Silex Systems Limited
& its controlled entities

ABN 69 003 372 067

Financial Statements for the year ended 30 June 2009

Company Directory

Directors
Mr B S Patterson – Chairman
Dr M P Goldsworthy – Managing Director/CEO
Mr C D Wilks
Dr C S Goldschmidt
Mr R P Campbell

Audit Committee
Mr R P Campbell - Chairman
Dr C S Goldschmidt
Mr B S Patterson

Remuneration Committee
Mr B S Patterson – Chairman
Mr R P Campbell

Company Secretary
Mr B J Spillane

Registered office and principal place of business
Building 64, Lucas Heights Science & Technology Centre
New Illawarra Road, Lucas Heights, New South Wales 2234, Australia
Ph: 61 2 9532 1331 Fax: 61 2 9532 1332
Postal address: PO Box 75, Menai Central, New South Wales 2234

Website address: www.silex.com.au

Share Registry
Computershare Registry Services Pty Limited
Level 5, 115 Grenfell Street, Adelaide, South Australia 5000, Australia
GPO Box 1903 Adelaide SA 5001, Australia
Enquiries within Australia: 1300 556 161
Enquiries outside Australia: 61 3 9415 4000
Email: web.queries@computershare.com.au
Website: www.computershare.com.au

Stock Exchange
Listed on the Australian Stock Exchange

Auditors
PricewaterhouseCoopers

Solicitors
Australia: Baker & McKenzie and Minter Ellison Lawyers
U.S.A Paul Hastings LLP

Bankers
Australia and New Zealand Banking Group Limited

American Depository Receipts (ADR) Information
Silex Systems Limited has established a Level 1 ADR Program. Silex ADRs may be purchased on the Over-the-Counter "Pink Sheet" (OTC) market.
Details are as follows:
Ratio: 1 ADR = 5 ordinary shares
Symbol: SILXY
CUSIP: 827046 10 3
Exchange: OTC
Country: Australia

IMPORTANT NOTICE:

Forward Looking Statements and Business Risks:

Silex is a research and development company whose assets are its proprietary rights in technologies, including, but not limited to, the SILEX technology and business, the Silex Solar technology and business, Translucent technology and ChronoLogic technology. In general, the Company's technologies are in the development stage and have not been commercially deployed, and therefore are high risk. Accordingly, the statements in this report regarding the future of the Company's technologies and commercial prospects are forward looking and actual results could be materially different from those expressed or implied by such forward looking statements as a result of various risk factors. Some risk factors that could affect future results and commercial prospects include, but are not limited to, results from the uranium enrichment development program and the stable isotopes program, the demand for enriched materials including uranium, silicon, oxygen, carbon and others, the business risks associated with Silex Solar's manufacturing and marketing activities, the outcomes of the Company's interests in the development of various semiconductor, photonic and alternative energy technologies, the time taken to develop various technologies, the development of competitive technologies, the potential for third party claims against the Company's ownership of Intellectual Property associated with its numerous technologies, the potential impact of government regulations or policies, and the outcomes of various commercialisation strategies undertaken by the Company.

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 year ended 30 June 2009.

1. Directors

The following persons were directors of Silex Systems Limited during the whole of the financial year and up to the date of this report:

Mr B S Patterson - Chairman
Dr M P Goldsworthy - Managing Director
Mr C D Wilks
Dr C S Goldschmidt
Mr R P Campbell

2. Principal Activities

During the year the principal continuing activity of the consolidated entity consisted of research and development of the laser isotope separation technology known as 'SILEX'. Silex also has an 81.0% fully diluted interest in Translucent Inc, a California based company which is researching and developing novel solar energy conversion materials, and silicon based materials and manufacturing technology for application to both the optical communications and mainstream computer chip industries.

In addition to these activities, the controlled entity ChronoLogic Pty Ltd is developing data acquisition equipment utilising its proprietary USB-inSync technology. Silex has a 90% interest in ChronoLogic Pty Ltd (ChronoLogic).

In late June 2009, 100% owned subsidiary Silex Solar Pty Ltd acquired solar cell and panel manufacturing assets from BP Solar Pty Ltd. This facility is located at Sydney Olympic Park.

3. Dividend

No dividend payments were made during the year. No dividend has been recommended or declared by the Board.

4. Review of operations and activities

Trading Results

A summary of consolidated revenue and results is set out below:

	2009	2008
	$	$
Revenue from ordinary activities	**9,278,586**	13,031,442
(Loss) before tax	**(3,744,212)**	(9,248,155)
Income tax expense	**(11,396)**	-
(Loss) after related income tax expense	**(3,755,608)**	(9,248,155)
Net loss attributable to minority interest	**-**	-
Net (loss) attributable to members of Silex Systems Limited	**(3,755,608)**	(9,248,155)

Comments on the operations and the results of those operations are set out below:

Revenue for the current year includes recoverable project costs of $6,146,593 (2008: $9,624,501) and interest income $3,126,693 (2008: $3,223,552).

The decrease in revenue is largely due to reduced recoverable project costs on the uranium enrichment project. Costs on the Uranium Project, which are reimbursed, reduced in the current year. The prior year costs included significant amounts for materials for the building of the test loop.

The loss for the current year was mainly due to the ongoing research and development costs associated with the Company's various technology projects. These costs were partly offset by interest income and foreign exchange gains. The improved result is mainly due to net foreign exchange gains in the current year. Net foreign currency exchange gains were $2,755,897 in the current year compared to net foreign exchange losses of $1,804,697 in the prior year. The exchange gain, which is mostly unrealised, was due to a weakening of the Australian dollar against the Company's US dollar holdings during the period. Income tax expense was $11,396 (2008: nil).

The Company's cash reserves are invested in term deposits and bank bills and the remainder as cash or deposits at call with banks.

5. Earnings per share

	2009	2008
	Cents	Cents
Basic earnings per share	**(2.6)**	(6.5)
Diluted earnings per share	**(2.6)**	(6.5)

6. Significant changes in state of affairs

The significant changes in the state of affairs of the consolidated entity during the course of the year included the following:

- During the year, Silex subsidiary Silex Solar Pty Ltd acquired the solar manufacturing assets at Sydney Olympic Park from BP Solar Pty Ltd.

7. Matters subsequent to the end of the financial year

The directors are not aware of any 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.

8. Likely developments and expected results of operations

Silex is a technology company with interests in a number of technology development projects both in Australia and overseas. Silex is also in the process of starting up its first manufacturing operation through subsidiary Silex Solar Pty Ltd at Sydney Olympic Park. The Company's future prospects remain dependent on the outcomes of the solar manufacturing operations and on the various technology development programs, including the group's success in ultimately commercialising those technologies.

The Group's technology development programs are summarised below:

Uranium Enrichment Program

Silex is developing a novel method of enriching uranium using lasers in collaboration with Global Laser Enrichment (GLE – the venture owned by GE, Hitachi and Cameco to commercialise the SILEX technology in the US). During the year, work continued on the Test Loop program which is the key pre-commercial demonstration of the technology. In late July 2009, GLE announced the start up of the Test Loop. GLE expects to have sufficient data from the test loop by the end of 2009 CY to decide whether to proceed with the construction of a commercial SILEX production plant in the USA. This decision, coupled with the granting of a commercial operating license from the US Nuclear Regulatory Commission, would trigger a milestone payment of US$15 million to Silex, likely to be in the 2012 timeframe.

Stable Isotope Program

Silex has been conducting a parallel Stable Isotope Program for several years with the aim of demonstrating cost-effective enrichment of stable isotopes such as silicon, carbon and oxygen. For example, enriched oxygen is used for medical (PET) imaging. The unique properties of these enriched materials and the costs and benefits of using them have yet to be fully determined. At this stage the Stable Isotope Program has been suspended due to unattractive cost/benefit factors and isotope market conditions.

Translucent Inc

Silex has an 81% fully diluted interest in Translucent Inc, a California based company which is researching and developing high efficiency solar energy conversion materials, and silicon based materials and manufacturing technology for application to both the optical communications and mainstream computer chip industries.

These technologies are still in the development phase. Future commercial prospects for the Translucent technology will depend on continued success with the technical program, third party validation of the technologies, sufficient protection of IP including Patents, and successful implementation of commercialisation strategies.

ChronoLogic

Silex holds a 90% interest in ChronoLogic, an Adelaide based company with novel technology in the field of instrumentation for the test and measurement market, and data acquisition market. Chronologic is currently preparing to go to market with its first range of products, after suspending marketing efforts late in CY 2008 due to the downturn triggered by the global financial crises. In the mean time, Chronologic continues to develop new products for its second product range, with the aim of marketing this range sometime in CY 2010 when market conditions permit.

Silex Solar

Since acquiring the manufacturing assets from BP Solar in late June 2009, worked has commenced on re-commissioning activities and production of product samples needed for industry qualification and certification later in the year. Silex Solar is aiming to generate its first sales in the first quarter of calendar 2010 if all goes to plan.

9. Share options

Shares under option

Unissued ordinary shares of Silex Systems Limited under option at the date of this report are as follows:

Number of options	Issue Price of shares	Grant date	Expiry date
121,500	$0.85	4th May 2005	3rd May 2010
2,634,000	$3.60	22nd June 2006	21st June 2011
100,000	$7.01	9th March 2007	8th March 2012
250,000	$6.79	22nd August 2007	21st August 2012
150,000	$5.81	24th December 2007	23rd December 2012
190,000	$7.06	15th July 2008	14th July 2013
145,000	$3.63	7th October 2008	6th October 2013
50,000	$3.54	28th November 2008	27th November 2013
50,000	$3.51	5th December 2008	4th December 2013
50,000	$4.19	31st March 2009	30th March 2014
500,000	$5.88	29th June 2009	28th June 2014
4,240,500			

The terms and conditions of the options on issue are discussed in Note 35 of the financial statements. No option holder has any right under the option to participate in any other share issue of the Company or of any other entity. Between balance sheet date and the date of this report no options were granted.

Shares issued on the exercise of options

The following ordinary shares of Silex Systems Limited were issued during the year ended 30 June 2009 on the exercise of options granted under the Silex Systems Limited Employee Share Option Plan. No amounts are unpaid on any of the shares.

Date options granted	Issue price of shares	Number of shares issued
9th September 2003	$0.65	165,000
11th November 2003	$0.65	10,000
3rd May 2004	$0.95	54,000
4th May 2005	$0.85	58,500
22nd November 2005	$1.77	40,000
22nd June 2006	$3.60	270,000
		597,500

Between balance date and the date of this report, the following options were exercised resulting in the issue of 291,000 ordinary shares. These options have been excluded from the shares under option table above.

Date options exercised	Issue price of shares	Number of shares issued
17th July 2009	$0.85	10,000
17th July 2009	$3.60	35,000
13th August 2009	$3.60	60,000
13th August 2009	$1.77	25,000
31st August 2009	$3.60	76,000
31st August 2009	$3.60	20,000
14th September 2009	$3.60	65,000
		291,000

10. Remuneration report

The remuneration report is set out under the following main headings:

A) Principles used to determine the nature and amounts of remuneration
B) Details of remuneration
C) Share based compensation
D) Additional information

The information provided in this report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

A) Principles used to determine the nature and amount of remuneration

The objective of the Company's executive reward framework is to ensure reward for performance is competitive. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- transparency.

Alignment to shareholders' interests:

- focuses on sustained growth in share price as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives.

Alignment to program participants' interest:

- rewards capability and experience
- reflects competitive reward for contribution to shareholder growth
- provides recognition for contribution.

The framework provides a blend of fixed pay and short and long-term incentives. The Board has established a remuneration committee which provides advice on remuneration and recommendations on remuneration packages for executive directors, other senior executives and non-executive directors.

Non-executive Directors
The current base remuneration was last reviewed with effect from 1 July 2006. Directors' fees are currently $60,000 per director. Additional fees of $5,000 per annum are also payable from 1 July 2006 for membership on the audit committee and $5,000 per annum for the remuneration committee. Non – executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum non-executive directors' fees currently stands at $350,000 per annum and was approved by shareholders at the Annual General Meeting on 1 December 2006.

Executive pay
The executive pay and reward framework has four components:

- base pay and benefits
- short-term performance incentives
- long-term incentives via the issue of share options, and
- other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

Base pay
Executive salaries are structured as a total employment cost package which may be delivered as a mix of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases fixed in any senior executives' contracts, or arrangements.

Benefits
Executives receive benefits including car allowances.

Superannuation
Retirement benefits are delivered under the Silex Systems Limited Superannuation Fund or an alternative fund of the executive's choice. These funds are accumulation funds.

Short-term incentives
At the discretion of the Board, if the Company achieves pre-determined targets set by the Board, then a pool of short-term incentive (STI) funds may be made available for executives and senior staff for allocation during the annual review, or other appropriate times.

Long-term incentives
Silex Systems Limited Employee Option Plan
Information on the Silex Systems Limited Employee Share Option Plan is set out in note 35 to the financial statements.

B) Details of remuneration
Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of Silex Systems Limited and the Silex Systems Limited Group are set out in the following tables.

Key management personnel of Silex Systems Limited and the Silex Group

2009	Short-term employee benefits			Post-employment benefits	Long term benefits	Share-based payments	
Name	Cash salary and fees $	Cash bonus $	Non - monetary benefits $	Superannuation $	Long service leave $	Options $	Total $
Executive directors							
Dr M P Goldsworthy	552,745	-	63,153	13,745	21,090	-	650,733
Mr C D Wilks	123,669	-	-	10,679	106	-	134,454
Non executive directors							
Dr C S Goldschmidt	65,000	-	-	5,850	-	-	70,850
Mr B S Patterson	70,000	-	-	6,300	-	-	76,300
Mr R P Campbell	70,000	-	-	6,300	-	-	76,300
Other key management personnel							
B J Spillane	123,611	-	14,625	10,998	5,440	-	154,674
Company Secretary and Financial Controller							
Total	1,005,025	-	77,778	53,872	26,636	-	1,163,311

2008	Short-term employee benefits			Post-employment benefits	Long term benefits	Share-based payments	
Name	Cash salary and fees $	Cash bonus $	Non - monetary benefits $	Superannuation $	Long service leave $	Options $	Total $
Executive directors							
Dr M P Goldsworthy	452,117	-	76,157	13,129	19,641	1,099,074	1,660,118
Mr C D Wilks	85,500	-	-	7,695	-	549,537	642,732
Non executive directors							
Dr C S Goldschmidt	65,000	-	-	5,850	-	-	70,850
Mr B S Patterson	70,000	-	-	6,300	-	-	76,300
Mr R P Campbell	70,000	-	-	6,300	-	-	76,300
Other key management personnel							
B J Spillane	123,404	-	9,011	10,941	4,348	45,795	193,499
Company Secretary and Financial Controller							
Total	866,021	-	85,168	50,215	23,989	1,694,406	2,719,799

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration		At risk- STI		At risk - LTI	
	2009	2008	**2009**	2008	**2009**	2008
Executive directors						
Dr M P Goldsworthy	**100.0%**	33.8%	**-**	-	**-**	66.2%
Mr C D Wilks	**100.0%**	14.5%	**-**	-	**-**	85.5%
Other key management personnel						
B J Spillane	**100.0%**	76.3%	**-**	-	**-**	23.7%

There are no other senior managers/executives in the Group.

C) Service Agreements
M P Goldsworthy
Term of agreement – no expiry
Package consisting of base salary, superannuation and motor vehicle reviewed by remuneration committee.

C D Wilks
Term of agreement – reappointed a director for a further period of 3 years commencing 26 November 2008.
Package consisting of directors fees, salary and superannuation.
Salary details reviewed by remuneration committee.

B J Spillane
Term of agreement – employed from 26 November 2001, no expiry
Package consisting of base salary, superannuation and motor vehicle reviewed annually.
Payment of a termination benefit on early termination by the Company equal to 1 months package.

