



APPENDIX 4E

Preliminary Annual Financial Report to the Australian Securities Exchange

30 August 2013

Appendix 4E

Preliminary Annual Financial Report to the Australian Securities Exchange

Part 1

Name of Entity	Dyesol Limited
ABN	92 111 723 883
Financial Period	Year ended 30 June 2013
Previous Corresponding Reporting Period	Year ended 30 June 2012

Part 2 – Results for Announcement to the Market

	\$'000	Percentage increase /(decrease) over previous corresponding period
Revenue from continuing operations	957	(48)%
Loss after related income tax benefit	(9,396)	6%
Net loss attributable to members of the parent entity	(9,399)	6%

Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Record date for determining entitlements to the dividends (if any)	Not Applicable	

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Refer Part 9 and Part 10 for a commentary on the results for the year.

Part 3 – Contents of ASX Appendix 4E

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Part 4 – Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	2013 (\$)	2012 (\$)
Revenue		957,094	1,839,836
Cost of sales		(543,629)	(1,078,733)
Gross loss		413,465	761,103
Other income from continuing operations		1,004,413	1,428,798
Technical Expenses		(4,812,612)	(6,569,267)
Administration and corporate expenses	13	(7,548,500)	(6,139,787)
Marketing expenses		(510,425)	(1,616,695)
Finance costs		(357,647)	(75,210)
Intellectual property expenses		(518,013)	(426,274)
Loss before income tax		(12,329,319)	(12,637,332)
Income tax benefit		2,933,123	3,759,328
Loss for the year		(9,396,196)	(8,878,004)
Other Comprehensive loss for the year, net of tax			
Foreign currency translation difference		455,117	(30,141)
Total comprehensive Income for the year		(8,941,079)	(8,908,145)
Loss for the year is attributable to			
Owners of Dyesol Limited		(9,399,150)	(8,880,872)
Non-controlling interest		2,954	2,868
		(9,396,196)	(8,878,004)
Total comprehensive loss for the year is attributable to:			
Owners of Dyesol Limited		(8,944,846)	(8,910,773)
Non-controlling interest		3,767	2,628
		(8,941,079)	(8,908,145)

Part 5 – Accumulated losses

	2013 (\$)	2012 (\$)
Accumulated losses at the beginning of the financial period	(65,290,070)	(56,409,198)
Loss for the financial period	(9,399,150)	(8,880,872)
Accumulated losses at the end of the financial period	<u>(74,689,220)</u>	<u>(65,290,070)</u>

Part 6 – Consolidated Statement of Financial Position

	Note	2013 \$	2012 \$
CURRENT ASSETS			
Cash and cash equivalents		5,167,332	2,510,305
Trade and other receivables		3,233,607	3,450,290
Inventories		970,644	1,399,869
Other current assets		351,014	309,468
Total Current Assets		<u>9,722,597</u>	<u>7,669,932</u>
NON CURRENT ASSETS			
Property, plant and equipment		1,083,954	2,022,958
Intangible assets	13	8,283,789	9,640,061
Total Non Current Assets		<u>9,367,743</u>	<u>11,663,019</u>
TOTAL ASSETS		<u>19,090,340</u>	<u>19,332,951</u>
CURRENT LIABILITIES			
Trade and other payables		2,638,796	2,144,243
Interest-bearing liabilities	12	3,430,173	1,170,437
Provisions		198,839	224,771
Total Current Liabilities		<u>6,267,808</u>	<u>3,539,451</u>
NON CURRENT LIABILITIES			
Interest-bearing liabilities	12	1,190,283	-
Provisions		391,356	386,085
Deferred tax liability		517,085	590,954
Total Non Current Liabilities		<u>2,098,724</u>	<u>977,039</u>
TOTAL LIABILITIES		<u>8,366,532</u>	<u>4,516,490</u>
NET ASSETS		<u>10,723,808</u>	<u>14,816,461</u>
EQUITY			
Issued capital		80,079,832	76,127,923
Reserves		5,325,659	3,974,838
Accumulated losses		(74,689,220)	(65,290,070)
Parent Interest		<u>10,716,271</u>	<u>14,812,691</u>
Non-controlling interest		7,537	3,770
TOTAL EQUITY		<u>10,723,808</u>	<u>14,816,461</u>

