

Silex Systems Limited

ABN 69 003 372 067

ASX Preliminary final report year ended 30 June 2014 Appendix 4E

Lodged with the ASX under Listing Rule 4.3A

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Silex Systems Limited
year ended 30 June 2014
(previous corresponding period:
year ended 30 June 2013)

Results for announcement to the market

	2014 \$	2013 \$	Movement \$	Movement %	
Net cash inflows/(outflows) from operating activities	3,257,816	(8,224,080)	11,481,896	N/A	
Cash and cash equivalents & Held to maturity investments	63,934,850	64,383,999	(449,149)	1%	↓
Revenue from ordinary activities	7,411,728	24,540,908	(17,129,180)	70%	↓
Other income from continuing operations	24,010,247	7,708,938	16,301,309	211%	↑
Earnings before interest, tax, depreciation, amortisation and impairment from continuing operations (EBITDA)	(610,666)	1,734,817	(2,345,483)	N/A	
Net loss from ordinary activities after tax attributable to members	(29,488,786)	(93,119)	(29,395,667)	31,568%	↑
Net loss for the period attributable to members	(29,488,786)	(93,119)	(29,395,667)	31,568%	↑
No dividends have been paid or proposed during the reporting period					

Whilst progress in key activities has been achieved, adverse market conditions have led the Silex Board to conduct a major strategic review of all activities, resulting in a significant restructure of the Company, which was announced on the 30th June 2014. The Board advised that it would return its primary focus to development of the Company's foundation technology and core asset – the SILEX laser uranium enrichment technology and to continue to support Licensee, GE-Hitachi Global Laser Enrichment LLC ('GLE').

The restructure, which is expected to deliver a number of financial and operational benefits to Silex, has resulted in a cessation of operations at ChronoLogic, and the implementation of strategies designed to accelerate transition to market for subsidiaries Translucent and Solar Systems, reported as held for sale in these accounts, with the aim of minimising operational cash burn across the business in FY 2015.

Our focus in the coming years will be on our core SILEX laser uranium enrichment technology. We continue to see the medium to long term outlook for uranium and enrichment services returning to strong growth, and therefore firmly believe the SILEX technology, the only third generation laser enrichment technology being commercialised in the world, remains our key asset and the best path forward to deliver value to our shareholders.

This Preliminary final report should be read in conjunction with the Operational Update released in conjunction with this report and recent ASX announcements.

Cash and cash equivalents & Held to maturity investments

Our cash balance was largely maintained with a small net decrease in cash of \$0.4m during the year. This was due to cash investments in the development and commercialisation of the Company's technologies being largely offset by the \$10.4m increase in Receipts from customers and government grants. The increase in Receipts from customers and government grants was due to the Test Loop Program Phase I Milestone: Technology Demonstration and Validation receipt of US\$15.0m in July 2014 (\$nil in the prior year) and R&D tax incentive cash receipts of \$4.9m (\$3.3m in the prior year). Partly offsetting this, Government grant cash receipts decreased from \$9.3m in the prior year to \$4.0m in the current year.

Revenue from ordinary activities

The decrease in revenue from ordinary activities is mainly due to a one-off milestone for the successful completion of the Test Loop Program Phase I: Technology Demonstration and Validation resulting in milestone revenue of US\$15.0m (AU\$15.4m) to Silex Systems in the prior year (\$nil in the current year).

Results for announcement to the market (continued)

Earnings before interest, tax, depreciation, amortisation and impairment from continuing operations (EBITDA)

EBITDA from continuing operations in FY 2014 of \$0.6m loss is the net loss from continuing operations of \$29.2m excluding interest income of \$2.6m, interest expense of \$0.001m, depreciation and amortisation of \$18.9m and impairment of intangibles of \$12.4m. (EBITDA from continuing operations in FY 2013 of \$1.7m is the net profit from continuing operations of \$2.2m excluding interest income of \$3.4m, interest expense of \$0.002m, depreciation and amortisation of \$2.9m and impairment of intangibles of \$nil.) These items are explained below.