D) Share-based compensation
Options
Options are granted under the Silex Systems Limited Employee Option Plan to other key management personnel. Full time and part time staff of the consolidated entity are eligible to participate in the plan. Options are granted under the plan for no consideration. Options are granted for a five year period and vest 100% after two years. Options are also granted to executive directors. These are subject to shareholder approval, are granted for a five year period and vest 100% after two years.
The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Grant date	Expiry date	Exercise price	Value per option at grant date	Date exercisable
22nd November 2005	21st November 2010	$1.77	$0.95	100% after 22nd November 2007
22nd June 2006	21st June 2011	$3.60	$1.88	100% after 22nd June 2008
9th March 2007	8th March 2012	$7.01	$3.26	100% after 9th March 2009
22nd August 2007	21st August 2012	$6.79	$4.26	100% after 22nd August 2009
24th December 2007	23rd December 2012	$5.81	$2.87	100% after 23rd December 2009
15th July 2008	14th July 2013	$7.06	$3.82	100% after 15th July 2010
7th October 2008	6th October 2013	$3.63	$1.96	100% after 7th October 2010
28th November 2008	27th November 2013	$3.54	$1.81	100% after 28th November 2010
5th December 2008	4th December 2013	$3.51	$1.86	100% after 5th December 2010
31st March 2009	30th March 2014	$4.19	$2.28	100% after 31st March 2011
29th June 2009	28th June 2014	$5.88	$3.20	100% after 29th June 2011

Options granted under the plan carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share.

The exercise price of options is based on the weighted average price at which the Company's shares are traded on the Australian Stock Exchange during the five days immediately before the options are granted, plus five cents.

Details of options over ordinary shares in the company provided to each director of Silex Systems Limited and each of the key management of the group are set out below. When exercisable, each option is converted into one ordinary share of Silex Systems Limited. Further information on options is set out in note 35 to the financial statements.

Name	Number of options granted during the year		Number of options vested during the year	
	2009	2008	**2009**	2008
Directors of Silex Systems Limited				
Dr M P Goldsworthy	**-**	-	**-**	1,200,000
Mr C D Wilks	**-**	-	**-**	600,000
Other key management personnel of the Group				
Mr B J Spillane	**-**	-	**-**	50,000

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables. Fair values at grant date are independently determined using a Binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2009 included:

(a) options are granted for no consideration. 100% vests and are exercisable after two years of the date of grant

(b) exercise price $7.06, $3.63, $3.54, $3.51, $4.19 and $5.88 (2008: $6.79 and $5.81)

(c) Grant date: 15 July 2008, 7 October 2008, 28 November 2008, 5 December 2008, 31 March 2009 and 29 June 2009 (2008: 22 August 2007 and 24 December 2007)
(d) Expiry date: 14 July 2013, 6 October 2013, 27 November 2013, 4 December 2013, 30 March 2014 and 28 June 2014 (2008: 21 August 2012 and 23 December 2012)
(e) Share price at grant date: $6.78, $3.54, $3.34, $3.45, $4.25 and $5.99 (2008: $8.13 and $5.65)
(f) Expected volatility of the Company's shares: 70% (2008: 50% and 60%)
(g) Expected dividend yield: nil (2008: nil)
(h) Risk-free interest rate: 7.5%, 6.25%, 5.5%, 4.5%, 3.5% and 3.25% (2008: 6.75% and 7.0%)

The minimum value of options issued during the year to directors and key management personnel is nil. The maximum value of options issued during the year to directors and key management personnel is nil.

Shares provided on exercise of remuneration options
Details of ordinary shares in the Company provided as a result of the exercise of remuneration options to each director of Silex Systems Limited and other key management personnel of the Group are set out below:

	Number of ordinary shares issued on exercise of options during the year	
Name	**2009**	2008
Directors of Silex Systems Limited		
-	-	-
Other key management personnel of the Group		
B J Spillane	**25,000**	135,000

The amounts paid per ordinary share by each director and other key management personnel on the exercise of options at the date of exercise were as follows:

Exercise date	Amount paid per share	Number of shares	Exercise date	Amount paid per share	Number of shares
9th July 2007	$0.85	10,000	9th July 2008	$0.85	10,000
26th July 2007	$0.85	10,000	31st July 2008	$0.85	5,000
10th August 2007	$0.85	20,000	8th September 2008	$0.85	5,000
30th August 2007	$0.85	50,000	29th October 2008	$0.85	5,000
19th September 2007	$0.85	20,000			
9th November 2007	$0.85	5,000			
4th February 2008	$0.85	10,000			
17th April 2008	$0.85	5,000			
25th June 2008	$0.85	5,000			

No amounts are unpaid on any shares issued on the exercise of options.

E) Additional information
Principles used to determine the nature and amount of remuneration: relationship between remuneration and company performance
The overall level of executive reward takes into account the performance of the Group over a number of years, with greater emphasis given to the current and prior year.

Details of remuneration: cash bonuses and options

For each cash bonus and grant of options included in the tables on pages 6 to 8, the percentage of the available bonus or grant that was paid, or that vested is set out below. The maximum value of options to vest is based on the value determined using the binomial model taking the value calculated as at grant date.

	Cash bonus		Options					
Name	Paid %	Forfeited %	Financial Year granted	Vested %	Forfeited %	Financial years in which options may vest	Minimum total value of grant yet to vest $	Maximum total value of grant to vest $
Dr M P Goldsworthy	N/A	N/A	Y/E 30/6/2006	100	-	N/A	N/A	N/A
Mr C D Wilks	N/A	N/A	Y/E 30/6/2006	100	-	N/A	N/A	N/A
Mr B J Spillane	N/A	N/A	Y/E 30/6/2006	100	-	N/A	N/A	N/A

Further details relating to options are set out below:

Name	A Remuneration consisting of options	B Value at grant date $	C Value at exercise date $	D Value at lapse date $	E Total of columns B-D $
Dr M P Goldsworthy	-	-	N/A	-	-
Mr C D Wilks	-	-	N/A	-	-
Mr B J Spillane	-	-	137,650	-	137,650

A = The percentage of the value of remuneration consisting of options, based on the value of options expensed during the current year.
B = The value at grant date calculated in accordance with AASB *2 Share Based Payments* of options granted during the year as part of remuneration.
C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year.
D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year.

Share options granted to directors and the most highly remunerated officers
No options over unissued ordinary shares of Silex Systems Limited were granted during or since the end of the financial year to directors or the most highly remunerated officers of the Company as part of their remuneration.

Where a part of the directors or executive's remuneration consists of securities, the director or executive is not allowed to limit their exposure to risk in relation to the securities. Directors and executives with remuneration consisting of securities are required to provide an annual declaration of compliance with this policy.

Other executives of the consolidated entity
There are no officers, other than Executive Directors and Executives noted above, involved in, concerned in, or taking part in, the management of the commercial affairs of Silex Systems Limited.

Performance of Silex Systems Limited

Year ended 30 June	EPS Cents	STI $	Share price at 30 June $
2005	(7.6)	-	1.11
2006	(7.6)	200,000	4.08
2007	6.4	460,000	12.49
2008	(6.5)	-	7.96
2009	(2.6)	-	6.00

The earnings per share in the current year improved from the prior year. The EPS in the current year was boosted by net foreign exchange gains. The current EPS is the second best over the last five years. The share price has increased significantly between when the agreement with General Electric was announced in May 2006 and 30 June 2007. During the years ended 30 June 2008 and 30 June 2009 the share market dropped considerably due to growing concerns over the deteriorating conditions in global financial and equity markets. Silex's share price was not immune to the market fall. The share price has increased in the last 5 years as progress has been made on the Company's projects and increased interest in the Company has been generated in the market. Progress on the projects has not directly been reflected in EPS as the projects are still in the research and development phase and, apart from the Uranium Enrichment Project, are yet to generate substantial revenue. Until 30 June 2005, earnings per share were calculated in accordance with Australian GAAP as opposed to Australian Equivalents to International Financial Reporting Standards (AIFRS). The STI's in the years ended 30 June 2006 and 30 June 2007 are related to the progress made on the Uranium Enrichment Project and the signing of the deal with GE.

11. Information on Directors

a) *Directors' profiles*

Mr Barry Patterson
ASMM, MIMM, FAICD
Chairman – non executive

Experience and expertise
Mr Patterson has a corporate mining background, but in more recent years has held directorial positions in a number of both public and private companies. He is a major shareholder in Silex through his interest in Polly Pty Ltd.

Other current directorships
Non-executive director of Sonic Healthcare Limited since 1993.
Former directorships in last 3 years
None.

Special responsibilities
Chairman of the Board
Member of audit committee
Chairman of remuneration committee

Dr Michael Goldsworthy
BSc (Hons), MSc, PhD, FAIP
Managing Director/CEO - Executive

Experience and expertise
Dr Goldsworthy received his PhD in Physics from The University of New South Wales. Prior to starting with Silex Systems Limited in 1988, Dr Goldsworthy was a member of the University's academic staff and was involved in a number of laser-associated research projects. Dr Goldsworthy is the founder of the Company and has been the driving force behind the SILEX uranium enrichment project, and the establishment of the consolidated entity's extensive interests in solar, semiconductor and photonics technologies.

Other current directorships
None

Former directorships in last 3 years
None

Special responsibilities
Managing Director

Mr Christopher Wilks
BComm, ASA, FCIS, FCIM, FAICD
Director – executive

Experience and expertise
Mr Wilks has a background in chartered accounting and investment banking. He was previously a partner in a private investment bank and has held positions on the board of a number of public companies. Mr Wilks plays a role in the financial oversight and corporate development of Silex.

Other current directorships
Executive director of Sonic Healthcare Limited since 1989.

Former directorships in last 3 years
Non non-executive director of Independent Practitioner Network Limited between August 2005 and October 2008 (Independent Practitioner Network Limited was delisted in October 2008).

Dr Colin Goldschmidt
MB BCh, FRCPA, FAICD
Non-executive
Experience and expertise
Dr Goldschmidt is the CEO and Managing Director of Sonic Healthcare Limited. He was appointed to this role in 1993 and has overseen Sonic's growth within Australia and its expansion into the UK, Europe and the USA. Experience in listed public company management, international business operations and healthcare and scientific markets.

Other current directorships
Managing Director of Sonic Healthcare Limited since 1993.

Former directorships in last 3 years
Non -executive director of Independent Practitioner Network Limited between August 2005 and October 2008 (Independent Practitioner Network Limited was delisted in October 2008).

Special responsibilities
Member of audit committee

Mr Peter Campbell
FCA, FTIA, FAICD
Non-executive
Experience and expertise
Mr Campbell is a Chartered Accountant with his own practice based in Sydney. He is a Fellow of both the Institute of Chartered Accountants in Australia and the Taxation Institute of Australia and is a registered Company Auditor.

Other current directorships
Non-executive director of Sonic Healthcare Limited since 1993 and non-executive director of QRxPharma Limited since April 2007.

Former directorships in last 3 years
Non-executive director of Admerex Limited from January 1997 to October 2008.

Special responsibilities
Chairman of audit committee
Member of remuneration committee

b) Directors' interests in shares and options as at the date of this report

Director's name	Class of shares	No. of shares	Share options
B S Patterson	Ordinary	4,073,863	-
M P Goldsworthy	Ordinary	5,849,533	1,200,000
C D Wilks	Ordinary	2,794,021	600,000
C S Goldschmidt	Ordinary	2,525,937	-
R P Campbell	Ordinary	1,354,823	-

12. Company secretary

B J Spillane, B.Comm, CA was appointed to the position of company secretary in 2003. Mr Spillane has been Financial Controller of Silex since he joined the Company in 2001. Before joining Silex Systems Limited he was a Financial Accountant in the building products industry for ten years and prior to that an auditor for five years.

13. Meetings

The number of Directors' meetings held during the financial year and the number of meetings attended by each director are set out in the following table:

	Directors' Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
Director's name	**Number Held**	**Number Attended**	**Number Held**	**Number Attended**	**Number Held**	**Number Attended**
B S Patterson	9	8	2	2	1	1
M P Goldsworthy	9	9	-	-	-	-
C D Wilks	9	9	-	-	-	-
C S Goldschmidt	9	9	2	2	-	-
R P Campbell	9	8	2	2	1	1

14. Indemnification and Insurance of Directors

The Company has entered into agreements to indemnify the Directors of the Company against all liabilities to persons (other than the Company or related body corporate) which arise out of the performance of their normal duties as Directors or Executive Officers unless the liability relates to conduct involving lack of good faith. The Company has agreed to indemnify the Directors and Executive Officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity.

The Directors' and Officers' liability insurance provides cover against all costs and expenses involved in defending legal actions and any resulting payments arising from a liability to persons (other than the Company) incurred in their position as a Director or Executive Officer unless the conduct involves a wilful breech of duty or an improper use of inside information or position to gain advantage. The insurance policy does not allow specific disclosure of the nature of the liabilities insured against or the premium paid under the policy.

15. Environmental regulation

The Company is subject to the environmental and health and safety regulations applicable to tenants of the Lucas Heights Science and Technology Centre. The Company is also bound by the rules and regulations set out in the Australian Radiation Protection and Nuclear Safety Act, 1998, and is a licensee under the Act.

To the best of the Directors' knowledge, all environmental and health and safety regulatory requirements have been met and there have been no claims made during the financial year.

16. Non-audit services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the consolidated entity are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below.

The board of directors has considered the position and, in accordance with the advice received from the audit committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor

- None of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

During the year the following fees were paid or payable for services provided by the auditor of the parent company, its related practices and non-related audit firms.

	Consolidated	
	2009	2008
	$	$
Remuneration of auditors		
During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-audit firms:		
(a) Assurance services		
Audit services		
PricewaterhouseCoopers Australian firm		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**101,148**	118,425
Total remuneration for audit services	**101,148**	118,425
Other assurance services		
PricewaterhouseCoopers Australian firm		
Audit of government grants	**-**	7,500
Total remuneration for other assurance services	**-**	7,500
Total remuneration for assurance services	**101,148**	125,925
Total remuneration	**101,148**	125,925

17. Auditors

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

18. Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 15.

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

Dr M P Goldsworthy
Managing Director

Mr C D Wilks
Director

Sydney, 25 September 2009

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Auditors' Independence Declaration

As lead auditor for the audit of Silex Systems Limited for the year ended 30 June 2009, 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 audit; and
b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Silex Systems Limited and the entities it controlled during the period.

Rod Dring
Partner
PricewaterhouseCoopers

Sydeny
25 September 2009

CORPORATE GOVERNANCE STATEMENT

Silex Systems Limited (the Company) and the board are committed to achieving and demonstrating the highest standards of corporate governance.

A description of the Company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year.

Principle 1: Lay solid foundations for management and oversight
The directors are responsible to the shareholders for the performance of the Company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the board to the Managing Director and senior executives.

The board of directors is accountable to shareholders for the performance of the Group and is responsible for the corporate governance practices of the Group.

The board's principal objective is to maintain and increase shareholder value while ensuring that the Group's overall activities are properly managed.

Silex's corporate governance practices provide the structure which enables the board's principal objective to be achieved, whilst ensuring that the business and affairs of the group are conducted ethically and in accordance with the law.

The board's overall responsibilities include:

- providing strategic direction and approving corporate strategies;
- monitoring management and financial performance and reporting;
- monitoring and ensuring the maintenance of adequate risk management controls and reporting mechanisms, and
- ensuring the business is conducted ethically and transparently.
- The board delegates responsibility for day-to-day management of the business to the Managing Director. The Managing Director also oversees the implementation of strategies approved by the board. The board uses committees to support it in matters that require more intensive review and involvement. Details of the board committees are provided below.

