

Silex Systems Limited

ABN 69 003 372 067

Appendix 4D

ASX Half-year information – 31 December 2015

Lodged with the ASX under Listing Rule 4.2A

This information should be read in conjunction with the 30 June 2015 Annual Report and the full financial report for the year ending 30 June 2015.

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Silex Systems Limited
half-year ended 31 December 2015
(Previous corresponding period:
half-year ended 31 December 2014)

Results for announcement to the market

	31 December 2015 \$	30 June 2015 \$	Movement \$	Movement %	
Cash and cash equivalents and Held to maturity investments	51,049,529	55,161,228	(4,111,699)	7.5%	↓
	Half-year ended 31 December 2015 \$	Half-year ended 31 December 2014 \$	Movement \$	Movement %	
Revenue from continuing operations	825,063	2,609,158	(1,784,095)	68.4%	↓
Revenue from discontinued operations	1,738,165	95,984	1,642,181	1710.9%	↑
Revenue from ordinary activities	2,563,228	2,705,142	(141,914)	5.2%	↓
Earnings before interest, tax, depreciation, amortisation and impairment from continuing operations (EBITDA)	(1,214,914)	(1,998,708)	783,794	39.2%	↓
Net loss from continuing operations after tax attributable to members	(406,846)	(952,006)	545,160	57.3%	↓
Net loss from discontinued operations after tax attributable to members	(610,977)	(5,737,241)	5,126,264	89.4%	↓
Net loss from ordinary activities after tax attributable to members	(1,017,823)	(6,689,247)	5,671,424	84.8%	↓
Net loss for the period attributable to members	(1,017,823)	(6,689,247)	5,671,424	84.8%	↓

No dividends have been paid or proposed during the reporting period

The completion of our corporate restructure announced in June 2014, combined with focussing our activities on the SILEX laser uranium enrichment technology commercialisation program was the Company's primary objective during the half-year ended 31 December 2015. These financial statements reflect the financial impact of the restructure with our sole continuing operation being activities associated with the SILEX laser uranium enrichment technology.

The half-year ended 31 December 2015 saw the Company largely complete the restructure with the following key activities:

i) Translucent: Over the past decade, California-based subsidiary Translucent Inc developed a novel set of semiconductor materials known as 'Rare Earth Oxides' (REO™) for application to the manufacturing of next generation devices in the semiconductor and power electronics industries. A recent assessment of business development options for Translucent resulted in the signing of an exclusive License and Assignment Agreement with UK-based IQE Plc on 15 September 2015. A license fee payment of approximately US\$1.4m is due to be paid by IQE by 15 March 2016. As a result of this Agreement, the Translucent REO™ technology has been transferred to IQE's Greensboro, North Carolina manufacturing facility for the completion of product development and commercialisation activities during a 30-month license period. More importantly, should IQE elect to exercise the right to purchase the technology within this period by payment of a further US\$5m, Translucent may earn an attractive perpetual royalty stream from IQE upon generation of revenues resulting from use of the technology. The Translucent facility in Palo Alto, California was vacated in December 2015. Translucent Inc will remain a Californian-based company in order to service the abovementioned Agreement.

Silex Systems Limited

Results for announcement to the market (continued)

ii) Solar Systems: The pursuit of opportunities to realise value from the sale of assets and intellectual property surrounding the unique 'Dense Array' concentrated photovoltaic (CPV) system for utility-scale solar power generation continues, with sale proceeds of approximately \$2.3m received to date. The land, buildings and generating assets at Bridgewater and Mildura in Victoria were sold in December 2015. Meanwhile negotiations with third parties continue in relation to the sale of intellectual property and other assets. The Solar Systems manufacturing plant at Abbotsford was also decommissioned and subsequently closed in December 2015.

The corporate restructure initiated in June 2014 was largely complete at the time of writing with operating cash burn in the Translucent and Solar Systems subsidiaries eliminated.

