Appendix 4E

BLUGLASS LIMITED

ACN	Full Year Ended
116825793	30 June 2014

Corresponding period was the twelve months ended 30 June 2014

Results for announcement to the market

RESULTS

		%		$A
Revenues from ordinary activities	Down	13	to	4,112,744
Profit/(Loss) from ordinary activities after tax attributable to members	Up	73	to	(2,898,435)
Profit/(Loss) for the period attributable to members	Up	73	to	(2,898,435)

EPS

Earnings per Security (cents per share)	30 Jun 2014	30 Jun 2013
Basic loss per share (cents per share)	(1.0) cents	(0.6) cents
Diluted loss per share (cents per share)	(1.0) cents	(0.6) cents

Net Tangible Asset Backing

	30 Jun 2014	30 Jun 2013
Per Ordinary Security (cents per share)	2.13 cents	3.23 cents

Dividend Payable

No dividends have been paid or declared during the period.

Dividend Re-investment Plan

There is no dividend re-investment plan in operation.

Control gained over entities having material effect

There is no control over any new entities	NIL

Loss of control of entities having material effect

Name of entity (or group of entities)	NIL

Details of associates and joint venture entities

Name of entity (or group of entities)	NIL

This report is based on the Full Year Financial Report which is in the process of being audited. All the documents comprise the information required by Listing Rule 4.2A. This information should be read in conjunction with the Full Year Financial Report and the 30 June 2014 Annual Financial Report. No matters have arisen which would result in a dispute or qualification.

BLUGLASS LIMITED and CONTROLLED ENTITIES

ABN 20 116 825 793

Financial Statements for the Year Ended 30 June 2014

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DIRECTORS' REPORT

Your directors present their report on BluGlass Limited and its controlled entities ("the Group") for the financial year ended 30 June 2014.

DIRECTORS

The names of directors in office at any time during or since the end of the year are:

Mr George Venardos

Mr Gregory Cornelsen

Mr Chandra Kantamneni

Dr William Johnson

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity or "the Group" during the financial year was to further the research and development of Group III nitrides for the development of new processes and equipment to manufacture high efficiency devices such as LEDs and solar cells. The Group is working on achieving its technology milestones using its patented low temperature Remote Plasma Chemical Vapour Deposition (RPCVD) technology to manufacture semiconductor materials. RPCVD has many potential advantages over the current industry technologies.

There were no significant changes in the nature of the Group's principal activities during the financial year.

REVIEW OF OPERATIONS

The 2014 Financial Year saw some important progress along the Company's roadmap towards its key technical and commercial milestones including winning a major government grant, the achievement of the brightest ever RPCVD p-GaN light output to date; and the commissioning an ex-production scale RPCVD system the BLG-300. In summary the key achievements during the period were:

In July 2013, BluGlass announced that it was awarded $2,999,255 in Government grant funding for the Company's 'Versatile prototype deposition machine for higher efficiency, energy saving, lower cost LEDs on various substrates including silicon' project by the Australian Federal Government as part of the Clean Technology Innovation Program.

This grant program has significantly assisted the Company in developing and commissioning its state-of-the-art, larger scale RPCVD system that is capable of producing 19 x 2 inch wafers or up to a 1 x 8 inch wafer. This recently commissioned machine will be used to demonstrate the scalability of the RPCVD process and equipment and expedite the Company's progress towards its Brighter LEDs milestone and advance the GaN on silicon and InGaN roadmaps.

In October 2013, it was announced that BluGlass was the overall winner of the 2013 Australian Cleantech Competition as well as being presented with the Manufacturing Award. The competition is an initiative of the Federal Government's Department of Industry and is supported by industry partners. As part of the main prize, CEO Giles Bourne participated in a government sponsored Asian trade mission through Hong Kong, Singapore and China. The mission has enabled us to continue to reach out to the industry and discuss our development and future potential collaboration.

In November 2013, BluGlass announced that it had successfully commissioned a former production Thomas Swan MOCVD platform at Silverwater to assist the company towards achieving its '***Brighter LED's***' milestone as otlined in the roadmap on page 6.

This system has given BluGlass in-house control of the whole LED structure required for the company to demonstrate an LED performance lift with RPCVD grown p-GaN on MOCVD wafers. The key focus of having both MOCVD and RPCVD capability under one roof will be to demonstrate a successful integration of RPCVD and MOCVD to obtain better light output and overcome the interface challenges of combining the two technologies. With this increased capacity and development tasks, BluGlass added two experienced semiconductor equipment engineers as well as a distinguished material scientist to the team to assist BluGlass in reaching the next milestones. In addition this will assist BluGlass to prepare for the commercialisation milestones which includes scaling the technology and bringing RPCVD to market upon the delivery of our Brighter LEDs milestone.

Following the successful commissioning of the MOCVD machine at the end of 2013, BluGlass has received foundry revenue from customers for the manufacture of high quality MOCVD niche templates. This ongoing revenue stream during the financial year resulted in $334,418 in revenue for the company; demonstrating that the Foundry business is already netting a tangible benefit from our equipment infrastructure.

BluGlass only undertakes third party works where it does not detract from the principal RPCVD research effort, and will continue to carry out this work as capacity allows. BluGlass also has commitments from customers for further revenue for the delivery of custom epitaxy. These successful customer relationships will help build the reputation and credibility of the BluGlass material engineers as they produce unique template solutions to industry challenges to meet the needs of our customers.

In May 2014, BluGlass welcomed Swansea University to its share registry following the gifting of shares by SPTS Technologies UK Limited ("SPTS") to one of its valuable strategic partners.

Swansea University in Wales is a world leading academic and research institution, with its Department of Research and Innovation (DRI) acting as a bridge between industry and academia. In the future, BluGlass looks forward to exploring potential collaboration options with Swansea University.

REVIEW OF OPERATIONS (Cont)

During the year BluGlass was granted an additional 14 patents in the international semiconductor market, bringing the company's total granted patent portfolio to 29 patents across 6 patent familes in key semiconductor countries, including the US, Japan, China and Europe. The BluGlass Intellectual Property portfolio continues to be an important aspect of preparing the business for commercialisation.

In July 2014, BluGlass announced that it had made significant technical progress; with the successful demonstration of the best ever p-GaN light output using its propriety technology, Remote Plasma Chemical Vapour Deposition (RPCVD) on an MOCVD partial LED structure. This result is greater than a 10 fold improvement in LED efficiency over the first p-GaN demonstration data published by the company in December 2012, when the same measuring methodology is applied.

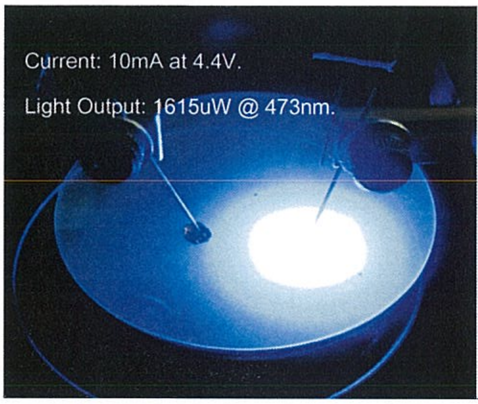


Figure 1: Demonstration of light emission at 473nm, with full width half maximum of 22nm, from a RPCVD p-GaN layer grown on a MOCVD partial structure.

This has been achieved by making significant improvements in addressing the 'interface challenge', a key technical hurdle that has been limiting the p-GaN performance demonstration in the past.

These recent breakthroughs are the result of the enhanced plasma system in combination with new process steps which are now yielding continuing performance improvements as the company furthers progress towards its Brighter LEDs milestone.

Also in July 2014, BluGlass was notified of the sale of SPTS Technologies to Orbotech Ltd (NASDAQ:ORBK). SPTS is a substantial shareholder in BluGlass holding 19.9% of the issued shares.

Orbotech Ltd is at the cutting edge of the electronics industry supply chain, as an innovator of enabling technologies used in the manufacture of the world's most sophisticated consumer and industrial products (for more information see www.orbotech.com) .

BluGlass looks forward to developing a constructive relationship with Orbotech over the coming months.

William Johnson, the former CEO of SPTS and a non-executive director of BluGlass, has confirmed his commitment to remain as a director of BluGlass following his retirement as CEO of SPTS.

In August 2014, BluGlass announced that the BLG-300, the retrofitted ex-production scale RPCVD 19 x 2 inch system, has been successfully commissioned at the company's Sydney facility.

