

Silex Systems Limited  
& its subsidiaries  
ABN 69 003 372 067

**Financial Statements for  
the year ended 30 June 2011**

**Company Directory****Directors**

Mr R P Campbell – Chairman  
Dr M P Goldsworthy – Managing Director/CEO  
Mr C D Wilks  
Dr C S Goldschmidt  
Prof S W R Burdon

**Audit Committee**

Prof S W R Burdon - Chairman  
Mr R P Campbell  
Dr C S Goldschmidt

**Remuneration Committee**

Prof S W R Burdon – Chairman  
Mr R P Campbell  
Dr C S Goldschmidt

**Company Secretary**

Mrs J E Ducie

**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, NSW 2234

**Website address:** [www.silex.com.au](http://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  
Email: [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)

Enquiries outside Australia: 61 3 9415 4000  
Website: [www.computershare.com.au](http://www.computershare.com.au)

**Stock Exchange**

Listed on the Australian Stock Exchange

**Auditors**

PricewaterhouseCoopers

**Solicitors**

Baker & McKenzie

**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 Systems is a research and development company whose assets are its proprietary rights in various technologies, including, but not limited to, the SILEX technology, the SilexSolar technology and business, Solar Systems technology and business, Translucent technology and ChronoLogic technology. Several of 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 SILEX uranium enrichment development program, the demand for enriched materials including uranium, the business risks associated with Silex Solar's manufacturing and marketing activities; the risks associated with the development of Solar Systems technology and related 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 2011.

**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:

Dr M P Goldsworthy  
Mr C D Wilks  
Dr C S Goldschmidt  
Mr R P Campbell

Mr B S Patterson was a director from the beginning of the financial year until his retirement on 27 October 2010.

Prof S W R Burdon was appointed a director on 14 February 2011 and continues in office at the date of this report.

**2. Principal Activities**

During the year the principal continuing activities of the consolidated entity consisted of:

- (a) research and development of the Company's foundation technology – the laser isotope separation process for uranium enrichment known as the 'SILEX Technology';
- (b) manufacture and sale of rooftop silicon solar panels, and further development of solar panel technology by wholly-owned subsidiary Silex Solar Pty Ltd;
- (c) research and development, and commercialisation activities for the unique 'Dense Array' concentrated photovoltaic systems being developed for utility-scale solar power stations by wholly-owned subsidiary Solar Systems Pty Ltd;
- (d) research and development of novel 'Rare Earth Oxide' materials for application to low cost LED lighting devices, power electronics technology and ultra-high efficiency solar energy conversion materials. These activities are being undertaken by Translucent Inc, a California based company which Silex has a 98% fully diluted interest in; and
- (e) development of data acquisition equipment, and test and measurement instrumentation utilising the proprietary 'USB-inSync' technology developed by subsidiary ChronoLogic Pty Ltd, in which Silex has a 90% interest.

**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:

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Revenue from continuing operations	<b>29,191,274</b>	9,609,270
(Loss) before tax	<b>(31,481,766)</b>	(19,001,148)
Income tax expense	-	(2,504)
(Loss) from ordinary activities after related income tax expense	<b>(31,481,766)</b>	(19,003,652)
(Loss) is attributable to:		
Owners of Silex Systems Limited	<b>(31,301,061)</b>	(18,127,716)
Non-controlling interests	<b>(180,705)</b>	(875,936)
	<b>(31,481,766)</b>	(19,003,652)

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

The increase in revenue is largely due to increased sales by Silex Solar Pty Ltd. Silex Solar commenced selling panels in late March 2010 with sales of \$3,068,355 for the period to 30 June 2010. For the year ended 30 June 2011, Silex Solar's sales amounted to \$19,136,713. In addition, interest income increased from \$1,691,352 in the prior year to \$4,576,490 in the current year.

The increased loss for the period was mainly due to:

- a) Solar Systems' segment loss increased from \$1,620,816 in the prior year to \$5,731,189 in the current year. The prior year loss included only 3.5 months of operations of Solar Systems.
- b) Silex Solar's segment loss increased from \$8,279,595 to \$18,078,515 as the business experienced several negative factors, including the strong Australian dollar and a flood of cheap imported panels from Asian competitors which led to much lower than anticipated selling prices. In addition, the solar panel industry was heavily impacted by significant adverse changes to State and Federal government policies relating to solar industry support. This loss includes approximately \$6,300,000 in 'one off' costs associated with the closure of the silicon solar cell production line at the Sydney Olympic Park plant announced in August 2011.

