Silex Systems Limited

ABN 69 003 372 067

ASX Preliminary final report – year ended 30 June 2003 – Appendix 4E

Lodged with the ASX under Listing Rule 4.3A

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Results for Announcement to the Market

				$
Revenue from ordinary activities	down	19.3%	to	5,066,980
(Loss) from ordinary activities after tax attributable to members	up	535.8%	to	(4,201,629)
Net (loss) for the period attributable to members	up	535.8%	to	(4,201,629)

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

Record date for determining entitlements to the dividend — N/A

Explanation on results

Revenue
The fall in revenue is mainly due to the Uranium Project being in a testing phase this year compared to a construction and testing phase last year. Project funding from USEC has historically been treated as revenue. On 30 April 2003, USEC withdrew from this project and therefore funding in the foreseeable future will be provided from the company's own resources.

(Loss) from ordinary activities after tax
Increase in the loss is partly due to reduction in revenue (refer comment above). In addition, the current year result includes a $954,454 loss for Fiberbyte Pty Ltd (Fiberbyte), a company in which Silex acquired a controlling interest during the year. Fiberbyte operates in the optical communications/photonics industry and has been developing its product portfolio during the year. Fiberbyte only commenced selling these products in the final quarter of the year. Intellectual property amortisation on this acquisition amounted to a further $534,900.
The loss also includes a $1,391,963 share of loss of the US based associate Translucent Photonics Inc. Translucent is developing silicon planar lightwave circuit technologies and is still in the R & D stage.

Silex Systems Limited
Preliminary consolidated statement of financial performance
For the year ended 30 June 2003

	Notes	**2003**	2002
		$	$
Revenue from ordinary activities	1	**5,066,980**	6,281,478
Research and development materials		**(2,108,781)**	(1,959,364)
Borrowing cost expense		**(8,890)**	(11,327)
Depreciation and amortisation expenses		**(717,230)**	(101,495)
Employees and Directors remuneration expense		**(3,757,591)**	(2,887,062)
Legal and consultancy costs		**(110,632)**	(330,647)
Printing, postage and stationery		**(109,403)**	(83,129)
Rent		**(270,418)**	(192,394)
Travelling expenses		**(258,038)**	(168,546)
Changes in inventories of finished goods and work in progress		**33,841**	-
Raw materials and consumables used		**(196,921)**	-
Other expenses from ordinary activities		**(733,326)**	(426,347)
Share of net (loss) of associate accounted for using the equity method (Translucent Photonics Inc)		**(1,391,963)**	(689,794)
(Loss) from ordinary activities before income tax expense		**(4,562,372)**	(568,627)
Income tax expense	3	**(34,650)**	(92,164)
Net (loss) after related income tax expense		**(4,597,022)**	(660,791)
Loss attributable to outside equity interest		**395,393**	-
Net (loss) attributable to members of Silex Systems Limited		**(4,201,629)**	(660,791)
Net increase in options reserve		**112,674**	-
Total revenues, expenses and valuation adjustments attributable to members of Silex Systems Limited recognised directly in equity		**112,674**	-
Total changes in equity other than those resulting from transactions with owners as owners		**(4,088,955)**	(660,791)

	Cents	Cents
Basic earnings per share	**(3.2)**	(0.5)
Diluted earnings per share	**(3.2)**	(0.5)

The above preliminary consolidated statement of financial performance should be read in conjunction with the accompanying notes and the 2002 Annual Report.

Silex Systems Limited
Preliminary consolidated statement of financial position
As at 30 June 2003

	Note	**2003** $	2002 $
Current Assets			
Cash assets	7	**8,388,563**	3,345,807
Investments (Bank bills)	7	**30,863,857**	37,721,376
Receivables		**407,849**	688,853
Inventories		**92,226**	-
Other		**34,818**	382,942
Total Current Assets		**39,787,313**	42,138,978
Non-current Assets			
Property, plant and equipment		**329,371**	205,650
Intangible assets		**3,221,925**	291,323
Investments accounted for using the equity method		**7,861,493**	9,253,456
Other financial assets		**-**	750,000
Deferred tax assets		**-**	220,390
Total Non-current Assets		**11,412,789**	10,720,819
Total Assets		**51,200,102**	52,859,797
Current Liabilities			
Payables		**719,856**	357,555
Interest bearing liabilities		**18,967**	59,475
Provisions		**347,310**	360,525
Total Current Liabilities		**1,086,133**	777,555
Non-current Liabilities			
Payables		**150,000**	-
Interest bearing liabilities		**550,055**	69,022
Deferred tax liabilities		**-**	292,079
Provisions		**409,754**	200,078
Total Non-current Liabilities		**1,109,809**	561,179
Total Liabilities		**2,195,942**	1,338,734
Net Assets		**49,004,160**	51,521,063
Shareholders' Equity			
Parent equity interest			
Contributed equity	4	**44,712,762**	44,328,898
Reserves		**112,674**	-
Retained profits	5	**2,990,536**	7,192,165
Total parent equity interest		**47,815,972**	51,521,063
Outside equity interest in controlled entities		**1,188,188**	-
Total equity		**49,004,160**	51,521,063

