financial liabilities at amortised cost</i>						
Borrowings	-	-	-	-	-	-
Trade and other payables	1,094,617	1,094,617	1,094,617	-	-	-
<b>Total financial liabilities</b>	<b>1,094,617</b>	<b>1,094,617</b>	<b>1,094,617</b>	-	-	-

#### Consolidated 2015

	Carrying amount \$	Contractual cash flow \$	6 Months or less \$	6-12 Months \$	1-2 Years \$	2-3 Years \$
<i>Financial liabilities at amortised cost</i>						
Borrowings	853,617	853,617	853,617	-	-	-
Trade and other payables	1,567,708	1,567,708	1,460,304	70,806	36,598	-
<b>Total financial liabilities</b>	<b>2,421,325</b>	<b>2,421,325</b>	<b>2,313,921</b>	<b>70,806</b>	<b>36,598</b>	-

### 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 Republic of Korea Won (KRW) and the Swiss Franc (CHF). 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.

# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 21. FINANCIAL INSTRUMENTS DISCLOSURE (continued)

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

	2016 \$	2015 \$
<b>GBP Denominated</b>		
<i>Financial assets</i>		
Cash and cash equivalents	1,924,233	181,133
Loans and receivables	-	11,510
<i>Total financial assets</i>	1,924,233	192,643
<i>Financial liabilities</i>		
Trade and other payables	86,143	87,901
<i>Total financial liabilities</i>	86,143	87,901
<b>Net exposure</b>	<b>1,838,090</b>	<b>104,742</b>
<b>Euro Denominated</b>		
<i>Financial assets</i>		
Cash and cash equivalents	364,517	628,148
Loans and receivables	114,866	47,996
<i>Total financial assets</i>	479,383	676,144
<i>Financial liabilities</i>		
Trade and other payables	375,517	384,083
<i>Total financial liabilities</i>	375,517	384,083
<b>Net exposure</b>	<b>103,866</b>	<b>292,061</b>
<b>CHF Denominated</b>		
<i>Financial assets</i>		
Cash and cash equivalents	248,427	91,001
Loans and receivables	-	156,862
<i>Total financial assets</i>	248,427	247,863
<i>Financial liabilities</i>		
Trade and other payables	18,865	38,121
<i>Total financial liabilities</i>	18,865	38,121
<b>Net exposure</b>	<b>229,562</b>	<b>209,742</b>
<b>JPY Denominated</b>		
<i>Financial assets</i>		
Cash and cash equivalents	261,382	427
<i>Total financial assets</i>	261,382	427
<b>Net exposure</b>	<b>261,382</b>	<b>427</b>

# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
<b>21. FINANCIAL INSTRUMENTS DISCLOSURE (continued)</b>		
<b>USD Denominated</b>		
<i>Financial assets</i>		
Cash and cash equivalents	123,869	235,177
Loans and receivables	23,148	7,259
<i>Total financial assets</i>	147,017	242,436
<b>Net exposure</b>	<b>147,017</b>	<b>242,436</b>
<b>KRW Denominated</b>		
<i>Financial assets</i>		
Cash and cash equivalents	39,764	7,258
Loans and receivables	9,481	2,190
<i>Total financial assets</i>	49,245	9,448
<i>Financial liabilities</i>		
Trade and other payables	207,479	343,813
<i>Total financial liabilities</i>	207,479	343,813
<b>Net exposure</b>	<b>(158,234)</b>	<b>(334,365)</b>

## Sensitivity analysis

A 10% strengthening or weakening of the Australian Dollar against other foreign currencies at 30 June 2016 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:

	<b>Post Tax Profits and Equity Higher/(Lower)</b>	
	2016 \$	2015 \$
<b>GBP Denominated</b>		
+10% (AUD/GBP)	(183,809)	(10,474)
-10% (AUD/GBP)	183,809	10,474
<b>Euro Denominated</b>		
+10% (AUD/EUR)	(10,387)	(29,206)
-10% (AUD/EUR)	10,387	29,206
<b>CHF Denominated</b>		
+10% (AUD/CHF)	(22,956)	(20,974)
-10% (AUD/CHF)	22,956	20,974
<b>JPY Denominated</b>		
+10% (AUD/JPY)	(26,138)	(43)
-10% (AUD/JPY)	26,138	43
<b>USD Denominated</b>		
+10% (AUD/USD)	(14,702)	(24,244)
-10% (AUD/USD)	14,702	24,244
<b>KRW Denominated</b>		
+10% (AUD/KRW)	15,823	33,437
-10% (AUD/KRW)	(15,823)	(33,437)

# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 21. FINANCIAL INSTRUMENTS DISCLOSURE (continued)

### 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, KRW and USD 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:

	2016 \$	2015 \$
Cash at bank and on hand	4,560,518	5,402,909
Short term deposits	-	-
	4,560,518	5,402,909

### Sensitivity analysis

At 30 June 2016, 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)	
	2016 \$	2015 \$
+1% (100 basis points)	45,605	54,029
-1% (100 basis points)	(45,605)	(54,029)

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

Consolidated 2016	Fixed rate	Floating rate	Non-interest bearing	Total
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash and cash equivalents	-	4,560,518	-	4,560,518
Loans and receivables	22,917	-	395,156	418,073
	<b>22,917</b>	<b>4,560,518</b>	<b>395,156</b>	<b>4,978,591</b>
<b>Financial liabilities at amortised cost</b>				
Trade and other payables	37,793	-	1,056,824	1,094,617
Borrowings	-	-	-	-
	<b>37,793</b>	<b>-</b>	<b>1,056,824</b>	<b>1,094,617</b>
<b>Consolidated 2015</b>				
	Fixed rate	Floating rate	Non-interest bearing	Total
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash and cash equivalents	2,310,000	3,092,909	-	5,402,909
Loans and receivables	47,917	-	282,005	329,922
	<b>2,357,917</b>	<b>3,092,909</b>	<b>282,005</b>	<b>5,732,831</b>
<b>Financial liabilities at amortised cost</b>				
Trade and other payables	144,002	-	1,423,706	1,567,708
Borrowings	853,617	-	-	853,617
	<b>997,619</b>	<b>-</b>	<b>1,423,706</b>	<b>2,421,325</b>

# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 21. FINANCIAL INSTRUMENTS DISCLOSURE (continued)

### 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 2016 is:

	2016 \$	2015 \$
<b>Gearing ratio</b>		
Net debt	37,793	997,619
Total equity	8,451,370	11,757,489
<i>Gearing ratio</i>	<b>0.45%</b>	<b>8.48%</b>

### 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.

# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 22. 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 PSC market, to support current and generate future sales of Dyesol manufactured materials and equipment. 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 equipment, grants, and from sales and service of equipment sets.

#### 2. *Metal Strip*

The Metal Strip business unit facilitates the development of PSC on coil steel, with a revenue model to earn income from technology development contracts and grants and ultimately through royalties from licensed manufacture of the products.

#### 3. *R&D Materials and Products*

Within Dyesol, the R&D Materials business unit undertakes core Perovskite Solar Cell (PSC) material technology research and development of a generic nature which is applicable to a wide range of ultimate PSC 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 PSC material R&D activity distinct from the various partner focused 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 PSC device designs and multi-function products.

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

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# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 22. SEGMENT REPORTING (continued)

### Information provided to the executive management committee

Segment information provided to the executive management committee for the year ended 30 June 2016 is as follows:

	Glass & Equipment		Metal Strip		R&D Materials		Total	
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$
Total segment revenue	122,062	225,687	-	-	1,002,536	1,249,882	1,124,598	1,475,569
Inter-segment revenue	(30,215)	(31,937)	-	-	(71,570)	(232,659)	(101,785)	(264,596)
Segment revenue from external customers	91,847	193,750	-	-	930,966	1,017,223	1,022,813	1,210,973
<b>Net loss</b>	<b>(563,333)</b>	<b>(69,241)</b>	<b>(2,682,398)</b>	<b>(1,967,971)</b>	<b>(3,333,456)</b>	<b>(4,089,395)</b>	<b>(6,579,187)</b>	<b>(6,126,607)</b>
The executive management committee monitors segment performance based on net loss before income tax								
<b>Other segment information</b>								
Non-cash expenses other than depreciation and amortisation	24,277	14,847	93,144	80,516	174,719	178,629	292,140	273,992
Share of losses of associate/ joint ventures included in net loss#	-	-	-	-	21	(12,424)	21	(12,424)

#total segment net loss of associate/ joint ventures is different to the Group share of losses of associate/ joint ventures due to the unallocated corporate and other business units income and expenses.



# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

22. SEGMENT REPORTING (continued)	2016 \$	2015 \$
<b>Other segment information</b>		
<b>Segment revenue</b>		
Product segment revenue reconciles to total revenue from sales of goods and services:		
Total segment revenue	1,124,598	1,475,569
Inter segment revenue	(101,785)	(264,596)
<i>Other segment revenue</i>		
Licence fee	-	4,223
Technical services	1,729	225,242
<b>Total revenue from sale of goods and services (Note 2)</b>	<b>1,024,542</b>	<b>1,440,438</b>
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.		
<b>Net loss</b>		
Net loss reconciles to loss before income tax as follows:		
<b>Total segment net loss</b>	<b>(6,579,187)</b>	<b>(6,126,607)</b>
<i>Unallocated corporate and other business units income and expenses</i>		
Impairment of Goodwill	(3,600,474)	-
Impairment of intangible assets	(69,231)	(66,732)
Depreciation and amortisation	(806,784)	(1,254,748)
Employment cost	(1,257,370)	(1,345,423)
Share based payment	(232,265)	(248,837)
Marketing expenses	(386,795)	(501,315)
Foreign currency (losses)/ gain	(9,838)	30,713
Unrealised foreign exchange (losses)/ gain	(106,309)	189,328
Interest paid	(37,574)	(74,886)
Interest income	92,165	138,594
Intellectual property expenses	(167,646)	(108,115)
Professional fees	(454,543)	(374,640)
Legal fees	(134,428)	(499,042)
Board, secretarial & other expenses	(1,127,390)	(1,052,601)
Provision for doubtful debts/ write-off	-	(4,444)
Share of losses of associate/ joint ventures	21	(9,312)
Other	(636,674)	(771,619)
<b>Loss before income tax from continuing operations</b>	<b>(15,514,322)</b>	<b>(12,079,686)</b>

# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 22. SEGMENT REPORTING (continued)

### Segment assets

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

### Segment liabilities

Segment liabilities are not required to be disclosed because 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 Perovskite Solar Cell (PSC) technology.

Segment information provided to the executive management committee for the year ended 30 June 2016 is as follows:

	Australia		Asia		Europe		North America		Total	
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$
Total segment revenue	66,902	61,359	496,690	596,463	705,847	1,227,417	291,475	207,737	1,560,914	2,092,976
Inter-segment revenue	-	(330)	(55,805)	(45,952)	(480,567)	(606,256)	-	-	(536,372)	(652,538)
<b>Segment revenue from external customers</b>	<b>66,902</b>	<b>61,029</b>	<b>440,885</b>	<b>550,511</b>	<b>225,280</b>	<b>621,161</b>	<b>291,475</b>	<b>207,737</b>	<b>1,024,542</b>	<b>1,440,438</b>

### 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 Rest of Americas region which account for 18% of external revenue (2015: 29%). The next most significant client, in the Asia region, accounts for 3% of external revenue (2015: 4%).

### 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 \$1,468,783 (2015: \$5,593,641) and the total of non-current assets located in other countries is \$98,580 (2015: \$217,784). Of the total of non-current assets located in other countries, \$108,496 (2015: \$148,648) or 7% (2015: 3%) is represented by United Kingdom.

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

# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
<b>23. NOTES TO THE STATEMENT OF CASH FLOWS</b>		
<b>(a) Reconciliation of cash</b>		
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	4,560,518	5,402,909
<b>(b) Reconciliation of net cash flows from operating activities to loss after income tax</b>		
Loss after income tax	(11,295,300)	(8,598,640)
<i>Add non-cash items</i>		
Depreciation	472,423	538,574
Amortisation	334,361	716,174
Impairment of intangible assets	3,669,705	66,732
Share of (gain)/losses of associate/ joint ventures	(21)	9,312
Equity settled share-based payment expenses	524,404	522,829
Unrealised exchange losses/ (gain)	116,146	(189,328)
Losses/ (gain) on disposal of fixed assets	12,962	(11,670)
<b>Operating loss before changes in assets and liabilities</b>	<b>(6,165,320)</b>	<b>(6,946,017)</b>
<i>Changes in assets and liabilities during the year:</i>		
Increase in trade and other receivables	(696,432)	(610,834)
Decrease in other current assets	22,189	253,250
Decrease/( increase) in inventories	103,249	(43,737)
Decrease in trade and other payables	(641,916)	(352,796)
Increase in provisions	104,794	110,756
Decrease in deferred tax liability	(100,309)	(47,430)
<b>Net cash used in operating activities</b>	<b>(7,373,745)</b>	<b>(7,636,808)</b>
<b>24. CAPITAL AND OTHER COMMITMENTS</b>		
<b>(a) Operating lease commitments</b>		
Property rent and lease commitment related to office premises in Australia, Switzerland, United Kingdom, Italy, and Republic of Korea:		
Not later than one year	464,430	438,885
Later than one year but not later than five years	72,660	218,337
	<b>537,090</b>	<b>657,222</b>
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. Some of the leases are due to expire during the next financial year and the Group 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>(b) Capital commitments</b>		
Payable not later than one year	103,460	17,166
	<b>103,460</b>	<b>17,166</b>

# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
<b>25. SHARE-BASED PAYMENTS</b>		
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	524,404	522,829
	<b>524,404</b>	<b>522,829</b>

## **Director share options**

No options were granted to directors during the year.

## **Employee share options**

No options were granted to employees during the year.

## **Dyesol Limited Performance Rights Plan**

The Company operates an incentive scheme known as the Dyesol Limited Employee Performance Rights Plan ("Plan"), which was most recently approved at the 2014 Annual General Meeting.

The number of Performance Rights which may be granted under the 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 per cent (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.

## **Managing Director Performance Rights**

During the year the Company granted 1,150,000 performance rights to Mr Richard Caldwell in relation to the Dyesol Performance Rights Plan as approved by shareholders at the 2015 AGM meeting.

All performance rights were granted for nil consideration over unissued ordinary shares.

The vesting period is 36 months from date of grant and vesting will be dependent on meeting relative and absolute Dyesol TSR performance hurdles and a non-market service vesting condition.

The vesting conditions applicable to the 1,150,000 performance rights issued to Mr Richard Caldwell are as follows:

100% of the Performance Rights will be subject to a performance hurdle relating to absolute TSR over a period from grant date to 30 November 2018. The Dyesol TSR will be set at 100 on the date of grant of the Performance Rights and must be equal or exceed 350 on 30 November 2018: that is, the Dyesol TSR must increase by 250% over the measurement period for the Performance Rights to vest.

The circumstances under which Mr Richard Caldwell is entitled to retain these performance rights if he should leave the company before the vesting date is controlled by the terms of the Dyesol Performance Rights Plan and is at the discretion of the Board. Change of control clauses exist.

In addition to the performance vesting conditions above, the performance rights will only vest if there is uninterrupted employment with Dyesol from grant date until vesting date.

# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 25. SHARE-BASED PAYMENTS (continued)

### **Fair value of performance rights granted**

The fair value of the 1,150,000 performance rights granted to Mr Richard Caldwell was calculated at the date of grant using the Monte Carlo valuation approach and allocated to each reporting period evenly over the period from grant date to vesting date. In valuing the performance rights, market conditions have been taken into account. The following table gives the assumptions made in determining the fair value of these performance rights on grant date:

Description	Tranche 1
Grant date	26 November 2015
Number of performance rights	1,150,000
Vesting date	30 November 2018
Exercise price	\$0.00
Price of shares on grant date	\$0.290
Estimated volatility	65.00%
Risk-free interest rate	2.11%
Dividend yield	0%

The expected price volatility is estimated using Dyesol's share price daily rolling 3 year standard deviation.

Based on the approach and assumptions detailed above, the estimated fair value of Mr Richard Caldwell's performance rights is \$0.0892 per share.

### **Employee Performance Rights**

During the year the Company granted the following performance rights in relation to the Dyesol Performance Rights Plan:

- 2,950,000 performance rights issued to employees

All performance rights were granted for nil consideration over unissued ordinary shares.

The vesting conditions applicable to a total of 2,950,000 performance rights issued to employees are as follows:

- 1,032,500 performance rights vesting on or before 1 December 2016
- 737,500 performance rights vesting on or before 1 December 2017
- 1,180,000 performance rights vesting on or before 1 December 2018

The performance conditions applicable to the 2,950,000 performance rights issued to employees are as follows:

- 35% of the Performance Rights will vest determined by the assessment of individual performance against individual KPIs in the financial year 1 July 2015 to 30 June 2016.
- Up to 25% of the Performance Rights will vest if Dyesol's Total Shareholder Return outperforms the S&P/ASX Small Ordinaries Index over the Measurement Period 1 July 2015 to 30 June 2017 (TSR Hurdle).
- Up to 40% of the Performance Rights will vest if the Service condition for this tranche is met.