Interest income increased from \$1,691,352 to \$4,576,490 as the Company's average cash and term deposit holdings increased principally as a result of the capital raising undertaken in December 2010. Silex raised \$89,100,000 from the placement of 16,500,000 new ordinary shares at \$5.40 per share in December 2010. Following this, Silex raised \$20,257,038 through a share purchase plan in February 2011. At 30 June 2011, \$93,937,500 was invested in held to maturity investments (term deposits) with maturity dates up to six months.

Details of segment results are detailed below (numbers rounded):

#### **Silex Systems**

The segment result for the parent company Silex Systems Limited, improved from a loss of \$1.30 million in the prior year to a profit of \$1.08 million in the current year. The result in the current year was impacted by higher interest income. Silex's average cash and term deposits balances increased in the current year after the capital raising activities noted above.

#### **Translucent**

This relates to the activities of Translucent Inc in the United States. The segment loss decreased slightly from \$4.39 million to \$4.35 million.

#### **Silex Solar**

Silex Solar's revenue increased from \$3.16 million in the prior year to \$19.27 million in the current year. The current year result included a full 12 months of sales. The business experienced several negative factors during the year, including the strong Australian dollar and a flood of cheap imported panels from Asian competitors which led to much lower than anticipated selling prices. The industry was also heavily impacted by significant adverse changes to State and Federal government policies relating to solar industry support. In addition, as a result of the cell production line closure mentioned above, the effective life of the cell line equipment and the net realisable value of the cell line raw materials and finished goods were reassessed at 30 June 2011, resulting in a write down of \$6.30 million. The segment loss increased from \$8.28 million to \$18.08 million.

#### **ChronoLogic**

This relates to the activities of Adelaide-based ChronoLogic Pty Ltd. The segment result was a loss of \$1.76 million compared to a loss of \$1.54 million in the previous year.

**Solar Systems**

This relates to the activities of Solar Systems Pty Ltd and Solar Systems (Mildura) Pty Ltd. Silex Systems acquired assets from the Solar Systems Group in March 2010 and has undertaken research and development and commercialisation activities since then. The segment result was a loss of \$5.73 million for the current year compared to a loss of \$1.62 million for the 3.5 months ended 30 June 2010.

**5. Earnings per share**

	<b>2011</b>	2010
	<b>Cents</b>	Cents
Basic earnings per share	<b>(19.6)</b>	(12.3)
Diluted earnings per share	<b>(19.6)</b>	(12.3)

**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 Silex raising \$89,100,000 from the placement of 16,500,000 new ordinary shares at \$5.40 per share in December 2010. Subsequent to this, Silex raised \$20,257,038 through a share placement plan in February 2011. At 30 June 2011, \$93,937,500 was invested in held to maturity investments (term deposits) with maturity dates of up to six months.

**7. Matters subsequent to the end of the financial year**

On 16 August 2011, Silex management announced the cessation of activity of its silicon cell production line at Silex Solar's Sydney Olympic Park manufacturing plant. (Refer ASX Announcement 16 August 2011)

Apart from the financial impact of the cell line details noted above, 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 also has manufacturing operations through its subsidiary Silex Solar Pty Ltd at Sydney Olympic Park. The Company's future prospects remain dependent on the outcomes of the various technology development programs, including the Company's success in ultimately commercialising those technologies, and the ongoing results of solar manufacturing operations. In particular, the ability for Silex Solar to continue its PV panel manufacturing operations in light of very negative market conditions remains uncertain at this stage.

The Group's segments are summarised below:

***Silex Systems***

Silex invented a novel method for enriching uranium using lasers in the mid-1990's, and after a further decade of development activities in Australia, is currently supporting the commercialisation of the SILEX Technology in the USA under a Technology Commercialisation and License Agreement with Global Laser Enrichment (GLE – a venture owned by GE (51%), Hitachi (25%) and Cameco (24%)). Test Loop measurements and modifications have continued during the year with positive results achieved. Further Test Loop measurements will continue with the aim of accumulating operating and life-time data on the technology to assist the engineering design program for a planned commercial plant. The decision to build a commercial facility, 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.

