

Silex Systems Limited

ABN 69 003 372 067

Appendix 4D

ASX Half-year information – 31 December 2014

Lodged with the ASX under Listing Rule 4.2A

This information should be read in conjunction with the 30 June 2014 Annual Report and the full financial report for the year ending 30 June 2014.

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Silex Systems Limited
half-year ended 31 December 2014
(Previous corresponding period:
half-year ended 31 December 2013)

Results for announcement to the market

	2014 \$	2013 \$	Movement \$	Movement %	
Net cash inflows from operating activities	1,403,892	7,742,137	(6,338,245)	81.9%	↓
Cash and cash equivalents and Held to maturity investments	64,551,498	63,934,850	616,648	1.0%	↑
Revenue from ordinary activities	2,705,142	3,941,051	(1,235,909)	31.4%	↓
Other income from continuing activities	2,968,407	4,900,479	(1,932,072)	39.4%	↓
Earnings before interest, tax, depreciation, amortisation and impairment from continuing operations (EBITDA)	(7,519,608)	(7,327,213)	(192,395)	2.6%	↑
Net loss from ordinary activities after tax attributable to members	(6,689,247)	(7,653,399)	964,152	12.6%	↓
Net loss for the period attributable to members	(6,689,247)	(7,653,399)	964,152	12.6%	↓

No dividends have been paid or proposed during the reporting period

As announced on 30 June 2014, ongoing adverse market conditions led the Silex Board to conduct a major strategic review of all activities across the Silex Group, resulting in a significant restructure of the Company. The key outcome of the review was the decision to return the Company's primary focus to the development of its foundation technology and core asset – the SILEX laser uranium enrichment technology and to continue to support commercialisation activities being conducted by our Licensee, GE-Hitachi Global Laser Enrichment LLC ('GLE'). The restructure has delivered a number of operational and financial benefits to Silex and further benefits are expected on completion of the restructure.

This restructure has been the major focus of the Company during the half-year ended 31 December 2014 with a number of significant changes completed, including the cessation of operations at ChronoLogic, and the implementation of strategies aimed at securing value-creating transactions with strategic partners or investors for our subsidiaries Solar Systems and Translucent, the assets of which are reported as held for sale in these accounts. It is expected that the finalisation of this restructure will result in a significant reduction in operational cash burn beyond FY 2015.

Following the announcement of the strategic review, SILEX Licensee, GLE, announced its own restructure in July 2014, resulting in the slowing down of the commercialisation project in response to adverse conditions in the nuclear fuel markets, largely precipitated by the shutdown of the Japanese nuclear industry after the Fukushima disaster. GLE has completed its restructure, which resulted in a significant reduction of funding for activities in its US operations, which have now been consolidated in Wilmington, North Carolina. Despite these events and GLE's restructure, we continue to see the medium to long-term outlook for uranium and enrichment services returning to strong growth. We 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 half-year 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 increased slightly during the half-year by \$0.6m to \$64.6m. Cash investment in the development and commercialisation of the Company's subsidiary technologies continued during the half-year as the process for securing strategic partners and/or investors ramped up. This investment was offset by R&D tax incentive cash receipts of \$11.5m during the period.

Silex Systems Limited

Results for announcement to the market (continued)

Payments to suppliers and employees reduced by \$1.2m in the current half-year compared to the half-year ended 31 December 2013. Payments in the current period included various termination payments which contributed to the \$1.9m reduction in Total liabilities. Total headcount reduced significantly during the current period.

Explanation of the decrease in revenue

The decrease in Revenue is primarily due to a \$1m reduction in Recoverable projects costs on the Uranium Enrichment Project. As noted above, in July 2014, GLE announced changes to the funding and pace of the commercialisation program to align with adverse market conditions. This resulted in GLE discontinuing funding of ongoing activities involving a small group of Silex specialists based in Lucas Heights, Sydney, during the half-year.