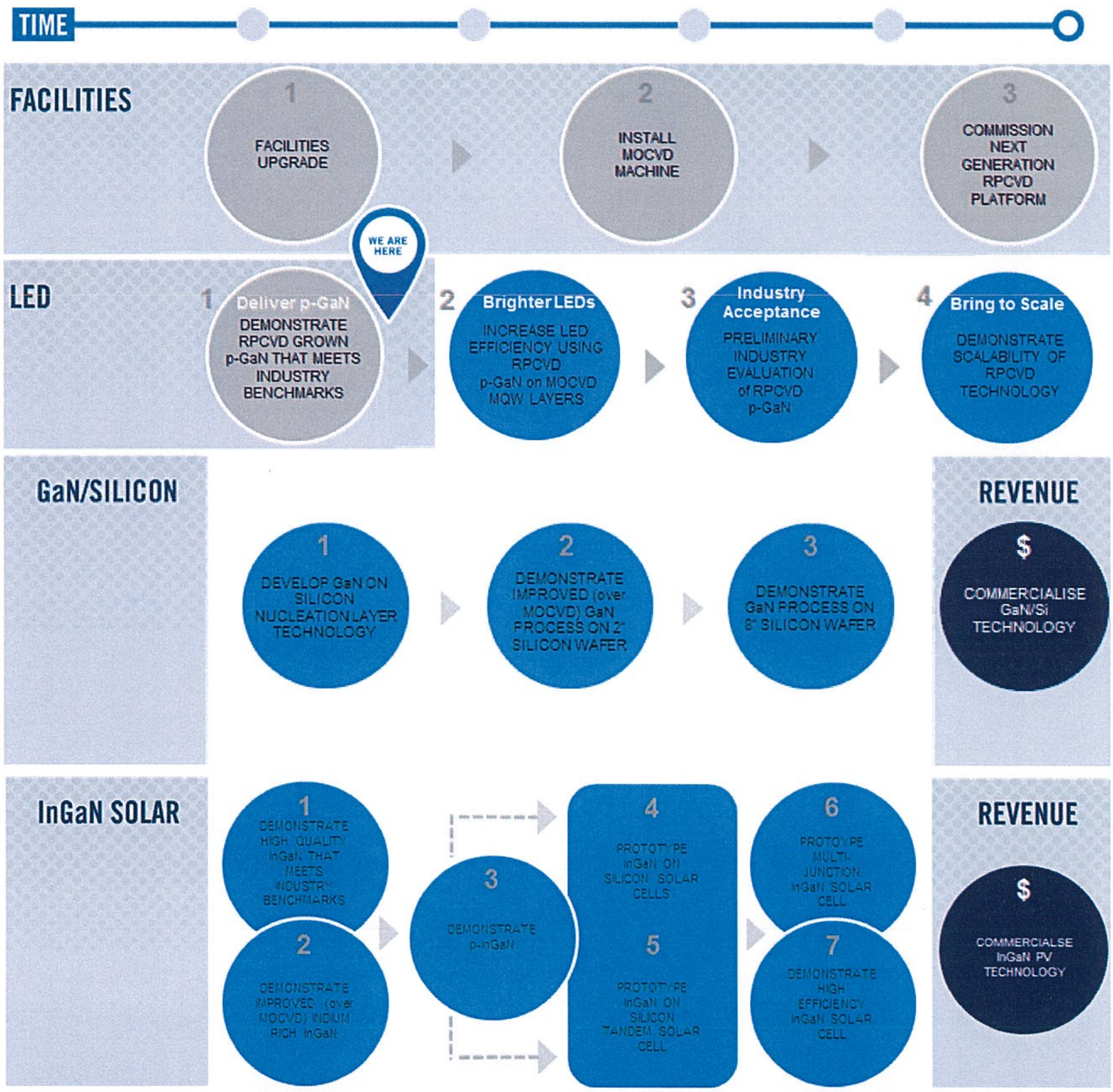
This will enable the Company to accelerate the RPCVD development and will also assist in demonstrating the scalability of the RPCVD technology from its current 7 x 2 inch deposition capability to a 19 x 2 inch (or up to a single 8 inch wafer) capability. This advanced scale system will double the research and development capacity by enabling multiple RPCVD systems to simultaneously operate separate experimentation. This will greatly enhance the team's capability to address the Brighter LEDs milestone. This is a big step forward for the company's technical development and will allow us to significantly expedite progress towards our next milestones.

The larger scale system will also be used to demonstrate the potential performance advantages of a low temperature CVD process, in particular for GaN on silicon. BluGlass will be aiming to demonstrate GaN growth on 8 inch silicon wafers.

REVIEW OF OPERATIONS (Cont)

The Company will also continue to develop its low temperature RPCVD technology for other emerging market applications such as GaN on Silicon, Concentrated Photovoltaics and other optical and electrical device applications. The installation of the larger scale RPCVD system will significantly expedite activity on its roadmap objectives.

REVIEW OF OPERATIONS - DEVELOPMENT ROADMAPS



This indicative Roadmap is a forward looking statement based on the current expectations, estimates, projections and assumptions of BluGlass Management. Because it is a work in progress, subject to known and unknown risks and uncertainties, actual future milestones, results and timelines may differ materially from what is forecast at this time.

FINANCIAL SUMMARY

The consolidated loss for the period increased to $2,898,435 (2013: $1,676,726).

The net assets of the consolidated entity decreased by $2,326,769 to $14,799,655 (2013: $17,126,424) due to the level of research and development expenditure incurred during the period

Revenue has decreased by $613,168 down 13.0% to $4,112,744. Material variations in revenue received are as follows:

- Accrual of 2013/14 R&D tax rebate of $2,200,000 as compared to the receipt and accrual of two years of rebates in in FY 2013 of $4,305,745.
- Receipt of $1,430,954 from the Clean Technology Innovation Grant which commenced on the 1st of July 2014. Grant receipts in 2013 from the Commonwealth Climate Ready Grant Programme were $240,054.
- Receipt of revenue for the provision of foundry services to third parties of $334,418 was received this year compared to zero in the 2013 financial year.

Gross expenditure has increased by $608,541, up 9.5% to $7,011,179 due to the following factors:

- Increase in research and development consumables expenditure in the last quarter of 2014 to meet the operational lead times required to support the current Clean Technology Innovation Grant.
- Salaries and wages increased by $187,884 up 8.2% (2013 $2,296,379) due to additional permanent and casual staff being engaged to enable the upgrading of the facilities and the commissioning of the two new research systems acquired during the year.
- The other major non cash item of expenditure; employee incentive option amortisation increased by $20,286 due to new allocations granted in January 2014.

Cash required for operational expenses, and capital expenditure averaged $262,053 per month, (2013: $255,167). The Increase is mainly due to capital expenditure on research equipment.

The Statement of Financial Position does not include a value for the increasing number of patent applications and patents granted during the period. Since listing on the ASX in 2006 all research and development costs are expensed as incurred, and not capitalised; Accounting standards require that the originally acquired Intangible Assets, being the Intellectual Property associated with Patents 1 & 2 acquired from Macquarie University in 2006, be tested annually to ensure no impairment to the carrying value has occurred. The current value of $8.695m has been reviewed by independent valuers and the directors have accepted their assessment that no impairment to the carrying value is warranted, This valuation is supported by the cornerstone nature of Patents 1 & 2 that were acquired from Macquarie University. Management's and the Board's view is that these patents are still fundamental enablers to the company's RPCVD tecnology.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Other than the developments reported elsewhere in this report, there were no significant changes in the state of affairs during the year.

DIVIDENDS PAID OR RECOMMENDED

No dividends were declared in 2014 or 2013.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There were no reportable financial matters subsequent to the end of the Financial Year

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

BluGlass will position itself to take advantage of the growing LED, power electronics and PV markets in order to maximise shareholder return.

BluGlass will continue to deliver on its technology milestones as outlined in the roadmap in the Review of Operations above.

These developments, together with the current strategy of continuous improvement and innovation are expected to assist in the acheivement of the Group's long-term goals and development of its business opportunities.

ENVIRONMENTAL AND SAFETY ISSUES

The BluGlass RPCVD technology uses some materials classified under the Dangerous Goods Act. All materials and consumables are handled in strict compliance with relevant regulatory environmental, health and safety codes, as do all facility emmisions.

The company has in place strict OHS&E procedures and a Safety Manager who reports weekly to the CEO on all safety and environmental related matters. BluGlass meets and exceeds all state and federal OHS&E statutory requirements.

There were no reportable safety or environmental incidents during the course of the financial year.

INFORMATION ON DIRECTORS

MR. GEORGE VENARDOS	**Non Executive Chairman** *BCom, FCA, FTI, FAICD, FGIA*
Current Listed ASX Directorships:	Non Executive Director – Ardent Leisure Group Non Executive Director – IOOF Holdings Limited
Former ASX Directorships: (last 3 years)	Non Executive Director – Miclyn Express Offshore Limited
Special Responsibilities	Risk and Audit Committee member, Remuneration and Nominations Committee member

Experience and Expertise

George is a non-executive director with broad listed company experience across a range of different industries. He has more than 30 years experience in the Insurance and Financial Services sector and was formally Group Chief Financial Officer of Insurance Australia Group Limited; Chief Financial Officer, Legal and General Australia; and Chairman of the Insurance Council of Australia Finance and Accounting Committee. George is himself a committed shareholder of BluGlass holding over 1,353,451 shares.