Part 7 – Consolidated Statement of Cash Flows

	2013 (\$)	2012 (\$)
Cash flows from operating activities		
Cash receipts from customers	1,216,055	1,465,376
Cash payments to suppliers and employees	(9,039,141)	(13,016,390)
R&D tax rebate received	2,956,726	729,843
Interest received	61,782	34,494
Interest paid	(6,385)	(40,038)
Grant received	531,295	715,007
Net cash used in operating activities	(4,279,668)	(10,111,708)
Cash flows from investing activities		
Payments for plant and equipment	(63,291)	(394,785)
Payments for product development costs	(1,136,776)	(1,316,441)
Proceeds from disposal of joint venture interests	107,640	-
Net cash used in investing activities	(1,092,427)	(1,711,226)
Cash flows from financing activities		
Proceeds from borrowings	4,750,000	1,166,372
Repayment of borrowings	(750,000)	(776,802)
Proceeds from the issue of shares	4,000,250	7,726,060
Share issue costs	(19,573)	(332,564)
Proceeds from joint venture interests	-	300,000
Net cash provided by financing activities	7,980,677	8,083,066
Net increase in cash held	2,608,582	(3,739,868)
Cash at the beginning of the year	2,510,305	6,293,440
Foreign currency gain/(loss) on cash held	48,445	(43,267)
CASH AT THE END OF THE YEAR	5,167,332	2,510,305

Part 8 – Consolidated Statement of Changes in Equity

	Contributed Equity	Accumulated losses	Reserves		Other Reserve	Total	Non-controlling interest	Total equity
			Equity-settled benefit	Foreign currency translation reserve				
	\$	\$	\$	\$	\$	\$	\$	\$
At 1 July 2011	66,848,603	(56,409,198)	4,380,884	(977,489)	-	13,842,800	1,141	13,843,941
Total comprehensive income for the year								
Loss for the year	-	(8,880,872)	-	-	-	(8,880,872)	2,868	(8,878,004)
Other comprehensive income								
Foreign currency translation reserve differences	-	-	-	(29,902)	-	(29,902)	(239)	(30,141)
Total comprehensive income for the year	-	(8,880,872)	-	(29,902)		(8,910,774)	2,629	(8,908,145)
Transaction with owners, in their capacity as owners								
Contributions of equity, net of transaction costs	9,279,320	-	-	-	-	9,279,320	-	9,279,320
Share-based payment expense	-	-	601,345	-	-	601,345	-	601,345
Total transactions with owners	9,279,320	-	601,345	-	-	9,880,665	-	9,880,665
At 30 June 2012	76,127,923	(65,290,070)	4,982,229	(1,007,391)	-	14,812,691	3,770	14,816,461

Part 8 – Consolidated Statement of Changes in Equity (Continue)

	Reserves							
	Contributed Equity	Accumulated losses	Equity-settled benefit	Foreign currency translation reserve	Other Reserve	Total	Non-controlling interest	Total equity
	\$	\$	\$	\$	\$	\$	\$	\$
Total comprehensive income for the year								
Loss for the year	-	(9,399,150)	-	-	-	(9,399,150)	2,954	(9,396,196)
Other comprehensive income								
Foreign currency translation reserve differences	-	-	-	454,304	-	454,304	813	455,117
Total comprehensive income for the year	-	(9,399,150)	-	454,304	-	(8,944,846)	3,767	(8,941,079)
Transaction with owners, in their capacity as owners								
Contributions of equity, net of transaction costs	3,951,909	-	-	-	-	3,951,909	-	3,951,909
Share based payment expenses	-	-	97,630	-	-	97,630	-	97,630
Equity component on convertible note	-	-	-	-	798,887	798,887	-	798,887
Total transactions with owners	3,951,909	-	97,630	-	798,887	4,848,426	-	4,848,426
At 30 June 2013	80,079,832	(74,689,220)	5,079,859	(553,087)	798,887	10,716,271	7,537	10,723,808

Part 9 – Going Concern

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

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

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

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

(a) Research and Development Tax Credit

In August 2013 the Company has received \$2.84m for the FY2013 research and development tax refund and has recognised this asset at 30 June 2013.