Interest income decreased from \$1.4m in the previous period to \$1.1m in the current period as a result of lower average cash / term deposit holdings and lower interest rates in the current period.

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

EBITDA from continuing operations for the half-year ended 31 December 2014 was a loss of \$7.5m. This comprises a loss from operations of \$6.5m adjusted for net interest income of \$1.1m and depreciation and amortisation of \$0.03m.

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

The loss from ordinary activities reduced by \$1.0m compared to the previous corresponding period. Overall, expenses from continuing operations reduced by \$4.9m as the Company continued to focus on lowering its operating cost overheads whilst maintaining technical and commercialisation progress for each of its continuing business segments. Further explanation on the reduction in the loss is as follows:

Revenue from continuing activities: Revenue from continuing activities of \$2.7m decreased \$1.2m primarily due to the reduction in Recoverable project costs outlined above.

Other income: Other income from continuing activities reduced by \$1.9m. This was mainly due to a \$1.5m decrease in the R&D Tax Incentive. The prior period amount included \$3.9m for the 12 months ended 30 June 2013. Included in the current period is the anticipated R&D Tax Incentive of \$1.9m for the half-year ended 31 December 2014.

Cost of sales: Cost of sales reduced by \$2.6m as a result of the completion of the CPV solar power station at the Nofa Equestrian Resort near Riyadh, Saudi Arabia.

Depreciation and amortisation expense: Following the major strategic review noted above, the assets and liabilities of Solar Systems and Translucent were classified as held for sale as at 30 June 2014 and depreciation and amortisation of the assets ceased on this date. This has resulted in a reduction in Depreciation and amortisation expense of \$2.2m to \$0.03m in the current period.

There was also a reduction in research and development materials costs of \$0.4m and Employee benefits expense of \$0.7m due to operational changes as a result of the major strategic review. This was partially offset by increased expenditure on Consultants and professional fees of \$0.9m as the Company implemented its restructure.

The result from discontinued operations moved from a profit of \$0.5m in the previous corresponding period to a loss of \$0.3m in the half-year ended 31 December 2014. This was mainly due to the previous corresponding period being favourably impacted by the collection of a Silex Solar receivable of \$0.9m which had been previously fully provided for.

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 2014, the full financial report for the year ending 30 June 2014 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 2014.

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:

Dr L M McIntyre – Chair
Dr M P Goldsworthy – CEO / Managing Director
Mr A M Stock
Mr C D Wilks

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 8 of this report sets out the main revenue and expense items for the half-year ended 31 December 2014 with comparatives for the half-year ended 31 December 2013. A summary is shown below:

	6 months ended 31 December 2014	6 months ended 31 December 2013
	\$	\$
Revenue from continuing operations	2,697,951	3,933,020
(Loss) before tax	(6,459,877)	(8,180,076)
Income tax expense	-	-
Net (loss) from continuing operations	(6,459,877)	(8,180,076)
Net (loss)/profit from discontinued operations	(256,429)	481,577
Net (loss) for the half-year	(6,716,306)	(7,698,499)
 (Loss) is attributable to:		
Owners of Silex Systems Limited	(6,689,247)	(7,653,399)
Non-controlling interests	(27,059)	(45,100)
	(6,716,306)	(7,698,499)

Silex Systems Limited
Directors' report (continued)

Overall, the Company incurred a loss attributable to owners of Silex Systems Limited for the half-year ended 31 December 2014 of \$6.7m (loss of \$7.7m for the previous corresponding period).

The result for the half-year period was impacted by:

- Revenue and Other income from continuing operations reduced by \$3.2m. Recoverable project costs on the Uranium Enrichment Project reduced by \$1.0m as GLE discontinued funding of ongoing Silex activities at Lucas Heights, Sydney, during the half-year. Research & Development (R&D) Tax Incentive income dropped by \$1.5m in the current period mainly due to the previous corresponding period amount being for a 12 month period rather than 6 months. Government grant income reduced by \$0.5m as a result of the completion of Solar Systems grant funding arrangements.
- Expenses from continuing operations reduced by \$4.9m as the Group implemented its restructure to lower its operating cost base whilst maintaining technical and commercialisation progress for each of its continuing business segments.
- The result from discontinued operations moved from a profit of \$0.5m in the previous corresponding period to a loss of \$0.3m in the current period. This was mainly due to the previous corresponding period being favourably impacted by the collection of a Silex Solar receivable of \$0.9m which had been previously fully provided for.