DR. WILLIAM JOHNSON	**Non Executive Director** *BS-Phy, MS-EE, PhD,*
Former Directorships in the last 3 years:	President and CEO SPTS Pty Ltd
Special Responsibilities	Remuneration and Nominations Committee member

Experience and Expertise

William Johnson ("Bill"), is a seasoned CEO with extensive business development/M&A, technological leadership, and general management experience; successful hands-on leadership roles in operations ranging from high technology start-ups to Fortune 500 high technology companies. He is currently President and Chief Executive Officer of SPP Process Technology Systems (SPTS), a manufacturer of capital equipment for the semiconductor and related industries.

Bill has held technical, marketing, and executive management positions with Ford Motor Co. Scientific Research Laboratories (1973-1978), Perkin-Elmer Corp. (1978-1986), Ulvac Corp. (1987-1991), Varian Associates (1992-1994), Intevac Inc. (1994-1996), Oryx Instruments and Materials Corp. (1996-1999), and Therma-Wave, Inc. (1999-2002). From 2003-2006, he was founder and managing director of Crane Ridge Associates, a firm providing consulting and M&A guidance to select high tech clientele; his association with Sumitomo Precision Products began in 2007, and he was the architect for the formation of SPTS through the acquisition of assets of Aviza Technology.

Bill was also instrumental in leading the all equity based management buy-out of SPTS in mid 2011 which saw Bridgepoint, a leading European Private Equity company, align themselves with SPTS fully backing the management team and endorsing SPTS's participation with BluGlass.

MR. CHANDRA KANTAMNENI	**Non Executive Director** *MSc, MS, MBA*
Former Directorships in last 3 years:	None
Special Responsibilities	Risk and Audit Committee member

Experience and Expertise

Chandra Kantamneni has more than 30 years experience in the global semiconductor industry and is currently the Technical Director for the University of California Los Angeles (UCLA)'s California Nano Systems Institutes where he manages a state of the art semiconductor and cleanroom fabrication facility. Formerly he was the Vice President of Worldwide Fab Operations of US-based Peregrine Semiconductor Corporation where he managed the world wide Foundry Operations for the Corporation. Prior to that he was the Vice-President and Managing Director of Peregrine Semiconductor, Australia.

Chandra has worked in senior management and engineering positions for some of the world's largest US-based semiconductor companies, including director of worldwide foundry operations and engineering manager for International Rectifier Corporation, director of engineering for GMT Microelectronics, and Manufacturing Manager of the Fairchild Research Centre of National Semiconductor Corporation.

MR. GREG CORNELSON	**Non Executive Director** *BEc*
Current Directorships:	MOV Corporation Limited
Former Directorships in last 3 years:	Welcome Stranger Mining Limited Arasor International Limited EHG Corporation Limited AAT Corporation Ltd
Special Responsibilities:	Remuneration and Nominations Committee Chairman, Risk and Audit Committee Chairman

Experience and Expertise

Greg Cornelsen is an economics and business development specialist and a successful businessman having held leadership positions in both large Australian based multinationals and start-up operations. A former international rugby union player, with 25 caps for the Australian Wallabies, he is a committee member of the Australian Barbarian Rugby Club and the Chairman of the Australian Schools Rugby Foundation. His rugby and business backgrounds have allowed him to develop an extensive network within the Australian business community.

Greg is a long-time passionate supporter of sustainable practises and clean technologies having grown up on a family station that employed revolutionary broad acre sustainable practises. Greg has always understood the importance of the BluGlass technology for both the LED and solar industries. He is instrumental in steering the Board's sub committees and is a committed BluGlass shareholder holding 1,027,941 BLG shares.

COMPANY SECRETARY

The following person held the position of company secretary at the end of the financial year:

Mr Emmanuel Correia

Mr Emmanuel Correia is a Chartered Accountant and has extensive experience in the corporate finance and equity capital markets. Emmanuel has had over 20 years public accounting and corporate finance experience both in Australia, North America and the United Kingdom. He has held various senior positions with Big 4 accounting firms and boutique corporate finance houses.

Emmanuel provides corporate advice to a diverse client base both in Australia and in overseas markets. Emmanuel has previously held a number of public company directorships and his key areas of expertise include Initial Public Offerings and secondary capital raisings, corporate strategy and structuring merger and acquisitions.

REMUNERATION REPORT 2013- 2014

INTRODUCTION

The Directors of BluGlass Limited present the Remuneration Report for the Company and its controlled entities for the year ended 30 June 2013. This Remuneration Report forms part of the Directors Report and is subject to audit by the external auditor in accordance with the Corporations Act 2001.

The Report details the nature and amount of remuneration for the company's non-executive directors and the executive team who by definition are the company's **Key Management Personnel**. The Key Management Personnel are the key people accountable for directing the affairs of the company and its controlled entities.

The people who currently hold these Key Management Personnel positions are listed in the table below

NON-EXECUTIVE DIRECTORS		EXECUTIVES	
George Venardos	Chairman	Giles Bourne	Chief Executive Officer
Gregory Cornelsen	Director	Ian Mann	Chief Technology Officer
Chandra Kantamneni	Director	Stuart Uhlhorn	Chief Financial Officer
William Johnson	Director		

During the period the Remuneration and Nominations Committee comprised 3 independent directors - Greg Cornelsen (Committee Chairman), William Johnson and George Venardos. The Committee met once during the year.

REMUNERATION STRATEGY

The remuneration policy of BluGlass Limited has been designed to align shareholder objectives with the strategic business objectives of BluGlass. This is achieved by providing;

1. a modest market related fixed remuneration component,
2. a small component of short term incentives and
3. long-term incentives based on key performance areas affecting the consolidated entity's ability to commercialise its technology milestones when achieved.

The remuneration policy, setting the terms and conditions for the directors and executives was developed by the remuneration committee and approved by the Board after seeking professional advice from independent external consultants.

The Board of BluGlass Limited aims for the Remuneration Strategy to attract and retain the appropriate executives and directors to run and manage the consolidated entity recognising that as a pre-revenue research and development company it has limited ability to pay competitive base cash salaries and short term cash incentives. The ability to attract the best staff is achieved via ensuring all staff as well as executives and directors have access to a meaningful and rewarding long term incentive scheme currently in the form of an employee option scheme in association with an employee share trust that creates goal congruence between directors, executives and shareholders.

DIRECTORS' REMUNERATION

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The remuneration and nominations committee determines payments to the non-executive director and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the consolidated entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan. Shareholders approved an issue of options to the directors at the November 2013 AGM, the first since the previous issue in 2011 and these were issued in January 2014.

The current remuneration of non-executive directors is:

Position	Remuneration $
Chairman	70,000
Director	40,000
Committee Chairperson	5,000
Committee member	2,500

A non-executive directors remuneration thus comprises the base board fee, any applicable committee chairman fee and the 9.25% superannuation levy contribution.

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		SHORT TERM	POST EMPLOYMENT	LONG TERM INCENTIVES	TOTAL REMUNERATION	
		Board and Committee fees	Superannuation	Share Based Payments	Total	% of remuneration that is non-cash
		$	$	$	$	
Directors						
George Venardos	**2014**	**70,000**	**6,463**	**69,750**	**146,213**	**47.7**
	2013	70,000	6,300	0	76,300	**0.0**
Gregory Cornelsen	**2014**	**50,000**	**4,617**	**40,050**	**94,667**	**42.3**
	2013	50,000	4,500	0	54,500	**0.0**
Chandra Kantamneni	**2014**	**42,500**	**3,931**	**40,050**	**86,481**	**46.3**
	2013	40,000	3,600	0	43,600	**0.0**
William Johnson	**2014**	**42,144**	**0**	**0**	**42,144**	**0.0**
	2013	40,000	0	0	40,000	**0.0**
Total	**2014**	**204,644**	**15,011**	**149,850**	**369,505**	
Total	2013	200,000	14,400	0	214,400	

The value of options in the above table reflects the full market price of the underlying BluGlass share price at the date of issue and may not reflect the current market value of the options granted. Additionally no discount for uncertainty has been assigned to these option valuations, which do carry the risk of not meeting vesting hurdles.

Dr Johnson's fees, in his capacity as a director, were paid directly to SPTS until the end of February 2014 and since March 2014 they have been paid directly to him.

EXECUTIVE REMUNERATION

The Board's policy for determining the nature and amount of remuneration for executives of the consolidated entity is as follows:

All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation, access to a limited short term cash incentive scheme and to the longer term incentive scheme via options.

Short term incentives are only paid once predetermined annual key performance indicators have been met and are capped at 20% of base salary.

Longer term incentives may be paid in the form of options or rights and are intended to align the interests of the key management personnel and company with those of shareholders. In this regard, key management personnel are prohibited from limiting risk attached to those instruments by use of derivatives or other means.