The SILEX Technology Commercialisation Program

The core focus of the Company is firmly set on the commercialisation program for the SILEX laser uranium enrichment technology, exclusively licensed to GE-Hitachi Global Laser Enrichment LLC (GLE), based in Wilmington, North Carolina. Despite the market driven cutbacks announced by GLE in July 2014, the program continued to yield positive progress during 2015 with program milestones achieved in both the Sydney and Wilmington project sites. Ongoing laser system development activities funded by Silex at Lucas Heights (Sydney) resulted in the key demonstration of prototype commercial-scale plant laser systems during the period in review. In parallel, GLE funded activities in the Test Loop facility in Wilmington resulted in the successful demonstration of key process efficiency improvements which have the potential to lower both operating and capital costs. Silex remains firmly committed to providing ongoing support to GLE at both sites. Additionally, in recent months we have increased our involvement in commercialisation and business development activities in conjunction with GLE and its shareholders, GE-Hitachi and Cameco. To this end, meetings with various stakeholders were held during the half-year to discuss business development strategies. These discussions continue with an assessment of options for increasing project funding currently underway.

Whilst the markets for uranium and enrichment services currently remain depressed, we remain encouraged by the various positive developments for the global nuclear industry. These include the restart of the third Japanese nuclear reactor in January, the continued new nuclear plant builds in the US and the UK, in addition to extensions being granted to the operating lives of existing nuclear plants which could see many of these plants generating clean, reliable and affordable baseload electricity for up to 80 years. Aggressive new reactor build continues in China, India, South Korea, UAE and Russia equating to billions of dollars of investment into the nuclear industry. The SILEX Technology, believed to be 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 as at 31 December 2015 was \$51.0m, a net decrease of \$4.1m during the half-year as a result of our final restructure activities and continued investment in the SILEX laser uranium enrichment technology.

Receipts from customers and government grants reduced by \$13.9m in the current half-year compared to the half-year ended 31 December 2014. The prior corresponding period included \$11.5m for the R&D Tax Incentive (\$nil in the current period) and \$1.8m of receipts from GLE for Recoverable project costs (\$nil in the current period). The R&D Tax Incentive for FY15 was received in February 2016.

Partly offsetting the reduced receipts was a reduction of \$6.1m in payments to suppliers and employees in the current half-year compared to the half-year ended 31 December 2014. Payments in the current period included various employee termination payments which contributed to the \$1.5m reduction in liabilities associated with discontinued operations with total headcount reducing significantly during the half-year. In addition, sale proceeds of \$2.6m were received during the half-year from the sale of property, plant and equipment.

Revenue from ordinary activities

There was a reduction of \$0.1m in revenue from ordinary activities during the half-year. As a result of the changes announced by GLE in July 2014 to the funding and pace of the commercialisation program to align with adverse market conditions in the nuclear industry, there was a \$1.5m reduction in Recoverable project costs on the Uranium Enrichment Project to the prior corresponding period.

Silex Systems Limited

Results for announcement to the market (continued)

Interest income also decreased from \$1.1m in the previous period to \$0.8m in the current period as a result of lower average cash / term deposit holdings and lower interest rates in the current period.

Partly offsetting these reductions was License fee income of \$1.5m in the current period (\$nil in previous corresponding period) for Translucent resulting from the License and Assignment Agreement with IQE.

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

EBITDA from continuing operations for the half-year ended 31 December 2015 was a loss of \$1.2m. This comprises a loss from continuing operations of \$0.4m adjusted for net interest income of \$0.8m and depreciation and amortisation of \$0.02m.

Further commentary is provided in the next section.

Continuing Operations - Silex Systems

The loss from continuing operations reduced by \$0.5m to \$0.4m compared to the previous corresponding period. Revenue reduced by \$1.8m which consisted of the \$1.5m reduction in Recoverable project costs and \$0.3m reduction in Interest income. Partly offsetting the reduced revenue was a \$1.0m increase in Other income for the Company's R&D Tax Incentive. Expenses reduced by \$1.3m compared to the previous corresponding period reflecting a lower operating cost base following the Company's restructure.

Discontinued Operations – Solar Systems and Translucent

The Silex Board announced the immediate cessation of the Solar Systems business operation on 30 July 2015. Various assets were sold to third parties during the half-year with the pursuit of residual opportunities and negotiations to realise value from the sale of the remaining assets and IP continuing at the time of writing.

As a result of the exclusive License and Assignment Agreement, for the Translucent technology that was signed on the 15 September 2015, the technology was transferred to IQE Plc during the half-year for the completion of product development and commercialisation activities. The Translucent operations in Palo Alto, California ceased at the end of in December 2015.