(b) Tasnee prospective investment

The National Industrialization Company of Saudi Arabia (Tasnee) has an exclusive option which expires on the 14th September to invest an additional \$16m in Dyesol, to the extent that investment is beyond 20% ownership in Dyesol and/or exceeds capacity under ASX Listing Rule 7.1, the strategic investment will require shareholder approval as required by the Corporations Act and the ASX Listing Rules. Tasnee is currently in the process of performing due diligence on a number of partnership and investment possibilities with Dyesol, focusing on the possibility of R&D collaboration, large-scale production and potential demonstration projects in the Middle East.

(c) Other Funding Support

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

(d) Reduction of the cost base and Future Investment

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

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

Part 10 – Commentary on Results

Financial Analysis and Commentary

Dyesol's cash position was further strengthened on the previous year, primarily through the strategic investment of Tasnee (\$4 million), a highly successful Share Purchase Plan (\$4 million) and reduced expenditures across the Group.

- This year results showed an increase in financial net loss by 6% to \$9.4m. This was caused mainly by the impairment provision of \$2.25m for the metal strip product development costs and the write-down of goodwill for Greatcell Solar SA of \$298k. (recognised in administration and corporate expenses - see Note 13).
- Excluding these two non-cash and one off items, the adjusted financial loss was \$6.9m, a significant decrease in financial loss by 23% from the previous year (\$8.9m). The major contributors to the reduced loss were due to a smaller Dyesol employee share ownership plan share based payment expense of \$97k (2012: \$601k) i.e. reduced by \$504k, and a lower Group wages and salaries cost by \$937k.
- Corporate development expenditure and administration cost reductions were achieved through a decrease in depreciation expense (reduced by \$186K), decreased in travel expense of \$200k and a net reduction in the doubtful debts expense by \$448k.
- A tighter focus on new business development and has resulted in lower marketing expenditure by \$606k.
- Revenue decreased by 48% from continuing operations during the year, down from \$1.84 million in FY 2012 to \$957k in FY 2013, resulting in lower gross margin contribution by \$348k.
- The net operating cash usage for 2013 of \$4.3m reflects a reduction of \$5.8m which demonstrated that costs controls are having an impact, assisted with an additional \$2.2m of R&D rebates receipts compared to last year.
- The Company's balance sheet at 30 June 2013 has net assets of \$10.7m – a decrease of \$4.1m from FY2012, due mainly to the impairment provision and goodwill write-down (total \$2.5m) as mentioned earlier.
- Net cash reserves were \$5.2m at financial year end, as a result of a successful Share Purchase Plan of \$4m and Tasnee's first investment tranche of \$4m.

Research and Development

Dyesol's research and development work accelerated in FY2013 with welcomed breakthroughs and technology performance validation. At the start of FY 2013, in August 2012, Dyesol's traditional, liquid-based DSC material set excelled in external testing conducted by Newport Corporation in Los Angeles, with industrially relevant DSC strip-cell performance measured at 7.48% efficiency at one third sun levels. This type of external validation is important to Dyesol and our commercialisation partners, and we know that Dyesol's DSC technology performs cumulatively better in the lower-light conditions and ambient light conditions of many cloudy, shaded, and off-peak-sun times of the day/season than competing technologies.

In May 2013, a truly revolutionary advance was made with Solid State DSC outperforming the traditional material set at a record 11.3% efficiency at full sun and that record jumping to 15% efficiency in July. This represents a step-change from the 5% efficiency level of 2010 and the speed and trajectory of these discoveries and improvements have greatly exceeded scientists' expectations and forecasts.

The Solid State DSC material set variation offers a number of advantages, including:

- no liquid component in the device which means large area devices will be easier to manufacture;
- potential for much longer product life, especially in hot climates;
- higher voltages are possible;
- best performance in the aesthetically neutral colour grey; and

- the inorganic sensitisers used in Solid State DSC are very strong light absorbers and offer better coverage of the solar spectrum resulting in higher device currents and thus power outputs.