At a segment level:

- The Silex Systems segment result showed a modest improvement (loss of \$0.2m in the previous corresponding period compared to a loss of \$0.1m in the current period). Of note was the reduction in recoverable project costs on the Uranium Enrichment Project of \$1.0m which was largely offset by the reduction to Employee benefits expenses of \$0.9m.
- The Solar Systems' segment loss reduced by \$1.8m driven by the reduction in Depreciation and amortisation of \$1.9m as a result of the assets being held for sale and a reduction of \$2.6m in Cost of sales following the completion of the CPV solar power station at the Nofa Equestrian Resort near Riyadh, Saudi Arabia. These favourable amounts were partially offset by a \$1.5m decrease in the R&D Tax Incentive, a reduction in Government grant income of \$0.5m and by an increase of \$0.9m in Consultants and professional fees as the business prepared and implemented the actions required as a consequence of the major strategic review.
- The Translucent segment loss increased slightly from \$2.4m to \$2.5m. The current period result was impacted unfavourably by the weakening AUD against the USD during the current period.

The total cash balance (including held to maturity investments) as at 31 December 2014 was \$64.6m. Net cash inflows from operating activities for the current period were \$1.4m compared to \$7.7m in the prior period. The previous corresponding period included the receipt of US\$15.0m (AUD\$16.3m) from GLE for the successful completion of the Test Loop Program Phase 1 Milestone.

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 7.

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

Dr M P Goldsworthy
Managing Director
Sydney, 20 February 2015

Dr L M McIntyre
Director



Auditor's Independence Declaration

As lead auditor for the review of Silex Systems Limited for the half year ended 31 December 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 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, appearing to read 'S. Humphries', with a large, stylized flourish at the end.

Stephen Humphries
Partner
PricewaterhouseCoopers

Sydney
20 February 2015

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Silex Systems Limited
Consolidated income statement
for the half-year ended 31 December 2014

	Note	6 months ended 31 December 2014 \$	6 months ended 31 December 2013 \$
Revenue from continuing operations		2,697,951	3,933,020
Other income		2,968,407	4,900,479
Cost of sales		(729,110)	(3,331,036)
Research and development materials		(1,213,643)	(1,583,546)
Finance costs		(44,823)	(461)
Depreciation and amortisation expense		(33,867)	(2,242,275)
Employee benefits expense		(6,046,568)	(6,788,413)
Consultants and professional fees		(1,698,776)	(836,592)
Printing, postage, freight and stationery		(85,237)	(90,410)
Rent, utilities and property outgoings		(1,103,148)	(939,353)
Other expenses from ordinary activities		(1,171,063)	(1,201,489)
(Loss) before income tax expense		(6,459,877)	(8,180,076)
Income tax expense		-	-
Net (loss) from continuing operations		(6,459,877)	(8,180,076)
Net (loss)/profit from discontinued operations	8	(256,429)	481,577
Net (loss) for the half-year		(6,716,306)	(7,698,499)
 (Loss) is attributable to:			
Owners of Silex Systems Limited		(6,689,247)	(7,653,399)
Non-controlling interests		(27,059)	(45,100)
		(6,716,306)	(7,698,499)
		Cents	Cents
Earnings per share for (loss) from continuing operations attributable to the ordinary equity holders of the company			
Basic earnings per share		(3.8)	(4.8)
Diluted earnings per share		(3.8)	(4.8)
Earnings per share for (loss) attributable to the ordinary equity holders of the company			
Basic earnings per share		(3.9)	(4.5)
Diluted earnings per share		(3.9)	(4.5)

