

Silex Systems Limited

ABN 69 003 372 067

Appendix 4D

ASX Half-year information – 31 December 2013

Lodged with the ASX under Listing Rule 4.2A

This information should be read in conjunction with the 30 June 2013 Annual Report and the full financial report for the year ending 30 June 2013.

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Silex Systems Limited
half-year ended 31 December 2013
(Previous corresponding period:
half-year ended 31 December 2012)

Results for announcement to the market

				\$
Revenue from continuing operations	Down	15.6%	To	3,939,063
Revenue from discontinued operation	Down	99.8%	To	1,988
Revenue from ordinary activities	Down	29.0%	To	3,941,051
Loss from ordinary activities after tax attributable to members	Down	8.8%	To	7,653,399
Loss for the period attributable to members	Down	8.8%	To	7,653,399

Dividends/distributions	Amount per security	Franked amount per security
Final dividend	Nil	Nil
Interim dividend	Nil	Nil

Record date for determining entitlements to the dividend

N/A

Explanation of the decrease in revenue

The decrease in revenue from ordinary activities is primarily due to the discontinuation of the Silex Solar operation. Silex Solar's revenue decreased from \$0.9 million in the previous period to \$1,988 in the current period.

Interest income decreased from \$2.0 million in the previous period to \$1.4 million in the current period as a result of lower average cash / term deposit holdings and lower interest rates in the current period.

Explanation of the loss from ordinary activities after tax attributable to members

The decreased loss for the period was primarily due to the improved result of the discontinued Silex Solar operation. The Silex Solar result improved from a loss of \$1.0 million in the prior period to a profit of \$0.9 million in the current period. The result in the current period was favourably impacted by the collection of a receivable which had been previously fully provided for.

In addition, Silex Systems has continued to focus on lowering its operating cost structure whilst maintaining technical and commercialisation progress for each of its business segments. Modest improvement was achieved for the Silex Systems segment result (loss of \$0.3 million in the prior period compared to a loss of \$0.2 million in the current period) and the Translucent segment result (loss of \$2.5 million in the prior period compared to a loss of \$2.4 million in the current period).

These improvements were partly offset by an increased loss in the Solar Systems' business segment, increasing from a \$4.2m loss in the prior period to a \$5.6m loss in the current period. The increase in loss was largely due to the construction and commissioning costs of the CPV solar power station at the Nofa Equestrian Resort near Riyadh, Saudi Arabia.

Explanation of dividends

No dividends have been paid or proposed during the reporting period.

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013, the full financial report for the year ending 30 June 2013 and any public announcements made by Silex Systems Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Silex Systems Limited Directors' report

Your directors present their report on the consolidated entity consisting of Silex Systems Limited (Silex or the Company) and the entities it controlled at the end of, or during, the half-year ended 31 December 2013.

1. Directors

The following persons were directors of Silex Systems Limited during the whole of the half-year and up to the date of this report:

Prof S W R Burdon – Chairman
 Dr C S Goldschmidt
 Dr M P Goldsworthy – CEO / Managing Director
 Dr L M McIntyre
 Mr C D Wilks

Mr A M Stock was appointed a director on 1 August 2013 and continues in office at the date of this report.

Mr R P Campbell was a director from the beginning of the half-year until his retirement on 30 September 2013.

2. Dividend

No dividend payment has been recommended or declared by the Board.