The remuneration and nominations committee reviews executive packages annually by reference to the consolidated entity's performance, executive performance and comparable information from similar industry sectors.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the achievement of specific BluGlass technology and commercial milestones being achieved and the efficient conduct of the Company's operations. All bonuses and incentives must be linked to these predetermined performance criteria or milestones. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to reward executives for performance that will result in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements under the employee incentive scheme.

Executives receive a superannuation guarantee contribution required by the government, which is currently 9.25%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to executives is valued at the cost to the company and expensed. Shares given to executives are valued as the difference between the market price of those shares and the amount paid by the executive. Options issued during the year are valued at the closing share price at grant date less the exercise price where appropriate.

EXECUTIVES TOTAL REMUNERATION

		SHORT TERM		POST EMPLOY-MENT	LONG TERM INCENTIV-ES	TOTAL REMUNER-ATION	% of REMUNERATION THAT IS	
		Cash Salary	KPI Related Incentive	Superann-uation	Share Based Payments	Total	Performance based	Non cash
Executives		**$**	**$**	**$**	**$**	**$**		
Giles Bourne	**2014**	**306,358**	**52,800**	**23,642**	**99,000**	**481,800**	**11.0**	**20.5**
	2013	302,753	52,800	27,248	105,975	488,776	10.8	21.7
Ian Mann	**2014**	**219,680**	**38,400**	**20,320**	**72,000**	**350,400**	**11.0**	**20.5**
	2013	220,184	43,200	19,816	103,625	386,825	11.2	26.8
Stuart Uhlhorn	**2014**	**215,260**	**38,400**	**24,740**	**72,000**	**350,400**	**11.0**	**20.5**
	2013	213,184	43,200	26,816	77,625	360,825	12.0	21.5
Total	**2014**	**741,298**	**129,600**	**68,702**	**243,000**	**1,182,600**		
Total	**2013**	**736,121**	**139,200**	**73,880**	**287,225**	**1,236,426**		

The value of options in the above table reflects the full market price of the underlying BluGlass share price at the date of issue and may not reflect the current market value of the options granted. Additionally no discount for uncertainty has been assigned to these option valuations, which do carry the risk of not meeting vesting hurdles.

CONTRACTED EXECUTIVE REMUNERATION

The company secretary, Emanuel Correia is contracted to BluGlass from Cardrona Energy Pty Ltd. The contract includes provisions that the contract may be terminated by either party with one months' notice. Payments for services to Cardrona were $79,200 in 2014 and $85,200 in 2013. As a contracted position the company secretary is not eligible to participate in short term incentive scheme and does not form part of the BluGlass' executive team.

EMPLOYMENT CONTRACTS OF EXECUTIVES

The employment terms and conditions of the CEO and other executives are formalised in contracts of employment. All executives are permanent employees of BluGlass Limited.

Terms of employment require that the relevant group entity provide an executive contracted person with a minimum of one months' notice prior to termination of contract. The CEO's contract is subject to 3 months' notice. Termination payments are determined by the remuneration and the nominations committee if a termination payment is deemed appropriate. A contracted person deemed employed on a permanent basis may terminate their employment by providing at least one months' notice. Termination payments are not payable on resignation or under the circumstances of unsatisfactory performance.

PERFORMANCE BASED REMUNERATION

As part of the executive remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between directors/executives with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with executives to ensure buy-in. The measures are specifically tailored to the areas each executive is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, and cover financial and non-financial as well as short and long term goals. The level set for each KPI is based on budgeted figures for the group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved and the period of employment for the period. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the group's goals and shareholder wealth, before the KPIs are set for the following year.

The IP portfolio managed now includes 29 granted patents in various countries, covering six separate patent families. In addition there are twenty patent applications in various stages filed in numerous countries. The following table shows the gross revenue and losses over the last 5 years as well as the number of patents lodged and granted.

	2010	2011	2012	2013	2014
Revenue $'000	1,720.8	2,085.1	2,427.8	4,725.9	4,112.7
Net Loss $'000	-5,348.7	-4,170.6	-3,237.3	-1,676.7	-2,898.4
Share price at year-end dollars	0.112	0.115	0.086	0.15	0.125
Patents lodged	15	1	1	2	2
Patents Granted	6	2	2	2	14

BluGlass' potential value exists in it being able to finalise its research and development programmes and to then commercialise its IP portfolio into the rapidly growing markets for LED, GaN on silicon and high efficiency solar cells manufacturing equipment.

OPTIONS ISSUED AS PART OF REMUNERATION FOR THE YEAR ENDED 30 JUNE 2014

Options and Rights Granted

	Grant Details							Overall	
Directors	Date	No.	Value $	Exerc-ised no.	Lapsed no.	Vested no.	Vested %	Unvested % 30/06/2014	Lapsed
George Venardos	21/01/2014	465,000	69,750	-	-	-	-	465,000	
Greg Cornelsen	21/01/2014	267,000	40,050	-	-	-	-	267,000	
Chandra Kantamneni	21/01/2014	267,000	40,050	-	-	-	-	267,000	

	Grant Details							Overall	
Executives	Date	No.	Value $	Exerc-ised no.	Lapsed no.	Vested no.	Vested %	Unvested % 30/06/2014	Lapsed
Giles Bourne	21/01/2014	660,000	99,000	-	-	-	-	660,000	
Stuart Uhlhorn	21/01/2014	480,000	72,000	-	-	-	-	480,000	
Ian Mann	21/01/2014	480,000	72,000	-	-	-	-	480,000	
				-	-	-			

DESCRIPTION OF OPTIONS GRANTED AS REMUNERATION 2014

	Options Vested	Options Granted	Grant Date	Value per Option	Exercise Price	First Exercise Date	Last Exercise Date
Directors	No.	No.		$	$		
George Venardos	-	465,000	21/01/2014	0.16	0.01	NA	21/1/2017
Greg Cornelsen	-	267,000	21/01/2014	0.16	0.01	NA	21/1/2017
Chandra Kantamneni	-	267,000	21/01/2014	0.16	0.01	NA	21/1/2017
William Johnson	-	0	NA	NA	NA	NA	NA
		999,000					
Executives							
Giles Bourne	-	660,000	21/01/2014	0.16	0.01	-	21/1/2017
Ian Mann	-	480,000	21/01/2014	0.16	0.01	-	21/1/2017
Stuart Uhlhorn	-	480,000	21/01/2014	0.16	0.01	-	21/1/2017
		1,620,000					

DESCRIPTION OF OPTIONS GRANTED AS REMUNERATION 2014 (Cont.)

The value of options in the above table reflects the full market price of the underlying BluGlass share price at the date of issue and may not reflect the current market value of the options granted. Additionally no discount for uncertainty has been assigned to these option valuations, which do carry the risk of not meeting vesting hurdles.

A total of 4,059,000 options were granted to staff and directors as remuneration during the year. The options were granted to employees on the 21st of January 2014 and communicated to the ASX at that date. An issue of options was also made to directors at the same date in line with the shareholder approval obtained at the 2013 AGM.

The material conditions attached to the issue of these options were;

- Expiry date of 21 January 2017.
- 2/3rd of the options vest when the BLG achieves the milestone of a higher light output from its RPCVD grown P GaN layer wafer then from a conventional MOCVD wafer and the company completes a commercial transaction which directly leads to measurable revenue
- 1/3rd of the options vest after 24 continuous employment with BluGlass
- The options are subject to the final vesting hurdle of all performance milestones being met and will only vest with Board approval
- Options issued in accordance with the Company's approved Incentive Option Scheme
- All options were granted with an exercise price of 1 cent per option.

SHARES ISSUED ON EXERCISE OF COMPENSATION OPTIONS

During the year the Company's employee share trust, BluGlass Employee Incentive Plan Pty Ltd, exercised 2,410,890 options that had been granted as compensation in prior periods and that had met the requisite vesting conditions. These shares are then held in the share trust for the eligible employees until employees exercise their right to withdraw the shares from the trust. During the year 793,333 shares were withdrawn from the trust.

APPROVAL OF 2013 REMUNERATION REPORT

A resolution seeking approval of the 2013 Remuneration Report was tabled at the November 2013 Annual General Meeting. The resolution was passed at that meeting with the vote in favour recorded of 99.5%.

REMUNERATION ADVISORS

During the period no remuneration advisors were retained or used by the Company.

- END OF REMUNERATION REPORT -

DIRECTORS' REPORT cont.