Dyesol has a three pronged approach to R&D for Solid State DSC: (1) research conducted at Dyesol headquarters at Queanbeyan, (2) research conducted by Dyesol staff and École Polytechnique Fédérale de Lausanne (EPFL) staff at EPFL's labs in Lausanne, Switzerland, and (3) research conducted by Dyesol staff and Nanyang Technological University (NTU) staff at NTU's labs in Singapore. Through our collaborative and globally distributed approach Dyesol is able to commercialise research outputs and breakthroughs made from or with our international partners. This enables Dyesol to multiply and extend our human and capital resources to best advantage and is a highly cost-efficient way to maximise the net of intellectual property cast and collected in the field. The advances in Solid State DSC are exciting for the prospects of commercialising DSC technology and are particularly favourable for the Building Integrated Photovoltaics market we target in earnest.

In April, Dyesol announced it is targeting a second market for DSC technology application through investment in a spin-off Company from NTU called Printed Power Pte Ltd. This venture will integrate printed battery technology with printed electricity generating technology (DSC) for low-light indoor sensor network products. The short term goal is to develop the product to a "proof-of-value" stage suitable for commercialisation within a two year time frame. The medium to longer term goals are to be at the forefront of printed and self-sustaining Combined Energy Generation and Storage (CEGS) solutions globally for which there is a considerable and growing market (see Dyesol website for market projections).

Major & Collaboration Project Activity

1. Tata Steel Europe Collaboration

In the United Kingdom, Dyesol's collaboration with Tata Steel Europe progressed with detailed discussions on finalising a strategy relating to the full commercialisation of Dye Solar Cell enabled steel roofing and building façade products. This has been positively impacted by the advent of Solid State DSC – a major breakthrough in the technology's material set and value proposition. As highlighted in the FY2013 4C Commentary, these negotiations are advancing with focus on R&D technology development and production planning. The Welsh Government is a central figure in co-ordinating the roles of all commercialisation participants.

2. Pilkington North America Joint Venture – DyeTec Solar

The global glass project centred at Toledo in the U.S.A. is currently seeking a new round of substantial funding after completing a successful proof of concept program. Risk funding for these projects is critical to their early success and progress has been slow. Assuredly, this is not reflection on the technology, but directly related to the weak state of public finances and continually shifting policy. Dyesol is mitigating this risk by casting a wider net which includes seeking access to funds in Australia. If public funding fails to eventuate, Dyesol has alternative options from emerging commercial interest to ensure the continuation of the glass commercialisation program.

3. Timo Technologies Joint Venture – Dyesol-Timo

In South Korea, Dyesol's work with joint venture partner, Timo Technologies, progressed with considerable shipment of Dyesol's titania paste for application and testing projects on a variety of applications. Testing and performance monitoring of Dyesol-Timo's DSC-enabled window installation at the Human Resource Development Centre in Seoul was undertaken during the year and these performance results are being evaluated by our research team. This installation used the traditional liquid-based DSC material set. Options for expanding and further supporting the joint venture's production of DSC-enabled windows are still being considered.

4. Sigma Aldrich

Dyesol collaborates with Sigma Aldrich for the efficient sale of smaller quantities of DSC materials it manufactures from the headquarters facility in Queanbeyan, NSW, Australia. Dyesol is working towards the release of a new and larger materials set that will be jointly marketed with Sigma Aldrich in the coming year. During FY 2013 a new pricing structure for all materials was launched to increase the volume of smaller-scale material sales and this was carried over to our sales of products marketed via Sigma Aldrich.

Corporate Affairs & Business Operations

A number of important outcomes were achieved in corporate affairs and business operations during the year. Most importantly, Dyesol secured a \$4 million strategic investment in the Company from The National Industrialization Company of Saudi Arabia, also known as Tasnee. This important investment from the \$5 billion diversified industrial giant came at a critical time for Dyesol and secured the

Company's short term financial standing and enabled critical research and development work to continue uninterrupted. In the UK, Dyesol has been collaborating with Cristal Global, a Tasnee subsidiary business focused on titania, for over four years and the counter cyclical investment from their parent company was a welcome and positive endorsement of our activities from a highly capitalised powerhouse with full visibility into our work and commercial potential. Tasnee has an exclusive 6-month option to invest another \$16 million in Dyesol while exploring opportunities for joint collaboration on R&D, joint materials production, and possible demonstration projects in the Middle East are being considered. Tasnee has remained close to Dyesol during this period and visited a number of our major global projects and collaborations. These discussions are expected to conclude in the next quarter.