3. Review of operations and activities

The Consolidated income statement on page 7 of this report sets out the main revenue and expense items for the half-year ended 31 December 2013 with comparatives for the half-year ended 31 December 2012. A summary is shown below:

	6 months ended 31 December 2013	6 months ended 31 December 2012
	\$	\$
Revenue from continuing operations	<u>3,939,063</u>	<u>4,668,243</u>
(Loss) before tax	<u>(8,614,005)</u>	<u>(7,394,391)</u>
Income tax expense	-	-
Net (loss) from continuing operations	<u>(8,614,005)</u>	<u>(7,394,391)</u>
Net profit/(loss) from discontinued operation	<u>915,506</u>	<u>(1,036,375)</u>
Net (loss) for the half-year	<u>(7,698,499)</u>	<u>(8,430,766)</u>
(Loss) is attributable to:		
Owners of Silex Systems Limited	<u>(7,653,399)</u>	<u>(8,393,223)</u>
Non-controlling interests	<u>(45,100)</u>	<u>(37,543)</u>
	<u>(7,698,499)</u>	<u>(8,430,766)</u>

Silex Systems Limited Directors' report (continued)

Overall, the Company incurred a loss attributable to owners of Silex Systems Limited for the half-year of \$7.7 million (loss of \$8.4 million for the comparative period).

The result in the current period was favourably impacted by:

- The Silex Solar result improved from a loss of \$1.0 million in the prior period to a profit of \$0.9 million in the current period. The result in the current period was favourably impacted by the collection of a receivable which had been previously fully provided for.
- Silex Systems has continued to focus on lowering its operating cost structure whilst maintaining technical and commercialisation progress for each of its business segments. Modest improvement was achieved for the Silex Systems segment result (loss of \$0.3 million in the prior period compared to a loss of \$0.2 million in the current period) and the Translucent segment result (loss of \$2.5 million in the prior period compared to a loss of \$2.4 million in the current period).

Factors partly offsetting the improvement on the prior period result included:

- The Solar Systems' business segment loss increased from a \$4.2m loss in the prior period to a \$5.6m loss in the current period. The increase in loss was largely due to the construction and commissioning costs of the CPV solar power station at the Nofa Equestrian Resort near Riyadh, Saudi Arabia.
- Interest income decreased from \$2.0 million in the prior period to \$1.4 million in the current period as a result of lower average cash / term deposit holdings and lower interest rates in the current period.

The total cash balance (including held to maturity investments) as at 31 December 2013 was \$70.0 million. Net cash inflows from operating activities for the current period were \$7.7 million compared to net cash outflows of \$10.2 million in the prior period. The improvement was largely due to the receipt of US\$15.0 million (AUD\$16.3 million) from GE-Hitachi Global Laser Enrichment ("GLE") for the successful completion of the Test Loop Program Phase 1 Milestone. This was partly offset by lower interest received which dropped from \$2.1 million to \$1.3 million.

4. Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

This report is made in accordance with a resolution of the directors.



Dr M P Goldsworthy
Managing Director



Mr C D Wilks
Director

Sydney, 26 February 2014



Auditor's Independence Declaration

As lead auditor for the review of Silex Systems Limited for the half year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Silex Systems Limited and the entities it controlled during the period.

A handwritten signature in blue ink that reads 'S. Humphries' followed by a large, stylized loop.

Stephen Humphries
Partner
PricewaterhouseCoopers

Sydney
26 February 2014

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Silex Systems Limited
Consolidated income statement
for the half-year ended 31 December 2013

	6 months ended 31 December 2013	6 months ended 31 December 2012
	\$	\$
Revenue from continuing operations	3,939,063	4,668,243
Other income (including Grant Revenue and R&D Tax Incentives)	5,418,613	5,026,558
Cost of sales	(3,349,036)	(2,346,854)
Research and development materials	(1,592,744)	(995,978)
Finance costs	(461)	(15,197)
Depreciation and amortisation expense	(2,249,093)	(1,623,218)
Employee benefits expense	(7,436,461)	(8,545,335)
Consultants and professional fees	(982,368)	(1,264,268)
Printing, postage, freight and stationery	(99,185)	(122,358)
Rent, utilities and property outgoings	(1,011,696)	(963,801)
Net foreign exchange losses	-	(101,412)
Other expenses from ordinary activities	(1,250,637)	(1,110,771)
(Loss) before income tax expense	(8,614,005)	(7,394,391)
Income tax expense	-	-
Net (loss) from continuing operations	(8,614,005)	(7,394,391)
Net profit/(loss) from discontinued operation	915,506	(1,036,375)
Net (loss) for the half-year	(7,698,499)	(8,430,766)
(Loss) is attributable to:		
Owners of Silex Systems Limited	(7,653,399)	(8,393,223)
Non-controlling interests	(45,100)	(37,543)
	(7,698,499)	(8,430,766)
	Cents	Cents
Earnings per share for (loss) from continuing operations attributable to the ordinary equity holders of the company		
Basic earnings per share	(5.0)	(4.3)
Diluted earnings per share	(5.0)	(4.3)
Earnings per share for (loss) attributable to the ordinary equity holders of the company		
Basic earnings per share	(4.5)	(4.9)
Diluted earnings per share	(4.5)	(4.9)