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 2014

	6 months ended 31 December 2014	6 months ended 31 December 2013
	\$	\$
Net (loss) for the half-year	(6,716,306)	(7,698,499)
Other comprehensive income		
<i>Items that may be reclassified to profit or loss :</i>		
Exchange differences on translation of foreign operations	340,539	21,613
Other comprehensive income for the half-year, net of tax	340,539	21,613
Total comprehensive income for the half-year	(6,375,767)	(7,676,886)
Attributable to:		
Owners of Silex Systems Limited	(6,348,708)	(7,631,786)
Non-controlling interest	(27,059)	(45,100)
Total comprehensive income for the half-year	(6,375,767)	(7,676,886)
Total comprehensive income for the period attributable to owners of Silex Systems Limited arises from:		
Continuing operations	(6,117,545)	(8,156,756)
Discontinued operations	(231,163)	524,970
	(6,348,708)	(7,631,786)

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 2014

	Note	31 December 2014 \$	30 June 2014 \$
ASSETS			
Current assets			
Cash and cash equivalents		1,978,047	3,178,811
Held to maturity investments - term deposits		62,573,451	60,756,039
Trade and other receivables		1,231,453	2,571,418
Inventories		18,498	18,498
		<u>65,801,449</u>	<u>66,524,766</u>
Assets classified as held for sale	5	<u>23,409,649</u>	<u>30,819,183</u>
Total current assets		<u>89,211,098</u>	<u>97,343,949</u>
Non-current assets			
Property, plant and equipment		85,564	110,226
Deferred tax assets		3,155	2,491
Intangible assets		3,189	6,594
Total non-current assets		<u>91,908</u>	<u>119,311</u>
Total assets		<u>89,303,006</u>	<u>97,463,260</u>
LIABILITIES			
Current liabilities			
Trade and other payables		1,092,917	1,469,740
Provisions		581,965	1,237,149
		<u>1,674,882</u>	<u>2,706,889</u>
Liabilities directly associated with assets classified as held for sale	5	<u>1,693,702</u>	<u>2,559,317</u>
Total current liabilities		<u>3,368,584</u>	<u>5,266,206</u>
Non-current liabilities			
Provisions		68,874	111,971
Total non-current liabilities		<u>68,874</u>	<u>111,971</u>
Total liabilities		<u>3,437,458</u>	<u>5,378,177</u>
Net assets		<u>85,865,548</u>	<u>92,085,083</u>
EQUITY			
Contributed equity	6	231,753,529	231,671,231
Reserves		10,297,284	9,882,811
Accumulated losses		(155,339,824)	(148,650,577)
Capital and reserves attributable to owners of:			
Silex Systems Limited		86,710,989	92,903,465
Non-controlling interest		(845,441)	(818,382)
Total equity		<u>85,865,548</u>	<u>92,085,083</u>

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 2014

	Attributable to owners of Silex Systems Limited				Non-controlling interests	Total
	Contributed equity	Reserves	Accumulated losses	Total		
	\$	\$	\$	\$	\$	\$
Balance at 30 June 2014	231,671,231	9,882,811	(148,650,577)	92,903,465	(818,382)	92,085,083
Net (loss) for the half-year	-	-	(6,689,247)	(6,689,247)	(27,059)	(6,716,306)
Exchange differences on translation of foreign operations	-	340,539	-	340,539	-	340,539
Total comprehensive income for the half-year	-	340,539	(6,689,247)	(6,348,708)	(27,059)	(6,375,767)
Transactions with owners in their capacity as owners						
Transaction costs on employee share issues	(3,228)	-	-	(3,228)	-	(3,228)
Employee shares and options - value of employee services	-	158,796	-	158,796	-	158,796
Transfer from share based payments reserve	84,862	(84,862)	-	-	-	-
Deferred tax credit recognised directly in equity	664	-	-	664	-	664
	82,298	73,934	-	156,232	-	156,232
Balance at 31 December 2014	231,753,529	10,297,284	(155,339,824)	86,710,989	(845,441)	85,865,548
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						
Transaction costs on employee share issues	(1,575)	-	-	(1,575)	-	(1,575)
Employee share 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