Net loss from ordinary activities after tax attributable to members

Following the major strategic review noted above, impairment of the carrying value of the previously capitalised development expenditure associated with intellectual property held by Solar Systems of \$3.9m and the goodwill on consolidation in relation to Translucent of \$8.5m was deemed necessary to comply with Australian Accounting Standards. This is an accounting charge only and does not have any impact on the Company's cash position.

Depreciation and amortisation expense from continuing operations of \$18.9m (\$2.9m in the prior year) increased primarily due to the reassessment of the useful life of Solar Systems plant and equipment. As a result of the reassessment, previously deferred Solar Systems Government grant income included in Other income was higher in the current year at \$9.1m (\$3.9m in the prior year). R&D tax incentive income from continuing operations of \$14.9m was also included in Other income in the current year (\$2.8m in the prior year).

The above noted factors and the milestone revenue of US\$15.0m (AU\$15.4m) awarded in the previous year (\$nil in the current year) are the key drivers of the increased net loss from ordinary activities after tax attributable to members. Further commentary is provided below.

Commentary on the results for the period

Silex Systems

The Silex Systems segment result was \$0.2m profit in the current year compared to \$15.9m profit in the previous year. The reduction in profit was largely due to the US\$15.0m (AU\$15.4m) revenue from GE-Hitachi Global Laser Enrichment LLC ('GLE') for the successful completion of the Test Loop Program Phase I Milestone in the prior year (\$nil in the current year). Interest income also decreased to \$2.6m in the current year compared to \$3.4m in the previous year as a result of lower interest rates and lower average cash / term deposit holdings in the current year.

Solar Systems

The Solar Systems segment loss was \$16.0m, up from \$9.0m in the previous year. The increased loss was driven by depreciation and amortisation expense of \$18.2m (\$2.2m in the prior year) primarily relating to the reassessment of the useful life of plant and equipment and the impairment of development expenditure associated with intellectual property of \$3.9m (\$nil in the prior year). Whilst these conservative accounting adjustments have been made to the Solar Systems segment, we remain positive about the commercial prospects for Solar Systems and are committed to finding the right partner for this business.

Cost of goods sold of \$5.2m in the current year was due to completion of the CPV solar power station at the Nofa Resort near Riyadh, Saudi Arabia (\$3.6m in the prior year) and R&D materials used of \$3.9m (\$2.2m in the prior year).

These unfavourable factors were partly offset by R&D Tax Incentive income of \$14.9m in the current year (\$2.8m in the prior year). Furthermore, Government grant income was higher in the current year at \$9.1m (\$3.9m in the prior year).

Translucent

As the business accelerates on its path to commercialisation, Translucent's segment loss was \$5.0m, marginally up from \$4.6m in the previous year due to additional R&D materials used in manufacturing prototype substrates.

Commentary on the results for the period (continued)

Discontinued Operations

ChronoLogic and Silex Solar discontinued operations loss was \$0.4m, down from \$2.4m in the previous year. This was mainly due to the improvement in the Silex Solar result which was favourably impacted by the collection of a receivable of \$0.9m which had been previously fully provided for, and reduced expenditure as all operations ceased with the plant decommissioned and closed in October 2012. In addition, the ChronoLogic R&D Tax Incentive income was \$1.1m in the current year (\$0.5m in the prior year).

Earnings per share from continuing operations

Basic earnings per share and diluted earnings per share from continuing operations were both (17.2) cents in the current year, compared to 1.3 cents in the previous year. The reduction in earnings per share compared with the prior year reflects the loss from ordinary activities after tax caused by the various factors discussed above.

Earnings per share

Basic earnings per share and diluted earnings per share were both (17.3) cents in the current year, compared to (0.1) cents in the previous year due to the increased loss in the current year explained above. The discontinuation of the ChronoLogic and Silex Solar operations had only a minor impact on the current year with a reduced loss of \$0.4m, compared to \$2.4m in the previous year.

Details of Associates

During the year, Silex Systems Limited ceased to hold an interest in Meehan Greene Technologies Ltd (20% in the previous year).