As part of its commitment to good corporate governance, the board undertakes regular reviews of the practices and standards governing the board's composition, independence and effectiveness, the accountability and compensation of directors and the board's responsibility for the stewardship of the Group.

The Chairman undertakes an annual assessment of the performance of executive directors and meets privately with each executive director to discuss this assessment. The managing director meets annually with non-director senior executives to discuss their performance. Feedback is also sought from other directors. These assessments and meetings took place during the year.

Principle 2: Structure the board to add value
The board is comprised of both executive and non-executive directors with a majority of non-executive directors. Non-executive directors bring a balanced perspective to the board's consideration of strategic, risk and performance matters and are best placed to exercise independent judgement and review and constructively challenge the performance of management.

The Chairman is an independent non-executive director, the majority of the board are independent of management and all directors are required to bring independent judgement to bear in their board decision making. The Chairman is elected by the full board.

The Company maintains a mix of directors on the board from different backgrounds with complementary skills and experience.

The Directors of the Company in office at the date of this statement are:

Name	**Age**	**Position**	**Expertise**	**Year Appointed Director**
Dr M P Goldsworthy	51	Managing Director/CEO	Physicist and Co-inventor of the SILEX Technology	1992
Mr C D Wilks	51	Director	Investment Banking, Finance and Company Management	1988
Dr C S Goldschmidt	55	Non-executive Director	Company Management	1992
Mr B S Patterson	68	Non-executive Director/Chairman	Company Management	1992
Mr R P Campbell	64	Non-executive Director	Finance and Accounting, Computing and Company Management	1996

All of Silex's non-executive directors, including the Chairman, are considered independent. An independent director cannot be a substantial shareholder (as defined in section 9 of the *Corporations Act 2001*). The size and composition of the board is determined by the full board.

Directors' independence
The board has adopted specific principles in relation to directors' independence. These state that to be deemed independent, a director must be a non-executive and:

- not be a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company
- within the last three years, not have been employed in an executive capacity by the Company or any other group member, or been a director after ceasing to hold any such employment
- within the last three years not have been a principal of a material professional adviser or a material consultant to the Company or any other group member, or an employee materially associated with the service provided
- not be a material supplier or customer of the Company or any other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
- must have no material contractual relationship with the Company or a controlled entity other than as a director of the Group
- be free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Materiality for these purposes is determined on both quantitative and qualitative bases. In addition, a transaction of any amount or a relationship is deemed material if knowledge of it may impact the shareholders' understanding of the director's performance.

Term of office
The Company's Articles of Association specifies that all directors other than the Managing Director must retire from office no later than the third annual general meeting (AGM) following their last election. Where eligible, a director may stand for re-election.

Prior to appointment or being submitted for re-election each non-executive director is required to specifically acknowledge that they have and will continue to have the time available to discharge their responsibilities to the Company.

Chairman and Chief Executive Officer (CEO)
The Chairman is responsible for leading the board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, and facilitating board discussions.

The CEO is responsible for the day-to-day management of the Company's affairs, and for implementing Group strategies and policies as determined by the Board of Directors.

Board meetings
The board meets formally at least 9 times a year to consider a broad range of matters, including progress with respect to the Company's various development programs, strategy, financial reviews, acquisitions and investments. Details of meetings and attendances are set out in the Directors' Report.

Conflicts of interest of directors
The board has guidelines dealing with disclosure of interests by directors and participation and voting at board meetings where any such interests are discussed. In accordance with the *Corporations Act 2001*, any director with a material personal interest in a matter being considered by the board does not receive the relevant board papers, must not be present when the matter is being considered, and may not vote on the matter.

Independent professional advice
Directors and board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

All directors have access to Company records and information and receive detailed financial and operational reports from senior management during the year to enable them to carry out their duties. Directors also liaise with senior management as required, and may consult with other employees and seek additional information on request.

Performance assessment and remuneration
The board meets to undertake an annual self assessment of its collective performance, the performance of the Chairman and of its committees. This was performed in April 2009 and all deemed satisfactory. The board discusses a broad range of issues including the progress of the various research and development projects, the financial results, capital raisings, major deals negotiated and the share price. The board the appropriate mix of skills required by the board to maximise its effectiveness and its contribution to the Group.

The Chairman undertakes an annual assessment of the performance of individual directors and meets privately with each director to discuss this assessment. The managing director meets annually with non-director senior executives to discuss their performance. Feedback is also sought from other directors.

The Directors' report contains details of remuneration paid to directors and executives. Executive and non-executive directors' fees are clearly separated in the Directors' report.
Where bonuses are paid, details of the reason for the bonus are described. Options issued to executive directors are approved by shareholders at the Annual General Meeting.

Additional information on performance evaluation and remuneration is provided in the Directors' Report.

Board committees
The board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the board are the remuneration and audit committees. Each is comprised of a majority of non-executive directors. The committee structure and membership is reviewed on an annual basis.

Nomination committee
The Board has decided that it is in the Company's best interest that the full Board deals with nomination issues. As a result a Nomination Committee has not been established.

Principle 3: Promote ethical and responsible decision making

Code of conduct
The Company has developed a Code of Conduct (the Code) which has been fully endorsed by the board and applies to all directors and employees.

In summary, the Code requires that at all times Company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies.

A copy of the Code is available on the Company's website.

Share trading policy
The Company has in place a formal share trading policy which places certain prohibitions on the trading of the Company's shares. The policy is on the Company's website. All Silex share dealings by directors are promptly notified to the Australian Stock Exchange (ASX). All directors and employees are prohibited from buying and selling Silex shares at any time if they are aware of any material price sensitive information that has not been made available to the public. This however does not restrict directors and employees from exercising options over unissued Silex shares. Trading of the subsequently issued shares is however subject to the prohibitions above. The Share trading policy is available on the Company's website.

Principle 4: Safeguarding integrity in financial reporting

Audit committee
The audit committee consists of 3 non-executive independent directors as follows:
R P Campbell (Chairman)
C S Goldschmidt
B S Patterson

Details of these directors' qualifications and attendance at audit committee meetings are set out in the directors' report.

The audit committee has appropriate financial expertise and all members are financially literate and have an appropriate understanding of the industries in which the Group operates.

The audit committee has its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. The charter is reviewed on an annual basis and is available on the Company website.

Minutes of committee meetings are tabled at the subsequent board meeting.

The audit committee operates in accordance with a charter. The main responsibilities of the committee are to:
- review, assess and approve the financial reports and all other financial information published by the Company or released to the market
- assist the board in reviewing the effectiveness of the organisation's internal control environment covering:
  - effectiveness and efficiency of operations
  - reliability of financial reporting
  - compliance with applicable laws and regulations
- oversee the effective operation of the risk management framework
- recommend to the board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance
- consider the independence and competence of the external auditor on an ongoing basis
- review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence
- review and monitor related party transactions and assess their propriety
- report to the board on matters relevant to the committee's role and responsibilities.

In fulfilling its responsibilities, the Audit Committee receives regular reports from management and the external auditors. It also meets with the external auditors at least twice a year – more frequently if necessary, and reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved. The external auditors have a clear line of direct communication at any time to either the Chairman of the Audit Committee or the Chairman of the board.

The audit committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

External auditors
The Company and audit committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. It is PricewaterhouseCoopers policy to rotate audit engagement partners on listed companies at least every five years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in note 29 to the financial statements. It is the policy of the external auditors to provide annual declarations of their independence to the audit committee.

The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Principles 5 and 6: Make timely and balanced disclosures and respect the rights of shareholders

Continuous disclosure and shareholder communication
The Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company and its subsidiaries that a reasonable person would expect to have a material effect on the price of the Company's securities. These policies and procedures also include the arrangements the Company has in place to promote effective communication with shareholders and encourage participation at general meetings. The Company's Continuous Disclosure Policy is available on the Company's website.

The Company Secretary has been nominated as the person responsible for communications with the Australian Stock Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

Information disclosed to the ASX is posted on the Company's web site as soon as it is disclosed to the ASX. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed, and if so, this information is also immediately released to the market.

The role of shareholders
The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the group's state of affairs. Information is communicated to shareholders as follows:

- The annual report is distributed to all shareholders who have elected to receive it and is posted on the company's website. The board ensures that the annual report includes relevant information about the operations of the group during the year, changes in the state of affairs of the group and details of likely future developments, in addition to the other disclosures required by the *Corporations Act 2001*;

- Proposed major changes in the group which may impact on share ownership rights are submitted to a vote of shareholders.

The board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the group's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are responsible for voting on the appointment of directors.

Principle 7: Recognise and manage risk

The board, through the audit committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. These policies, detailed in the audit committee charter are available on the Company website. In summary, the Company policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. Adherence to the Code of Conduct is required at all times and the board actively promotes a culture of quality and integrity.

Detailed control procedures cover management accounting, financial reporting, project appraisal, environment, health and safety, IT security, compliance and other risk management issues.

The Board requires management to design and implement the risk management and internal control system to manage the Company's material business risks. The board discusses these policies at regular intervals. For example management provides details of cash deposits and intellectual property patenting on a regular basis for review. Management reports on the effectiveness of the Company's management of its material business risks.

The board requires that each major proposal submitted to the board for decision is accompanied by sufficient due diligence and risk review.

Occupational Health and Safety (OH&S)
The Company recognises the importance of occupational health and safety (OH&S) issues and is committed to the highest levels of performance. To help meet this objective the OH&S Committee was established to facilitate the systematic identification of OH&S issues and to ensure they are managed in a structured and rigorous manner. This system has been operating for a number of years and allows the Company to:

- monitor its compliance with all relevant OH&S legislation and regulations,
- continually assess and improve the effectiveness of the Company's OH&S program,
- encourage employees to actively participate in the management of all OH&S issues, and
- reinforce the importance of safe work practices throughout the Company, as mandated by management.

Environmental regulation
As noted in the Directors' report, the Company is subject to the environmental and health and safety regulations applicable to tenants of the Lucas Heights Science and Technology Centre. The Company is also bound by the rules and regulations set out in the Australian Radiation Protection and Nuclear Safety Act, 1998, and is a licensee under that Act. To the best of the Directors' knowledge, all environmental regulatory requirements have been met.

Corporate reporting

The Managing Director/CEO and Financial Controller have made the following certifications to the board:

- that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and Group and are in accordance with relevant accounting standards
- that the above statement is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8: Remunerate fairly and responsibly

Remuneration committee

The remuneration committee consists of the following non-executive directors:
B S Patterson (Chairman)
R P Campbell

Details of these directors' attendance at remuneration committee meetings are set out in the directors' report.

The remuneration committee advises the board on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors. Further information on directors' and executives' remuneration is set out in the directors' report, which distinguishes non-executive directors' remuneration from that of executive directors and senior executives, and note 27 to the financial statements.

The remuneration committee adopts policies that attract and maintain talented and motivated directors and employees so as to encourage enhanced performance.

Where a part of the directors or executive's remuneration consists of securities, the director or executive is not allowed to enter into transactions in associated products which limit the economic risk of participation in unvested entitlements under any equity based remuneration schemes. Annual declarations of compliance are obtained.

Further details of directors' remuneration, superannuation and retirement payments are set out in the Directors' Report.

Silex Systems Limited

Annual financial report – 30 June 2009

Contents

This financial report covers both Silex Systems Limited as an individual entity and the consolidated entity consisting of Silex Systems Limited and its subsidiaries. The financial report is presented in the Australian currency.

Silex Systems Limited is a company limited by its shares, incorporated and domiciled in Australia.

Its registered office and principal place of business is:
Silex Systems Limited
Building 64, Lucas Heights Science & Technology Centre
New Illawarra Road, Lucas Heights NSW 2234

A description of the nature of the consolidated entity’s operations and its principal activities is included in the directors’ report on pages 1 to 3, which is not part of this financial report.

The financial report was authorised for issue by the directors on 25 September 2009. The Company has the power to amend and reissue the financial report.

	Notes	Consolidated 2009 $	Consolidated 2008 $	Parent entity 2009 $	Parent entity 2008 $
Revenue from continuing operations	4	**9,278,586**	13,031,442	**10,171,940**	13,881,426
Other income - net foreign exchange gains	5(a)	**2,755,897**	-	**5,199,051**	-
Other income – other	5(b)	**-**	273,935	**-**	12,571
Research and development materials		**(1,612,323)**	(6,193,038)	**(917,964)**	(5,582,280)
Finance costs	6	**(4,709)**	(8,663)	**(4,709)**	(8,663)
Depreciation and amortisation expense	6	**(1,049,864)**	(914,798)	**(41,617)**	(45,888)
Employee benefits expense		**(9,982,906)**	(10,714,929)	**(3,030,971)**	(6,220,152)
Professional fees		**(1,101,659)**	(1,002,922)	**(3,771,675)**	(3,256,045)
Printing, postage and stationery		**(62,321)**	(66,283)	**(32,833)**	(40,479)
Rent		**(384,208)**	(353,909)	**(203,957)**	(194,245)
Travelling expenses		**(657,161)**	(674,266)	**(467,858)**	(522,916)
Changes in inventories		**39,918**	12,019	**-**	-
Raw materials and stores used		**(43,238)**	(23,049)	**-**	-
Provision for diminution of investment in subsidiaries	6	**-**	-	**(1,100,000)**	(404,000)
Provision for impairment of loans to subsidiaries	6	**-**	-	**(2,800,000)**	-
Net foreign exchange losses		**-**	(1,804,697)	**-**	(3,733,160)
Other expenses from ordinary activities		**(920,224)**	(808,997)	**(427,166)**	(257,567)
(Loss)/profit before income tax expense		**(3,744,212)**	(9,248,155)	**2,572,241**	(6,371,398)
Income tax expense	7	**(11,396)**	-	**(11,396)**	-
Net (loss)/profit		**(3,755,608)**	(9,248,155)	**2,560,845**	(6,371,398)
(Loss)/profit is attributable to:					
Equity holders of Silex Systems Limited		**(3,755,608)**	(9,248,155)	**2,560,845**	(6,371,398)
Minority interest		**-**	-	**-**	-
		(3,755,608)	(9,248,155)	**2,560,845**	(6,371,398)
		Cents	Cents		
Earnings per share for (loss) from continuing operations attributable to the ordinary equity holders of the company					
Basic earnings per share		**(2.6)**	(6.5)		
Diluted earnings per share		**(2.6)**	(6.5)		

The above income statements should be read in conjunction with the accompanying notes

	Note	Consolidated 30 June 2009 $	Consolidated 30 June 2008 $	Parent entity 30 June 2009 $	Parent entity 30 June 2008 $
ASSETS					
Current assets					
Cash and cash equivalents	8	**58,605,297**	65,471,514	**57,845,452**	65,101,741
Trade and other receivables	9	**2,051,870**	2,743,879	**1,339,909**	3,767,968
Inventories	10	**50,705**	61,274	**-**	-
Total current assets		**60,707,872**	68,276,667	**59,185,361**	68,869,709
Non-current assets					
Receivables	11	**33,276**	35,009	**29,694,060**	15,264,322
Property, plant and equipment	12	**8,435,711**	1,913,415	**287,676**	139,035
Call option deeds	13	**2,200,894**	2,200,894	**2,200,894**	2,200,894
Deferred tax assets	14	**10,944**	10,107	**10,944**	10,107
Intangible assets	15	**8,482,242**	8,484,155	**-**	-
Other financial assets	16	**-**	-	**1,544**	1,102
Total non-current assets		**19,163,067**	12,643,580	**32,195,118**	17,615,460
Total assets		**79,870,939**	80,920,247	**91,380,479**	86,485,169
LIABILITIES					
Current liabilities					
Trade and other payables	17	**1,143,819**	1,308,064	**817,884**	1,010,257
Borrowings	18	**-**	25,712	**-**	25,712
Current tax liabilities		**11,396**	-	**11,396**	-
Provisions	19	**517,247**	440,347	**472,843**	416,619
Total current liabilities		**1,672,462**	1,774,123	**1,302,123**	1,452,588
Non-current liabilities					
Borrowings	20	**-**	72,499	**-**	72,499
Provisions	22	**185,133**	180,819	**159,876**	160,623
Total non-current liabilities		**185,133**	253,318	**159,876**	233,122
Total liabilities		**1,857,595**	2,027,441	**1,461,999**	1,685,710
Net assets		**78,013,344**	78,892,806	**89,918,480**	84,799,459
EQUITY					
Contributed equity	23	**103,611,221**	101,426,404	**103,611,221**	101,426,404
Reserves	24(a)	**7,250,013**	6,558,684	**7,852,267**	7,478,908
Accumulated losses	24(b)	**(32,847,890)**	(29,092,282)	**(21,545,008)**	(24,105,853)
Parent equity interest		**78,013,344**	78,892,806	**89,918,480**	84,799,459
Minority interest		**-**	-	**-**	-
Total equity		**78,013,344**	78,892,806	**89,918,480**	84,799,459

The above balance sheets should be read in conjunction with the accompanying notes.