MEETINGS OF DIRECTORS

During the financial year, 9 meetings of directors (including committees of directors) were held. Attendances by each director during the year were:

	DIRECTORS' MEETINGS		COMMITTEE MEETINGS			
			Audit & Risk Committee		Remuneration & Nominations Committee	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
George Venardos	9	9	2	2	1	1
Gregory Cornelsen	9	9	2	2	1	1
Chandra Kantamneni	9	8	2	2	-	-
William Johnson	9	9	-	-	1	1

INDEMNITIES GIVEN AND INSURANCE PREMIUMS PAID TO AUDITORS AND OFFICERS

The Group has entered into Deeds of Indemnity, Insurance and Access with each of the directors and the Company Secretary. Each deed provides officers with the following:

- A right to access certain Board papers of the Group during the period of their tenure and for a period of seven years after that tenure ends;
- Subject to the Corporations Act 2001, an indemnity in respect of liability to persons other than the Group and its related bodies corporate that they may incur while acting in their capacity as an officer of the Group or a related body corporate, except where that liability involves a lack of good faith, and for defending certain legal proceedings; and the requirement that the Group maintains appropriate directors' and officers' insurance for the officer.
- No liability has arisen under these indemnities as at the date of this report.
- The Company has paid premiums of $29,180 (2013 $39,542) to insure each of the directors, secretary and executives against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of a director or officer of the company, other than conduct involved in a wilful breach of duty in relation to the company.
- The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer or auditor of the Group against a liability incurred as such by an officer or auditor.

OPTIONS

At the date of this report, the unissued ordinary shares of BluGlass Limited under option are as follows:

Options

At the date of this report, the unissued ordinary shares of BluGlass Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number Under Option
26/01/2013	26/01/2016	0.00	1,832,668
16/01/2014	16/01/2016	0.01	4,059,000
			5,891,666

During the year ended 30 June 2014, 2,410,890 ordinary shares of BluGlass Limited were issued on the exercise of options.

CORPORATE GOVERANCE POLICY AND STATEMENT

The Groups Corporate Governance statement can be viewed on the company's website at www.bluglass.com.au

DIVERSITY POLICY

BluGlass has established a Diversity Policy that outlines the Company's commitment to diversity and the active steps the Company will take in implementing the policy, commensurate with a company of its size and the industry with which it operates. A copy of the Diversity Policy is contained in Annexure 7 of the Company's Corporate Governance Statement, a copy of which is available on the Company's website.

Our policy is to recruit and manage on the basis of qualification for the position and performance, regardless of gender, age, nationality, race, religious beliefs, cultural background, sexuality or physical ability. Due to the Company's current size and level of activity there has been limited opportunity with which to measure the Company's commitment to its diversity policy during the 2014 financial year. During the year there was minimal staff movement and no change to the Company's executive team. The board discusses its diversity policy at board meeting's were potential changes to the work force is discussed.

It is essential that the Company employs the appropriate person for each job and that each person strives for a high level of performance.

Ethnic Diversity

Total Staff	Australian and NZ	Asian	Americas	European
20	10	4	1	5

Gender Diversity

	Male	Female
Total Staff	13	7
Senior Executives	3	0
Senior Research Staff	2	2
Non-Executive Directors	4	0

DIVERSITY POLICY (Cont)

Educational Diversity

Total Staff	PhD	Masters	Bachelor	Other Qualifications	No Qualifications
20	9	10	14	2	4

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party of taking responsibility on behalf of that company for all or any part of those proceedings.

NON-AUDIT SERVICES

The Board of directors, in accordance with advice from the Audit and Risk committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Audit and Risk committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

There were no fees for non-audit services payable to the external auditors during the year ended 30 June 2014

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration as required by s307C of the Corporation Act 2001 for the year ended 30 June 2014 has been received and can be found on page 20 and forms part of the Directors' Report.

This Directors' Report incorporating the Remuneration Report is signed in accordance with a resolution of the Board of Directors.

George Venardos

Director

Dated the 25th day of August 2014

Grant Thornton

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Auditor's Independence Declaration
To the Directors of BluGlass Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of BluGlass Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

G S Layland
Director - Audit & Assurance

Sydney, 25 August 2014

PROFIT OR LOSS AND COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated Entity	
		2014	2013
		$	$
Revenue	2	481,790	180,113
Other income	2	3,630,954	4,545,799
Employee benefits expense	16	(3,272,988)	(3,033,870)
Professional fees		(146,221)	(257,296)
Board and secretarial fees		(310,780)	(268,680)
Corporate compliance & legal expense		(74.714)	(192,583)
Consultant fees		(557,627)	(259,153)
Rent expense		(245,643)	(236,319)
Travel and accommodation expense		(79,548)	(116,327)
Consumables		(900,233)	(674,116)
Depreciation and amortisation expense		(536,754)	(719,821)
Other expenses		(886,671)	(644,473)
Loss before income tax	3	**(2,898,435)**	**(1,676,726)**
Income tax expense	4	-	-
Loss for the period		**(2,898,435)**	**(1,676,726)**
Other comprehensive income		-	-
Total comprehensive income		**(2,898,435)**	**(1,676,726)**
Loss attributable to:			
- Members of the parent entity		(2,898,435)	(1,676,726)
- Non-controlling interest		-	-
		(2,898,435	(1,676,726)
Total Comprehensive Income attributable to:			
- Members of the parent entity		(2,898,435)	(1,676,726)
- Non-controlling interest		-	-
		(2,898,435)	(1,676,726)
Earnings Per Share			
Basic loss per share (cents per share)	7	(1.0)	(0.6)
Diluted loss per share (cents per share)	7	(1.0)	(0.6)
Dividends per share (cents)		N/A	N/A

The financial statements should be read in conjunction with the following notes.

FINANCIAL POSITION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	Consolidated Entity	
		2014	2013
		$	$
Current Assets			
Cash and cash equivalents	7	2,445,235	5,589,870
Trade and other receivables	8	2,269,950	1,967,784
Consumables	9	94,083	144,062
Other current assets	10	81,167	113,564
TOTAL CURRENT ASSETS		**4,890,435**	**7,815,280**
Non-Current Assets			
Property, plant and equipment	11	2,116,117	1,327,286
Intangible assets	12	8,695,000	8,695,000
TOTAL NON-CURRENT ASSETS		**10,811,117**	**10,022,286**
TOTAL ASSETS		**15,701,552**	**17,837,566**
Current Liabilities			
Trade and other payables	14	430,086	251,101
Short-term provisions	15	141,298	161,958
TOTAL CURRENT LIABILITIES		**571,384**	**413,059**
Non-Current Liabilities			
Long-term provisions	15	330,513	298,083
TOTAL NON-CURRENT LIABILITIES		**330,513**	**298,083**
TOTAL LIABILITIES		**901,897**	**711,142**
NET ASSETS		**14,799,655**	**17,126,424**
Equity			
Issued capital	17	42,673,992	42,673,992
Reserves	18	(41,935)	(572,538)
Accumulated Losses		(27,832,398)	(24,975,030)
TOTAL EQUITY		**14,799,655**	**17,126,424**

The financial statements should be read in conjunction with the following notes.

CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	Issued Capital	Share-Based Payments	Other Reserves	Non-Controlling Interest	Accumulated Losses	Total
	$	$	$	$	$	$
Consolidated Entity						
Balance at 1 July 2012	36,022,046	1,192,445	-	391,283	(24,274,134)	13,331,640
Total comprehensive income for the period	-	-	-	-	(1,676,726)	(1,676,726)
	-	-	-	-	(1,676,726)	(1,676,726)
Transactions with owners in their capacity as owners						
Shares issued during the year	4,828,205	-	-	-	-	4,828,205
Share transaction costs during the year	(132,478)	-	-	-	-	(132,478)
Purchase of 49% non-controlling interest	1,373,735	-	(982,452)	(391,283)	-	-
Share options issued	-	551,383	-	-	-	551,383
Exercise of share option	582,484	(358,084)	-	-	-	224,400
Transfer of retained earnings	-	(975,830)	-	-	975,830	-
Dividends paid or provided for	-	-	-	-	-	-
Balance at 30 June 2013	42,673,992	409,914	(982,452)	-	(24,975,030)	17,126,424
Balance at 1 July 2013	42,673,992	409,914	(982,452)	-	(24,975,030)	17,126,424
Total comprehensive income for the period	-	-	-	-	(2,898,435)	(2,898,435)
	-	-	-	-	(2,898,435)	(2.898.435)
Transactions with owners in their capacity as owners						
Share options issued	-	571,670	-	-	-	571,670
Exercise of share option	-	-	-	-	-	-
Transfer to retained earnings	-	(41,067)	-	-	41,067	-
Dividends paid or provided for	-	-	-	-	-	-
Balance at 30 June 2014	42,673,992	940,515	(982,452)	-	(27,832,398)	14,799,655

The financial statements should be read in conjunction with the following notes.

CASHFLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated Entity 2014 $	2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from grants		1,430,954	240,054
Interest and other income received		2,681,790	2,518,074
Payments to suppliers and employees		(5,931,794)	(4,971,138)
Net cash used in operating activities	21	**(1,819,050)**	**(2,213,010)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,325,585)	(666,217)
Net cash used in investing activities		**(1,325,585)**	**(666,217)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares, net of transaction costs		-	4,695,728
Proceeds from options exercised		-	224,400
Repayment of borrowings		-	(182,781)
Net cash provided by financing activities		**-**	**4,737,347**
Net increase/(decrease) in cash held		(3,144,635)	1,858,120
Cash at beginning of financial year		5,589,870	3,731,750
Cash at end of financial year	7	**2,445,235**	**5,589,870**

The financial statement should be read in conjunction with the following notes.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1:STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report covers BluGlass Limited as a consolidated entity ("Group"). BluGlass Limited is a listed public company, incorporated and domiciled in Australia.