The loss from discontinued operations reduced by \$5.2m to \$0.6m in the current period as activities to cease operations at Solar Systems and Translucent were implemented. The improved result was mainly due to a reduction in expenses of \$4.4m. Revenue from discontinued operations increased by \$1.6m primarily as a result of the Translucent License fee. This was partly offset by a \$0.9m reduction in Other income. The reduced R&D Tax Incentives and Government grants income was partly offset by an increased profit on sale of assets.

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

The net loss from ordinary activities of \$1.0m decreased by \$5.7m compared to the prior corresponding period. The net loss is comprised of the loss from continuing operations attributable to members of \$0.4m (a decrease of \$0.5m) and the loss from discontinued operations of \$0.6m attributable to members (a decrease of \$5.2m compared to the prior corresponding period). Meanwhile, investment in technical and commercialisation activities for the SILEX laser uranium enrichment technology continues.

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 2015, the full financial report for the year ending 30 June 2015 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 2015.

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 R A R Lee
Mr C D Wilks

Mr A M Stock was a director from the beginning of the half-year until his retirement on 31 August 2015.

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 9 of this report sets out the main revenue and expense items for the half-year ended 31 December 2015 with comparatives for the half-year ended 31 December 2014. A summary is shown below:

	6 months ended 31 December 2015	6 months ended 31 December 2014
	\$	\$
Revenue from continuing operations	<u>825,063</u>	2,609,158
(Loss) before tax	(406,846)	(952,006)
Income tax expense	-	-
Net (loss) from continuing operations	<u>(406,846)</u>	(952,006)
Net (loss) from discontinued operations	(610,977)	(5,764,300)
Net (loss) for the half-year	<u>(1,017,823)</u>	(6,716,306)
(Loss) is attributable to:		
Owners of Silex Systems Limited	(1,017,823)	(6,689,247)
Non-controlling interests	-	(27,059)
	<u>(1,017,823)</u>	(6,716,306)

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 2015 of \$1.0m (loss of \$6.7m for the previous corresponding period).

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

- Revenue and Other Income from continuing operations reduced by \$0.8m. Recoverable project costs on the Uranium Enrichment Project reduced by \$1.5m as GLE discontinued funding of ongoing Silex activities at Lucas Heights, Sydney, during the previous half-year. Interest income reduced by \$0.3 million as average cash/held to maturity investment balances reduced. There was also a reduction in interest rates on the invested funds. These reductions were partially offset by Research & Development (R&D) Tax Incentive income of \$1.0m in the current period compared to \$nil in the previous corresponding period.
- Expenses from continuing operations reduced by \$1.3m as the Company implemented its restructure to lower its operating cost base whilst maintaining technical and commercialisation progress for the SILEX laser uranium enrichment technology.
- The loss from discontinued operations reduced from \$5.8m in the previous corresponding period to a loss of \$0.6m in the current period. This was mainly due to the reduction of activities conducted by Solar Systems and Translucent as the respective business operations were wound down during the current period, including the sale of various assets and property, and the execution of a License Agreement by Translucent with IQE Plc on 15 September 2015.

The total cash balance (including held to maturity investments) as at 31 December 2015 was \$51.0m. Net cash outflows from operating activities for the current period were \$6.7m compared to an inflow of \$1.4m in the prior corresponding period. The previous corresponding period included receipts from various Government grants and R&D Tax Incentive income for discontinued operations, plus Recoverable project costs receipts from GLE for the Uranium Project. Payments to suppliers and employees reduced by \$6.1m in the current half-year compared to the half-year ended 31 December 2014 reflecting the restructure undertaken. In addition, sale proceeds of \$2.6m were received during the half-year from the sale of various subsidiary assets.

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 8.

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

Dr M P Goldsworthy
Managing Director
Sydney, 22 February 2016

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 2015, 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 flourish.