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$	$	**$**	$
Exchange differences on translation of foreign controlled entity	**297,172**	(395,925)	**-**	-
Net income recognised directly in equity	**297,172**	(395,925)	**-**	-
(Loss)/profit for the year	**(3,755,608)**	(9,248,155)	**2,560,845**	(6,371,398)
Total recognised income and expense for the year	**(3,458,436)**	(9,644,080)	**2,560,845**	(6,371,398)
Total recognised income and expense for the year is attributable to:				
Members of Silex Systems Limited	**(3,458,436)**	(9,644,080)	**2,560,845**	(6,371,398)
Minority interest	**-**	-	**-**	-
	(3,458,436)	(9,644,080)	**2,560,845**	(6,371,398)

The above statements of recognised income and expense should be read in conjunction with the accompanying notes.

	Notes	Consolidated 2009 $	Consolidated 2008 $	Parent entity 2009 $	Parent entity 2008 $
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		**7,353,237**	9,642,240	**7,098,004**	9,515,475
Payments to suppliers and employees (inclusive of goods and services tax)		**(14,243,202)**	(16,278,654)	**(8,657,826)**	(12,267,492)
Interest received		**3,373,213**	2,704,245	**3,356,262**	2,668,091
Interest paid		**(4,709)**	(8,663)	**(4,709)**	(8,663)
Net cash (outflows)/inflows from operating activities	33	**(3,521,461)**	(3,940,832)	**1,791,731**	(92,589)
Cash flows from investing activities					
Payment for additional interest in subsidiaries		**-**	(145,470)	**-**	(145,470)
Payments for call options in subsidiary		**-**	(890,374)	**-**	(890,374)
Loans to related parties		**-**	(52,716)	**(12,641,812)**	(3,131,333)
Payments for property, plant and equipment		**(7,300,230)**	(788,987)	**(274,060)**	(21,236)
Proceeds from sale of property, plant and equipment		**63,636**	17,727	**63,636**	17,727
Repayment of loans by related parties		**34,534**	185,539	**-**	-
Net cash (outflows) from investing activities		**(7,202,060)**	(1,674,281)	**(12,852,236)**	(4,170,686)
Cash flows from financing activities					
Proceeds from issue of shares		**1,240,904**	50,377,452	**1,240,904**	50,046,769
Repayment of hire purchase liabilities		**(98,211)**	(23,804)	**(98,211)**	(23,804)
Net cash inflows from financing activities		**1,142,693**	50,353,648	**1,142,693**	50,022,965
Net (decrease)/increase in cash held		**(9,580,828)**	44,738,535	**(9,917,812)**	45,759,690
Cash and cash equivalents at the beginning of the financial year		**65,471,514**	22,623,517	**65,101,741**	21,065,771
Effects of exchange rate changes on cash		**2,714,611**	(1,890,538)	**2,661,523**	(1,723,720)
Cash and cash equivalents at end of year	8	**58,605,297**	65,471,514	**57,845,452**	65,101,741

Financing arrangements	20
Non-cash financing and investing activities	34

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

Note 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Silex Systems Limited as an individual entity and the consolidated entity consisting of Silex Systems Limited and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRS
The financial report of Silex Systems Limited also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention
These financial statements have been prepared under the historical cost convention.

Critical accounting estimates
The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Silex Systems Limited ("company" or "parent entity") as at 30 June 2009 and the results of all subsidiaries for the year then ended. Silex Systems Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The Company has elected, under AASB1, to grandfather pre-transition business combinations.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(i)). The Group applies a policy of treating transactions with minority interest as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Silex Systems Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings, are taken to shareholders' equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

(i) Sale of goods
A sale is recorded when goods have been despatched to a customer pursuant to a sales order and the associated risks have passed to the carrier or customer.

(ii) Interest income
Interest revenue is recognised on a time proportion basis using the effective interest method.

(iii) DARPA income

Revenue is recorded when the conditions under the agreement are met and there is reasonable assurance that the funds will be received.

(iv) Recoverable project costs
Revenue is recorded in the month when the related costs are incurred.

(f) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight line basis over the expected lives of the related assets.

(g) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation
Silex Systems Limited and its wholly-owned Australian controlled entity Silex Solar Pty Ltd have implemented the tax consolidation legislation from 1 July 2008. The head entity, Silex Systems Limited and the controlled entity in the tax consolidation group account for their own current and deferred tax amounts. These amounts are measured as if each entity in the tax consolidation group continues to be a stand alone taxpayer in its own right. In addition to its own current and deferred tax amounts, Silex Systems Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidation group.

(h) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 26). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(i) Business combinations

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1(r)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(j) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate they might be impaired. Other assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(k) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of nine months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 60 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance has been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

Prepayments have been included in receivables whereas in the prior year accounts they were classified as Other current assets. The comparatives have been adjusted in the accounts to reflect the change.

(m) Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials on an actual cost basis.

(n) Investments and other financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet (notes 9 and 11). Loans and receivables are carried at amortised cost using the effective interest method.

(ii) Held to maturity investments

Held to maturity investments are fixed term deposits with financial institutions that the Group's management has the positive intention and ability to hold to maturity.

(iii) Investment in subsidiaries

Investment in subsidiaries is booked in the accounts of the parent entity at the fair value of assets given as consideration.

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. The subsidiaries have continued their research and development activities and as such remain in loss making positions, hence due to the nature of these businesses, a provision against the value of the investment in the subsidiaries has been raised.

(o) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments may not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

(p) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(q) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Leasehold improvements	2 years
- Plant and Machinery	3-10 years
- Vehicles	5-7 years
- Furniture, fittings and equipment	3-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(j)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(r) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment by each primary reporting segment (note 30).

(ii) Intellectual property

Intellectual property on acquisition of investment in subsidiaries is amortised on a straight line basis over five years.

(iii) Research and development

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense when it is incurred.

Costs incurred on development projects relating to the design and testing of new or improved products are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably. Other expenditure that does not meet these expenditure are recognised as an expense as incurred. Given the stage of development of the Company's technologies, research and developments costs are expensed as incurred.

(s) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition.

(t) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(u) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred.

(v) Provisions

Provisions for legal claims and service warranties are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

(w) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations

Some employees of the Group are entitled to benefits on retirement, disability or death from the Group's defined contribution superannuation plan. The fund receives fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions. Contributions to the defined contribution fund are recognised as an expense as they become payable.

(iv) Share-based payments

Share-based compensation benefits are provided to employees via the Silex Systems Limited Employee Option Plan. Ownership-based remuneration is also provided to employees via the Translucent Inc Employee Option Plan. Information relating to these schemes is set out in note 35.

The fair value of options granted under the Silex Systems Limited Employee Option Plan and Translucent Inc Employee Option Plan are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is determined using a Binomial option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

(x) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

(y) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit/loss attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(z) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(aa) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Group’s assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 (effective from 1 January 2009)

AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group will adopt AASB 8 from 1 July 2009. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to result in any additional impairment of goodwill.

(ii) Revised AASB 123 *Borrowing Costs* and AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123* (effective from 1 January 2009).
The revised AASB 123 has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. The change is not expected to impact on the financial report of the Group.

(iii) Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101(effective from 1 January 2009)*
The September 2007 revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group will apply the revised standard from 1 July 2009.

(iv) AASB 2008-1 *Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations(effective from 1 January 2009)*
AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply the revised standard from 1 July 2009, but it is not expected to affect the accounting for the Group's share-based payments.

(v) Revised AASB 3 *Business Combinations*, AASB 127 *Consolidated and Separate Financial Statements* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127(effective from 1 July 2009)*
The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets. All acquisition –related costs must be expensed. This is different to the Group’s current policy which is set out in note 1(i).

The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses, see note 1 (b) (i). The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss.

The Group will apply the revised standards prospectively to all business combinations and transactions with non-controlling interests from 1 July 2009.

(vi) AASB 2008-7 *Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1July 2009)*
In July 2008, the AASB approved amendments to AASB 1 *First-time Adoption of International Financial Reporting Standards* and AABS 127 *Consolidated and Separate Financial Statements*. The new rules will apply to financial reporting periods commencing on or after 1 January 2009. The Group will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Furthermore, when a new intermediate parent entity is created in internal reorganisations it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary rather than the subsidiary's fair value.

(vii) ASSB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective 1 July 2009)
The amendments to AASB 5 *Discontinued Operations* and AASB 1 *First-Time Adoption of Australian-Equivalents to International Financial Reporting Standards* are part of the IASB's annual improvements project published in May 2008. They clarify that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosures should be made for this subsidiary if the definition of a discontinued operation is met. The Group will apply the amendments prospectively to all partial disposals of subsidiaries from 1 July 2009.

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(viii) AASB Interpretation 16 *Hedges of a Net Investment in a Foreign Operation* (effective 1 October 2008)
AASB-I 16 clarifies which foreign currency risks qualify as hedged risk in the hedge of a net investment in a foreign operation and that hedging instruments may be held by any entity or entities within the group. It also provides guidance on how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item. The Group will apply the interpretation prospectively from 1 July 2009.

(ix) AASB 2008-8 Amendment to IAS 39 *Financial Instruments: Recognition and Measurement* (effective 1 July 2009)
AASB 2008-8 amends AASB 139 *Financial Instruments: Recognition and Measurement* and must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors.* The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. The Group will apply the amended standard from 1 July 2009. It is not expected to have a material impact on the Group's financial statements.

(x) AASB Interpretation 17 *Distribution of Non-cash Assets to Owners* and AASB 2008-13 *Amendments to Australian Accounting Standards arising from AASB Interpretation 17*
AASB-I 17 applies to situations where an entity pays dividends by distributing non-cash assets to its shareholders. These distributions will need to be measured at fair value and the entity will need to recognise the difference between the fair value and the carrying amount of the distributed assets in the income statement on distribution. This is different to the Group's current policy which is to measure distributions of non-cash assets at their carrying amounts. The interpretation further clarifies when a liability for the dividend must be recognised and that it is also measured at fair value. The Group will apply the interpretation prospectively from 1 July 2009.

Note 2. Financial risk management

The Group's activities expose it to a variety of financial risks; market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risk.

Risk management is carried out by senior management under policies approved by the Board of Directors. Senior management identifies, evaluates and manages financial risks in close co operation with the Group's operating units. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk and investing excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US dollar.

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group's exposure to foreign currency risk at the reporting date, expressed in Australian dollars, was as follows:

	30-Jun-09 US Dollar AUD	30-Jun-08 US Dollar AUD
Cash and cash equivalents	15,133,668	12,982,112
Receivables	812,324	1,763,735
Trade payables	-	(219,202)

The carrying amounts of the parent entity's financial assets and liabilities are denominated in Australian dollars except as set out below:

	30-Jun-09 US Dollar AUD	30-Jun-08 US Dollar AUD
Cash and cash equivalents	15,123,323	12,971,669
Receivables	22,890,333	17,114,353
Trade payables	-	(219,202)

(ii) Cash flow and fair value interest rate risk

As the Group has significant interest-bearing assets, the Group's income and operating cash flows are influenced by changes in market interest rates. Group policy is to maintain the majority of cash and cash equivalents at fixed rates by the use of term deposits, bank bills etc.

The Group manages its cash flow interest-rate risk by having a spread of maturity dates with different institutions.

As at the reporting date, the Group had the following variable interest rate cash and cash equivalents:

	30 June 2009		30 June 2008	
	Weighted average interest rate %	Balance $	Weighted average interest rate %	Balance $
Cash and cash equivalents	2.12%	4,575,955	5.18%	4,101,383

(b) Credit risk

The Group has a significant concentration of credit risk with its main receipts coming from Global Laser Enrichment (GLE – the venture owned by GE, Hitachi and Cameco to commercialise the SILEX technology in the US), and banks (interest income). The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. For banks and financial institutions, only independently rated parties with a minimum rating as approved by the board are accepted. Cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available).

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$	$	**$**	$
Trade receivables				
GLE	**397,917**	810,389	**397,917**	810,389
DARPA	**-**	126,888	**-**	-
Other	**-**	5,940	**-**	-
	397,917	943,217	**397,917**	810,389
Cash and cash equivalents				
ANZ Banking Group Limited	**30,781,858**	33,206,699	**30,411,979**	33,122,328
Westpac Banking Corporation	**8,000,000**	9,845,241	**8,000,000**	9,845,241
National Australia Bank	**13,510,214**	11,925,910	**13,510,214**	11,925,910
Commonwealth Bank of Australia	**-**	4,910,109	**-**	4,910,109
St George Bank	**5,920,142**	3,842,986	**5,920,142**	3,842,986
Adelaide Bank	**-**	1,451,109	**-**	1,451,109
Bank of America	**389,455**	284,894	**-**	-
Other	**3,628**	4,566	**3,117**	4,058
	58,605,297	65,471,514	**57,845,452**	65,101,741

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

The Group and the parent entity had access to the following undrawn borrowing facilities at the reporting date:

Floating rate				
- Expiring within one year (documentary credit facility and visa facility)	**180,000**	190,000	**180,000**	190,000
	180,000	190,000	**180,000**	190,000

The visa facility and documentary credit facility may be drawn at anytime and is subject to annual review.

Maturities of financial liabilities
The tables below analyse the Group's and the parent entity's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

Group- at 30 June 2009	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Total contractual cash flows	Carrying Amounts (assets)/ liabilities
	$	$	**$**	$	**$**	$
Non-derivatives						
Non-interest bearing	1,143,819	-	-	-	1,143,819	1,143,819
Fixed rate	-	-	-	-	-	-
Total non-derivatives	1,143,819	-	-	-	1,143,819	1,143,819
Group- at 30 June 2008						
Non-derivatives						
Non-interest bearing	1,308,064	-	-	-	1,308,064	1,308,064
Fixed rate	16,164	16,164	72,498	-	104,826	98,211
Total non-derivatives	1,324,228	16,164	72,498	-	1,412,890	1,406,275
Parent- at 30 June 2009						
Non-derivatives						
Non-interest bearing	817,884	-	-	-	817,884	817,884
Fixed rate	-	-	-	-	-	-
Total non-derivatives	817,884	-	-	-	817,884	817,884
Parent- at 30 June 2008						
Non-derivatives						
Non-interest bearing	1,010,257	-	-	-	1,010,257	1,010,257
Fixed rate	16,164	16,164	72,498	-	104,826	98,211
Total non-derivatives	1,026,421	16,164	72,498	-	1,115,083	1,108,468

(d) Fair value estimation
The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual values at the current market interest rates that is available to the Group for similar instruments.