Additional financing was secured and long-term investors rewarded through the May 2013 Share Purchase Plan offer. Eligible shareholders were offered an opportunity to invest in the Company at the same price offered to Tasnee which represented a considerable discount to market. The overwhelming interest in the Plan resulted in Dyesol receiving receipts totalling over \$22 million, representing an oversubscription of 10.5 times the initial \$2 million value sought. The strong level of interest from the market represents a considerable vote of confidence in Dyesol and our commercialisation strategy to bring DSC technology to the mass market by partnering with multinational manufacturing partners. As a result of the substantial oversubscription, Dyesol negotiated a doubling of the SPP from \$2 million to \$4 million to give investors a more meaningful result with regard to the pro-rata scale back.

Corporate communications made considerable headway during the 2013 financial year. An important website and digital communications overhaul was commenced and delivered within a tight budget during the period and has resulted in increased understanding of Dyesol's value proposition and business model. Visitors are spending long periods of time exploring the Dyesol website and we have received very positive feedback on the results of this project. Our Australian investor base has swelled from 4,800 to nearly 5,300. Similarly, the European holding in our shares has grown to approximately 38%. At the same time, media outreach and proactive positioning has raised the Company profile and increased awareness of the business and investment opportunity in Australia, Germany and further afield with a notable increase in liquidity in the second half of FY 2013. Executive Chairman and CEO, Richard Caldwell, has been particularly busy participating in a high number of public media and investor interviews with leading organisations both domestically and overseas. Increasing the amplitude of the Company's voice and communications has made best use of the exciting results coming from our research teams and supported the dramatic increase in liquidity and share price as more and more people learn about Dyesol's value proposition and potential as a major game changer in the clean-energy field.

Business operations were streamlined considerably during the year with important and measurable organisational efficiencies achieved and a restructure of the DSC materials sales function. Executive Chairman, Richard Caldwell, also stepped up during the year to become the new CEO and is leading the Executive Team and the charge on recapitalisation and financing the Company, improving operational efficiency, increasing and diversifying revenues streams, increasing corporate communications, securing government matched-funding, and negotiating with major collaboration partners. The responsibilities of the Operations Manager role were redistributed during the period to a number of other staff and a new Sales & Marketing Manager was appointed to manage the commercial function of the DSC materials and equipment sales and proactively engage with customers. A new Dyesol DSC materials & equipment product catalogue and new eCommerce website were completed for the Sales & Marketing Manager to leverage as he works to increase revenue generated from the sale of our DSC goods and services to our international research customers who supplement the revenue generated from the major commercialisation projects. Further consolidation of business operations and international subsidiaries were also tackled during the period, which has resulted in corporate savings and enabled staff to focus on core projects and targets more effectively.

Closing Remarks

FY 2013 marks an important turning point for Dyesol as our Dye Solar Cell technology proves itself to be an ever more attractive solution for renewable, distributed and sustainable energy generation and our business model proves to be the right approach for profiting from our IP and technological expertise.

In the coming years, Dyesol and DSC technology will become more well known as DSC building integrated photovoltaics products reach the hungry consumer market and help reduce carbon footprints and electricity bills the world over.

Part 11 – Revenue and Expenses

The loss before income tax includes the following items of revenue and expense:	2013 \$	2012 \$
(a) Revenue from continuing operations		
Rendering of services	58,887	296,067
Sale of goods	898,207	1,543,769
	<u>957,094</u>	<u>1,839,836</u>
Interest revenue	89,877	61,628
Other income		
Government grant	792,686	1,290,922
Net (loss)/ gain on disposal of equipment	(8,467)	6,223
Other revenue	130,317	70,025
	<u>914,536</u>	<u>1,367,170</u>
Other income from continuing operations	<u>1,004,413</u>	<u>1,428,798</u>
(b) Depreciation, amortisation and impairment loss		
Amortisation of intangible assets	268,812	241,513
Impairment of intangible assets	2,251,239	-
Goodwill impairment	298,297	-
Depreciation expense	989,015	1,175,204
	<u>3,807,363</u>	<u>1,416,717</u>
(c) Finance costs		
Interest expense	357,647	75,210
(d) Employee benefits expense		
Wages and salaries costs	4,793,349	5,730,587
Equity-settled share-based payments	97,630	601,345
Superannuation costs	315,910	290,429
Redundancy payment	25,018	40,994
(Decrease)/increase in liability for annual leave	(25,932)	8,502
Increase in liability for long service leave	5,271	24,984
	<u>5,211,246</u>	<u>6,696,841</u>