***Solar Systems***

Significant progress with the development of Solar System's unique CPV 'Dense Array' technology and associated Intellectual Property has been made in the last 12 months. The first generation commercial product – the CS500 Dish CPV System is nearing the end of its development cycle and being readied for market. Business development and marketing activities have begun with the Company pursuing several off-shore opportunities to demonstrate its CPV Dish technology through the deployment of pilot plants. The 2MW pilot plant project in Mildura (potentially a precursor to a 100+MW power station) commenced in March 2011. Solar Systems have Victorian State and Federal Government grants in place

which will potentially provide funding for a significant portion of the costs of the Mildura power station project.

***Translucent Inc***

Silex has a 98% fully diluted interest in Translucent Inc, a California based company which has been researching and developing advanced semiconductor materials called "Rare-Earth Oxides". These unique materials may generate commercial outcomes in key areas such as low cost LED lighting, power electronics, ultra-high efficiency solar cells and silicon-on-insulator (SOI) substrates.

These technologies are still in the research and 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 Intellectual Property including Patents, and successful implementation of commercialisation strategies.

***Silex Solar***

Silex Solar has recently undertaken a significant operational and managerial restructure. These changes are to assist the business to compete in the highly competitive and volatile rooftop PV panel market, and designed to deliver an improved result for 2011/2012. This notwithstanding, the Australian PV industry is currently undergoing unprecedented volatility due to several external factors including the high Australian dollar value, a massive over-supply in the global market driving a flood of cheap Asian imports into the Australian market, and several adverse changes to State and Federal Government support policies relating to Solar causing a dramatic decline in sales over recent months. In this light, management will be undertaking regular reviews of the viability of the Silex Solar business.

***ChronoLogic***

Silex holds a 90% interest in ChronoLogic, which continues to develop a range of innovative instrumentation products incorporating its unique patented 'USB-inSync' technology, including the new Distributed Virtual Instrumentation (DVI) product range, which it is hoped will generate significant interest from the Test and Measurement industry.

**9. Share options**

***Shares under option***

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

<b>Number of options</b>	<b>Issue Price of shares</b>	<b>Grant date</b>	<b>Expiry date</b>
90,000	\$7.01	9th March 2007	8th March 2012
250,000	\$6.79	22nd August 2007	21st August 2012
100,000	\$5.81	24th December 2007	23rd December 2012
190,000	\$7.06	15th July 2008	14th July 2013
45,000	\$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
455,000	\$5.88	29th June 2009	28th June 2014
205,000	\$6.13	11th January 2010	10th January 2015
60,000	\$5.99	19th March 2010	18th March 2015
740,000	\$5.24	27th May 2010	26th May 2015
600,000	\$4.65	30th July 2010	29th July 2015
165,000	\$5.28	15th October 2010	14th October 2015
455,000	\$2.92	5th July 2011	4th July 2016
<b>3,505,000</b>			

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 455,000 options were granted and these are included in the table above.

***Shares issued on the exercise of options***

The following ordinary shares of Silex Systems Limited were issued during the year ended 30 June 2011 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
22nd June 2006	\$3.60	40,000
7th October 2008	\$3.63	100,000
		140,000

Between balance date and the date of this report, no options were exercised.

**10. Information on Directors**

**a) Directors' profiles**

**Mr Peter Campbell**

FCA, FTIA, FAICD

Chairman - Non-executive

Age 66

*Experience and expertise*

Independent and non-executive director since 1996 and Chairman since 27 October 2010. 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*

Member of audit committee

Member of remuneration committee

**Dr Michael Goldsworthy**

BSc (Hons), MSc, PhD, FAIP

Managing Director/CEO – Executive (director since 1992)

Age 53

*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. Dr Goldsworthy was awarded the Royal Society of NSW's James Cook Medal for 2009 which recognises outstanding contributions for science and human welfare.

*Other current directorships*

None

*Former directorships in last 3 years*

None

*Special responsibilities*

Managing Director

**Mr Christopher Wilks**

BComm, ASA, FCIS, FCIM, FAICD

Non-executive (director since 1988)

Age 53

*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.