(e) Sensitivity analysis

The following tables summarise the sensitivity of the Group's and parent entity's financial assets and financial liabilities to interest rate risk and foreign exchange risk.

		Interest rate risk				Foreign exchange risk			
		-1%	-1%	2.5%	2.5%	-10%	-10%	10%	10%
30 June 2009 Group	Carrying amount $	Profit $	Equity $	Profit $	Equity $	Profit $	Equity $	Profit $	Equity $
Financial assets									
Cash and cash equivalents	58,605,297	(722,960)	(722,960)	1,807,399	1,807,399	1,681,519	1,681,519	(1,375,788)	(1,375,788)
Trade receivables	397,917	-	-	-	-	44,213	44,213	(36,174)	(36,174)
Loans to other related parties	170,409	2,148	2,148	(5,371)	(5,371)	-	-	-	-
Financial liabilities									
Trade payables	(416,803)	-	-	-	-	-	-	-	-
Borrowings	-	616	616	(1,541)	(1,541)	-	-	-	-
Total increase/(decrease) before tax		(720,196)	(720,196)	1,800,487	1,800,487	1,725,732	1,725,732	(1,411,962)	(1,411,962)
Tax charge		11,396	11,396	(676,965)	(676,965)	-	-	-	-
Total increase/(decrease) after tax		(708,800)	(708,800)	1,123,522	1,123,522	1,725,732	1,725,732	(1,411,962)	(1,411,962)

		Interest rate risk				Foreign exchange risk			
		-1%	-1%	1%	1%	-10%	-10%	10%	10%
30 June 2008 Group	Carrying amount $	Profit $	Equity $	Profit $	Equity $	Profit $	Equity $	Profit $	Equity $
Financial assets									
Cash and cash equivalents	65,471,514	(519,337)	(519,337)	519,337	519,337	1,442,457	1,442,457	(1,180,192)	(1,180,192)
Trade receivables	974,939	-	-	-	-	90,043	90,043	(73,672)	(73,672)
Loans to other related parties	171,099	2,598	2,598	(2,598)	(2,598)	-	-	-	-
Financial liabilities									
Trade payables	(772,314)	-	-	-	-	(24,356)	(24,356)	19,927	19,927
Borrowings	(98,211)	1,116	1,116	(1,116)	(1,116)	-	-	-	-
Total increase/(decrease)		(515,623)	(515,623)	515,623	515,623	1,508,144	1,508,144	(1,233,937)	(1,233,937)
Tax charge		-	-	-	-	-	-	-	-
Total increase/(decrease) after tax		(515,623)	(515,623)	515,623	515,623	1,508,144	1,508,144	(1,233,937)	(1,233,937)

		Interest rate risk				Foreign exchange risk			
		-1%	-1%	2.5%	2.5%	-10%	-10%	10%	10%
30 June 2009 Parent entity	Carrying amount	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
	$	$	$	$	$	$	$	$	$
Financial assets									
Cash and cash equivalents	57,845,452	(720,234)	(720,234)	1,800,585	1,800,585	1,680,369	1,680,369	(1,374,848)	(1,374,848)
Trade receivables	397,917	-	-	-	-	44,213	44,213	(36,174)	(36,174)
Loans to controlled entities	29,826,945	(182,654)	(182,654)	456,636	456,636	2,453,112	2,453,112	(2,007,091)	(2,007,091)
Financial liabilities									
Trade payables	(252,654)	-	-	-	-	-	-	-	-
Borrowings	-	616	616	(1,541)	(1,541)	-	-	-	-
Total increase/(decrease) before tax		(902,272)	(902,272)	2,255,680	2,255,680	4,177,694	4,177,694	(3,418,113)	(3,418,113)
Tax charge		11,396	11,396	(676,704)	(676,704)	-	-	-	-
Total increase/(decrease) after tax		(890,876)	(890,876)	1,578,976	1,578,976	4,177,694	4,177,694	(3,418,113)	(3,418,113)

		Interest rate risk				Foreign exchange risk			
		-1%	-1%	1%	1%	-10%	-10%	10%	10%
30 June 2008 Parent entity	Carrying amount	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
	$	$	$	$	$	$	$	$	$
Financial assets									
Cash and cash equivalents	65,101,741	(514,420)	(514,420)	514,420	514,420	1,441,297	1,441,297	(1,179,243)	(1,179,243)
Trade receivables	810,389	-	-	-	-	90,043	90,043	(73,672)	(73,672)
Loans to controlled entities	16,651,118	(124,426)	(124,426)	124,426	124,426	1,705,624	1,705,624	(1,395,511)	(1,395,511)
Financial liabilities									
Trade payables	(570,409)	-	-	-	-	(24,356)	(24,356)	19,927	19,927
Borrowings	(98,211)	1,116	1,116	(1,116)	(1,116)	-	-	-	-
Total increase/(decrease) before tax		(637,730)	(637,730)	637,730	637,730	3,212,608	3,212,608	(2,628,499)	(2,628,499)
Tax charge		-	-	-	-	-	-	-	-
Total increase/(decrease) after tax		(637,730)	(637,730)	637,730	637,730	3,212,608	3,212,608	(2,628,499)	(2,628,499)

Note 3. Critical accounting estimates and judgements
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of goodwill
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(r). The recoverable amount of a cash generating unit (CGU) is determined based on fair value less costs to sell. In determining fair value the company has considered the transaction in May 2008 where it increased its holding in Translucent Inc. from 70.7% to 81.0% and the call option deeds that allow the parent to move to 96.9% in the future. As part of its annual impairment assessment the company has reviewed the status of its technology projects in Translucent. These projects continue to be researched and developed in line with the company's technical program. Further, assuming future commercialisation the company has also prepared and considered cashflow projections based on financial budgets approved by the board and management to assess the recoverable amount of a CGU. These cashflows have been discounted at 35% (2008:40%) to reflect specific risks relating to the relevant segments, the stage of development of the technologies and the countries in which they operate. Based on these assessments the directors have determined that no impairment of goodwill is required at 30 June 2009.

(ii) Carrying value of loans to controlled entities
The directors have assessed the carrying value of the loans to controlled entities based on the estimated future cashflows assuming future commercialisation of technology. Provision is made to the extent the carrying value of the loan exceeds the future cashflows.

(iii) Income taxes
The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$	$	**$**	$
Note 4 Revenue				
From continuing operations				
Recoverable Project costs	**6,146,593**	9,624,501	**6,146,593**	9,624,501
Interest income	**3,126,693**	3,223,552	**4,000,603**	4,160,867
DARPA contract	**-**	163,031	**-**	-
Other	**5,300**	20,358	**24,744**	96,058
	9,278,586	13,031,442	**10,171,940**	13,881,426

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$	$	**$**	$
Note 5 Other income				
(a) Other income - net foreign exchange gains				
Foreign currency exchange gains (net)	**2,755,897**	-	**5,199,051**	-
(b) Other income – other				
Government Grants	**-**	261,364	**-**	-
Net gain on sale of property, plant and equipment	**-**	12,571	**-**	12,571
	-	273,935	**-**	12,571

(i) Government grants
Commercial Ready grants of $nil (2008: $261,364) were recognised as other income by the Group during the financial year. There are no unfulfilled conditions attaching to these grants. The grant was received by ChronoLogic Pty Ltd and part of it may be repayable in certain circumstances. These include if a change in control of ChronoLogic occurs without Ausindustry's consent; ChronoLogic wishes to commercialise the project other than as represented in its grant application; significantly additional aspects of the project would be commercialised in a country other than Australia, or overseas commercialisation would deliver significantly reduced national benefit when compared to the proposed commercialisation arrangements set out in the application; ChronoLogic becomes insolvent; or ChronoLogic breaches any warranty contained in the Agreement conditions.

Note 6 Expenses:

(Loss)/profit before income tax includes the following expenses:

Depreciation of plant and equipment	**1,031,652**	820,159	**41,617**	45,888
Amortisation of leasehold improvements	**16,299**	27,521	**-**	-
Amortisation of intellectual property	**1,913**	67,118	**-**	-
Total depreciation and amortisation	**1,049,864**	914,798	**41,617**	45,888
Finance costs				
Interest and finance charges paid/payable	**4,709**	8,663	**4,709**	8,663
Finance costs	**4,709**	8,663	**4,709**	8,663
Rental expenses relating to operating leases				
Minimum lease payments	**438,110**	396,361	**203,957**	194,245
Provision for employee entitlements	**81,159**	75,314	**55,477**	59,475
Impairment (gains)/losses - trade receivables	**(21,349)**	31,818	**-**	-
Impairment losses - intercompany loans	**-**	-	**2,800,000**	-
Write down of investments to recoverable amount	**-**	-	**1,100,000**	404,000
Defined contribution superannuation expense	**362,820**	283,467	**286,788**	249,298
Provision for warranties	**55**	193	**-**	-
Research and development costs	**11,187,927**	18,404,259	**7,123,141**	15,322,171
Foreign exchange losses	**-**	1,804,697	**-**	3,733,160
Loss on disposal of property, plant and equipment	**20,166**	-	**20,166**	-

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$	$	**$**	$
Note 7 Income tax				
(a) Income tax expense				
Current tax	**11,396**	-	**11,396**	-
	11,396	-	**11,396**	-
Income tax expense is attributable to:				
Profit from continuing operations	**11,396**	-	**11,396**	-
Aggregate income tax expense	**11,396**	-	**11,396**	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
(Loss)/profit before income tax expense	**(3,744,212)**	(9,248,155)	**2,572,241**	(6,371,398)
Income tax calculated @ 30%	**(1,123,264)**	(2,774,447)	**771,672**	(1,911,419)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Amortisation of intangibles	**574**	20,135	**-**	-
Share based payments	**401,170**	1,052,564	**64,798**	1,107,047
Write down of investments to recoverable amount	**-**	-	**330,000**	121,200
Impairment of intercompany receivables	**-**	-	**840,000**	-
Research and development concession	**(60,473)**	(44,250)	**(15,473)**	(42,000)
Sundry items	**40,640**	28,888	**37,328**	25,988
	(741,353)	(1,717,110)	**2,028,325**	(699,184)
Deferred tax asset/(liability) not recognised	**1,918,523**	2,334,551	**(1,506,562)**	699,184
Previously unrecognised tax losses used to reduce tax expense	**(510,367)**	-	**(510,367)**	-
Effect of higher rates on overseas income	**(655,407)**	(617,441)	**-**	-
Income tax expense	**11,396**	-	**11,396**	-

(c) Amounts recognised directly in equity

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity

	Consolidated 2009	Consolidated 2008	Parent entity 2009	Parent entity 2008
Net deferred tax (credited) directly to equity	**(837)**	(2,175)	**(837)**	(2,175)

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$	$	**$**	$
(d) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	**33,860,498**	26,749,948	**-**	1,701,222
Potential tax benefit at tax rate	**13,910,160**	10,739,558	**-**	510,367

A deferred tax asset has not been recognised as the consolidated entity has a history of tax losses.

The benefit of a deferred tax asset 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 consolidated entity in realising the benefit from the deductions for the losses.

(e) Tax consolidation legislation
Silex Systems Limited and its wholly owned Australian controlled subsidiary Silex Solar Pty Ltd have implemented the tax consolidation legislation.

Note 8 Current assets - Cash and cash equivalents				
Cash at bank and on hand	**2,238,666**	2,201,791	**1,514,571**	1,867,768
Deposits at call	**2,600,000**	2,100,000	**2,600,000**	2,100,000
Short term bank deposits	**53,766,631**	61,169,723	**53,730,881**	61,133,973
	58,605,297	65,471,514	**57,845,452**	65,101,741

(a) Cash at bank and on hand
These bear interest between 0% and 2.25% (2008: between 0% and 6.5%).

(b) Deposits at call
These bear interest at 2.95% (2008: 7.2%).

(c) Short term bank deposits
The deposits bear interest between 0.42% and 4.10% (2008: between 2.27% and 7.92%).

Additional information on the Group's and the parent entity's exposure to interest rate risk is discussed in note 2.

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$	$	**$**	$
Note 9 Current assets - Trade and other receivables				
Trade debtors	**397,917**	974,939	**397,917**	810,389
Provision for impairment of receivables	**-**	(31,722)	**-**	-
	397,917	943,217	**397,917**	810,389
Loans to controlled entities	**-**	-	**2,932,885**	1,386,796
Provision for impairment of loans	**-**	-	**(2,800,000)**	-
	-	-	**132,885**	1,386,796
Other receivables	**712,679**	44,188	**40,779**	27,853
Loans to other related parties	**137,133**	136,090	**-**	-
Accrued income	**728,225**	1,570,818	**728,225**	1,513,684
Prepayments	**75,916**	49,566	**40,103**	29,246
	2,051,870	2,743,879	**1,339,909**	3,767,968

(a) Other receivables
These amounts generally arise from transactions outside the usual operating activities of the consolidated entity. Collateral is not normally obtained.

(b) Impaired trade receivables
As at 30 June 2009 current trade receivables of the Group with a nominal value of nil (2008: $158,610) were impaired. The amount of the provision was nil (2008: $31,722). The individually impaired receivables in the prior year related to a customer who had a history of slow paying. The ageing of these receivables is as follows:

	Consolidated	
	2009	2008
	$	$
3 to 4 months	**-**	158,610

Movement in the provision for impairment of receivable is as follows:

	Consolidated	
	2009	2008
	$	$
At 1 July	**31,722**	-
Provision for impairment recognised during the year	**(21,349)**	31,818
Exchange differences	**(10,373)**	(96)
	-	31,722

The creation and release of the provision for impaired receivables has been included in “other expenses from ordinary activities” in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

(c) Impaired loans to controlled entities
As at 30 June 2009 parent entity loans to controlled entities with a nominal value of $2,849,288 (2008: nil) were impaired. The amount of the provision was $2,800,000 (2008: nil). The intercompany loans have been written down as the controlled entity has negative net assets and a history of making losses. The creation and release of the provision for impaired loans to controlled entities has been included in "Provision for impairment of loans to controlled entities" in the income statement.

(d) Past due but not impaired
As of 30 June 2009, trade receivables of nil (2008: $2,915) were past due but not impaired. The prior year amount related to customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$	$	**$**	$
Up to 3 months	**-**	2,915	**-**	-

Loans to other related parties with a value of $130,638 (2008: nil) were past due but not impaired. The loan is 3 months overdue. The Group does not hold any collateral in relation to the loan. The Group expects to recover the loan in full.

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

(d) Foreign exchange and interest rate risk
Information concerning the Group's and the parent entity's exposure to foreign currency and interest rate risk in relation to trade and other receivables is provided in note 2.

(d) Fair value and credit risk
Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit rate risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer note 2 for further information.

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$	$	**$**	$
Note 10 Current assets - Inventories				
Raw materials and stores - at cost	**158,400**	135,956	-	-
Finished goods - at cost	**187,320**	169,846	-	-
	345,720	305,802	-	-
Less: Provision for obsolescence	**(295,015)**	(244,528)	-	-
	50,705	61,274	-	-

(a) Inventory expense

Inventories recognised as expense during the year ended 30 June 2009 amounted to $3,320 (2008: $11,030).

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2009 amounted to $50,487 (2008: $41,911). The expense has been included in "Other expenses from ordinary activities" in the income statement.

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$	$	**$**	$
Note 11 Non-current assets - Receivables				
Loans to controlled entities	**-**	-	**29,694,060**	15,264,322
Loans to other related parties	**33,276**	35,009	**-**	-
	33,276	35,009	**29,694,060**	15,264,322

Further information relating to loans to controlled entities and other related parties is set out in note 28.

(a) Impaired receivables and receivables past due

None of the non-current receivables are impaired or past due but not impaired.