Other factors that affected results in the period or which are likely to affect results in the future

The global nuclear industry is still suffering the impacts of the Fukushima event and the shutdown of the entire Japanese nuclear power plant fleet in 2011. Following the tragic events in Japan, the demand for uranium has been slower to recover than expected and enrichment services remain in significant oversupply. As a result, Silex's licensee, GE-Hitachi Global Laser Enrichment LLC ('GLE') announced on the 24th July 2014 their intention to slow the pace of the commercialisation of the SILEX Uranium Enrichment Technology to align with the current adverse market conditions. The slowdown in the pace of the commercialisation program and timing of uranium and enrichment services market recovery will have a negative impact on the timing of further potential milestone payments and royalties under the Agreement signed with GLE.

The accelerated transition to market for Solar Systems and Translucent has the potential to reduce the need for further parent company investment and to result in a value-creating outcome for the consolidated entity.

For further information on other factors that have affected results in the period or which are likely to affect results in the future, please refer to the Operational Update which will be released to the ASX at the same time as this document.

Compliance and Audit

This report has been prepared in accordance with AASB Standards, Interpretations issued by the Australian Accounting Standards Board or other standards acceptable to the ASX. This report and the accounts upon which the report is based use the same accounting policies. This report gives a true and fair view of the matters disclosed. This report is based on accounts which are in the process of being audited. The entity has a formally constituted Audit Committee.



Dr Michael Goldsworthy
27th August 2014

Silex Systems Limited
Preliminary consolidated income statement
for the year ended 30 June 2014

	Note	2014 \$	2013 \$
Revenue from continuing operations	2	7,398,554	23,642,782
Other income	3	24,010,247	7,708,938
Cost of sales		(5,185,474)	(3,620,804)
Research and development materials		(4,618,244)	(2,355,960)
Finance costs	4	(529)	(1,793)
Depreciation and amortisation expense	4	(18,887,138)	(2,945,893)
Impairment of intangibles		(12,379,766)	-
Employee benefits expense		(13,016,744)	(14,431,523)
Consultants and professional fees		(2,521,051)	(2,602,855)
Printing, postage, freight and stationery		(146,958)	(265,960)
Rent, utilities and property outgoings		(1,840,250)	(1,344,423)
Net foreign exchange losses		(15,847)	-
Other expenses from ordinary activities		(2,043,177)	(1,591,472)
(Loss)/profit before income tax expense		(29,246,377)	2,191,037
Income tax expense	5	-	-
Net (loss)/profit from continuing operations		(29,246,377)	2,191,037
Net (loss) from discontinued operations	12	(385,083)	(2,421,488)
Net (loss) for the year		(29,631,460)	(230,451)
Net (loss) is attributable to:			
Owners of Silex Systems Limited		(29,488,786)	(93,119)
Non-controlling interests		(142,674)	(137,332)
		(29,631,460)	(230,451)
		Cents	Cents
Earnings per share for (loss)/profit from continuing operations attributable to the ordinary equity holders of the company			
Basic earnings per share		(17.2)	1.3
Diluted earnings per share		(17.2)	1.3
Earnings per share for (loss) attributable to the ordinary equity holders of the company			
Basic earnings per share		(17.3)	(0.1)
Diluted earnings per share		(17.3)	(0.1)

The above preliminary consolidated income statement should be read in conjunction with the accompanying notes, the 2013 Annual Report, the full financial report for the year ended 30 June 2013 and all ASX announcements.

Silex Systems Limited
Preliminary consolidated statement of comprehensive income
for the year ended 30 June 2014

	2014 \$	2013 \$
Net (loss) for the year	(29,631,460)	(230,451)
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(295,336)	212,435
Other comprehensive income for the year, net of tax	(295,336)	212,435
Total comprehensive income for the year	(29,926,796)	(18,016)
Attributable to:		
Owners of Silex Systems Limited	(29,784,122)	119,316
Non-controlling interest	(142,674)	(137,332)
Total comprehensive income for the year	(29,926,796)	(18,016)
Total comprehensive income for the period attributable to owners of Silex Systems Limited arises from:		
Continuing operations	(29,538,133)	2,406,755
Discontinued operations	(245,989)	(2,287,439)
	(29,784,122)	119,316

The above preliminary consolidated statement of comprehensive income should be read in conjunction with the accompanying notes, the 2013 Annual Report, the full financial report for the year ended 30 June 2013 and all ASX announcements.

