Silex Systems Limited

ABN 69 003 372 067

ASX Preliminary final report – year ended 30 June 2007 – Appendix 4E

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Silex Systems Limited
Year ended 30 June 2007
(Previous corresponding period:
Year ended 30 June 2006)

Results for Announcement to the Market

				$
Revenue from ordinary activities	up	3,114.1%	to	35,744,201
Profit from ordinary activities after tax attributable to members	up	Not applicable	to	8,767,421
Net profit for the period attributable to members	up	Not applicable	To	8,767,421

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

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

Explanation of Revenue
The increase in revenue is mainly due to revenue from the Uranium Project. In May 2006, Silex and General Electric signed a Commercialisation and License Agreement for the SILEX Uranium enrichment technology. The government approvals required before Silex was entitled to the up front payment from General Electric under the contract were received in October 2006. Revenue for the current year includes $26,878,000 as an up front payment plus recoverable project costs of $7,344,000 (both nil last year).

Explanation of profit from ordinary activities after tax
The improved result was mainly due to increased revenue (refer above for explanation). This was partly offset by higher costs. Income tax expense was $3,226,150 compared to nil last year.

Explanation of Net profit
Refer explanation above.

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

		Consolidated	
	Notes	**2007**	2006
		$	$
Revenue from continuing operations	2	**35,744,201**	1,112,110
Other income	3	**390,776**	544,554
Research and development materials		**(3,763,844)**	(908,051)
Finance costs	4	**(9,997)**	(949)
Depreciation and amortisation expense	4	**(1,588,562)**	(1,925,886)
Employee benefits expense		**(12,644,450)**	(6,225,615)
Professional fees		**(1,488,053)**	(1,331,232)
Printing, postage and stationery		**(85,664)**	(79,266)
Rent		**(417,519)**	(370,563)
Travelling expenses		**(651,535)**	(299,596)
Changes in inventories		**41,735**	90,590
Raw materials and stores used		**(45,875)**	(91,970)
Net foreign exchange losses		**(2,642,122)**	-
Other expenses from ordinary activities		**(872,022)**	(774,462)
Profit/(loss) before income tax expense		**11,967,069**	(10,260,336)
Income tax expense	5	**(3,226,150)**	-
Net profit/(loss)		**8,740,919**	(10,260,336)
Profit/(loss) is attributable to:			
Equity holders of Silex Systems Limited		**8,767,421**	(10,273,257)
Minority interest		**(26,502)**	12,921
		8,740,919	(10,260,336)
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company			
Basic earnings per share		**6.4**	(7.6)
Diluted earnings per share		**6.3**	(7.6)

The above preliminary consolidated income statement should be read in conjunction with the accompanying notes and the 2006 Annual Report.

	Note	**30 June 2007** $	30 June 2006 $
ASSETS			
Current assets			
Cash and cash equivalents		**22,623,517**	15,040,749
Held to maturity investments		**-**	1,390,040
Trade and other receivables		**1,791,841**	318,825
Inventories		**91,166**	127,380
Other		**81,322**	156,332
Total current assets		**24,587,846**	17,033,326
Non-current assets			
Receivables		**191,116**	269,070
Property, plant and equipment		**2,212,401**	3,030,158
Deferred tax assets		**7,932**	3,899
Intangible assets		**8,397,054**	8,782,985
Total non-current assets		**10,808,503**	12,086,112
Total assets		**35,396,349**	29,119,438
LIABILITIES			
Current liabilities			
Trade and other payables		**1,399,232**	1,742,322
Borrowings		**23,804**	6,726,759
Provisions		**445,028**	248,422
Total current liabilities		**1,868,064**	8,717,503
Non-current liabilities			
Borrowings		**98,211**	-
Provisions		**100,631**	147,081
Total non-current liabilities		**198,842**	147,081
Total liabilities		**2,066,906**	8,864,584
Net assets		**33,329,443**	20,254,854
EQUITY			
Contributed equity	6	**49,224,639**	47,531,679
Reserves		**3,948,931**	1,278,408
(Accumulated losses)	7	**(19,844,127)**	(28,611,548)
Parent equity interest		**33,329,443**	20,198,539
Minority interest		**-**	56,315
Total equity		**33,329,443**	20,254,854

The above preliminary consolidated balance sheet should be read in conjunction with the accompanying notes and the 2006 Annual Report.

Preliminary consolidated statement of recognised income and expense
For the year ended 30 June 2007

	2007	2006
	$	$
Exchange differences on translation of foreign controlled entity	**(630,962)**	236,159
Net income recognised directly in equity	**(630,962)**	236,159
Profit/(loss) for the year	**8,740,919**	(10,260,336)
Total recognised income and expense for the year	**8,109,957**	(10,024,177)
Total recognised income and expense for the year is attributable to:		
Members of Silex Systems Limited	**8,136,459**	(10,037,098)
Minority interest	**(26,502)**	12,921
	8,109,957	(10,024,177)

The above consolidated statement of recognised income and expense should be read in conjunction with the accompanying notes and the 2006 Annual Report.