(b) Fair values

The fair values and carrying values of non-current receivables are as follows:

	2009		2008	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$	**$**	$	$
Group				
Loans to other related parties	**33,276**	**33,276**	35,009	35,009

	2009		2008	
	Carrying amount	**Fair value**	Carrying amount	Fair Value
	$	**$**	$	$
Parent entity				
Loans to controlled entities	**29,694,060**	**29,149,035**	15,264,322	15,168,712

The fair values for loans to other related parties are based on cash flows discounted using a current lending rate of 6% (2008: 6%) and using a lending rate of 3.75% (2008: 5.5%) for loans to controlled entities.

(c) Risk exposure

Information about the Group's and the parent entity's exposure to credit risk, foreign exchange and interest rate risk is provided in note 2.

Note 12 Non- current assets - Property, plant and equipment

Consolidated	Plant and equipment $	Leasehold improvements $	Motor vehicles $	Total $
At 30 June 2007				
Cost	7,022,482	759,941	248,665	8,031,088
Accumulated depreciation	(4,967,114)	(726,634)	(124,939)	(5,818,687)
Net book amount	2,055,368	33,307	123,726	2,212,401
Year ended 30 June 2008				
Opening net book amount	2,055,368	33,307	123,726	2,212,401
Exchange differences	(232,196)	(2,941)	-	(235,137)
Additions	778,155	10,832	-	788,987
Disposals	-	-	(5,156)	(5,156)
Depreciation charge	(798,633)	(27,521)	(21,526)	(847,680)
Closing net book value	1,802,694	13,677	97,044	1,913,415
At 30 June 2008				
Cost	6,754,815	680,177	146,736	7,581,728
Accumulated depreciation	(4,952,121)	(666,500)	(49,692)	(5,668,313)
Net book amount	1,802,694	13,677	97,044	1,913,415
Year ended 30 June 2009				
Opening net book amount	1,802,694	13,677	97,044	1,913,415
Exchange differences	350,121	3,698	-	353,819
Additions	7,128,662	1,749	169,819	7,300,230
Disposals	-	-	(83,802)	(83,802)
Depreciation charge	(1,010,783)	(16,299)	(20,869)	(1,047,951)
Closing net book value	8,270,694	2,825	162,192	8,435,711
At 30 June 2009				
Cost	14,950,555	808,522	178,265	15,937,342
Accumulated depreciation	(6,679,861)	(805,697)	(16,073)	(7,501,631)
Net book amount	8,270,694	2,825	162,192	8,435,711

Note 12 continued

Parent entity	Plant and equipment $	Leasehold improvements $	Motor vehicles $	Total $
At 30 June 2007				
Cost	559,512	-	248,665	808,177
Accumulated depreciation	(514,395)	-	(124,939)	(639,334)
Net book amount	45,117	-	123,726	168,843
Year ended 30 June 2008				
Opening net book amount	45,117	-	123,726	168,843
Additions	21,236	-	-	21,236
Disposals	-	-	(5,156)	(5,156)
Depreciation charge	(24,362)	-	(21,526)	(45,888)
Closing net book value	41,991	-	97,044	139,035
At 30 June 2008				
Cost	565,385	-	146,736	712,121
Accumulated depreciation	(523,394)	-	(49,692)	(573,086)
Net book amount	41,991	-	97,044	139,035
Year ended 30 June 2009				
Opening net book amount	41,991	-	97,044	139,035
Additions	104,241	-	169,819	274,060
Disposals	-	-	(83,802)	(83,802)
Depreciation charge	(20,748)	-	(20,869)	(41,617)
Closing net book value	125,484	-	162,192	287,676
At 30 June 2009				
Cost	668,836	-	178,265	847,101
Accumulated depreciation	(543,352)	-	(16,073)	(559,425)
Net book amount	125,484	-	162,192	287,676

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$	$	**$**	$
Note 13 Non current assets - call option deeds				
Call options to acquire shares in subsidiary	**2,200,894**	2,200,894	**2,200,894**	2,200,894

In May 2008, the parent entity signed call option deeds with some of the minorities in the subsidiary Translucent, Inc that allow the parent entity to move to 96.9% fully diluted ownership in the future. The above amounts represent the value of cash paid and Silex shares given for the call options. To exercise the call options, the parent entity must pay $200. In addition, if a commercial milestone (as defined in the agreements) is reached and the parent entity exercises the call options, the parent entity must issue a further 883,902 fully paid Silex shares. Due to the uncertainty of the Silex share price in the future and the uncertainty of achieving the commercial milestone, the value of these additional shares is not reflected in the accounts.

	Consolidated 2009 $	Consolidated 2008 $	Parent entity 2009 $	Parent entity 2008 $
Note 14 Non-current assets - Deferred tax assets				
The balance comprises temporary differences attributable to :				
Amounts recognised in profit or loss				
Provision for employee entitlements and warranties	**210,714**	186,350	**189,816**	173,173
Provisions for stock obsolescence	**88,505**	73,358	**-**	-
Depreciation	**30,228**	45,340	**14,123**	34,291
Payables not deductible	**270,632**	236,012	**204,908**	202,424
Investment in subsidiary	**-**	-	**7,882,413**	7,736,355
Loans to related parties	**-**	-	**1,099,679**	979,230
Foreign currency cash balances	**281,535**	1,047,781	**281,535**	1,047,781
Amortisation of share issue expenses	**10,944**	10,107	**10,944**	10,107
Tax losses	**13,910,160**	10,739,558	**-**	510,367
	14,802,718	12,338,506	**9,683,418**	10,693,728
Amounts recognised directly in equity				
Share issue expenses	**837**	2,175	**837**	2,175
	14,803,555	12,340,681	**9,684,255**	10,695,903
Set-off deferred tax liabilities of parent entity pursuant to set-off provisions	**(94,185)**	(168,101)	**(94,145)**	(168,101)
Net deferred assets not recognised	**(14,698,426)**	(12,162,473)	**(9,579,166)**	(10,517,695)
Net deferred tax assets	**10,944**	10,107	**10,944**	10,107
Movements:				
Opening at 1 July	**10,107**	7,932	**10,107**	7,932
Credited/(charged) to the income statement	**-**	-	**-**	-
Credited/(charged) to equity	**837**	2,175	**837**	2,175
Closing balance at 30 June	**10,944**	10,107	**10,944**	10,107
Deferred tax assets to be recovered after more than 12 months	**6,780**	6,942	**6,780**	6,942
Deferred tax assets to be recovered within 12 months	**4,164**	3,165	**4,164**	3,165
	10,944	10,107	**10,944**	10,107

Consolidated	Intellectual property on consolidation $	Goodwill $	Total $
Note 15 Non-current assets - Intangible assets			
At 30 June 2007			
Cost	1,980,573	9,191,896	11,172,469
Accumulated amortisation and impairment	(1,906,919)	(868,496)	(2,775,415)
Net book amount	73,654	8,323,400	8,397,054
Year ended 30 June 2008			
Opening net book value	73,654	8,323,400	8,397,054
Additions - increased shareholding in subsidiary	-	154,219	154,219
Amortisation charge *	(67,118)	-	(67,118)
Closing net book value	6,536	8,477,619	8,484,155
At 30 June 2008			
Cost	1,980,573	9,346,115	11,326,688
Accumulated amortisation and impairment	(1,974,037)	(868,496)	(2,842,533)
Net book amount	6,536	8,477,619	8,484,155
Year ended 30 June 2009			
Opening net book value	6,536	8,477,619	8,484,155
Amortisation charge *	(1,913)	-	(1,913)
Closing net book value	4,623	8,477,619	8,482,242
At 30 June 2009			
Cost	1,980,573	9,346,115	11,326,688
Accumulated amortisation and impairment	(1,975,950)	(868,496)	(2,844,446)
Net book amount	4,623	8,477,619	8,482,242

* Amortisation of $1,913 (2008: $67,118) is included in depreciation and amortisation expense in the income statement.

(a) Impairment tests for goodwill
Goodwill is allocated to the Group’s cash-generating units (CGU’s) identified according to business segment and country of operation.

A segment-level summary of the goodwill allocated is presented below.

2009	United States of America $	Total $
Photonics and solar energy	8,477,619	8,477,619

2008	United States of America $	Total $
Photonics and solar energy	8,477,619	8,477,619

The recoverable amount of a CGU is determined based on fair value less costs to sell. In determining fair value the company has considered the transaction in May 2008 where it increased its holding in Translucent Inc. from 70.7% to 81.0% and the call option deeds that allow the parent to move to 96.9% in the future. As part of its annual impairment assessment the company has reviewed the status of its technology projects in Translucent. These projects continue to be researched and developed in line with the company's technical program. Further, assuming future commercialisation the company has also prepared and considered cashflow projections based on financial budgets approved by the board and management to assess the recoverable amount of a CGU. These cashflows have been discounted at 35% (2008:40%) to reflect specific risks relating to the relevant segments, the stage of development of the technologies and the countries in which they operate.

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$	$	**$**	$
Note 16 Non-current assets - Other financial assets				
Shares in subsidiaries at cost - (note 33)	**-**	-	**27,058,045**	25,957,603
Less: Provision for write down to recoverable amount	**-**	-	**(27,056,501)**	(25,956,501)
	-	-	**1,544**	1,102

The subsidiaries have continued their research and development activities and as such remain in loss making positions, hence due to the nature of these businesses, a provision against the value of the investment has been raised.

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
Note 17 Current Liabilities - Trade and other payables				
Trade creditors	**416,803**	772,314	**252,654**	570,409
Other payables	**727,016**	535,750	**565,230**	439,848
	1,143,819	1,308,064	**817,884**	1,010,257

(a) Amounts not expected to be settled within the next 12 months

Other payables include accruals for annual leave. The entire obligation is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave within the next 12 months. The following amounts reflect leave that is not expected to be taken within the next 12 months:

Annual leave obligations expected to be settled after 12 months	**45,510**	25,596	**9,629**	13,238

(b) Risk exposure

Information about the Group's and the parent entity's exposure to foreign exchange risk is provided in note 2.

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$	$	**$**	$
Note 18 Current liabilities - Borrowings				
Secured				
Hire purchase liabilities	**-**	25,712	**-**	25,712

(a) Hire purchase liabilities and assets pledged as security
Hire purchase liabilities are effectively secured as the right to the asset reverts to the bank in the event of default. The interest rate on the hire purchase liability was 7.64 % in 2008. Refer note 20 for details of assets pledged as security.

(b) Risk exposure
Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 2.

	Consolidated 2009 $	Consolidated 2008 $	Parent entity 2009 $	Parent entity 2008 $
Note 19 Current liabilities - Provisions				
Employee Benefits - long service leave	**516,441**	439,596	**472,843**	416,619
Warranties	**806**	751	**-**	-
	517,247	440,347	**472,843**	416,619

(a) Warranties
Provision is made for the estimated warranty claims in respect of products sold. These claims are expected to be settled in the next financial year but this may be extended into the following year.

(b) Amounts not expected to be settled within the next 12 months
The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

	Consolidated 2009 $	Consolidated 2008 $	Parent entity 2009 $	Parent entity 2008 $
Long service leave obligations expected to be settled after 12 months	**404,519**	408,368	**365,280**	389,986
Note 20 Non-current liabilities - Borrowings				
Secured				
Hire purchase liabilities	**-**	72,499	**-**	72,499

(a) Hire purchase liabilities and assets pledged as security
Hire purchase liabilities are effectively secured as the right to the asset reverts to the bank in the event of default. The interest rate on the hire purchase liability was 7.64% in 2008. The carrying amount of assets pledged as security are:

	Consolidated 2009 $	Consolidated 2008 $	Parent entity 2009 $	Parent entity 2008 $
Plant and equipment under hire purchase	**-**	92,489	**-**	92,489

	2009		2008	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$	**$**	**$**	$
(b) Fair value				
The carrying amount and fair value of borrowings at balance date are:				
Hire purchase liabilities	**-**	**-**	98,211	98,211
	-	**-**	98,211	98,211

(c) Risk exposures
Information about the Group's and parent entity's exposure to interest rate risk and foreign currency changes is provided in note 2.

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$	$	**$**	$
Note 21 Non-current liabilities -Deferred tax liabilities				
The balance comprising temporary differences attributable to :				
Amounts recognised in profit or loss				
Prepayments and accrued interest	**94,145**	168,101	**94,145**	168,101
	94,145	168,101	**94,145**	168,101
Set off deferred tax liabilities pursuant to set-off provisions	**(94,145)**	(168,101)	**(94,145)**	(168,101)
Net deferred tax liabilities	**-**	-	**-**	-
Note 22 Non-current liabilities - Provisions				
Employee benefits - long service leave	**185,133**	180,819	**159,876**	160,623

	Parent entity 2009 Shares	Parent entity 2008 Shares	Parent entity 2009 $	Parent entity 2008 $
Note 23 Contributed equity				
(a) Share capital				
Ordinary shares				
Fully paid	**145,749,880**	145,112,380	**103,611,221**	101,426,404

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue Price $	$
30 June 2007	Balance	137,479,129		49,224,639
Various	Exercise of options - proceeds received	933,500	Various	1,148,340
6 November 2007	Placement of shares	6,493,507	7.70	50,000,004
16 May 2008	Issue of shares	206,244	8.00	1,649,952
				102,022,935
	Less transaction costs arising on share issue			(1,101,575)
	Transfer from share based payments reserve			502,869
	Deferred tax credit recognised directly in equity			2,175
30 June 2008	Balance	145,112,380		101,426,404
Various	Exercise of options - proceeds received	597,500	Various	1,257,575
7 July 2008	Issue of shares	40,000	7.17	286,800
				102,970,779
	Less transaction costs arising on share issue			(16,671)
	Transfer from share based payments reserve			656,276
	Deferred tax credit recognised directly in equity			837
30 June 2009	Balance	**145,749,880**		**103,611,221**

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Options

Information relating to the Silex Systems Limited Employee Share Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 35.

(e) Capital risk management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares.

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$	$	**$**	$
Note 24 Reserves and accumulated losses				
(a) Reserves				
Foreign currency translation reserve	**(788,156)**	(1,085,328)	-	-
Share based payments reserve	**8,038,169**	7,644,012	**7,852,267**	7,478,908
	7,250,013	6,558,684	**7,852,267**	7,478,908
Movements				
Foreign currency translation reserve				
Balance at the beginning of the financial year	**(1,085,328)**	(689,403)	**-**	-
Net exchange differences on translation of foreign controlled entity	**297,172**	(395,925)	**-**	-
Balance at the end of the financial year	**(788,156)**	(1,085,328)	**-**	-
Options reserve				
Balance at the beginning of the financial year	**7,644,012**	4,638,334	**7,478,908**	4,484,947
Options and share based payment expense	**1,337,233**	3,508,547	**215,993**	3,690,155
Share based payments expense in subsidiaries	**-**	-	**1,100,442**	(193,325)
Transfer to share capital (options exercised and shares issued)	**(943,076)**	(502,869)	**(943,076)**	(502,869)
Balance at the end of the financial year	**8,038,169**	7,644,012	**7,852,267**	7,478,908
(b) Accumulated losses				
Accumulated losses at the beginning of the financial year	**(29,092,282)**	(19,844,127)	**(24,105,853)**	(17,734,455)
Net (loss)/profit attributable to members of Silex Systems Limited	**(3,755,608)**	(9,248,155)	**2,560,845**	(6,371,398)
Accumulated losses at the end of the financial year	**(32,847,890)**	(29,092,282)	**(21,545,008)**	(24,105,853)

(c) Nature and purpose of reserves

(i) Share-based payments reserve
The share-based payments reserve is used to recognise the fair value of options issued but not exercised.

(ii) Foreign currency translation reserve
Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in note 1(d). The reserve is recognised in profit and loss when the net investment is disposed of.