The above consolidated income statement should be read in conjunction with the accompanying notes.

Silex Systems Limited
Consolidated statement of comprehensive income
for the half-year ended 31 December 2013

	6 months ended	6 months ended
	31 December 2013	31 December 2012
	\$	\$
Net (loss) for the half-year	(7,698,499)	(8,430,766)
Other comprehensive income		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translation of foreign operations	21,613	(121,698)
Other comprehensive income for the half-year, net of tax	21,613	(121,698)
Total comprehensive income for the half-year	(7,676,886)	(8,552,464)
Attributable to:		
Owners of Silex Systems Limited	(7,631,786)	(8,514,921)
Non-controlling interest	(45,100)	(37,543)
Total comprehensive income for the half-year	(7,676,886)	(8,552,464)
Total comprehensive income for the period attributable to owners of Silex Systems Limited arises from:		
Continuing operations	(8,547,292)	(7,478,546)
Discontinued operation	915,506	(1,036,375)
	(7,631,786)	(8,514,921)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Silex Systems Limited
Consolidated balance sheet
as at 31 December 2013

	Note	31 December 2013 \$	30 June 2013 \$
ASSETS			
Current assets			
Cash and cash equivalents		3,303,949	8,720,156
Held to maturity investments - term deposits		66,663,843	55,663,843
Trade and other receivables		7,617,514	21,048,200
Inventories		2,200,873	3,642,672
Total current assets		79,786,179	89,074,871
Non-current assets			
Property, plant and equipment		26,508,159	27,427,549
Deferred tax assets		4,040	6,080
Intangible assets		20,724,801	20,618,441
Investments accounted for using the equity method		-	103,131
Total non-current assets		47,237,000	48,155,201
Total assets		127,023,179	137,230,072
LIABILITIES			
Current liabilities			
Trade and other payables	5	4,354,118	7,440,541
Provisions		1,049,948	1,062,291
Total current liabilities		5,404,066	8,502,832
Non-current liabilities			
Trade and other payables	5	7,225,986	7,210,483
Provisions		185,932	192,501
Total non-current liabilities		7,411,918	7,402,984
Total liabilities		12,815,984	15,905,816
Net assets		114,207,195	121,324,256
EQUITY			
Contributed equity	6	231,523,610	231,417,226
Reserves		10,219,583	9,744,529
Accumulated losses		(126,815,190)	(119,161,791)
Capital and reserves attributable to owners of:			
Silex Systems Limited		114,928,003	121,999,964
Non-controlling interest		(720,808)	(675,708)
Total equity		114,207,195	121,324,256

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Silex Systems Limited
Consolidated statement of changes in equity
for the half-year ended 31 December 2013