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 2014

	6 months ended 31 December 2014	6 months ended 31 December 2013
	\$	\$
Cash flows from operating activities		
Receipts from customers and government grants (inclusive of GST)	13,973,514	21,918,207
Payments to suppliers and employees (inclusive of GST)	(14,265,946)	(15,429,287)
Interest received	1,741,147	1,253,678
Interest paid	(44,823)	(461)
Net cash inflows from operating activities	1,403,892	7,742,137
Cash flows from investing activities		
Payments for property, plant and equipment	(156,492)	(1,267,244)
Proceeds from sale of property, plant and equipment	8,727	182
Payments for intangibles	(643,045)	(873,563)
Payments for held to maturity investments – term deposits	(1,817,412)	(11,000,000)
Net cash (outflows) from investing activities	(2,608,222)	(13,140,625)
Cash flows from financing activities		
Transaction costs on issue of shares	(3,228)	(1,575)
Net cash (outflows) from financing activities	(3,228)	(1,575)
Net (decrease) in cash held	(1,207,558)	(5,400,063)
Cash and cash equivalents at the beginning of the half-year	3,178,811	8,720,156
Effects of exchange rate changes on cash	6,794	(16,144)
Cash and cash equivalents at end of half-year *	1,978,047	3,303,949
*Held to maturity investments excluded from Cash and cash equivalents	62,573,451	66,663,843

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 2014 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 2014, the full financial report for the year ended 30 June 2014 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) New and amended standards adopted by the group

A number of new or amended standards became applicable for the current reporting period, however, the group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There may be some changes required in the disclosures in the 30 June 2015 statutory accounts as a consequence of these amendments.

(b) Impacts of standards issued but not yet applied by the entity

AASB 9 *Financial Instruments* addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2017 but is available for early adoption. The new hedging rules under the standard will, as a general rule, make it easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

The group has not yet assessed how its own hedging arrangements would be affected by the new rules, and it has not yet decided whether to adopt any parts of AASB 9 early. In order to apply the new hedging rules, the group would have to adopt AASB 9 and the consequential amendments to AASB 7 and AASB 139 in their entirety.

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. Three reportable segments have been identified. These are Silex Systems, Solar Systems and Translucent.

Silex Solar and ChronoLogic have been disclosed as discontinued operations and not as reportable segments. Information about these discontinued segments is provided in note 8.

Silex Systems Limited
Notes to the consolidated financial statements
31 December 2014 (continued)

(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 2014 is as follows:

Half year ended 31 December 2014	Silex Systems \$	Solar Systems \$	Translucent \$	Total \$
Total segment revenue	3,429,247	88,792	1,577,245	5,095,284
Inter-segment revenue	(820,089)	-	(1,577,244)	(2,397,333)
Revenue from external customers	2,609,158	88,792	1	2,697,951
Segment result	(131,917)	(3,807,788)	(2,520,172)	(6,459,877)

Half year ended 31 December 2013	Silex Systems \$	Solar Systems \$	Translucent \$	Total \$
Total segment revenue	4,562,695	95,838	1,972,918	6,631,451
Inter-segment revenue	(725,541)	-	(1,972,890)	(2,698,431)
Revenue from external customers	3,837,154	95,838	28	3,933,020
Segment result	(168,684)	(5,612,084)	(2,399,308)	(8,180,076)

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. The segment result reconciles to the Net (loss) from continuing operations.