Silex Systems Limited
Preliminary consolidated balance sheet
as at 30 June 2014

	Note	30 June 2014 \$	30 June 2013 \$
ASSETS			
Current assets			
Cash and cash equivalents		3,178,811	8,720,156
Held to maturity investments - term deposits		60,756,039	55,663,843
Trade and other receivables		2,571,418	21,048,200
Inventories		18,498	3,642,672
		<u>66,524,766</u>	<u>89,074,871</u>
Assets held for sale	13	30,819,183	-
Total current assets		<u>97,343,949</u>	<u>89,074,871</u>
Non-current assets			
Property, plant and equipment		110,226	27,427,549
Deferred tax assets		2,491	6,080
Intangible assets		6,594	20,618,441
Investments accounted for using the equity method		-	103,131
Total non-current assets		<u>119,311</u>	<u>48,155,201</u>
Total assets		<u>97,463,260</u>	<u>137,230,072</u>
LIABILITIES			
Current liabilities			
Trade and other payables	6	1,469,740	7,440,541
Provisions		1,237,149	1,062,291
		<u>2,706,889</u>	<u>8,502,832</u>
Liabilities directly associated with assets held for sale	13	2,559,317	-
Total current liabilities		<u>5,266,206</u>	<u>8,502,832</u>
Non-current liabilities			
Trade and other payables	6	-	7,210,483
Provisions		111,971	192,501
Total non-current liabilities		<u>111,971</u>	<u>7,402,984</u>
Total liabilities		<u>5,378,177</u>	<u>15,905,816</u>
Net assets		<u>92,085,083</u>	<u>121,324,256</u>
EQUITY			
Contributed equity	7	231,671,231	231,417,226
Reserves		9,882,811	9,744,529
Accumulated losses	8	(148,650,577)	(119,161,791)
Capital and reserves attributable to owners of:			
Silex Systems Limited		92,903,465	121,999,964
Non-controlling interest		(818,382)	(675,708)
Total equity		<u>92,085,083</u>	<u>121,324,256</u>

The above preliminary consolidated balance sheet should be read in conjunction with the accompanying notes, the 2013 Annual Report, the full financial report for the year ended 30 June 2013 and all ASX announcements.

Silex Systems Limited
Preliminary consolidated statement of changes in equity
for the year ended 30 June 2014

	Attributable to owners of Silex Systems Limited					
	Contributed equity	Reserves	Accumulated losses	Total	Non- controlling interests	Total
	\$	\$	\$	\$	\$	\$
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 year	-	-	(93,119)	(93,119)	(137,332)	(230,451)
Exchange differences on translation of foreign operations	-	212,435	-	212,435	-	212,435
Total comprehensive income for the year	-	212,435	(93,119)	119,316	(137,332)	(18,016)
Transactions with owners in their capacity as owners						
Shares to employees, net of transaction costs	(5,367)	-	-	(5,367)	-	(5,367)
Employee shares and options - value of employee services	-	711,531	-	711,531	-	711,531
Transfer from share based payments reserve	359,481	(359,481)	-	-	-	-
Deferred tax credit recognised directly in equity	(5,257)	-	-	(5,257)	-	(5,257)
	348,857	352,050	-	700,907	-	700,907
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 year	-	-	(29,488,786)	(29,488,786)	(142,674)	(29,631,460)
Exchange differences on translation of foreign operations	-	(295,336)	-	(295,336)	-	(295,336)
Total comprehensive income for the year	-	(295,336)	(29,488,786)	(29,784,122)	(142,674)	(29,926,796)
Transactions with owners in their capacity as owners						
Shares to employees, net of transaction costs	(4,966)	-	-	(4,966)	-	(4,966)
Employee shares and options - value of employee services	-	696,178	-	696,178	-	696,178
Transfer from share based payments reserve	262,560	(262,560)	-	-	-	-
Deferred tax credit recognised directly in equity	(3,589)	-	-	(3,589)	-	(3,589)
	254,005	433,618	-	687,623	-	687,623
Balance at 30 June 2014	231,671,231	9,882,811	(148,650,577)	92,903,465	(818,382)	92,085,083

The above preliminary consolidated statement of changes in equity should be read in conjunction with the accompanying notes, the 2013 Annual Report, the full financial report for the year ended 30 June 2013 and all ASX announcements.