	Note	2007 $	2006 $
Cash Flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**33,331,202**	844,010
Payments to suppliers and employees (inclusive of goods and services tax)		**(16,415,882)**	(8,792,757)
Interest received		**1,347,336**	619,272
Interest paid		**(9,997)**	(949)
Income taxes paid		**(3,228,360)**	-
Net cash inflows/(outflows) from operating activities	9	**15,024,299**	(7,330,424)
Cash Flows from investing activities			
Payment for additional interest in controlled entities, net of cash acquired		**(10,000)**	-
Loans to related parties		**(140,717)**	-
Payments for property, plant and equipment		**(571,671)**	(555,158)
Proceeds from sale of property, plant and equipment		**9,636**	14,027
Proceeds from maturity of held to maturity investments		**1,390,040**	1,736,842
Repayment of loans by related parties		**171,928**	120,160
Net cash inflows/(outflows) from investing activities		**849,216**	1,315,871
Cash Flows from financing activities			
Proceeds from issue of shares		**1,118,091**	674,426
Proceeds from promissory note		**-**	6,849,500
Repayment of promissory note		**(6,726,759)**	-
Repayment of hire purchase liabilities		**(22,985)**	(29,681)
Net cash inflows/(outflows) from financing activities		**(5,631,653)**	7,494,245
Net increase in cash held		**10,241,862**	1,479,692
Cash and cash equivalents at the beginning of the financial year		**15,040,749**	13,416,292
Effects of exchange rate changes on cash		**(2,659,094)**	144,765
Cash and cash equivalents at end of year		**22,623,517**	15,040,749
Non-cash finance and investing activities	10		

The above preliminary consolidated cash flow statement should be read in conjunction with the accompanying notes and the 2006 Annual Report.

Note 1 Basis of preparation of full-year financial report
This preliminary financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001**.**

This preliminary financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006 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.* Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

	2007	2006
	$	$
Note 2 Revenue		
From continuing operations		
Up Front Agreement Fee	**26,878,000**	-
Recoverable Project costs	**7,343,892**	-
Interest income	**1,342,171**	616,213
DARPA contract	**159,340**	487,174
Other	**20,798**	8,723
	35,744,201	1,112,110
Note 3 Other income		
Foreign currency exchange gains (net)	**-**	132,801
Government Grants	**390,776**	400,329
Net gain on sale of property, plant and equipment	**-**	11,424
	390,776	544,554

	2007	2006
	$	$
Note 4 Expenses:		
Profit/(loss) before income tax includes the following expenses:		
Depreciation of plant and equipment	**1,129,425**	1,370,328
Amortisation of leasehold improvements	**63,641**	161,178
Amortisation of intellectual property	**395,496**	394,380
Total depreciation and amortisation	**1,588,562**	1,925,886
Finance costs		
Interest and finance charges paid/payable	**9,997**	949
Finance costs expensed	**9,997**	949
Rental expenses relating to operating leases		
Minimum lease payments	**417,519**	370,563
Provision for employee entitlements	**150,077**	100,743
Defined contribution superannuation expense	**319,096**	237,734
Provision for warranties	**79**	90
Research and development costs	**15,253,050**	5,861,236
Foreign exchange losses	**2,642,122**	-
Loss on disposal of property, plant and equipment	**555**	-
Note 5 Income Tax		
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) before income tax expense	**11,967,069**	(10,260,336)
Income tax calculated @ 30%	**3,590,121**	(3,078,101)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Amortisation of intangibles	**118,649**	118,314
Share based payments	**1,031,454**	133,272
Research and development concession	**(90,000)**	(174,750)
Sundry items	**17,252**	23,986
	4,667,476	(2,977,279)
Deferred tax asset and deferred tax liability not recognised	**(3,782,136)**	3,436,168
Effect of higher rates on overseas income	**(887,550)**	(458,889)
Under provided tax paid for previous year	**3,228,360**	-
Income tax expense	**3,226,150**	-

	2007	2006	**2007**	2006
	Shares	Shares	**$**	$
Note 6 Contributed equity				
Share capital				
Ordinary shares				
Fully paid	**137,479,129**	136,004,629	**49,224,639**	47,531,679