Part 12 – Interest Bearing Liabilities

The parent entity has issued a 15 month redeemable convertible note for a face value of \$4 million on 14 March 2013 with a 0% coupon (as is required by Saudi Arabian law), in return for an investment of \$4 million from The National Industrialization Company of Saudi Arabia (Tasnee). The conversion rate into Dyesol shares is at 16.6 cents per share. The notes are convertible into ordinary shares of the parent entity, at the option of the holder, or repayable on 14 June 2014. To the extent that investment is beyond 20% ownership in Dyesol and/or exceeds capacity under ASX Listing Rule 7.1, the strategic investment will require shareholder approval as required by the Corporations Act and the ASX Listing Rules, respectively.

The convertible notes already issued in the previous financial years, pursuant to the funding agreement with CSIRO to carry out a research and development project amounts to \$1,324,326. The Funding Agreement between the Company and CSIRO governs the terms and circumstances of redemption, conversion or granting of a licence to satisfy the indebtedness of this note. The option to convert into ordinary shares equal to the face value of the note, redeem for cash or exchange the note for a licence is with the Company and is dependent on the outcome of the project.

Part 13 – Intangible Assets

	2013 (\$)	2012 (\$)
Intellectual property and patents, at cost	3,747,022	3,747,022
Less: Accumulated amortization	(1,944,913)	(1,676,101)
	1,802,109	2,070,921
Product development costs	3,039,840	3,829,003
Goodwill at cost	3,441,840	3,740,137
	8,283,789	9,640,061
Patents		
Balance at beginning of year	2,070,921	2,339,732
Effect of movement in Foreign Exchange	8,540	(25,098)
Disposals	2,163	(2,201)
Amortization	(279,515)	(241,512)
Balance at end of year	1,802,109	2,070,921
Product Development Costs		
Balance at beginning of year	3,829,003	2,411,386
Effect of movement in Foreign Exchange	325,300	33,711
Additions	1,136,776	1,383,906
Impairment loss #	(2,251,239)	-
Balance at end of year	3,039,840	3,829,003
Goodwill		
Balance at beginning of year	3,740,137	3,740,137
Impairment loss *	(298,297)	-
Balance at end of year	3,441,840	3,740,137

After careful consideration of the capitalized product development costs for the metal strip project, the Directors considered that some impairment was necessary to reflect the transition from liquid to solid-state based systems. The carrying value of \$3,039,840 after the impairment of \$2,251,239 is considered representative of the value to the organization for existing project and test activities, servicing a diverse client base and for use in the new solid state DSC related projects.

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

Part 14 – Notes to the Consolidated Statement of Cash Flows

	2013 \$	2012 \$
(a) Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
Cash and cash equivalents	5,167,332	2,510,305
(b) Reconciliation of net cash flows from operating activities to loss after income tax		
Loss for the period	(9,396,196)	(8,878,004)
Add non-cash items:		
- Depreciation	989,015	1,175,204
- Amortisation	268,812	241,513
- Impairment of intangible assets	2,251,239	-
- Goodwill impairment	298,297	-
- Equity settled share-based payments	97,630	601,345
- Unrealised exchange losses	65,506	(22,501)
- Loss on movement in fair value of derivative liability	-	85,925
- Loss/ (profit) on sale of property, plant & equipment	8,467	(6,223)
- Interest on convertible notes	102,037	-
Operating loss before changes in assets and liabilities	(5,315,193)	(6,802,741)
Changes in assets and liabilities during the period:		
Decrease/ (increase) in trade and other receivables	216,683	(2,378,050)
(Increase)/decrease in other current assets	(41,546)	39,637
Decrease in inventories	429,225	216,945
Increase/ (decrease) in trade and other payables	525,694	(1,143,891)
(Decrease)/increase in provisions	(20,662)	33,487
Decrease in deferred tax liability	(73,869)	(77,095)
Net cash used in operating activities	(4,279,668)	(10,111,708)