The separate financial statements of the parent entity BluGlass Limited have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial statements were authorised for issue on 25th August 2014 by the directors of the company

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report.

Basis of Preparation

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). BluGlass Limited is a for-profit entity for the purpose of preparing financial statements.

The accounting policies set out below have been consistently applied to all years presented.

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

(a) **Principles of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by BluGlass Limited at the end of the reporting period. A controlled entity is any entity BluGlass Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year they were controlled. A list of controlled entities is contained in Note 13 to the financial statements. All controlled entities have a June financial year-end.

In preparing the consolidated financial statements all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries are consistent with those adopted by the parent entity.

Non-controlling interests, presented as part of equity, represents the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries and the non-controlling interests bond on their respective ownership interests.

(b) **Income Tax**

The income tax expense (revenue) for the year comprises current income tax expense (revenue) and deferred tax expense (revenue).

Current income tax expense charged to the profit and loss is the tax payable on taxable income calculated using applicable tax rates enacted, or substantially enacted, as at reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

NOTE 1:STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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.

(b) **Income Tax (cont.)**

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 entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Tax consolidation

BluGlass Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. BluGlass Limited is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. The group notified the Australian Taxation Office that it had formed an income tax consolidated group to apply from 21 September 2006. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(c) **Inventories**

Inventories are measured at the lower of cost and net realisable value.

(d) **Plant and Equipment**

Each class of plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets is depreciated on a straight-line basis over their useful lives to the consolidated group 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.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Furniture and Fittings	10%
Plant and equipment	20-60%
Leasehold improvements	33.33%
Computer hardware and software	33.33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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 determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

NOTE 1:STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(e) **Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(f) **Financial Instruments**

Recognition and measurement

Financial instruments, incorporating financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through profit and loss. Transaction costs related to instruments classified as at fair value through profit and loss are expensed to the profit and loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

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 (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(g) **Impairment of assets**

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(h) **Intangibles**

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks and intellectual property have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life ranging from 5 to 10 years.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technically feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

Intellectual property

Intellectual property (IP) which represents in process research is recognised at cost of acquisition. IP has a finite life once the asset is ready for use. Once the asset is ready for use the asset will be carried at cost less any accumulated amortisation and any impairment losses.

(i) **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 and controlled entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(j) **Employee Benefits**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one 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 one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

Equity-settled compensation

The Group operates an equity-settled share-based payment employee share and option scheme. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using the Cox-Ross-Rubenstein Binomial pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(k) **Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(l) **Cash and Cash Equivalents**

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. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(m) **Revenue and Other Income**

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

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

(n) **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. 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 in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(o) **Government Grants**

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

(p) **Borrowing Costs**

Borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

(q) **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(r) **Critical accounting estimates and judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates — Impairment

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. See Note 12: Intangible assets for further disclosure of impairment.

Key estimates — Share options

The company issued options under the BluGlass Limited prospectus and the employee incentive option scheme. The options granted in the year were valued using the BluGlass share price at the date of grant. The prior year options were valued the same as they are currently valued. The key inputs to the pricing model are disclosed on Note 22. In addition to the pricing, key judgements revolve around the likelihood of vesting and estimated vesting date where there are vesting conditions. These judgements impact the expense recorded for the period.

(s) **Adoption of New and Revised Accounting Standards**

A number of new and revised standards are effective for annual periods beginning on or after 1 July 2013. Information on these new standards is presented below.

AASB 10 Consolidated Financial Statements

AASB 10 supersedes AASB 127 Consolidated and Separate Financial Statements (AASB 127) and AASB Interpretation 112 Consolidation - Special Purpose Entities. AASB 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.
of its financial statements..

Management has reviewed its control assessments in accordance with AASB 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's investees held during the period or comparative periods covered by these financial statements

AASB 13 Fair Value Measurement

AASB 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of AASB 13 is broad and it applies for both financial and non-financial items for which other Australian Accounting Standards require or permit fair value measurements or disclosures about fair value measurements, except in certain circumstances.

AASB 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application. The Group has applied AASB 13 in the current year disclosures.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(s) **Adoption of New and Revised Accounting Standards(cont.)**

Amendments to AASB 119 Employee Benefits

The 2011 amendments to AASB 119 made a number of changes to the accounting for employee benefits, the most significant relating to defined benefit plans. The amendments:

- Eliminate the 'corridor method' and requires the recognition of re-measurements (including actuarial gains and losses) arising in the reporting period in other comprehensive income;
- Change the measurement and presentation of certain components of the defined benefit cost. The net amount in profit or loss is affected by the removal of the expected return on plan assets and interest cost components and their replacement by a net interest expense or income based on the net defined benefit asset or liability; and
- Enhance disclosures, including more information about the characteristics of defined benefit plans and related risks.

Under the amendments, employee benefits 'expected to be settled wholly' (as opposed to 'due to be settled' under the superseded version of AASB 119) within 12 months after the end of the reporting period are short-term benefits, and are therefore not discounted when calculating leave liabilities. As the Group does not expect all annual leave for all employees to be used wholly within 12 months of the end of reporting period, annual leave is included in 'other long-term benefit' and discounted when calculating the leave liability. This change has had no impact on the presentation of annual leave as a current liability in accordance with AASB 101 Presentation of Financial Statements.

AASB 119 has been applied retrospectively in accordance with its transitional provisions. The application of AASB 119 did not have a material impact on the financial statements and on the earnings per share for the year ended 30 June 2013 and 30 June 2014.

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(t) **Accounting Standards issued but not yet effective and not been adopted early by the Group**

AASB 2013-3 Recoverable Amount Disclosures for Non-Financial Assets

These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

When developing IFRS 13 Fair Value Measurement, the IASB decided to amend IAS 36 Impairment of Assets to require disclosures about the recoverable amount of impaired assets. The IASB noticed however that some of the amendments made in introducing those requirements resulted in the requirement being more broadly applicable than the IASB had intended. These amendments to IAS 36 therefore clarify the IASB's original intention that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal. AASB 2013-3 makes the equivalent amendments to AASB 136 Impairment of Assets.

The Group has not yet assessed the full impact of these amendments.

AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010–2012 and 2011–2013 Cycles)

Part A of AASB 2014-1 makes amendments to various Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle.
Among other improvements, the amendments arising from Annual Improvements to IFRSs 2010-2012 Cycle:
(a) clarify that the definition of a 'related party' includes a management entity that provides key management personnel services to the reporting entity (either directly or through a group entity); and
(b) amend AASB 8 Operating Segments to explicitly require the disclosure of judgements made by management in applying the aggregation criteria.
Among other improvements, the amendments arising from Annual Improvements to IFRSs 2011-2013 Cycle clarify that an entity should assess whether an acquired property is an investment property under AASB 140 Investment Property and perform a separate assessment under AASB 3 Business Combinations to determine whether the acquisition of the investment property constitutes a business combination.

The Group has not yet assessed the full impact of these amendments.

(u) Going Concern

Notwithstanding the net loss for the year and the accumulated losses for the consolidated group, the directors have performed a review of the cash flow forecasts and have considered the cash flow needs and consider the company to continue as a going concern.

The directors have approved the company's forward business plans with an understanding that sufficient cash resources are available to meet the company's commitments over the next twelve months.

The directors have prepared the financial statements on a going concern basis as the company has a number of options for raising future capital requirements and the directors are confident that one or more of these options will be successful during the period. Additionally as a fall back equity based funding options are available to the company to continue its research and development efforts.

NOTE 2: REVENUE AND OTHER INCOME

	Consolidated Entity	
	2014 $	2013 $
Revenue		
— interest received from other persons	122,404	155,932
— sundry income	359,386	24,181
Total Revenue	481,790	180,113
Other Income		
— grant revenue	1,430,954	240,054
— R&D tax rebate	2,200,000	4,305,745
Total other income	3,630,954	4,545,799

NOTE 3: LOSS FOR THE YEAR

	Consolidated Entity	
Expenses:	2014 $	2013 $
Rental Expense on operating leases		
— Minimum lease payments	245,643	236,319
Share based payments	571,669	551,383

NOTE 4: INCOME TAX EXPENSE

	Consolidated Entity	
	2014 $	2013 $
(a) The components of tax expense comprise:		
— Current tax	-	-
— Deferred tax	-	-
	-	-

NOTE 4: INCOME TAX EXPENSE (cont.)