Stephen Humphries
Partner
PricewaterhouseCoopers

Sydney
22 February 2016

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Silex Systems Limited
Consolidated income statement
for the half-year ended 31 December 2015

	Note	6 months ended 31 December 2015 \$	6 months ended 31 December 2014 \$
Revenue from continuing operations		825,063	2,609,158
Other income		1,039,633	55,704
Research and development materials		(16,306)	(115,378)
Finance costs		(17)	(44,823)
Depreciation and amortisation expense		(16,978)	(33,867)
Employee benefits expense		(1,455,313)	(2,330,505)
Consultants and professional fees		(262,196)	(444,876)
Printing, postage, freight, stationery and communications		(61,053)	(81,181)
Rent, utilities and property outgoings		(223,104)	(247,031)
Net foreign exchange losses		(10,184)	-
Other expenses from ordinary activities		(226,391)	(319,207)
(Loss) before income tax expense		(406,846)	(952,006)
Income tax expense		-	-
Net (loss) from continuing operations		(406,846)	(952,006)
Net (loss) from discontinued operations	6	(610,977)	(5,764,300)
Net (loss) for the half-year		(1,017,823)	(6,716,306)
(Loss) is attributable to:			
Owners of Silex Systems Limited		(1,017,823)	(6,689,247)
Non-controlling interests		-	(27,059)
		(1,017,823)	(6,716,306)
		Cents	Cents
Earnings per share for (loss) from continuing operations attributable to the ordinary equity holders of the company			
Basic earnings per share		(0.2)	(0.6)
Diluted earnings per share		(0.2)	(0.6)
Earnings per share for (loss) attributable to the ordinary equity holders of the company			
Basic earnings per share		(0.6)	(3.9)
Diluted earnings per share		(0.6)	(3.9)

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 2015

	6 months ended 31 December 2015 \$	6 months ended 31 December 2014 \$
Net (loss) for the half-year	(1,017,823)	(6,716,306)
Other comprehensive income		
<i>Items that may be reclassified to profit or loss :</i>		
Exchange differences on translation of foreign operations	(44,835)	340,539
Other comprehensive income for the half-year, net of tax	(44,835)	340,539
Total comprehensive income for the half-year	(1,062,658)	(6,375,767)
Attributable to:		
Owners of Silex Systems Limited	(1,062,658)	(6,348,708)
Non-controlling interest	-	(27,059)
Total comprehensive income for the half-year	(1,062,658)	(6,375,767)
Total comprehensive income for the period attributable to owners of Silex Systems Limited arises from:		
Continuing operations	(406,846)	(952,006)
Discontinued operations	(655,812)	(5,396,702)
	(1,062,658)	(6,348,708)

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 2015

	Note	31 December 2015	30 June 2015
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		3,514,563	987,777
Held to maturity investments - term deposits		47,534,966	54,173,451
Trade and other receivables	5	8,155,875	5,214,694
		<u>59,205,404</u>	<u>60,375,922</u>
Assets classified as held for sale	6	70,413	1,575,487
Total current assets		<u>59,275,817</u>	<u>61,951,409</u>
Non-current assets			
Property, plant and equipment		45,914	64,061
Deferred tax assets		2,249	2,702
Intangible assets		408	688
Total non-current assets		<u>48,571</u>	<u>67,451</u>
Total assets		<u>59,324,388</u>	<u>62,018,860</u>
LIABILITIES			
Current liabilities			
Trade and other payables		798,082	968,673
Provisions		416,087	425,919
		<u>1,214,169</u>	<u>1,394,592</u>
Liabilities associated with discontinued operations	6	1,579,677	3,057,022
Total current liabilities		<u>2,793,846</u>	<u>4,451,614</u>
Non-current liabilities			
Provisions		125,594	113,110
Total non-current liabilities		<u>125,594</u>	<u>113,110</u>
Total liabilities		<u>2,919,440</u>	<u>4,564,724</u>
Net assets		<u>56,404,948</u>	<u>57,454,136</u>
EQUITY			
Contributed equity	7	231,752,623	231,753,076
Reserves		10,265,521	10,296,433
Accumulated losses		(185,613,196)	(184,595,373)
		<u>56,404,948</u>	<u>57,454,136</u>
Total equity		<u>56,404,948</u>	<u>57,454,136</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 2015