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$	$	**$**	$
Note 25 Franking account balance				
Franking credits available for the subsequent financial year at 30%	**8,151,647**	8,140,251	**8,139,146**	8,127,750

The above amount represents the balance of the franking accounts at the end of the financial year, adjusted for:

(a) franking credits that will arise from the payment of the current tax liability
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date, and
(d) franking credits that may be prevented from being distributed in subsequent financial years.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of controlled entities were paid as dividends.

Note 26 Commitments for expenditure

(a) Hire Purchase liabilities

	Consolidated 2009 $	Consolidated 2008 $	Parent entity 2009 $	Parent entity 2008 $
Commitments in relation to hire purchases payable are as follows:				
Not later than one year	-	32,328	-	32,328
Later than one year but not later than five years	-	72,498	-	72,498
Minimum hire purchase payments	-	104,826	-	104,826
Deduct future finance charges not provided for in the financial statements:	-	(6,615)	-	(6,615)
Total hire purchase liability	-	98,211	-	98,211
Consisting of : Current (note 18)	-	25,712	-	25,712
Consisting of : Non -Current (note 20)	-	72,499	-	72,499
	-	98,211	-	98,211

The weighted average interest rate was 7.64% in 2008.

(b) Capital commitments

	Consolidated 2009 $	Consolidated 2008 $	Parent entity 2009 $	Parent entity 2008 $
Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:				
Not later than one year	**14,420**	77,240	-	-

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$	$	**$**	$
(c) Operating leases				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Not later than one year	**421,583**	81,826	**408,642**	16,897
Later than one year but not later than five years	**5,625,543**	40,346	**5,625,543**	29,438
Later than five years	**4,738,122**	-	**4,738,122**	
	10,785,248	122,172	**10,772,307**	46,335

(d) Other commitments

Under the agreements signed in May 2008 with the minorities in Translucent (refer note 13), if a commercial milestone is reached (as defined in the agreements) and the parent entity exercises the call options, the parent entity must issue a further 883,902 fully paid Silex shares. Due to the uncertainty of the Silex share price in the future and the uncertainty of achieving the commercial milestone, the value of these additional shares is not reflected in the accounts.

Note 27 Key management personnel disclosures

(a) Directors

The following persons were directors of Silex Systems Limited during the financial year:

Chairman – non executive

B S Patterson

Executive directors

M P Goldsworthy, Managing Director, CEO
C D Wilks

Non-executive directors

R P Campbell
C S Goldschmidt

(b) Other key management personnel

The following person was the only other executive with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	Position	Employer
B J Spillane	Company Secretary and Financial Controller	Silex Systems Limited

B J Spillane was also a key management person during the year ended 30 June 2008.
There are no officers, other than the Executive Directors and Executive named above, involved in, concerned in, or taking part in, the management of the commercial affairs of Silex Systems Limited.

(c) Key management personnel compensation

Details of the remuneration of each director of Silex Systems Limited and the specified executive of the consolidated entity, including their personally-related entities, are set out in the following tables.

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$	$	**$**	$
Short-term employee benefits	**1,082,803**	951,189	**1,082,803**	951,189
Post-employment benefits	**53,872**	50,215	**53,872**	50,215
Long-term benefits	**26,636**	23,989	**26,636**	23,989
Share-based payments	**-**	1,694,406	**-**	1,694,406
	1,163,311	2,719,799	**1,163,311**	2,719,799

Detailed remuneration disclosures are provided in sections A-B of the remuneration report on pages 4 to 7.

(d) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options.

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the remuneration report on pages 7 to 9.

(ii) Options holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of Silex Systems Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2009 Name	Balance at the start of the year	Granted during the year as compensation	Lapsed during the year	Exercised during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Silex Systems Limited						
Dr M P Goldsworthy	1,200,000	-	-	-	1,200,000	1,200,000
Mr C D Wilks	600,000	-	-	-	600,000	600,000
Other key management personnel of the Group						
Mr B J Spillane	75,000	-	-	(25,000)	50,000	50,000

2008 Name	Balance at the start of the year	Granted during the year as compensation	Lapsed during the year	Exercised during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Silex Systems Limited						
Dr M P Goldsworthy	1,200,000	-	-	-	1,200,000	1,200,000
Mr C D Wilks	600,000	-	-	-	600,000	600,000
Other key management personnel of the Group						
Mr B J Spillane	210,000	-	-	(135,000)	75,000	75,000

All vested options are exercisable at the end of the year.

(iii) Share holdings

The numbers of shares in the company held during the financial year by each director of Silex Systems Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2009 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Silex Systems Limited				
Dr M P Goldsworthy	5,849,533	-	-	5,849,533
Mr C D Wilks	2,794,021	-	-	2,794,021
Dr C S Goldschmidt	2,525,937	-	-	2,525,937
Mr B S Patterson	4,073,863	-	-	4,073,863
Mr R P Campbell	1,354,823	-	-	1,354,823
Other key management personnel of the Group				
Mr B J Spillane	74,000	25,000	(33,000)	66,000

2008 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Silex Systems Limited				
Dr M P Goldsworthy	6,049,533	-	(200,000)	5,849,533
Mr C D Wilks	2,894,021	-	(100,000)	2,794,021
Dr C S Goldschmidt	2,625,937	-	(100,000)	2,525,937
Mr B S Patterson	4,073,863	-	-	4,073,863
Mr R P Campbell	1,354,823	-	-	1,354,823
Other key management personnel of the Group				
Mr B J Spillane	43,500	135,000	(104,500)	74,000

Note 28 Related party transactions
(a) Subsidiaries
Interests in subsidiaries are set out in note 32.

(b) Key management personnel
Disclosures relating to key management personnel are set out in note 27.

(c) Transactions with related parties
The following transactions occurred with related parties:

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$	$	**$**	$
Interest received/receivable from controlled entity (Translucent Inc) on loan	-	-	**890,861**	973,469
Fee paid/payable to controlled entity (Translucent Inc) for labour recharge and associated costs	-	-	**3,418,243**	2,732,110
Fees charged to controlled entity for labour charges and related costs	-	-	**24,744**	95,169
Contributions to superannuation funds on behalf of employees	**362,820**	283,467	**286,788**	249,298

(d) Loans to related parties

	Parent entity	
	2009	2008
	$	$
Interest bearing loans to subsidiaries		
Beginning of the year	**15,264,322**	13,915,414
Exchange rate movements	**2,394,842**	(1,897,014)
Loans advanced	**3,513,535**	2,272,453
Interest charged	**890,861**	973,469
End of year	**22,063,560**	15,264,322

The above loan advanced by Silex Systems Limited is not payable until December 2014. The average interest rate on the loan during the year was 4.96% (2008: 7.83%).

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$	$	**$**	$
Loans to other related parties				
Beginning of the year	**166,944**	340,757	**-**	-
Exchange rate movements	**33,524**	(32,993)	**-**	-
Loan repayments received	**(42,696)**	(159,612)	**-**	-
Interest charged	**12,637**	18,792	**-**	-
End of year	**170,409**	166,944	**-**	-

The average interest rate on the loans during the year was 6% (2008: 6%). The loans were provided to employees of Translucent Inc. The loans are to be forgiven in lieu of bonuses, subject to performance criteria.

	Parent entity	
	2009	2008
	$	$
Interest free loans to subsidiaries		
Beginning of the year	**1,386,796**	560,625
Exchange rate movements	**48,312**	(32,709)
Loans advanced	**9,128,277**	858,880
End of year	**10,563,385**	1,386,796

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$	$	**$**	$
Interest free loans to other related parties				
Beginning of the year	**4,155**	-	**-**	-
Exchange rate movements	**320**	(3,842)	**-**	-
Loans advanced	**-**	52,716	**-**	-
Loan repayments received	**(4,475)**	(44,719)	**-**	-
End of year	**-**	4,155	**-**	-

A provision for impairment of $2,800,000 (2008: nil) has been raised in the parent's entity's books in relation to the interest free loans. The expense of $2,800,000 (2008: nil) has been recognised in "Provision for impairment of loans to subsidiaries" in the income statement for the parent entity.

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$	$	**$**	$
Note 29 Remuneration of auditors				
During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-audit firms:				
(a) Assurance services				
Audit services				
PricewaterhouseCoopers Australian firm				
Audit and review of financial reports and other audit work under the Corporations Act 2001	**101,148**	118,425	**101,148**	118,425
Total remuneration for audit services	**101,148**	118,425	**101,148**	118,425
Other assurance services				
PricewaterhouseCoopers Australian firm				
Audit of government grants	**-**	7,500	**-**	-
Total remuneration for other assurance services	**-**	7,500	**-**	-
Total remuneration for assurance services	**101,148**	125,925	**101,148**	118,425
Total remuneration	**101,148**	125,925	**101,148**	118,425

It is Silex's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with Silex are important; these assignments are principally assurance related, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is Silex's policy to seek competitive quotes for all major consulting projects.

Note 30 Segment information
Primary reporting-business segments
The consolidated entity is organised into the following divisions by business type.

Laser enrichment
Enrichment of uranium, silicon, carbon and oxygen by the "SILEX" laser isotope separation technology.

Photonics and solar energy
Manufacture and sale of solar cells and modules. Development of new silicon based materials and manufacturing technology for application to both the optical communications and mainstream computer chip industries; and development of high efficiency solar energy conversion materials.

Test and measurement equipment
Development of novel electronics equipment for the Data acquisition and electronics instrumentation industries.

Year ended 30/06/2009	Laser enrichment	Photonics and solar energy	Test and measurement equipment	Inter segment eliminations /unallocated	Consolidated
	$	$	$	$	$
Recoverable Project costs	6,146,593	-	-	-	6,146,593
Other	-	-	5,300	-	5,300
Total segment revenue	6,146,593	-	5,300	-	6,151,893
Unallocated - interest income				3,126,693	3,126,693
Total revenue					9,278,586
Segment result	(827,791)	(5,400,214)	(1,840,718)	-	(8,068,723)
Unallocated revenue and income less unallocated expenses				4,324,511	4,324,511
(Loss) before tax					(3,744,212)
Income tax expense					(11,396)
Net (loss)					(3,755,608)
Segment assets	1,099,786	19,614,388	145,610		20,859,784
Unallocated assets				59,011,155	59,011,155
Total assets					79,870,939
Segment liabilities	1,198,417	222,795	172,801		1,594,013
Unallocated liabilities				263,582	263,582
Total liabilities					1,857,595
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	189,150	6,972,289	53,881	84,910	7,300,230
Depreciation and amortisation expense	37,803	971,186	37,061	3,814	1,049,864
Other non-cash expenses	55,477	(21,349)	76,224	-	110,352

Year ended 30/06/2008	Laser enrichment	Photonics and solar energy	Test and measurement equipment	Inter segment eliminations/ unallocated	Consolidated
	$	$	$	$	$
Recoverable Project costs	9,624,501	-	-	-	9,624,501
DARPA contract	-	163,031	-	-	163,031
Other	889	-	19,469	-	20,358
Total segment revenue	9,625,390	163,031	19,469	-	9,807,890
Unallocated - interest income				3,223,552	3,223,552
Total revenue					13,031,442
Segment result	(3,134,724)	(3,618,701)	(1,184,323)	-	(7,937,748)
Unallocated revenue and income less unallocated expenses				(1,310,407)	(1,310,407)
(Loss) before tax					(9,248,155)
Income tax expense					-
Net (loss)					(9,248,155)
Segment assets	1,959,869	12,715,986	202,433		14,878,288
Unallocated assets				66,041,959	66,041,959
Total assets					80,920,247
Segment liabilities	1,319,769	164,281	177,450	-	1,661,500
Unallocated liabilities				365,941	365,941
Total liabilities					2,027,441
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	21,236	3,055,856	67,008	-	3,144,100
Depreciation and amortisation expense	45,888	783,973	84,937	-	914,798
Other non-cash expenses	59,475	31,818	57,943	-	149,236

Secondary reporting – geographical segments
The consolidated entities divisions operate in two main geographical areas:

Australia
This includes the research and development of the SILEX process in NSW, the operations of Silex Solar in NSW and the operations of ChronoLogic in South Australia. Revenue is classified by location of customer.

United States of America
This relates to the photonics and solar energy activities in Palo Alto, California and the uranium enrichment activities in Wilmington, North Carolina.

	Segment revenues from external customers		Segment assets		Acquisitions of property, plant and equipment, intangibles and other non current assets	
	2009	2008	**2009**	2008	**2009**	2008
	$	$	**$**	$	**$**	$
Australia	**5,300**	14,239	**7,583,247**	398,567	**6,743,031**	88,244
United States of America	**6,146,593**	9,788,739	**13,276,537**	14,479,721	**472,289**	3,055,856
Other	**-**	4,912	**-**	-	**-**	-
	6,151,893	9,807,890	**20,859,784**	14,878,288	**7,215,320**	3,144,100

Note 31 Earnings per share

	Consolidated	
	2009	2008
Basic earnings per share (cents per share)	**(2.6)**	(6.5)
Diluted earnings per share (cents per share)	**(2.6)**	(6.5)

	Consolidated	
	2009	2008
Weighted average number of ordinary shares on issue used in the calculation of basic earning per share:	**145,553,333**	142,335,430
Weighted average number of ordinary shares on issue used in the calculation of diluted earning per share:	**145,553,333**	142,335,430

	Consolidated	
	2009	2008
	$	$
Reconciliation of earnings used in calculating earnings per share		
Basic and diluted earnings per share		
Net (loss)	**(3,755,608)**	(9,248,155)
Net (profit)/loss attributable to minority interest	**-**	-
Earnings used in calculating basic and diluted earnings per share	**(3,755,608)**	(9,248,155)

	Consolidated	
	2009	2008
	Shares	Shares
Reconciliation of denominator used in calculating basic earnings per share	**145,553,333**	142,335,430
Adjustment for options	**-**	-
Shares used in calculating diluted earnings per share	**145,553,333**	142,335,430

Note 32 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1 (b).

Name of entity	Country of incorporation	Class of shares	Equity holding 2009 %	2008 %
ChronoLogic Pty Ltd	Australia	Ordinary	**79.6%**	79.6%
		Preference	**100.0%**	100.0%
		Total	**90.0%**	90.0%
Translucent Inc	United States of America	Ordinary	**26.5%**	26.5%
		Preference	**100.0%**	100.0%
		Total	**81.0%**	81.0%
Silex Solar Pty Ltd (formerly Enertex Pty Ltd)	Australia	Ordinary	**100.0%**	100.0%
		Total	**100.0%**	100.0%

	Consolidated 2009 $	2008 $	Parent entity 2009 $	2008 $
Outflow of cash to/for subsidiaries, net of cash acquired				
Cash consideration	**-**	145,470	**-**	145,470
Less cash acquired	**-**	-	**-**	-
Outflow of cash	**-**	145,470	**-**	145,470

Note 33 Reconciliation of (loss)/profit after income tax to net cash (outflow)/inflow from operating activities

	Consolidated 2009 $	2008 $	Parent entity 2009 $	2008 $
Operating (loss)/profit after income tax	**(3,755,608)**	(9,248,155)	**2,560,845**	(6,371,398)
Depreciation	**1,031,652**	820,159	**41,617**	45,888
Loss/(profit) on sale of plant and equipment	**20,166**	(12,571)	**20,166**	(12,571)
Amortisation of intangibles	**1,913**	67,118	**-**	-
Amortisation of leasehold improvements	**16,299**	27,521	**-**	-
Non cash employee benefits expense - share based payments	**1,337,233**	3,508,547	**215,993**	3,690,155
Net exchange differences	**(2,805,102)**	1,766,585	**(5,104,677)**	3,653,443
Write down of investments	**-**	-	**1,100,000**	404,000
Write down of intercompany loans	**-**	-	**2,800,000**	-
(Increase)/decrease in prepayments and other current assets	**(26,350)**	31,756	**(10,857)**	24,634
(Increase)/decrease in trade and other debtors	**(123,191)**	(11,484)	**399,546**	122,925
Decrease(increase) in accrued income	**842,593**	(904,539)	**(105,402)**	(1,820,874)
Decrease in inventories	**10,569**	29,892	**-**	-
(Decrease)/increase in trade and other creditors	**(164,245)**	(91,168)	**(192,373)**	111,734
Increase in provision for employee entitlements and warranties	**81,214**	75,507	**55,477**	59,475
Increase in provision for income taxes payable	**11,396**	-	**11,396**	-
Net cash (outflow)/inflow from operating activities	**(3,521,461)**	(3,940,832)	**1,791,731**	(92,589)

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$	$	**$**	$
Note 34 Non-cash Financing and Investing activities				
Issue of shares as part consideration for acquisition of additional interest in subsidiary	**-**	339,432	**-**	339,432
Issue of shares as part consideration for acquisition of call options	**-**	1,310,520	**-**	1,310,520
	-	1,649,952	**-**	1,649,952

Note 35 Share-based payments

(a) Silex Systems Limited Employee Option Plan
All full time and part time staff of the consolidated entity and executive directors of the consolidated entity are eligible to participate in the plan.