The above preliminary consolidated statement of financial position should be read in conjunction with the accompanying notes and the 2002 Annual Report.

Silex Systems Limited
Preliminary consolidated statement of cash flows
For the year ended 30 June 2003

	Note	**2003** $	2002 $
Cash Flows from Operating Activities			
Receipts from customers (inclusive of goods and services tax)		**3,384,842**	4,682,185
Payments to suppliers and employees (inclusive of goods and services tax)		**(7,143,261)**	(6,162,557)
Interest received		**2,018,413**	1,906,788
Interest and other costs of finance paid		**(8,890)**	(11,327)
Income tax (refund)/paid		**303,123**	(48,747)
Net cash (outflows)/inflows from operating activities	8	**(1,445,773)**	366,342
Cash Flows from Investing Activities			
Payment for purchase of controlled entity, net of cash acquired		**(227,386)**	-
Payments for investments		**-**	(750,000)
Payments for property, plant and equipment		**(110,008)**	(19,873)
Proceeds from sale of property, plant and equipment		**27,801**	-
Net cash (outflows) from investing activities		**(309,593)**	(769,873)
Cash Flows from Financing Activities			
Proceeds from issue of shares		**250,000**	127,100
Repayment of loans		**(249,922)**	-
Repayment of hire purchase liabilities		**(17,657)**	(7,507)
Principal repayments under finance leases		**(41,818)**	(36,578)
Net cash inflows/(outflows) from financing activities		**(59,397)**	83,015
Net (decrease) in cash held		**(1,814,763)**	(320,516)
Cash at the beginning of the financial year		**41,067,183**	41,387,699
Cash at the End of the Financial Year	7	**39,252,420**	41,067,183
Non-cash finance and investing activities	9		

The above preliminary consolidated statement of cash flows should be read in conjunction with the accompanying notes and the 2002 Annual Report.

	2003	2002
	$	$
Note 1 Revenue		
Revenue from operating activities		
Recoverable project costs	**1,715,178**	3,161,681
START Grant	**1,123,781**	866,600
Sale of goods	**224,022**	-
Other Project income	**-**	66,163
	3,062,981	4,094,444
Revenue from outside operating activities		
Interest revenue	**1,942,244**	1,892,372
Foreign currency exchange gains (net)	**-**	293,472
Sale of non current assets	**27,801**	-
Other income	**33,954**	1,190
	2,003,999	2,187,034
Total Revenue	**5,066,980**	6,281,478

Note 2 Operating profit/(loss)
Net gains and expenses

The operating (loss) before income tax includes the following specific net gains and expenses:

	2003	2002
Net gains:		
Net foreign exchange gain	**-**	293,472
Profit on sale of property, plant and equipment	**1,358**	-
Expenses:		
Cost of goods sold	**163,080**	-
Amortisation of intellectual property	**604,128**	33,386
Amortisation of plant and equipment under lease	**12,767**	22,428
Interest and finance charges paid/payable on finance leases	**2,769**	11,327
Interest and finance charges paid/payable on hire purchase	**5,650**	5,644
Depreciation of plant and equipment	**100,335**	45,681
Rental expenses relating to operating leases	**270,418**	192,394
Provision for employee entitlements	**47,982**	31,050
Research and development expenditure	**4,637,138**	4,022,201
Net foreign exchange loss	**27,621**	-
Loss on disposal of property plant and equipment	**-**	2,652