	2007	2006
	$	$
Note 7 (Accumulated losses)		
(Accumulated losses) at the beginning of the financial year	**(28,611,548)**	(18,338,291)
Net profit/(loss) attributable to members of Silex Systems Limited	**8,767,421**	(10,273,257)
(Accumulated losses) at the end of the financial year	**(19,844,127)**	(28,611,548)
Note 8 Net tangible asset backing		
Net tangible asset backing per ordinary security	**$0.1814**	$0.0843
Note 9 Reconciliation of net cash provided by operating activities to operating profit/(loss) after income tax		
Operating profit/(loss) after income tax	**8,740,919**	(10,260,336)
Depreciation	**1,129,425**	1,370,328
(Profit)/loss on sale of plant and equipment	**555**	(11,424)
Amortisation of intangibles	**395,496**	394,380
Amortisation of leasehold improvements	**63,641**	161,178
Non cash employee benefits expense - share based payments	**3,845,153**	791,123
Net exchange differences	**2,388,730**	(122,741)
Decrease/increase) in prepayments and other current assets	**75,010**	(68,466)
Decrease/(increase) in trade and other debtors	**(837,667)**	(101,290)
Decrease/(increase) in accrued income	**(620,243)**	3,059
(Increase)/decrease in inventories	**36,214**	(59,297)
Increase/(decrease) in trade and other creditors	**(343,090)**	472,229
Increase/(decrease) in provision for employee entitlements and warranties	**150,156**	100,833
Net cash inflow/(outflow) from operating activities	**15,024,299**	(7,330,424)
Note 10 Non-cash Financing and Investing Activities		
Acquisition of plant and equipment by means of hire purchase	**131,818**	-
	131,818	-

Note 11 Segment information
Primary reporting – geographical segments

2007	Australia	United States of America	Inter segment eliminations/ unallocated	Consolidated
	$	$	$	$
Up Front Agreement Fee	26,878,000			26,878,000
Recoverable Project costs	7,343,892	1,882,336	(1,882,336)	7,343,892
DARPA contract	-	159,340	-	159,340
Other	20,798	-	-	20,798
Total segment revenue	34,242,690	2,041,676	(1,882,336)	34,402,030
Unallocated - Interest income				1,342,171
Total revenue				35,744,201
Segment result	18,831,498	(5,564,478)	-	13,267,020
Unallocated revenue and income less unallocated expenses				(1,299,951)
Profit before tax				11,967,069
Income tax expense				(3,226,150)
Net profit				8,740,919

2006	Australia	United States of America	Consolidated
	$	$	$
DARPA contract	-	487,174	487,174
Other revenue	8,723	-	8,723
Total segment revenue	8,723	487,174	495,897
Unallocated - Interest income			616,213
Total revenue			1,112,110
Segment result	(6,681,079)	(4,328,271)	(11,009,350)
Unallocated revenue and income - interest income and exchange gain			749,014
(Loss) before tax			(10,260,336)
Income tax expense			-
Net (loss)			(10,260,336)

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.

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 earnings per share improved from (7.6) cents to 6.4 cents. Diluted earnings per share improved from (7.6) cents to 6.3 cents. These improvements are due largely to an increase in revenue from the Uranium Project. Uranium Project revenue for the current year included $26,878,000 as an up front payment plus recoverable project costs of $7,344,000 (both nil last year).

The weighted average number of shares used in the calculation of basic earnings per share increased by less than 1% during the year. The weighted average number of shares used in the calculation of diluted earnings per share increased by less than 3% during the year.

Returns to shareholders

No dividends have been declared or proposed during the year.

Significant features on operating performance

As mentioned above, the revenue from the Uranium Project was the most significant factor for the improvement in the result. Expenses increased also. The main increases in expenses were in employee benefits expenses, research and development materials, and income tax expense. Employee benefits costs increased due to higher share based payments expense, bonuses paid and higher packages for employees relocated to the United States to work on the Uranium project. Research and development materials increased substantially as large costs were incurred on the test loop phase of the Uranium project (these costs have been recharged to General Electric). The income tax expense arose due to the revenue from the Uranium project putting Silex into a tax paying position.

Results of segments and trends

Australia

This includes the operations of the parent entity and the operations of Fiberbyte. The segment result improved substantially from a loss of $6,681,000 to a profit of $18,831,000. This was caused by revenue from the Uranium Project being $34,220,000 compared to nil in the previous year. Higher expenses partly offset the increased revenue.

United States of America

This relates to the activities of Translucent Inc. The segment loss increased by more than $1.2 million. This was due to a reduction in DARPA revenue of over $300,000 and an increase in expenses. Revenue included $1,882,000 of recoverable uranium project costs. This represents a recharge of mainly employee costs for employees of the Group who have moved to the United States to work on the Uranium Project.

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

Revenue from the uranium project is expected to reduce in 2007/8 as the revenue will not include a $26,878,000 Up front Agreement Fee that was in the current year result. As a consequence, the result is expected to be negatively impacted. Positive results in the Uranium Project in subsequent years could result in milestone payments and royalties under the Agreement signed with General Electric.
In due course, positive developments from Translucent and Fiberbyte have the potential to create significant value and earnings for the consolidated entity.

Controlled entities acquired or disposed of

Acquired	Enertex Pty Limited
Date of gain of control	16/4/07

Enertex Pty Limited was incorporated in April 2007 and was dormant during the financial year. It's contribution to the group's profit for the year is immaterial.

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: 30 August 2007

Print name: Chris Wilks