Silex Systems Limited
Preliminary consolidated statement of cash flows
for the year ended 30 June 2014

	Note	2014 \$	2013 \$
Cash flows from operating activities			
Receipts from customers and government grants (inclusive of GST)		30,060,966	19,625,906
Payments to suppliers and employees (inclusive of GST)		(28,773,788)	(31,567,717)
Interest received		1,971,167	3,719,524
Interest paid		(529)	(1,793)
Net cash inflows/(outflows) from operating activities	10	3,257,816	(8,224,080)
Cash flows from investing activities			
Payments for held to maturity investments - term deposits		(5,092,196)	-
Proceeds from held to maturity investments - term deposits		-	28,249,078
Payments for property, plant and equipment		(708,533)	(13,818,509)
Payments for intangibles		(2,935,502)	(1,598,172)
Proceeds from sale of property, plant and equipment		6,773	343,335
Net cash (outflows)/inflows from investing activities		(8,729,458)	13,175,732
Cash flows from financing activities			
Transaction costs from issue of shares		(4,966)	(5,367)
Net cash (outflows) from financing activities		(4,966)	(5,367)
Net (decrease)/increase in cash held		(5,476,608)	4,946,285
Cash and cash equivalents at the beginning of the financial year		8,720,156	3,682,254
Effects of exchange rate changes on cash		(64,737)	91,617
Cash and cash equivalents at end of year *		3,178,811	8,720,156
*Held to maturity investments excluded from Cash and cash equivalents		60,756,039	55,663,843

The above preliminary consolidated statement of cash flows should be read in conjunction with the accompanying notes, the 2013 Annual Report, the full financial report for the year ended 30 June 2013 and all ASX announcements.

Silex Systems Limited
Notes to the preliminary financial statements
for the year ended 30 June 2014

Note 1 Basis of preparation of full-year financial report

This preliminary financial report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001.

This preliminary 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 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 year.

	2014	2013
	\$	\$
Note 2 Revenue		
From continuing operations		
Milestone revenue	-	15,406,738
Recoverable project costs from GLE	4,540,761	4,099,109
Sale of goods	224,489	126,688
Services	1,582	606,341
Interest income	2,631,722	3,403,906
	7,398,554	23,642,782
From discontinued operations (note 12)		
Sale of goods	9,119	843,460
Rent	-	42,606
Interest income	4,055	12,060
	13,174	898,126
	2014	2013
	\$	\$
Note 3 Other income		
From continuing operations		
Government grants	9,080,315	3,917,365
Research and development tax incentive	14,923,227	2,805,308
Foreign currency exchange gains (net)	-	986,265
Profit on sale of property, plant and equipment	6,591	-
Other	114	-
	24,010,247	7,708,938
From discontinued operations (note 12)		
Research and development tax incentive	1,077,213	480,808
Foreign currency exchange gains (net)	-	102,010
Profit on sale of property, plant and equipment	182	171,662
	1,077,395	754,480

Silex Systems Limited
Notes to the preliminary financial statements
for the year ended 30 June 2014 (continued)

	2014	2013
	\$	\$
Note 4 Expenses		
(Loss)/profit from continuing operations before income tax includes the following expenses:		
Depreciation of plant and equipment	17,037,172	1,252,548
Depreciation of buildings	354,139	76,400
Depreciation of leasehold improvements	86,363	79,952
Amortisation of software	108,996	99,477
Amortisation of intellectual property	1,300,468	1,437,516
Total depreciation and amortisation	18,887,138	2,945,893
Finance costs		
Interest and finance charges paid/payable	529	1,793
Finance costs expensed	529	1,793
Rental expenses relating to operating leases		
Minimum lease payments	1,223,175	945,728
Provision for employee entitlements	87,834	131,164
Provision for restructuring	152,794	-
Defined contribution superannuation expense	753,524	807,988
Provision for warranties	500,000	-
Impairment of goodwill on consolidation – Translucent	8,477,619	-
Impairment of intellectual property	3,902,147	-
Foreign exchange losses (net)	15,847	-
Loss on disposal of property, plant and equipment	-	55,508
Research and development costs*	22,990,232	15,322,324