Options are granted under the plan for no consideration. Options are granted for a five year period and become exercisable after two years of the date of the grant. The options lapse if the holder ceases to be an eligible employee other than by reason of death or permanent disablement, unless the Board determines otherwise in its absolute discretion. Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share. The exercise price of options is based on the weighted average price at which the Company's shares are traded on the Australian Stock Exchange during the five trading days before the options are granted plus five cents. Amounts received on the exercise of options are recognised as share capital.

Set out below are summaries of options granted under the plan

Grant date	Expiry date	Exercise price cents	Balance at start of year No.	Issued during the year No.	Lapsed during the year No.	Exercised during the year No.	Balance at end of the year No.	Exercisable at the end of the year No.
Consolidated and parent entity – 2009								
9/9/2003	8/9/2008	65	165,000	-	-	(165,000)	-	-
11/11/2003	10/11/2008	65	10,000	-	-	(10,000)	-	-
3/5/2004	2/5/2009	95	64,000	-	(10,000)	(54,000)	-	-
4/5/2005	3/5/2010	85	190,000	-	-	(58,500)	131,500	131,500
22/11/2005	21/11/2010	177	85,000	-	-	(40,000)	45,000	45,000
22/6/2006	21/6/2011	360	1,460,000	-	(120,000)	(270,000)	1,070,000	1,070,000
9/3/2007	8/3/2012	701	100,000	-	-	-	100,000	100,000
22/8/2007	21/8/2012	679	250,000	-	-	-	250,000	-
24/12/2007	23/12/2012	581	150,000	-	-	-	150,000	-
15/7/2008	14/7/2013	706	-	290,000	(100,000)	-	190,000	-
7/10/2008	6/10/2013	363	-	145,000	-	-	145,000	-
28/11/2008	27/11/2013	354	-	50,000	-	-	50,000	-
5/12/2008	4/12/2013	351	-	50,000	-	-	50,000	-
31/3/2009	30/3/2014	419	-	50,000	-	-	50,000	-
29/6/2009	28/6/2014	588	-	500,000	-	-	500,000	-
			2,474,000	1,085,000	(230,000)	(597,500)	2,731,500	1,346,500
Weighted average exercise price			$3.64	$5.60	$4.99	$2.10	$4.64	$3.52

Grant date	Expiry date	Exercise price cents	Balance at start of year No.	Issued during the year No.	Lapsed during the year No.	Exercised during the year No.	Balance at end of the year No.	Exercisable at the end of the year No.
Consolidated and parent entity - 2008								
14/8/2002	13/8/2007	73	13,000	-	-	(13,000)	-	-
12/11/2002	11/11/2007	55	115,000	-	(25,000)	(90,000)	-	-
9/9/2003	8/9/2008	65	225,000	-	(60,000)	-	165,000	165,000
11/11/2003	10/11/2008	65	100,000	-	-	(90,000)	10,000	10,000
3/5/2004	2/5/2009	95	140,000	-	(55,000)	(21,000)	64,000	64,000
8/7/2004	7/7/2009	88	17,500	-	-	(17,500)	-	-
4/5/2005	3/5/2010	85	737,000	-	-	(547,000)	190,000	190,000
22/11/2005	21/11/2010	177	100,000	-	-	(15,000)	85,000	85,000
22/6/2006	21/6/2011	360	1,600,000	-	-	(140,000)	1,460,000	1,460,000
9/3/2007	8/3/2012	701	350,000	-	(250,000)	-	100,000	-
22/8/2007	21/8/2012	679	-	250,000	-	-	250,000	-
24/12/2007	23/12/2012	581	-	150,000	-	-	150,000	-
			3,397,500	400,000	(390,000)	(933,500)	2,474,000	1,974,000
Weighted average exercise price			$2.78	$6.42	$4.76	$1.23	$3.64	$2.91

The market price of shares under option at 30 June 2009 was $6.00 (2008: $7.96).

The weighted average share price at the date of exercise of options exercised regularly during the year ended 30 June 2009 was $6.56 (2008: $9.00).
The weighted average remaining contractual life of share options outstanding at the end of the period was 3.1 years (2008: 2.9 years).

Fair value of options granted
The assessed fair value at grant date of options granted during the year ended 30 June 2009 was 382.19 cents for the options issued 15 July 2008, 196.06 cents for the options issued 7 October 2008, 181.00 cents for the options issued 28 November 2008, 185.57 cents for the options issued 5 December 2008, 227.58 cents for the options issued 31 March 2009 and 320.20 cents for the options issued 29 June 2009 (2008: 426.4 cents for the options issued 22 August 2007 and 286.50 cents for the options issued 24 December 2007). The fair value at grant date is determined using a Binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2009 included:

(a) options are granted for no consideration. 100% vests and are exercisable after two years of the date of grant
(b) exercise price $7.06, $3.63, $3.54, $3.51, $4.19 and $5.88 (2008: $6.79 and $5.81)
(c) Grant date: 15 July 2008, 7 October 2008, 28 November 2008, 5 December 2008, 31 March 2009 and 29 June 2009 (2008: 22 August 2007 and 24 December 2007)
(d) Expiry date: 14 July 2013, 6 October 2013, 27 November 2013, 4 December 2013, 30 March 2014 and 28 June 2014 (2008: 21 August 2012 and 23 December 2012)
(e) Share price at grant date: $6.78, $3.54, $3.34, $3.45, $4.25 and $5.99 (2008: $8.13 and $5.65)
(f) Expected volatility of the Company's shares: 70%, 70%, 70%, 70%, 70% and 70% (2008: 50% and 60%)
(g) Expected dividend yield: nil (2008: nil)
(h) Risk-free interest rate: 7.5%, 6.25%, 5.5%, 4.5%, 3.5% and 3.25% (2008: 6.75% and 7.00%)

The expected price volatility is based on the historical volatility adjusted for any expected changes to future volatility due to publicly available information.

(b) Options to executive directors

On 22 June, 2006 1,200,000 share options were granted to Dr M P Goldsworthy and 600,000 share options to Mr C D Wilks. These received shareholder approval at the 2006 Annual General Meeting. The terms (and model inputs) are the same as for the employee share options granted on 22 June 2006. None of these options to executive directors have been exercised, or have lapsed at 30 June 2009. All of these options to executive directors are exercisable at 30 June 2009.

(c) Translucent Inc Stock Incentive Plan

All full time and part time staff of Translucent Inc are eligible to participate in the plan. In addition consultants are eligible to participate in the plan.

Options are granted under the plan for no consideration. Options are granted for a ten year period and become exercisable at various stages over the five years from the date of the grant. The options lapse if the holder ceases to be an eligible employee other than by reason of death or permanent disablement, unless the Board determines otherwise in its absolute discretion. Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share. The exercise price of options is based on the fair value of the shares. Amounts received on the exercise of options are recognised as share capital.

Set out below are summaries of options granted under the plan.

Grant date	Expiry date	Exercise price US cents	Balance at start of year	Issued during the year	Lapsed/ expired during the year	Exercised during the year	Balance at end of the year	Exercisable at the end of the year
Translucent Inc – 2009								
25/6/2001	25/6/2011	25	10,000	-	-	-	10,000	10,000
2/11/2001	2/11/2011	25	10,000	-	-	-	10,000	10,000
13/2/2002	13/2/2012	25	5,000	-	-	-	5,000	5,000
4/5/2002	4/5/2012	25	5,000	-	-	-	5,000	5,000
29/9/2003	29/9/2013	1	276,000	-	-	-	276,000	276,000
22/12/2004	22/12/2014	2.657	1,615,050	-	-	-	1,615,050	1,615,050
13/4/2006	13/4/2016	6.4	729,196	-	-	-	729,196	604,452
4/10/2006	4/10/2016	6.4	769,257	-	-	-	769,257	597,415
15/5/2008	15/5/2018	10.8	258,321	-	-	-	258,321	69,962
			3,677,824	-	-	-	3,677,824	3,192,879
Weighted average exercise price - US cents			4.812	-	-	-	4.812	4.311

Grant date	Expiry date	Exercise price US cents	Balance at start of year	Issued during the year	Lapsed/ expired during the year	Exercised during the year	Balance at end of the year	Exercisable at the end of the year
Translucent Inc - 2008								
25/6/2001	25/6/2011	25	10,000	-	-	-	10,000	10,000
2/11/2001	2/11/2011	25	10,000	-	-	-	10,000	10,000
13/2/2002	13/2/2012	25	5,000	-	-	-	5,000	5,000
4/5/2002	4/5/2012	25	5,000	-	-	-	5,000	5,000
29/9/2003	29/9/2013	1	11,471,290	-	(50,000)	(11,145,290)	276,000	276,000
22/12/2004	22/12/2014	2.657	9,334,090	-	(292,658)	(7,426,382)	1,615,050	1,615,050
16/8/05	16/8/2015	2.657	150,000			(150,000)	-	-
13/4/2006	13/4/2016	6.4	800,029	-	(70,833)	-	729,196	466,196
4/10/2006	4/10/2016	6.4	966,606	-	(197,349)	-	769,257	468,535
15/5/2008	15/5/2018	10.8	-	258,321	-	-	258,321	5,382
			22,752,015	258,321	(610,840)	(18,721,672)	3,677,824	2,861,163
Weighted average exercise price - US cents			2.142	10.800	4.165	1.671	4.812	3.970

No options were granted during the year. The model inputs for options granted during the year ended 30 June 2008 included:

(a) options are granted for no consideration, vests and are exerciseable over the 48 months after grant date.
(b) exercise price US 10.8 cents
(c) Grant date: 15 May 2008
(d) Expiry date: 15 May 2018
(e) Share price at grant date: US10.8 cents
(f) Expected volatility of the Company's shares: 45%
(g) Expected dividend yield: nil
(h) Risk-free interest rate: 5.3%

(d) Shares to employees and others

In May 2008, Silex increased its shareholding in Translucent. As part of the deal, Silex has call options to increase its shareholding in Translucent. If Silex exercises the call option after Translucent achieves the required milestone Silex is required to issue 883,902 fully paid Silex shares to the founders. Silex also issued 40,000 shares to a new employee in July 2008. The share price on the date of issue was $7.17.

(e) Expenses arising from share based transactions

Total expenses arising from share-based payment transactions recognised during the period as part of remuneration expense were as follows:

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$	$	**$**	$
Options issued	**1,337,233**	3,992,150	**215,993**	3,371,755
Shares to be issued	**-**	(483,603)	**-**	318,400
	1,337,233	3,508,547	**215,993**	3,690,155

Note 36 Events occurring after reporting date

The directors are not aware of 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.

In the directors' opinion:

(a) the financial statements and notes set out on pages 23 to 74 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 Company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declaration by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

Dr M P Goldsworthy
Managing Director

C D Wilks
Director

Sydney

25 September 2009

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Independent auditor's report to the members of Silex Systems Limited

Report on the financial report

We have audited the accompanying financial report of Silex Systems Limited (the company), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Silex Systems Limited and the Silex Systems Limited group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

PRICEWATERHOUSECOOPERS

Independent auditor's report to the members of
Silex Systems Limited (continued)

Auditor's opinion

In our opinion:

(a) the financial report of Silex Systems Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;*and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 4 to 11 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of Silex Systems Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of Silex Systems Limited (the company) for the year ended 30 June 2009 included on Silex Systems Limited's web site. The company's directors are responsible for the integrity of the Silex Systems Limited web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

R Dring

Rod Dring — Sydney
Partner — 25 September 2009

Shareholders' information

1. Information relating to shareholders as at 22 September 2009
a. Distribution schedule

1-1,000	2,770
1,001-5,000	2,720
5,001-10,000	724
10,001-100,000	720
100,001 and over	93
Total number of holders of each class of security	7,027

Voting rights - on a show of hands	
- on a poll	
Percentage of total holding held by the largest 20 holders	67.20%
Number of total holding less than a marketable parcel of shares	108

Substantial shareholders	Ordinary shares
Jardvan Pty Ltd	32,674,095
The Bank of New York Mellon Corporation	10,485,329

b. Names of Twenty Largest Holders of each Security as at 22 September 2009

Name	Number of securities	Percentage held
Jardvan Pty Ltd	32,674,095	22.37%
National Nominees Limited	16,882,178	11.56%
HSBC Custody Nominees (Australia) Limited	6,942,683	4.75%
ANZ Nominees Limited	6,418,163	4.39%
J P Morgan Nominees Australia Limited	6,163,298	4.22%
Majenta Holdings Pty Ltd	5,703,923	3.91%
Polly Pty Ltd	4,073,863	2.79%
Throvena Pty Ltd	2,978,203	2.04%
Hamlac Pty Ltd	2,525,937	1.73%
Mr Christopher David Wilks	2,405,070	1.65%
Quintal Pty Ltd	2,000,000	1.37%
HSBC Custody Nominees (Australia) Limited - A/c 3	1,981,056	1.36%
Citicorp Nominees Pty Limited	1,911,821	1.31%
Mithena Holdings Pty Ltd	1,139,823	0.78%
HSBC Custody Nominees (Australia) Limited - A/c 2	1,024,076	0.70%
Cogent Nominees Pty Limited	896,694	0.61%
Merrill Lynch (Australia) Nominees Pty Limited	712,663	0.49%
Cogent Nominees Pty Ltd <SMP accounts>	598,454	0.41%
UBS Wealth Management Australia Nominees Pty Ltd	555,351	0.38%
LYC Corporation Pty Ltd	546,010	0.37%
	98,133,361	67.20%

2. Vendor securities as at 22 September 2009
There are no vendor securities.

3. Interest of directors in securities as at 22 September 2009

	Ordinary shares	Interest held
Mr B S Patterson	4,073,863	Beneficially
Dr M P Goldsworthy	5,849,533	Personally/Beneficially
Mr C D Wilks	2,794,021	Personally/Beneficially
Dr C S Goldschmidt	2,525,937	Beneficially
Mr R P Campbell	1,354,823	Beneficially

4. Securities subject to voluntary escrow as at 22 September 2009

	Number on issue	Date escrow period ends
As at 22 September 2009 the following securities were subject to voluntary escrow:		
Ordinary shares	10,000	1 August 2010

5. Unquoted equity securities as at 22 September 2009

	Number on issue	Number of holders
Options issued under the Silex Systems Limited Employee Share Option Plan to take up ordinary shares	2,440,500	51
Other options issued to take up ordinary shares *	1,800,000	2

* These options are held by directors Dr M P Goldsworthy and Mr C D Wilks.