	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 from the issue of shares	(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 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 2015	231,753,076	10,296,433	(184,595,373)	57,454,136	-	57,454,136
Net (loss) for the half-year	-	-	(1,017,823)	(1,017,823)	-	(1,017,823)
Exchange differences on translation of foreign operations	-	(44,835)	-	(44,835)	-	(44,835)
Total comprehensive income for the half-year	-	(44,835)	(1,017,823)	(1,062,658)	-	(1,062,658)
Transactions with owners in their capacity as owner						
Employee share and options - value of employee services	-	13,923	-	13,923	-	13,923
Deferred tax recognised directly in equity	(453)	-	-	(453)	-	(453)
	(453)	13,923	-	13,470	-	13,470
Balance at 31 December 2015	231,752,623	10,265,521	(185,613,196)	56,404,948	-	56,404,948

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 2015

	6 months ended 31 December 2015 \$	6 months ended 31 December 2014 \$
Cash flows from operating activities		
Receipts from customers and government grants (inclusive of GST)	119,518	13,973,514
Payments to suppliers and employees (inclusive of GST)	(8,191,836)	(14,265,946)
Interest received	1,370,235	1,741,147
Interest paid	(29)	(44,823)
Net cash(outflows)/inflows from operating activities	(6,702,112)	1,403,892
Cash flows from investing activities		
Payments for property, plant and equipment	-	(156,492)
Proceeds from sale of property, plant and equipment	2,586,838	8,727
Payments for intangibles	-	(643,045)
Payments for held to maturity investments - term deposits	-	(1,817,412)
Proceeds from maturity of held to maturity assets - term deposits	6,638,485	-
Net cash inflows/(outflows)from investing activities	9,225,323	(2,608,222)
Cash flows from financing activities		
Transaction costs from issue of shares	-	(3,228)
Net cash (outflows) from financing activities	-	(3,228)
Net increase/(decrease)increase in cash held	2,523,211	(1,207,558)
Cash and cash equivalents at the beginning of the half-year	987,777	3,178,811
Effects of exchange rate changes on cash	3,575	6,794
Cash and cash equivalents at end of half-year *	3,514,563	1,978,047
*Held to maturity investments excluded from Cash and cash equivalents	47,534,966	62,573,451

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

Note 1 Significant changes in the current accounting period

The financial position and performance of the Company continued to be affected by the implementation of the outcomes of the strategic review announced by the Board on 30 June 2014 that will result in the return of the Company's focus to the development of the Company's foundation technology and core asset – the SILEX laser uranium enrichment technology. The resulting restructure has seen a number of significant changes in the half-year ended 31 December 2015, including the cessation of the Solar Systems business operations as announced on 30 July 2015. This resulted in the sale of the assets including the properties at Bridgewater and Mildura and the termination of the lease and exit of the manufacturing facility at Abbotsford. The Company continues to pursue opportunities for sale of the IP and associated manufacturing assets.

A License and Assignment Agreement between Translucent Inc and IQE Plc was executed on the 15 September 2015. The Agreement provides for the completion of product development and commercialisation activities during the 30-month license period by IQE. As a result, the Translucent technology has been transferred to IQE's facility in North Carolina and the Translucent facility in Palo Alto, California was vacated in December 2015.

Note 2 Segment information

(a) Description of segments

Following the restructure of the Company and focus on its core activity, the Company now has only one reportable segment, being Silex Systems. Solar Systems, Translucent and ChronoLogic have been disclosed as discontinued operations and not as reportable segments. Information about these discontinued operations is provided in note 6.

(b) Segment information provided to the board of directors

Segment revenue and segment result information provided to the board of directors for the Silex segment, the one reportable segment, for the half-year ended 31 December 2015 is contained in the consolidated income statement.

The board of directors assesses the performance of the operating segment 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 segment assets were \$56,992,941 at 31 December 2015 compared to \$59,794,515 at 30 June 2015. Silex segment liabilities were \$1,339,763 at 31 December 2015 compared to \$1,507,702 at 30 June 2015.

Assets which eliminate on consolidation such as investments in controlled entities and intercompany receivables are excluded from segment assets. Deferred tax assets are also excluded from segment assets.

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.

Silex Systems Limited
Notes to the consolidated financial statements
31 December 2015 (continued)

	31 December 2015	30 June 2015
	\$	\$
Note 5 Trade and other receivables		
Trade debtors	-	1,790
Other receivables	7,506	3,822
Accrued income	7,964,974	5,149,322
Prepayments	183,395	59,760
	8,155,875	5,214,694

Note 6 Discontinued operations and Assets held for sale

In accordance with the continued implementation of the outcome of the Company's major strategic review and resulting restructure, the Solar Systems and Translucent businesses have been disclosed as discontinued operations as at 31 December 2015, with restatement of the comparative consolidated income statement and consolidated statement of comprehensive income to reflect this change.