* Total Research and development costs from continuing operations for the year ended 30 June 2014 are \$39,666,491 (2013: \$16,588,591) which includes \$16,676,259 (2013: \$1,266,267) of depreciation and amortisation of research and development assets.

Silex Systems Limited
Notes to the preliminary financial statements
for the year ended 30 June 2014 (continued)

	2014	2013
	\$	\$
Note 5 Income tax		
(Loss)/profit from continuing operations before income tax expense	(29,246,377)	2,191,037
(Loss) from discontinued operation before income tax expense	(385,083)	(2,421,488)
	(29,631,460)	(230,451)
Income tax calculated @ 30%	(8,889,438)	(69,135)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Amortisation of intangibles	13,165	13,165
Share based payments	208,853	213,459
Unrealised exchange differences on loan balances	(408,522)	1,394,693
Goodwill impairment	2,543,286	-
Research and development incentive	3,493,201	(1,187,142)
Sundry items	34,306	44,200
	(3,005,149)	409,240
Deferred tax asset not recognised	3,699,722	227,602
Effect of higher rates on overseas income	(694,573)	(636,842)
Income tax expense	-	-

	2014	2013
	\$	\$
Note 6 Liabilities – Trade and other payables		
(a) Current		
Trade creditors	711,685	2,676,730
Negotiated lease settlement	-	2,896,296
Deferred grant income	-	723,024
Other payables	758,055	1,144,491
	1,469,740	7,440,541
(b) Non-current		
Deferred grant income	-	7,210,483
	-	7,210,483

	Parent entity		Parent entity	
	2014	2013	2014	2013
	Shares	Shares	\$	\$
Note 7 Contributed equity				
(a) Share capital				
Ordinary shares				
Fully paid	170,367,734	170,249,150	231,671,231	231,417,226

Silex Systems Limited
Notes to the preliminary financial statements
for the year ended 30 June 2014 (continued)

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue Price \$	\$
30 June 2012	Balance	170,143,997		231,068,369
Various	Issue of shares	105,153	Various	359,481
				231,427,850
	Less transaction costs arising on share issue			(5,367)
	Deferred tax credit recognised directly in equity			(5,257)
30 June 2013	Balance	170,249,150		231,417,226
Various	Issue of shares	118,584	Various	262,560
				231,679,786
	Less transaction costs arising on share issue			(4,966)
	Deferred tax credit recognised directly in equity			(3,589)
30 June 2014	Balance	170,367,734		231,671,231

	2014 \$	2013 \$
Note 8 Accumulated losses		
Accumulated losses at the beginning of the financial year	(119,161,791)	(119,068,672)
Net (loss) attributable to members of Silex Systems Limited	(29,488,786)	(93,119)
Accumulated losses at the end of the financial year	(148,650,577)	(119,161,791)

	2014 \$	2013 \$
Note 9 Net tangible asset backing		
Net tangible asset backing per ordinary security	0.4832	0.5915

Silex Systems Limited
Notes to the preliminary financial statements
for the year ended 30 June 2014 (continued)

	2014 \$	2013 \$
Note 10 Reconciliation of net (loss) after income tax to net cash inflows/(outflows) from operating activities		
Net (loss) after income tax	(29,631,460)	(230,451)
Depreciation and amortisation	19,152,324	3,721,167
Impairment of intangibles	12,379,766	-
(Profit) on sale of plant and equipment	(6,773)	(116,154)
Non cash employee benefits expense - share based payments	696,178	711,531
Share of loss/(profit) of associate and write-down	103,131	(4,895)
Net exchange differences	(136,350)	(213,679)
Decrease in prepayments and other current assets	183,477	1,239,074
Decrease/(increase) in trade and other debtors	19,276,193	(15,820,263)
(Increase)/decrease in accrued income	(11,682,610)	166,558
Decrease/(increase) in inventories net of transfers from plant & equipment	3,451,579	(1,755,105)
(Decrease)/increase in trade and other creditors	(11,276,256)	4,801,776
Increase/(decrease) in provisions	748,617	(723,639)
Net cash inflows/(outflows) from operating activities	3,257,816	(8,224,080)