There must be uninterrupted employment from the date of issue of the performance rights until the vesting date.

### **Fair value of performance rights granted**

The fair value of the 2,950,000 performance rights granted during the year was appraised at the grant date and allocated to each reporting period evenly over the period from grant date to vesting date. In valuing the performance rights, market conditions have been taken into account.

+ The following rights lapsed during the year:

- 257,412 of performance rights granted in previous financial periods.

++ The following performance rights vested during the year:

- 1,737,088 performance rights in respect of rights granted to executives in previous financial periods – settled with treasury shares.

# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 25. SHARE-BASED PAYMENTS (continued)

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:

	2016 Number	2015 Number
<b>Performance rights</b>		
Performance rights exercisable	6,100,000	3,994,500
<i>The following movements in the number of performance rights occurred during the financial period:</i>		
Balance at the beginning of the year	3,994,500	2,700,000
Issue of performance rights to employees and directors for nil consideration	4,100,000	2,307,000
Performance rights lapsed +	(257,412)	(808,200)
Performance rights vested **	(1,737,088)	(204,300)
Balance at the end of the year	<b>6,100,000</b>	<b>3,994,500</b>

## 26. RELATED PARTY TRANSACTIONS

Key Management Personnel compensation for the year is as follows:

	2016 \$	2015 \$
Short-term employee benefits	1,986,474	1,903,892
Post-employment benefits	163,478	156,044
Share based payments	283,536	225,955
	<b>2,433,488</b>	<b>2,285,891</b>

## 27. 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:

Name	Holding Company	Country of incorporation	Equity interest %		Investment \$	
			2016	2015	2016	2015
Dyesol Industries Pty Ltd	Dyesol Limited	Australia	100	100	8,846,366	8,846,366
Greatcell Solar SA	Dyesol Industries Pty Ltd	Switzerland	99	99	482,660	482,660
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 Korea Co. Ltd	Dyesol Limited	Republic of Korea	100	100	1,877,850	1,877,850
Dyesol Automotive Bavaria <sup>^</sup>	Dyesol Industries Pty Ltd	Germany	100	100	74,010	74,010
					<b>11,587,148</b>	<b>11,587,148</b>

<sup>^</sup> Operations ceased, under liquidation.

All of the above amounts have been provided for in the Parent Company's accounts.

# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

## 28. CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 30 June 2016.

## 29. PARENT ENTITY INFORMATION

The following details information related to the parent entity, Dyesol Limited, at 30 June 2016. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	2016 \$	2015 \$
<b>Assets</b>		
Current assets	8,201,070	7,949,106
Non-current assets	125,667	3,795,371
<b>Total Assets</b>	<b>8,326,737</b>	<b>11,744,477</b>
<b>Liabilities</b>		
Current liabilities	1,215,983	1,107,011
Non-current liabilities	35,605	29,622
<b>Total Liabilities</b>	<b>1,251,588</b>	<b>1,136,633</b>
<b>Net Assets</b>	<b>7,075,149</b>	<b>10,607,844</b>
<b>Equity</b>		
Issued capital	108,329,351	100,713,910
Reserves – equity-settled benefit	7,580,178	7,055,774
Accumulated losses	(108,834,380)	(97,161,840)
<b>Total Equity</b>	<b>7,075,149</b>	<b>10,607,844</b>
Loss for the year	(4,333,131)	(8,468,461)
<b>Total comprehensive income for the year</b>	<b>(4,333,131)</b>	<b>(8,468,461)</b>

### **Contingent liabilities**

The Parent entity had no contingent liabilities as at 30 June 2016.

### **Capital commitments**

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

# Notes to the Consolidated Financial Statements

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

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## **30. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD**

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There are no subsequent events to the end of the report period.