	Attributable to owners of Silex Systems Limited				Non-controlling interests	Total
	Contributed equity	Reserves	Accumulated losses	Total		
	\$	\$	\$	\$		
Balance at 30 June 2013	231,417,226	9,744,529	(119,161,791)	121,999,964	(675,708)	121,324,256
Net (loss) for the half-year	-	-	(7,653,399)	(7,653,399)	(45,100)	(7,698,499)
Exchange differences on translation of foreign operations	-	21,613	-	21,613	-	21,613
Total comprehensive income for the half-year	-	21,613	(7,653,399)	(7,631,786)	(45,100)	(7,676,886)
Transactions with owners in their capacity as owners						
Shares to employees, net of transaction costs	(1,575)	-	-	(1,575)	-	(1,575)
Employee shares and options - value of employee services	-	563,440	-	563,440	-	563,440
Transfer from share based payments reserve	109,999	(109,999)	-	-	-	-
Deferred tax credit recognised directly in equity	(2,040)	-	-	(2,040)	-	(2,040)
	106,384	453,441	-	559,825	-	559,825
Balance at 31 December 2013	231,523,610	10,219,583	(126,815,190)	114,928,003	(720,808)	114,207,195
Balance at 30 June 2012	231,068,369	9,180,044	(119,068,672)	121,179,741	(538,376)	120,641,365
Net (loss) for the half-year	-	-	(8,393,223)	(8,393,223)	(37,543)	(8,430,766)
Exchange differences on translation of foreign operations	-	(121,698)	-	(121,698)	-	(121,698)
Total comprehensive income for the half-year	-	(121,698)	(8,393,223)	(8,514,921)	(37,543)	(8,552,464)
Transactions with owners in their capacity as owners						
Shares to employees, net of transaction costs	(3,867)	-	-	(3,867)	-	(3,867)
Employee share and options - value of employee services	-	506,884	-	506,884	-	506,884
Transfer from share based payments reserve	316,498	(316,498)	-	-	-	-
Deferred tax credit recognised directly in equity	(2,349)	-	-	(2,349)	-	(2,349)
	310,282	190,386	-	500,668	-	500,668
Balance at 31 December 2012	231,378,651	9,248,732	(127,461,895)	113,165,488	(575,919)	112,589,569

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Silex Systems Limited
Consolidated cash flow statement
for the half-year ended 31 December 2013

	6 months ended 31 December 2013	6 months ended 31 December 2012
	\$	\$
Cash flows from operating activities		
Receipts from customers and government grants (inclusive of GST)	21,918,207	9,001,953
Payments to suppliers and employees (inclusive of GST)	(15,429,287)	(21,302,715)
Interest received	1,253,678	2,149,052
Interest paid	(461)	(15,197)
Net cash inflows/(outflows) from operating activities	7,742,137	(10,166,907)
Cash flows from investing activities		
Payments for property, plant and equipment	(1,267,244)	(5,066,449)
Proceeds from sale of property, plant and equipment	182	327,426
Payments for intangibles	(873,563)	(656,768)
Payments for held to maturity investments - term deposits	(11,000,000)	-
Proceeds from maturity of held to maturity assets - term deposits	-	18,338,475
Net cash (outflows)/inflows from investing activities	(13,140,625)	12,942,684
Cash flows from financing activities		
Transaction costs on issue of shares	(1,575)	(3,867)
Net cash (outflows) from financing activities	(1,575)	(3,867)
Net (decrease)/increase in cash held	(5,400,063)	2,771,910
Cash and cash equivalents at the beginning of the half-year	8,720,156	3,682,254
Effects of exchange rate changes on cash	(16,144)	(114,806)
Cash and cash equivalents at end of half-year *	3,303,949	6,339,358
*Held to maturity investments excluded from Cash and cash equivalents	66,663,843	65,574,446

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

Note 1 Basis of preparation of the half-year financial report

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2013 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013, the full financial report for the year ended 30 June 2013 and any public announcements made by Silex Systems Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period except as set out below.

(a) Changes in accounting policy

Silex Systems Limited has changed some of its accounting policies as the result of new or revised accounting standards which became effective for the annual reporting period commencing on 1 July 2013.