	Consolidated Entity	
	2014	2013
	$	$
(b) The prima facie tax on loss before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on loss before income tax at 30% (2013: 30%)		
— consolidated entity	(869,531)	(503,018)
Add:		
Tax effect of:		
— IPO related costs(deductible over 5 years)	92,709	92,709
— share based payments during year	171,501	165,415
— other non-allowable items	60,753	46,712
	324,963	304,836
Add:		
Income tax benefit not bought to account	(571,568)	(198,182))
Income tax benefit attributable to the entity	-	-
Accumulated tax losses not brought to account	6,569,596	6,025,028

NOTE 5: AUDITORS' REMUNERATION

	Consolidated Entity	
	2014	2013
	$	$
Remuneration of the auditor for:		
— auditing or reviewing the financial report	56,221	53,784
— taxation services	-	-
— Other audit services	-	4,000
	56,221	57,784

NOTE 6: LOSS PER SHARE

		Consolidated Entity	
		2014	2013
		$	$
(a)	Loss attributable to members of the parent entity	(2,898,435)	(1,676,726)
(b)	Basic and diluted loss per share (cents per share)	(1.0)	(0.6)
		No.	No.
(c)	Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS.	286,388,177	266,568,591

NOTE 7: CASH AND CASH EQUIVALENTS

	Consolidated Entity	
	2014	2013
	$	$
Cash at bank and in hand	79,571	3,355,603
Short-term bank deposits	2,365,344	2,233,508
Petty cash	321	759
	2,445,235	5,589,780

The effective interest rate on short-term bank deposits was 2.73% (2013:3.4%), these deposits have an average maturity of less than 14 days.

Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash and cash equivalents	2,445,235	5,589,870
	2,445,235	5,589,870

NOTE 8: TRADE AND OTHER RECEIVABLES

	Consolidated Entity	
	2014	2013
	$	$
Research and Development Tax Rebate	2,200,000	1,967,784
Other	69,950	-
	2,269,950	1,967,784

NOTE 9: CONSUMABLES

	Consolidated Entity	
	2014	2013
	$	$
CURRENT		
Consumables	94,083	144,062
	94,083	144,062

NOTE 10: OTHER CURRENT ASSETS

	Consolidated Entity	
	2014	2013
	$	$
CURRENT		
Prepayments	25,214	28,566
Security deposit	14,516	14,516
Other receivables	41,437	70,482
	81,167	113,564

All amounts are short-term. The net carrying value of other receivables is considered a reasonable approximation of fair value. No impairment of receivables is deemed to exist. There were no bad debts during the year (2013: nil).

NOTE 11: PLANT AND EQUIPMENT

	Consolidated Entity	
	2014	2013
	$	$
PLANT AND EQUIPMENT		
Plant and equipment		
At cost	6,198,485	5,720,368
Accumulated depreciation	(4,987,801)	(4,556,947)
Total plant and equipment	1,210,684	1,163,421
Leased plant and equipment		
At cost	1,006,170	1,006,170
Accumulated depreciation	1,006,170	(1,006,170)
Total leased plant and equipment	-	-

NOTE 11: PLANT & EQUIPMENT (cont.)

	Consolidated Entity 2014 $	2014 $
Leasehold improvements		
At cost	3,791,158	2,978,737
Accumulated depreciation	(2,961,690)	(2,901,173)
Total leasehold improvements	829,468	77,564
Furniture and fittings		
At cost	145,033	120,062
Accumulated depreciation	(90,957)	(69,604)
Total furniture and fittings	54,076	50,458
Computer equipment		
At cost	272,164	262,083
Accumulated depreciation	(250,275)	(226,237)
Total computer equipment	21,889	35,846
Total property, plant and equipment	2,116,117	1,327,289

(a) **Movements in Carrying Amounts**

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year

	Leased Plant and Equipment $	Plant and Equipment $	Leasehold Improvements $	Furniture and Fittings $	Computer Equipment $	Total $
Consolidated Entity:						
Balance at 30 June 2013	-	1,163,421	77,564	50,458	35,846	1,327,289
Additions	-	478,114	812,421	24,970	10,077	1,325,582
Disposals	-	-	-	-	-	-
Depreciation expense	-	(430,851)	(60,517)	(21,352)	(24,034)	(536,754)
Balance at 30 June 2014	-	1,210,684	829,468	54,076	21,889	2,116,117

NOTE 12: INTANGIBLE ASSETS

	Consolidated Entity 2014 $	2013 $
In process research and development:		
Cost	12,130,080	12,130,080
Accumulated impaired losses	(3,435,080)	(3,435,080)
Net carrying value	8,695,000	8,695,000

NOTE 12: INTANGIBLE ASSETS (cont.)

The company obtained a valuation of the intellectual property from an independent valuer Acuity Technology Management Pty Ltd to assist the directors in assessing impairment. The methodology used by the independent valuer to determine the value of the intellectual property was based on a discounted cash flow (DCF) method adjusted for the probability of achieving certain milestones. The DCF was based on management cash flow projections for 3 years and extrapolated for a further 9 years by the valuer. Greater than 5 years is appropriate based on the expected life cycle of the technology. The DCF has been discounted at between 15% and 17% (2013:12% to 15%). Other general market considerations have been considered including the market capitalisation of BluGlass. The IP was assessed to have a value between $21.9 million to $35.8 million.

NOTE 13: CONTROLLED ENTITIES

(a) **Controlled Entities Consolidated**

	Country of Incorporation	Percentage Owned (%)* 2014	2013
Parent Entity:			
BluGlass Limited	Australia	-	-
Subsidiaries of BluGlass Limited:			
Gallium Enterprises Pty Ltd	Australia	100	100
Blusolar Pty Ltd	Australia	100	100
BluGlass Deposition Technologies Pty Ltd	Australia	100	100
BluGlass Research Pty Ltd	Australia	100	100
EpiBlu Technologies Pty Ltd	Australia	100	100

* Percentage of voting power is in proportion to ownership

NOTE 14: TRADE AND OTHER PAYABLES

	Consolidated Entity 2014 $	2013 $
CURRENT		
Trade payables	253,165	117,782
Sundry payables and accrued expenses	176,921	133,319
	430,086	251,101

The carrying values of trade payables, sundry and accrued payables are considered to be reasonable approximation of fair value.

NOTE 15: PROVISIONS

	Consolidated Entity 2014 $	Consolidated Entity 2013 $
Current	141,298	161,958
Non-Current	330,513	298,083
	471,811	460,041

	Lease Make Good $	Employee Benefits $	Total $
Consolidated Group			
Opening balance at 1 July 2013	200,000	260,041	460,041
Additional provisions	-	167,847	167,847
Amounts used	-	(156,077)	(156,077)
Unused amounts reversed	-	-	-
Balance at 30 June 2014	200,000	271,811	471,811

NOTE 16: EMPLOYEE BENEFITS EXPENSE

	Consolidated Entity 2014 $	Consolidated Entity 2013 $
Wages, Salaries	2,484,263	2,296,379
Share-based payments	571,669	551,383
Superannuation	217,056	186,108
	3,272,988	3,033,870

NOTE 17: ISSUED CAPITAL

	Consolidated Entity 2014 $	Consolidated Entity 2013 $
287,748,721 (2013: 284,964,498) fully paid ordinary shares	42,673,994	42,673,994
	42,673,994	42,673,994

The company has authorised share capital amounting to 287,748,721 ordinary shares.

(a) **Ordinary Shares**	No.	$
At the beginning of reporting period	284,964,498	42,673,948
Shares issued during the year at no consideration		
— 28 August 2013	373,333	-
— 14 January 2014	2,410,890	-
At reporting date	287,748,721	42,673,948

NOTE 17: ISSUED CAPITAL (Cont)

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(b) **Options**

i. For information relating to the BluGlass Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, refer to Note 22 Share-based Payments.

(c) **Capital Management**

Management controls the capital of the consolidated entity in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the consolidated entity can fund its operations and continue as a going concern.

The consolidated entity's capital comprises ordinary share capital.

There are no externally imposed capital requirements.

There have been no changes in the strategy adopted by management to control the capital of the consolidated entity since the prior year.

NOTE 18: RESERVES

(a) **Share based payments**

The reserve records items recognised as expenses on valuation of employee share options and shares. During 2014 the company has elected to reclassify amounts representing expired options to accumulated losses.

(b) **Other Reserves**

This reserve is used to recognise the difference between purchase consideration paid and the non-controlling interest carrying value.

NOTE 19: CAPITAL AND LEASING COMMITMENTS

	Consolidated Entity	
	2014 $	2013 $
(a) **Operating Lease Commitments:**		
Non-cancellable operating lease contracted for but not capitalised in the financial statements		
Payable -minimum lease payments		
— not later than 12 months	200,000	200,000
— Between 12 months and 5 years	474,521	716,667
— greater than 5 years	-	-
	674,521	916,667

The lease was renewed for an additional term of five years from February 2013. The property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by the greater of CPI or 4.0% per annum. The lease does not allow for subletting of any lease areas.

NOTE 20: OPERATING SEGMENTS

(a) **Business and geographical segments**

The Group identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of research and development activities. The Group's operation has one main risk profile and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment;
- the manufacturing process;
- the type or class of customer for the product or service;
- the distribution method; and any external regulatory requirements

Applying the above criteria, the Group only has one operating division being the research and manufacture of Gallium Nitride (GaN).