	Consolidated 2003 $	2002 $
Note 3 Income tax		
(a) The income tax expense for the financial year differs from the amount calculated on the loss. The differences are reconciled as follows:		
(Loss) before income tax expense	**(4,562,372)**	(568,627)
Income tax calculated @ 30%	**(1,368,712)**	(170,588)
Tax effect of permanent differences		
Non deductible legal fees	**3,398**	69,493
Interest on deferred consideration - investment in controlled entity	**-**	-
Amortisation of intangibles	**173,623**	-
Share of loss of associate	**417,589**	206,938
Sundry items	**16,086**	19,607
Income tax adjusted for permanent differences	**(758,016)**	125,450
Future income tax benefit and deferred tax liability not recognised	**881,891**	-
Adjustment to write off of opening future income tax benefit and deferred tax liability	**(71,689)**	-
(Over) provided tax paid for previous year	**(17,536)**	(33,286)
Income tax expense	**34,650**	92,164

(b) Future income tax benefit
The future income tax benefit has been written off as the directors do not believe that its realisation can be regarded as being assured beyond any reasonable doubt. No part of the future tax benefit is attributable to tax losses. The directors' estimate that the potential future income tax benefit at 30 June 2003 in respect of tax losses not brought to account is

	2003	2002
	779,539	163,594

The benefit will only be obtained if:
(i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised,
(ii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation, and
(iii) no changes in tax legislation adversely affect the associate in realising the benefit from the deductions for the losses.

	2003 Shares	2002 Shares	**2003 $**	2002 $
Note 4 Contributed equity				
Ordinary shares				
Fully paid	**132,329,629**	127,086,240	**44,712,762**	44,328,898

Movements in ordinary share capital

Date	**Details**	**Number of shares**	**Issue price $**	**$**
30 June 2002		127,086,240		44,328,898
24 September 2002	Issue of shares	172,414	0.55	94,828
29 October 2002	Issue of shares	70,975	0.55	39,036
28 January 2003	Options exercised	5,000,000	0.05	250,000
30 June 2003		132,329,629		44,712,762

	2003 $	2002 $
Note 5 Retained profits		
Retained profits at the beginning of the financial year	**7,192,165**	7,852,956
Net (loss) attributable to members of Silex Systems Limited	**(4,201,629)**	(660,791)
Retained profits at the end of the financial year	**2,990,536**	7,192,165

Note 6 Net tangible asset backing	**2003**	2002
Net tangible asset backing per ordinary security	$0.3460	$0.4031

	2003 $	2002 $
Note 7 Reconciliation of cash		
Cash at bank and on hand	**8,388,563**	3,345,807
Investments (Bank bills)	**30,863,857**	37,721,376
	39,252,420	41,067,183

Note 8 Reconciliation of net cash provided by operating activities to operating (loss) after income tax		
Operating (loss) after income tax	**(4,597,022)**	(660,791)
Depreciation	**100,335**	45,681
(Profit)/loss on sale of plant and equipment	**(1,358)**	2,652
Amortisation of intangibles	**604,128**	33,386
Amortisation of leased assets	**12,767**	22,428
Share of loss of associate	**1,391,963**	689,794
Expenses funded by issue of shares	**39,036**	-
(Increase) in prepayments and other current assets	**348,124**	(367,761)
Decrease/(increase) in trade and other debtors	**226,451**	(128,869)
Decrease in accrued income	**122,261**	624,936
(Increase) in inventories	**(33,841)**	-
(Increase)/decrease in future income tax benefit	**220,390**	(90,473)
Increase/(decrease) in provision for income tax	**-**	(59,541)
Decrease/(increase) in income tax refund	**409,462**	(44,159)
Increase/(decrease) in deferred income tax liability	**(292,079)**	237,590
Increase/(decrease) in trade and other creditors	**(44,372)**	30,419
Increase in provision for employee entitlements	**47,982**	31,050
Net cash inflow/(outflow) from operating activities	**(1,445,773)**	366,342

Note 9 Non cash financing and investing activities

Part of the cost of acquisition of the investment in controlled entity was funded by the issue of options, $112,674 (2002: nil) and partly by the issue of shares $94,828 (2002: nil). Plant and equipment costing nil (2002: $94,186) was acquired by means of hire purchase.

	2003	2002
Note 10 Earnings per share		
Basic earnings per share (cents per share)	**(3.2)**	(0.5)
Diluted earnings per share (cents per share)	**(3.2)**	(0.5)
Weighted average number of ordinary shares on issue used in the calculation of basic earning per share:	**129,361,366**	126,143,432
Weighted average number of ordinary shares on issue used in the calculation of diluted earning per share:	**129,561,174**	133,425,377

Options granted are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The options have not been included in the determination of basic earnings per share.