The affected policies and standards are:

- Principles of consolidation – new standards AASB 10 *Consolidated Financial Statements* and AASB 11 *Joint Arrangements*; and
- Accounting for employee benefits – revised AASB 119 *Employee Benefits*.

Other new standards that are applicable for the first time for the December 2013 half-year report are AASB 13 *Fair Value Measurement*, AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* and AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*. These standards did not affect the group's accounting policies or any of the amounts recognised in the financial statements.

(i) Principles of consolidation – subsidiaries and joint arrangements

AASB 10 was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements* and in Interpretation 112 *Consolidation – Special Purpose Entities*. Under the new principles, the group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The group has reviewed its investments in other entities to assess whether the consolidation conclusion in relation to these entities is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

(ii) Employee benefits

The adoption of the revised AASB 119 *Employee Benefits* changed the accounting for the group's annual leave obligations. As the entity does not expect all annual leave to be taken within 12 months of the respective service being provided, annual leave obligations are now valued and measured on a discounted basis. However, the impact of this change was immaterial since the majority of the leave is still expected to be taken within a short period after the end of the reporting period. The provision for annual leave continues to be classified as a current liability in the balance sheet.

Silex Systems Limited
Notes to the consolidated financial statements
31 December 2013 (continued)

Note 2 Segment information

(a) Description of segments

The board of directors has been identified as the chief operating decision maker. Management has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions. Four reportable segments have been identified. These are Silex Systems, Solar Systems, Translucent and ChronoLogic.

Silex Solar has been disclosed as a discontinued operation and not as a reportable segment. Information about this discontinued segment is provided in note 7.

(b) Segment information provided to the board of directors

The segment information provided to the board of directors for the reportable segments for the half-year ended 31 December 2013 is as follows:

Half year ended 31 December 2013	Silex Systems \$	Solar Systems \$	Translucent \$	ChronoLogic \$	Total \$
Total segment revenue	4,562,695	95,838	1,972,918	6,043	6,637,494
Inter-segment revenue	(725,541)	-	(1,972,890)	-	(2,698,431)
Revenue from external customers	3,837,154	95,838	28	6,043	3,939,063
Segment result	(168,684)	(5,612,084)	(2,399,308)	(433,929)	(8,614,005)

Half year ended 31 December 2012	Silex Systems \$	Solar Systems \$	Translucent \$	ChronoLogic \$	Total \$
Total segment revenue	4,612,901	631,031	1,372,134	4,432	6,620,498
Inter-segment revenue	(580,124)	-	(1,372,131)	-	(1,952,255)
Revenue from external customers	4,032,777	631,031	3	4,432	4,668,243
Segment result	(260,975)	(4,248,808)	(2,527,159)	(357,449)	(7,394,391)

The board of directors assesses the performance of the operating segments based on a result that excludes exchange gains and losses on intercompany loans which eliminate on consolidation. In the previous half-year, share based payments was also excluded from the segment result. This expense is now included, and as such the previous half-year comparative has been restated. The segment result reconciles to the Net (loss) from continuing operations.

	Silex Systems \$	Solar Systems \$	Translucent \$	ChronoLogic \$	Total \$
Total segment assets					
31 December 2013	68,630,719	45,714,927	3,519,326	329,563	118,194,535
30 June 2013	80,888,426	43,761,286	3,497,389	324,494	128,471,595

Assets which eliminate on consolidation such as investments in controlled entities and intercompany receivables are excluded from segment assets. Silex Systems has continued to fund the group's various technology development and commercialisation programs from its cash reserves throughout the period. Deferred tax assets are also excluded from segment assets.

	Silex Systems \$	Solar Systems \$	Translucent \$	ChronoLogic \$	Total \$
Total segment liabilities					
31 December 2013	2,298,772	9,432,745	561,011	273,935	12,566,463
30 June 2013	1,915,117	9,970,906	521,515	302,461	12,709,999

Silex Systems Limited
Notes to the consolidated financial statements
31 December 2013 (continued)

Note 3 Contingent assets and liabilities

The consolidated entity is not aware of any contingent assets or liabilities. This situation has not changed since the last annual reporting date.