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# Directors' Declaration

DYESOL LIMITED AND ITS CONTROLLED ENTITIES FOR THE YEAR ENDED 30 JUNE 2016

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The directors of the Company declare that:

1. The financial statements, comprising the statement of profit or loss and other 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 2016 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 paragraphs on pages 14 to 28 of the Directors' Report (as part of the audited Remuneration Report), for the year ended 30 June 2016, comply with section 300A of the Corporations Act 2001.
5. The Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the Corporations Act 2001.

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:



Ian Neal, Chairman

Dated this 26th day of August 2016

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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 2016, 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 AUDIT PTY LTD  
Chartered Accountants



S M Coulton  
Partner - Audit & Assurance

Sydney, 26 August 2016

Grant Thornton Audit Pty Ltd ACN 130 913 594  
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## **Independent Auditor's Report To the Members of Dyesol Limited**

### **Report on the financial report**

We have audited the accompanying financial report of Dyesol Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2016, 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.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Limited is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

### **Emphasis of matter**

Without qualification to the audit 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 of \$11,295,300 and an operating net cash outflow of \$7,373,745 during the year ended 30 June 2016. Cash and cash equivalents amount to \$4,560,518 at 30 June 2016.

In Note 1 it is stated that the consolidated entity requires additional cash from the receipt of a research and development tax incentive and raising of additional capital 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 consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

**Report on the remuneration report**

We have audited the remuneration report included in pages 14 to 28 of the directors' report for the year ended 30 June 2016. 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 Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



S M Coulton  
Partner - Audit & Assurance

Sydney, 26 August 2016

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## Additional Shareholder Information

### Top holders

The 20 largest registered holders of each class of quoted equity security as at 19 August 2016 were:

#### Fully paid ordinary shares

Name	No. of Shares	%
1. National Industrialization Company "TASNEE"	113,587,684	30.46
2. J P Morgan Nominees Australia Limited	91,909,160	24.64
3. Richard Alexander Caldwell	6,397,597	1.72
4. Commonwealth Scientific and Industrial Organisation	4,926,067	1.32
5. Gwynvill Trading Pty Limited	3,703,775	0.99
6. HSBC Custody Nominees (Australia) Limited	3,410,997	0.91
7. RBC Investor Services Australia Pty Ltd <VFA A/C>	3,218,997	0.86
8. Thomas Hans Offermann <The Offermann Family A/C>	3,168,384	0.85
9. AET SFS Pty Ltd <Dyesol Unallocated A/C>	2,600,000	0.70
10. HSBC Custody Nominees (Australia) Limited - A/C 2	2,078,821	0.56
11. AET SFS Pty Ltd <Dyesol A/C>	1,836,394	0.49
12. Gordon Thompson + Jeanette Thompson <Thompson Family S/F A/C>	1,808,001	0.48
13. Mark John Conway	1,628,816	0.44
14. John Frederick Pais	1,457,693	0.39
15. Richard Alexander Caldwell <Frith Super Fund A/C>	1,317,693	0.35
16. Fitplanet Investments Pty Ltd <The Fitplanet A/C>	1,314,999	0.35
17. Citicorp Nominees Pty Limited	1,229,449	0.33
18. Yong International Investments Pty Ltd <Yong S/F A/C>	1,073,736	0.29
19. Brazil Farming Pty Ltd	1,000,000	0.27
20. National Nominees Limited <Db A/C>	881,326	0.24
	248,549,589	66.64

### Distribution schedules

A distribution schedule of each class of equity security as at 19 August 2016:

#### Ordinary fully paid shares

Range	Holders	Units	%
1 - 1,000	757	318,730	0.09
1,001 - 5,000	1,433	4,184,831	1.12
5,001 - 10,000	731	5,748,993	1.54
10,001 - 100,000	1,813	59,951,798	16.07
100,001 - Over	275	302,749,324	81.18
Total	5,009	372,953,676	100.00

### Substantial shareholders

The names of substantial shareholders in Dyesol Limited as at 19 August 2016 and the number of shares in which each substantial shareholder and their associates have a relevant interest are set out below:

Substantial shareholder	Number of Shares
National Industrialization Company "TASNEE"	113,587,684

### Restricted Securities or Securities Subject to Voluntary Escrow

As at 19 August 2016, the Company had no restricted securities on issue.

As at 19 August 2016, the Company had no securities subject to voluntary escrow.

## Additional Shareholder Information

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### Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 2,565 shares as at 19 August 2016):

Holders	Units
1,456	1,613,853

### 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.

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