	Silex Systems \$	Solar Systems \$	Translucent \$	Total \$
Total segment assets				
31 December 2014	64,979,113	21,036,942	3,255,508	89,271,563
30 June 2014	64,764,354	29,133,782	2,784,748	96,682,884

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 \$	Total \$
Total segment liabilities				
31 December 2014	1,566,475	1,474,526	219,176	3,260,177
30 June 2014	2,064,813	2,307,186	252,131	4,624,130

Silex Systems Limited
Notes to the consolidated financial statements
31 December 2014 (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 Assets and liabilities classified as held for sale

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

	6 months Ended 31 December 2014 \$	6 months ended 31 December 2013 \$
Revenue	88,793	95,866
Other income	2,912,703	4,873,313
Expenses	<u>(9,329,456)</u>	<u>(12,980,571)</u>
(Loss) before) tax	(6,327,960)	(8,011,392)
Income tax expense	-	-
(Loss) after income tax of held for sale operation	<u>(6,327,960)</u>	<u>(8,011,392)</u>
	31 December 2014 \$	30 June 2014 \$
Trade and other receivables	2,362,374	10,699,722
Inventories	600,840	885,924
Property, plant and equipment	10,045,783	9,475,930
Intangible assets	<u>10,400,652</u>	<u>9,757,607</u>
Total assets of disposal group held for sale	<u>23,409,649</u>	<u>30,819,183</u>
Payables	(1,210,141)	(1,905,028)
Provisions	<u>(483,561)</u>	<u>(654,289)</u>
Total liabilities of disposal group held for sale	<u>(1,693,702)</u>	<u>(2,559,317)</u>

Silex Systems Limited
Notes to the consolidated financial statements
31 December 2014 (continued)

	31/12/2014	30/06/2014	31/12/2014	30/06/2014
	Shares	Shares	\$	\$
Note 6 Contributed equity				
(a) Share capital				
Ordinary shares, fully paid	170,467,339	170,367,734	231,753,529	231,671,231

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue Price \$	\$
30/06/2014	Opening balance	170,367,734		231,671,231
10/07/2014	Issue of shares	73,037	0.9	65,733
21/08/2014	Issue of shares	26,568	0.72	19,129
				231,756,093
	Less transaction costs arising on share issue			(3,228)
	Deferred credit recognised directly in equity			664
31/12/2014	Closing balance	170,467,339		231,753,529

Note 7 Net tangible asset backing

	31 December 2014	30 June 2014
Net tangible asset backing per ordinary share	44.3 cents	48.3 cents

Silex Systems Limited
Notes to the consolidated financial statements
31 December 2014 (continued)

Note 8 Discontinued operations

On 30 June 2014, as part of the completion of a major strategic review of the entire Silex group, Silex announced that operations at subsidiary ChronoLogic would cease.

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.

	6 months ended 31 December 2014 \$	6 months ended 31 December 2013 \$
Revenue	7,191	8,031
Other income	1,906	518,316
Expenses	<u>(265,526)</u>	<u>(44,770)</u>
(Loss)/profit before tax	(256,429)	481,577
Income tax expense	-	-
(Loss)/profit after income tax of the discontinued operations	<u>(256,429)</u>	<u>481,577</u>

	6 months ended 31 December 2014 \$	6 months Ended 31 December 2013 \$
Net cash (outflow) from operating activities	(255,153)	(2,495,818)
Net cash inflow from investing activities	37,659	48,074
Net cash (outflow) from financing activities	-	-
Net cash (outflow) from the discontinued operations	<u>(217,494)</u>	<u>(2,447,744)</u>

In the directors' opinion:

(a) the financial statements and notes set out on pages 8 to 17 are in accordance with the *Corporations Act 2001*, including:

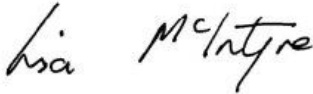
- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that 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



Dr L M McIntyre
Director

Sydney
20 February 2015



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 (the Company), which comprises the consolidated balance sheet as at 31 December 2014, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 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 Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a 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 2014 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 2014 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 flourish.

Stephen Humphries
Partner

Sydney
20 February 2015