On 30 July 2015, Silex announced a decision had been made to cease business operations at Solar Systems. During the half-year ended 31 December 2015, many of the assets were sold, including the properties and Bridgewater and Mildura, and the leased facility at Abbotsford was vacated. On 15 September 2015, Silex announced that Translucent had signed a License and Assignment Agreement with IQE Plc with the technology commercialisation program to be transferred to IQE. As a result, these two business segments, net of cash and held to maturity investments, are reported as held for sale.

The ChronoLogic operations have continued to be reported as discontinued with their activities ceasing in September 2014.

A summary of the results of the discontinued operations is provided below.

	6 months ended 31 December 2015	6 months ended 31 December 2014
	\$	\$
Revenue	1,738,165	95,984
Other income	1,992,016	2,914,609
Expenses	(4,341,158)	(8,774,893)
(Loss) before tax	(610,977)	(5,764,300)
Income tax expense	-	-
(Loss) after income tax of the discontinued operations	(610,977)	(5,764,300)
	6 months ended 31 December 2015	6 months ended 31 December 2014
	\$	\$
Net cash (outflows)/inflows from operating activities	(5,518,492)	1,860,534
Net cash inflows/(outflows) from investing activities	2,818,852	(752,442)
Net cash (outflows)/inflows from the discontinued operation	(2,699,640)	1,108,092

Silex Systems Limited
Notes to the consolidated financial statements
31 December 2015 (continued)

	31 December 2015	30 June 2015
	\$	\$
Trade and other receivables	70,413	320,658
Inventories	-	18,228
Property, plant and equipment	-	1,236,601
Total assets of disposal group held for sale	70,413	1,575,487

	31 December 2015	30 June 2015
	\$	\$
Trade and other payables	(505,700)	(936,805)
Provisions	(1,073,977)	(2,120,217)
Liabilities associated with discontinued operations	(1,579,677)	(3,057,022)

	31/12/2015	30/06/2015	31/12/2015	30/06/2015
	Shares	Shares	\$	\$
Note 7 Contributed equity				
(a) Share capital				
Ordinary shares, fully paid	170,467,339	170,467,339	231,752,623	231,753,076

(b) Movements in ordinary share capital

Date	Details	Number of shares	\$
30/06/2015	Opening balance	170,467,339	231,753,076
	Deferred tax recognised directly in equity	-	(453)
31/12/2015	Closing balance	170,467,339	231,752,623

Note 8 Net tangible asset backing

	31 December 2015	30 June 2015
Net tangible asset backing per ordinary share	33.1 cents	33.7 cents

Note 9 Basis of preparation of the half-year financial report

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2015 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 2015, the full financial report for the year ended 30 June 2015 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 standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below:

AASB 9 Financial Instruments

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the Australian Accounting Standards Board (AASB) made further changes to the classification and measurement rules and also introduced a new impairment model. The Company expects no impact from the new classification, measurement and derecognition rules on the Company's financial assets and liabilities. The new hedge rules, as a general rule, will make it easier to apply hedge accounting going forward as the standard applies a more principles-based approach. The new standard also introduces expanded disclosure requirements and changes in presentation. The Company has not yet assessed how its own hedging arrangements and impairment provisions would be affected by the new rules. The new rules must be applied for financial years commencing on or after 1 January 2018.

AASB 15 Revenue from Contracts with Customers

The new standard is based on the principal that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. Management is currently assessing the impact of the new rules and is not able to estimate the impact of the new rules on the Company's financial statements. The new standard is mandatory for financial years commencing on or after 1 January 2018.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Silex Systems Limited
Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 9 to 17 are in accordance with the *Corporations Act 2001*, including:

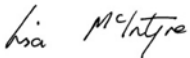
- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that 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
22 February 2016



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 2015, 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 Silex Systems Limited (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 half-year 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 2015 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 2015 and of its performance for the half-year ended on that date;
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *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
22 February 2016