Note 11 Segment information

	Silex Systems \$	Solar Systems \$	Translucent \$	Total \$
2014				
Total segment revenue	8,588,134	283,257	3,920,172	12,791,563
Inter-segment revenue	(1,474,462)	-	(3,918,547)	(5,393,009)
Revenue from external customers	7,113,672	283,257	1,625	7,398,554
Segment result	221,325	(15,958,156)	(5,031,927)	(20,768,758)
Total segment assets	64,764,354	29,133,782	2,784,748	96,682,884
Total segment liabilities	2,064,813	2,307,186	252,131	4,624,130
2013				
Total segment revenue	24,102,506	747,405	3,005,182	27,855,093
Inter-segment revenue	(1,207,141)	-	(3,005,170)	(4,212,311)
Revenue from external customers	22,895,365	747,405	12	23,642,782
Segment result	15,853,031	(9,047,205)	(4,614,789)	2,191,037
Total segment assets	80,888,426	43,761,286	3,497,389	128,147,101
Total segment liabilities	1,915,117	9,970,906	521,515	12,407,538

Silex Systems Limited
Notes to the preliminary financial statements
for the year ended 30 June 2014 (continued)

The Board of Directors assess the performance of the operating segments based on a result that excludes exchange gains and losses on intercompany loans which eliminate on consolidation and impairment of intangibles on consolidation. Silex Solar and ChronoLogic have been disclosed as discontinued operations and not as reportable segments. A reconciliation of the segment result to net (loss)/profit from continuing operations is provided as follows.

	2014	2013
	\$	\$
Segment result	(20,768,758)	2,191,037
Impairment of goodwill on consolidation - Translucent	(8,477,619)	-
(Loss)/profit before income tax from continuing operations	(29,246,377)	2,191,037

Segment assets are reconciled to total assets as follows:

	2014	2013
	\$	\$
Segment assets	96,682,884	128,147,101
Discontinued operations - ChronoLogic and Silex Solar	777,885	599,272
Unallocated:		
Goodwill	-	8,477,619
Deferred tax assets	2,491	6,080
Total assets as per the balance sheet	97,463,260	137,230,072

Segment liabilities are reconciled to total liabilities as follows:

	2014	2013
	\$	\$
Segment liabilities	4,624,130	12,407,538
Discontinued operations - ChronoLogic and Silex Solar	754,047	3,498,278
Total liabilities as per the balance sheet	5,378,177	15,905,816

Note 12 Discontinued Operations

On the 30th June 2014, as part of the completion of a major strategic review of the entire Silex Systems Group, Silex Systems announced that operations at subsidiary ChronoLogic would cease in order to end any requirement for Silex investment in the business beyond Q1 FY 2015. Several licence opportunities are continuing to be pursued.

Additionally, as reported previously, all Silex Solar activities have ceased with the plant decommissioned and closed in October 2012.

A summary of the results of the discontinued operations of ChronoLogic and Silex Solar is provided below.

	2014	2013
	\$	\$
Revenue (note 2)	13,174	898,126
Other income (note 3)	1,077,395	754,480
Expenses	(1,475,652)	(4,074,094)
(Loss) before income tax	(385,083)	(2,421,488)
Income tax expense	-	-
(Loss) after income tax of discontinued operations	(385,083)	(2,421,488)

Silex Systems Limited
Notes to the preliminary financial statements
for the year ended 30 June 2014 (continued)

	2014	2013
	\$	\$
Net cash (outflows) from operating activities	(3,530,785)	(2,573,679)
Net cash inflows from investing activities	43,922	176,293
Net cash (outflows) from financing activities	-	-
Net cash (outflows) from the discontinued operations	(3,486,863)	(2,397,386)

Note 13 Assets Held for Sale

On the 30th June 2014, as part of the completion of a major strategic review of the entire Silex Systems Group, Silex Systems announced an accelerated transition to market for subsidiaries Solar Systems and Translucent. It is expected that an outcome with the aim of reducing the need for parent company investment beyond FY 2015 is highly probable in the next 12 months. As a result, these two business segments, net of cash and held to maturity investments, are reported as held for sale.