Part 15 – Details Relating to Dividends

Date the dividend is payable	N/A
Record date to determine entitlement to the dividend	N/A
Amount per security	N/A
Total dividend	N/A
Amount per security of foreign sourced dividend or distribution	N/A
Details of any dividend reinvestment plans in operation	N/A
The last date for receipt of an election notice for participation in any dividend reinvestment plans	N/A

Part 16 – Earnings per Share

	2013	2012
Basic loss per ordinary share	(4.75 cents)	(4.83 cents)
<p>The Company's potential ordinary shares are not considered dilutive due to loss incurred for the period. Accordingly basic loss per share is the same as diluted loss per share.</p>		
Weighted average number of ordinary shares used as the denominator in the calculation of basic loss per share	No. 198,046,098	No. 183,803,036

Part 17 – Net Tangible Assets per Security

	2013	2012
Net tangible asset backing per ordinary security	1.10 Cents	2.64 Cents

Part 18 – Details of Entities Over Which Control has been Gained or Lost

Name of entity	N/A
Date control gained or lost	N/A
Contribution of the controlled entity to the profit/(loss) from ordinary activities during the period, from the date of gaining or losing control	N/A
Profit (loss) from ordinary activities of the controlled entity for the whole of the previous corresponding period	N/A

Part 19 – Issued Securities

	2013 (\$)	2012 (\$)
Share capital		
221,361,987 (2012: 196,044,602) fully paid ordinary shares	80,079,831	76,127,923
<i>The following movements in issued capital occurred during the year:</i>		
	Number of Ordinary Fully Paid Shares	Issued Capital (\$)
Balance at beginning of year	196,044,602	76,127,923
Issue of shares as share based payments	1,219,370	-
Placement of shares for cash at \$0.166 per share	24,098,015	4,000,250
Transaction costs of share issues	-	(48,342)
Balance at the end of year	221,361,987	80,079,831

	2013 Number	2012 Number
Listed Options		
Options exercisable	6,500,000	9,214,000
<i>The following movements in the number of options occurred during the financial period:</i>		
Balance at the beginning of year	9,214,000	8,714,000
Issue of options to employees for nil consideration	-	500,000
Options lapsed	(2,714,000)	-
Balance at the end of year	6,500,000	9,214,000

No options were issued or exercised during the year.

At balance date, unissued ordinary shares of the Company under option are:

- 1,000,000 options exercisable at \$1.20 each on or before 27 November 2013.
- 2,000,000 options exercisable at \$1.00 each on or before 30 November 2013.
- 500,000 options exercisable at \$0.89 each on or before 23 December 2013.
- 500,000 options exercisable at \$0.70 each on or before 4 August 2014.
- 2,500,000 options exercisable at \$0.925 each on or before 29 April 2015.

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

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

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

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

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

Part 20 – Contingent Liabilities

1. The Company received a claim from Dr Gavin Tulloch during last financial period alleging wrongful termination of his role as Director of Technology. In the directors opinion this claim is without basis and the Company will strenuously defend this matter.
2. On 2nd August 2013 Dyesol received an arbitration hearing request from National Institute for Materials Science (NIMS) for a disputed contract balance payment of USD 352,741. The Company will strenuously defend this matter to ensure the best outcome of this matter for Dyesol is achieved.

Part 21 – Subsequent Events

1. The Company has commenced with the liquidation process required for the closing of its subsidiary company, Dyesol Japan Co. Ltd., which results from the further rationalization of the Group operations to minimize costs. It is expected that the liquidation process will be completed during September 2013.
2. On 29th August 2013 the Company has received \$2.84 million for the FY 2013 research and development tax refund.

Part 22 – Audit Status

(Tick one)			
The accounts have been audited		The accounts have been subject to review	
The accounts are in the process of being audited or subject to review	✓	The accounts have not yet been audited or reviewed	

<p>If the accounts have not yet been audited and are likely to contain an independent audit report that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter paragraph.</p> <p style="text-align: center;">Not Applicable</p>
<p>If the accounts have been audited and contain an independent audit report that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter paragraph.</p> <p style="text-align: center;">Not Applicable</p>