The Group operates in one geographical area being in Australia. The Group did not undertake any new operations and it did not discontinue any of its existing operations during the year.

NOTE 21: CASH FLOW INFORMATION

	Consolidated Entity	
	2014	**2013**
	$	**$**
(a) **Reconciliation of Cash Flow from Operations with Loss after Income Tax**		
Loss after income tax	(2,898,435)	(1,676,726)
Non-cash flows in loss		
Depreciation expense	536,754	719,821
Share based payment	571,670	551,383
Other Non-cash items	-	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and other receivables	(302,166)	(1,967,785)
(Increase)/decrease in other assets	32,397	(45,505)
Decrease/(increase) in deposits	-	-
Decrease in consumables	49,979	66,665
Increase/(decrease) in trade and other payables and accruals	178,981	(117,649)
Increase in provisions	11,770	21,488
Cash flow from operations	(1,819,050)	(2,213,010)

Non-cash Financing and investing activities

(b) **Options granted**

4,059,000 share options were granted to staff under the BluGlass Limited employee incentive scheme to take up ordinary shares at an exercise price of $0.01 each.

NOTE 22: SHARE-BASED PAYMENTS

The following share-based payments existed at 30 June 2014:

On 14 January 2014 the third milestones for the vesting of the BluGlass staff options were achieved. 2,410,890 options were transferred to the BluGlass Incentive Option Scheme Trust.

On 21 January 2014, 4,059,000 options were issued to BluGlass Incentive Option Scheme Trust under the BluGlass Limited employee incentive scheme to take up ordinary shares at an exercise price of $0.01 each subject to technical milestones. These options will only vest in two tranches. The first tranche 67% will vest when a P Gan Layer using the Company's RPCVD technology is achieved with a consistent basis and improved characteristics compared to the MOCVD technology and the company successfully completing a commercial transaction. The second Tranche will vest upon 24 months of continuous employment with BluGlass from the date of issue.

	Consolidated Entity			
	2014		2013	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the year	4,616,891	0.10	13,995,748	0.10
Granted	4,059,000	0.01	2,749,000	0.00
Forfeited	-	-	-	-
Exercised	(2,784,225)	0.00	(5,004,777)	-
Expired	-	-	(7,123,080)	0.16
Outstanding at year-end	5,891,666	-	4,616,891	0.10
Exercisable at year-end	-	-	-	-

2,784,225 employee options were exercised during the year ended 30 June 2014.

The options outstanding at 30 June 2014 had a weighted average exercise price of $0.01 and a weighted average remaining contractual life of 2.7 years. (Option prices were $0.10 in respect of options outstanding at 30 June 2013).

The weighted average fair value of the options granted during the year was $0.16

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Included under employee benefits and expense in the income statement relating to share-based payment is $571,669 (2013: $551,383) and relates, in full, to equity-settled share-based payment transactions.

NOTE 23: RELATED PARTY TRANSACTIONS

	Consolidated Entity	
	2014	2013
	$	$
The totals of remuneration paid to key management personnel of the group during the year are as follows:		
Short term employment benefits	1,075,542	1,075,321
Post-Employment benefits	83,713	88,280
Share-based payments	392,850	287,225
	1,552,105	1,450,826

Key Management Personnel have had no other transactions with the group during the year, and the group has no other related parties.

NOTE 24: FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, loans to a subsidiary and leases.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	Consolidated Entity	
		2014	2013
Financial Assets		$	$
Cash and cash equivalents	7	2,445,235	5,589,870
Trade and other receivables	8	2,269,950	1,967,784
		4,715,185	7,557,654
Financial Liabilities			
Trade and other payables	14	430,086	251,101
		430,086	251,101

The Audit and Risk Committee (ARC) has been delegated responsibility by the Board of Directors for, amongst other issues, monitoring and managing financial risk exposures of the Group. The ARC monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to commodity price risk, counter party credit risk, currency risk, financing risk and interest rate risk. The ARC meets regularly and minutes are reviewed by the Board.

The ARC's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

NOTE 24: FINANCIAL RISK MANAGEMENT (cont.)

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments is interest rate risk. Other risks include foreign currency risk, liquidity risk, credit risk, and commodity and equity price risk.

The maximum exposure to financial risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

(a) **Credit Risk**

The group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated entity.

(b) **Price Risk**

The group has no exposure to commodity price risk.

(c) **Liquidity Risk**

Liquidity risk is that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly.

The Group's objective is to maintain cash and marketable securities to meet its liquidity requirements for 30-day periods at a minimum. This objective was met for the reporting periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Group's existing cash resources and trade receivables significantly exceed the current cash outflow requirements.

As at 30 June 2014 the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current		Non-Current	
30 June 2014	**Within 6 months**	**6 to 12 months**	**1 to 5 years**	**Later than 5 years**
	$	**$**	**$**	**$**
Trade and other payables	430,086	-	-	-
Total	430,086	-	-	-

	Current		Non-Current	
30 June 2013	**Within 6 months**	**6 to 12 months**	**1 to 5 years**	**Later than 5 years**
	$	**$**	**$**	**$**
Trade and other payables	251,101	-	-	-
Total	251,101	-	-	-

NOTE 24: FINANCIAL RISK MANAGEMENT (cont.)

(d) **Market Risk**

(i) *Foreign Exchange Risk*

The group does not have any material foreign exchange risk exposure to any single asset or liability or group of assets or liabilities under financial instruments entered into by the consolidated entity.

(ii) *Interest Rate Risk*

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets is as follows:

	Weighted Average Effective Interest Rate		**Floating Interest Rate**	
	2014	**2014**	**2013**	**2013**
	$	**%**	**$**	**%**
Consolidated Entity				
Financial Assets:				
Cash	79,891	2.10	3,356,362	2.27
Investments in term deposits and bank bills	2,365,344	3.30	2,233,508	4.40
Total Financial Assets	2,445,235		5,589,870	

All other financial assets and liabilities are non-interest bearing.

(iii) *Financial instrument composition and maturity analysis*

All trade and sundry payables are expected to be paid within the next 45 days.

(iv) *Net Fair Values*

All financial assets and liabilities at 30 June 2014 have maturities of less than 45 days and carrying value represents net fair value.

(v) *Sensitivity analysis*

The consolidated and parent entity do not have projected exposure to foreign currency risk or price risk and no material projected exposure to interest rate risk.

NOTE 25: CONTINGENT LIABILITIES

Contingent liabilities include:

— The lease for 74 Asquith Street is supported by a CBA bank guarantee for $133,100. Collateral for the bank guarantee is a set-off against cash invested with the CBA for $133,100. The CBA also holds a Guarantee against the company credit cards of $50,000.

NOTE 26: EVENTS AFTER BALANCE SHEET DATE

No significant events have occurred after balance sheet date.

NOTE 27: BLUGLASS LTD PARENT COMPANY INFORMATION

	2014	2013
	$	$
Parent entity		
Assets		
Current assets	4,929,626	7,848,391
Non-current assets	13,137,297	15,499,222
Total assets	18,066,924	23,347,613
Liabilities		
Current liabilities	572,976	2,606,101
Non-current liabilities	2,521,969	298,083
Total liabilities	3,094,945	2,904,184
Net Assets	14,971,979	20,443,429
Equity		
Issued capital	42,673,992	42,673,992
Accumulated Losses	(27,660,078)	(22,640,476)
Reserves	(41,935)	409,913
Total Equity	14,971,979	20,443,429
Financial performance		
Loss for the year	(6,049,190)	(3,170,714)
Other comprehensive income	-	-
Total comprehensive income	(6,049,190)	(3,170,714)

During the financial year the BluGlass Ltd parent entity $3,250,972 was written off to reflect the impairment of the investment into the EpiBlu subsidiary.

NOTE 28: COMPANY DETAILS AND PRINCIPAL PLACE OF BUSINESS

The registered office and principal place of business of the company is:

BLUGLASS LIMITED
74 ASQUITH STREET
SILVERWATER NSW 2128
Ph: +61 2 9334 2300

DIRECTORS' DECLARATION

1. In the opinion of the directors of BluGlass Limited:

   a. the consolidated financial statements and notes of BluGlass Limited are in accordance with the Corporations Act 2001, including

      i giving a true and fair view of its financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and

      ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

   b. there are reasonable grounds to believe that BluGlass Limited will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2014.

3. Note 2 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

George Venardos
Director
Dated this 25th Day of August 2014

Grant Thornton

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ACN 130 913 594

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Independent Auditor's Report
To the Members of BluGlass Limited

Report on the financial report

We have audited the accompanying financial report of BluGlass Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

a the financial report of BluGlass 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 2014 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.

Report on the remuneration report

We have audited the remuneration report included in pages 11 to 16 of the directors' report for the year ended 30 June 2014. 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 BluGlass Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

G S Layland
Director - Audit & Assurance

Sydney, 25 August 2014