	2014	2013
	\$	\$
Revenue	284,882	747,417
Other income	24,009,678	6,722,673
Expenses	(45,284,643)	(21,132,084)
(Loss) before income tax	(20,990,083)	(13,661,994)
Income tax expense	-	-
(Loss) after income tax of held for sale operations	(20,990,083)	(13,661,994)

	2014
	\$
Trade and other receivables	10,699,722
Inventories	885,924
Property, plant and equipment	9,475,930
Intangible assets	9,757,607
Total assets of disposal group held for sale	30,819,183
Payables	(1,905,028)
Provisions	(654,289)
Total liabilities of disposal group held for sale	(2,559,317)

Note 14 Events occurring after reporting date

Silex Systems

On the 24th July 2014, the Licensee for the SILEX Uranium Enrichment Technology, GE-Hitachi Global Laser Enrichment LLC ('GLE'), announced changes to the funding and pace of the commercialisation program to align with current adverse market conditions. GLE confirmed their intention to consolidate efforts on the technology development activities to its Wilmington facility in North Carolina, USA.

The financial effect of this decision has not been brought to account in the financial statements for the year ended 30th June 2014 having occurred after this date. These costs cannot be reliably measured at this point; however they are not expected to have a material impact on the results of the Group.

Solar Systems

On the 18th August 2014 Silex announced that the Australian Renewable Energy Agency (ARENA) and Solar Systems have agreed to suspend plans for the 100MW Mildura Solar Power Station and terminate the conditional funding deed for \$75 million. The decision was based on a number of factors, including low wholesale electricity prices and the uncertainty surrounding the Renewable Energy Target. Due to these circumstances, the \$35 million in conditional funding from the Victorian Government has also been terminated. Alternatives to further develop the Mildura site and other Australian-based projects are currently being explored.

There is no direct financial cost anticipated to Solar Systems as a consequence of the decision to suspend plans for the 100MW Mildura Solar Power Station. Management continue efforts towards securing a strategic partnership or equity transaction for Solar Systems during FY 2015, aiming to achieve a value-creating outcome and potentially reducing the need for further parent company investment.

Other

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 above and in the Operational Update released to the ASX at the same time as this document.

Statement of Compliance

This Appendix 4E has not been audited and is based on financial statements which are in the process of being audited.

The financial statements, together with the independent auditor's report will be made available in the Silex 2014 Annual Report.



Julie Ducie
Company Secretary

IMPORTANT NOTICE:

Forward Looking Statements and Business Risks:

Silex Systems is a research and development Company whose assets are its proprietary rights in various technologies, including, but not limited to, the SILEX technology, Solar Systems technology and business, Translucent technology and ChronoLogic technology. Several of the Company's technologies are in the development stage and have not been commercially deployed, and therefore are high-risk. Accordingly, the statements in this document regarding the future of the Company's technologies and commercial prospects are forward looking and actual results could be materially different from those expressed or implied by such forward looking statements as a result of various risk factors.

Some risk factors that could affect future results and commercial prospects include, but are not limited to: results from the SILEX uranium enrichment commercialisation program; the demand for enriched uranium; the risks associated with the development of Solar Systems technology and related marketing activities; the outcomes of the Company's interests in the development of various semiconductor, photonics, instrumentation and alternative energy technologies; the time taken to develop various technologies; the development of competing technologies; the potential for third party claims against the Company's ownership of Intellectual Property associated with its numerous technologies; the potential impact of government regulations or policies; and the outcomes of various commercialisation strategies undertaken by the Company.