Note 11 Segment information
Primary reporting – business segments

2003	Research and development $	Optical communications/ photonics $	Consolidated $
Sales to external customers	-	224,022	224,022
Recoverable project costs	1,715,178	-	1,715,178
START Grant	1,123,781	-	1,123,781
Other revenue	4,091	57,664	61,755
Total segment revenue	2,843,050	281,686	3,124,736
Unallocated - Interest income			1,942,244
Total revenue			5,066,980
Segment result	(5,009,171)	(1,495,445)	(6,504,616)
Unallocated revenue - interest income			1,942,244
Loss before tax			(4,562,372)
Income tax expense			(34,650)
Net loss			(4,597,022)

2002	Research and development	Optical communications/ photonics	Consolidated
	$	$	$
Recoverable project costs	3,161,681	-	3,161,681
START Grant	866,600	-	866,600
Other project income	66,163	-	66,163
Other revenue	1,190	-	1,190
Total segment revenue	4,095,634	-	4,095,634
Unallocated - Interest income			1,892,372
Unallocated - exchange gain			293,472
Total revenue			6,281,478
Segment result	(2,754,471)	-	(2,754,471)
Unallocated revenue - interest income			1,892,372
Unallocated revenue - exchange gain			293,472
(Loss) before tax			(568,627)
Income tax expense			(92,164)
Net (loss)			(660,791)

Note 12 Events occurring after reporting date

Since the end of the financial year, the directors are not aware of any matter or circumstances not otherwise dealt with in these financial statements that has significantly or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years other than those referred to in the Project and operational update released to the ASX at the same time as this document.

Controlled entities acquired or disposed of

Acquired	Fiberbyte Pty Ltd
Date control gained	24/09/2002
Contribution to (loss) from ordinary activities after tax in current period, where material	(1,489,354)
(Loss) from ordinary activities after tax during the whole of the previous corresponding period, where material	(1,197,877)

Associates and Joint Venture entities

Name	Ownership interest		Aggregate share of (losses), where material		Contribution to net (loss), where material	
	2003 %	2002 %	**2003 $**	2002 $	**2003 $**	2002 $
Translucent Photonics Inc	**30**	30	**(1,391,963)**	(689,794)	**(1,391,963)**	(689,794)

Commentary on results

For more details on the consolidated entity's activities refer to the Project and operational update which will be released to the ASX at the same time as this document.

Earnings per share

Basic and diluted loss per share increased from (0.5) cents to (3.2) cents due largely to a reduction in revenue from USEC on the Uranium project and losses associated with the company's investments in R & D company's Translucent and Fiberbyte.

Returns to shareholders

No dividends have been declared or proposed during the year.

Significant features on operating performance

As mentioned above, the reduction in revenue on the Uranium project and losses associated with the activities of Fiberbyte and Translucent have been the main factors affecting the increased loss for the year.

Results of segments and trends

Research and development

This includes the operations of the parent entity and the results of the associate, Translucent Photonics Inc. The fall in revenue is mainly due to the Uranium Project being in a testing phase this year compared to a construction and testing phase last year. Project funding from USEC has historically been treated as revenue. On 30 April 2003, USEC withdrew from this project and therefore funding in the foreseeable future will be provided from the company's own resources.

Optical communications/photonics

This relates to the activities of Fiberbyte. Fiberbyte has been designing optical communications/photonics equipment during the year and has made its first sales in the final quarter of the year in review. Fiberbyte also imports and sells laser equipment.

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

Revenue from research and development is likely to fall next year owing to USEC's withdrawal from the Uranium project. This may also impact interest income as a portion of the consolidated entity's cash reserves are utilised to fund the ongoing research and development effort. The company is in the process of applying for a new Start Grant to fund 50% of the next stage of the Stable Isotope program. Positive developments from both Translucent and Fiberbyte have the potential to create significant value and earnings for the consolidated entity. The next financial year will be important in the development of both of these entities.

Compliance and Audit

This report has been prepared in accordance with AASB Standards, other authoritative pronouncements and Urgent Issues group Consensus Views or other standards acceptable to 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.

Signed .... Date: 11 September 2003

Print name: Chris Wilks