Note 4 Events occurring after reporting date

The consolidated entity is not aware of any other matters or circumstances which are not otherwise dealt with in the financial statements that have significantly, or may significantly, affect the operations of the consolidated entity, the results of its operations or the state of the consolidated entity in subsequent years other than those referred to in the Operational Update released to the ASX at the same time as this document.

Note 5 Trade and other payables

	31 December 2013	30 June 2013
	\$	\$
(a) Current		
Trade creditors	2,275,222	2,676,730
Negotiated lease settlement	-	2,896,296
Deferred grant income	956,820	723,024
Other payables	1,122,076	1,144,491
	4,354,118	7,440,541
(b) Non-current		
Deferred grant income	7,225,986	7,210,483
	7,225,986	7,210,483

Note 6 Contributed equity

	31/12/2013	30/06/2013	31/12/2013	30/06/2013
	Shares	Shares	\$	\$
(a) Share capital				
Ordinary shares, fully paid	170,297,752	170,249,150	231,523,610	231,417,226

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue Price \$	\$
30/06/2013	Opening balance	170,249,150		231,417,226
10/10/2013	Issue of shares	3,759	2.66	9,999
25/11/2013	Issue of shares	44,843	2.23	100,000
				231,527,225
	Less transaction costs arising on share issue			(1,575)
	Deferred credit recognised directly in equity			(2,040)
31/12/2013	Closing balance	170,297,752		231,523,610

Silex Systems Limited
Notes to the consolidated financial statements
31 December 2013 (continued)

Note 7 Discontinued operation

As reported previously, all Silex Solar activities have ceased and the plant was decommissioned and closed in October 2012. A summary of the results of the discontinued operation is provided below:

	6 months ended 31 December 2013	6 months ended 31 December 2012
	\$	\$
Revenue	1,988	883,904
Other income	182	171,662
Expenses *	913,336	(2,091,941)
Profit/(loss) before) tax	915,506	(1,036,375)
Income tax expense	-	-
Profit/(loss) after income tax of the discontinued operation	915,506	(1,036,375)

* The negative expense of \$913,336 reported in the period ending 31 December 2013 relates predominantly to the reversal of the doubtful debt provision due to the collection of a receivable which had been previously fully provided for.

	6 months ended 31 December 2013	6 months ended 31 December 2012
	\$	\$
Net cash (outflow) from operating activities	(2,018,793)	(672,690)
Net cash inflow from investing activities	50,182	121,662
Net cash (outflow) from financing activities	-	-
Net cash (outflow) from the discontinued operation	(1,968,611)	(551,028)

The cash (outflow) from operating activities in the period is largely due to the remaining payments made under the negotiated rent settlement at Olympic Park. This was partly offset by the receipt of a receivable which had been fully provided for as mentioned above.

Note 8 Net tangible asset backing

	31 December 2013	30 June 2013
Net tangible asset backing per ordinary share	54.9 cents	59.2 cents

In the directors' opinion:

(a) the financial statements and notes set out on pages 7 to 15 are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date: and

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

This declaration is made in accordance with a resolution of the directors.



Dr M P Goldsworthy
Managing Director



Mr C D Wilks
Director

Sydney
26 February 2014



Independent auditor's review report to the members of Silex Systems Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Silex Systems Limited, which comprises the balance sheet as at 31 December 2013, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Silex Systems Limited Group (the consolidated entity). The consolidated entity comprises both Silex Systems Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Silex Systems Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

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Independent auditor's review report to the members of
Silex Systems Limited (continued)

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Silex Systems Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

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A handwritten signature in blue ink that reads 'S. Humphries' followed by a large, stylized loop.

Stephen Humphries
Partner

Sydney
26 February 2014