*Other current directorships*

Executive director of Sonic Healthcare Limited since 1989.

*Former directorships in last 3 years*

Non-executive director of Independent Practitioner Network Limited between August 2005 and October 2008.

**Dr Colin Goldschmidt**

MB BCh, FRCPA, FAICD

Non-executive (since 1992)

Age 57

*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 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.

*Special responsibilities*

Member of audit committee (Chairman between 27 October 2010 and 30 September 2011)

Member of remuneration committee (Chairman between 27 October 2010 and 30 September 2011)

**Mr Stephen Burdon**

MBA BSC(Hons) FAICD, FAIM, FIEAust

Non-executive (since 2011)

Age 68

*Experience and expertise*

Mr Burdon has extensive management experience. He previously held the position of Managing Director of OTC, Group Managing Director of Telstra, and Managing Director of British Telecom Asia Pacific. In addition, Steve has experience as a non-executive director on over a dozen private and public company boards in Australia, NZ, India and Japan. He is currently a Visiting Professor of Management at the University of Technology Sydney and CASS Business School London.

*Other current directorships*

None

*Former directorships in last 3 years*

Non-executive director of Transfield Services Limited 2000 to July 2010.

*Special responsibilities*

Member of audit committee (Chairman from 30 September 2011)  
Member of remuneration committee (Chairman from 30 September 2011)

**Mr Barry Patterson**

ASMM, MIMM, FAICD  
Chairman – non executive until 27 October 2010.

*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.

*Other current directorships*

None

*Former directorships in last 3 years*

Non-executive director of Sonic Healthcare Limited from 1993 to October 2010.

*Special responsibilities*

Chairman of the Board until 27 October 2010  
Member of audit committee until 27 October 2010  
Chairman of remuneration committee until 27 October 2010

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

<b>Directors' name</b>	<b>Class of shares</b>	<b>No. of shares</b>	<b>Share options</b>
Dr M P Goldsworthy	Ordinary	5,849,533	-
Mr C D Wilks	Ordinary	2,794,021	-
Dr C S Goldschmidt	Ordinary	2,525,937	-
Mr R P Campbell	Ordinary	1,354,823	-
Prof S W R Burdon	Ordinary	20,000	-

**11. Remuneration report**

This remuneration report sets out remuneration information for Silex Systems Limited's executive directors, non-executive directors, other key management personnel and the five highest paid executives of the group and the company.

**Directors and executives disclosed in this report**

Name	Position
<i>Non-executive and executive directors - see page 5 to 7 above.</i>	
<i>Other key management personnel and group executives</i>	
Mr B J Spillane	Subsidiary company secretary, Financial Accountant
Mrs J E Ducie	Company secretary and Financial Controller (from 27 October 2010)
Mr R J Seares	General Manager Silex Solar Pty Ltd (until 28 June 2011)

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) Service Agreements
- D) Share-based compensation
- E) 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 to market. 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; and
- 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; and
- attracts and retains high calibre executives.

Alignment to program participants' interest:

- rewards capability and experience;
- reflects competitive reward for contribution to shareholder growth; and
- 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 performance rights or 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. 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.

**Silex Systems Limited**  
**Directors' report**  
30 June 2011 (continued)

*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 Share Option Plan*

Executives are entitled to participate in the Silex Systems Limited Employee Share Option Plan.

**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 the group and other executives of the company and the group**

2011	Short-term employee benefits			Post-employment benefits	Long term benefits		Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary benefits	Superannuation	Long service leave	Termination benefits	Options	
Name	\$	\$	\$	\$	\$	\$	\$	\$
<i>Executive directors</i>								
Dr M P Goldsworthy	722,401	-	77,478	15,199	11,779	-	-	826,857
Mr C D Wilks (until 28 June 2011)	173,982	-	-	15,023	159	-	-	189,164
<i>Non-executive directors</i>								
Dr C S Goldschmidt	68,370	-	-	6,153	-	-	-	74,523
Mr B S Patterson (until 27 October 2010)	22,822	-	-	2,054	-	-	-	24,876
Mr R P Campbell	70,000	-	-	6,300	-	-	-	76,300
Prof S W R Burdon (from 14 February 2011)	26,444	-	-	2,380	-	-	-	28,824
Mr C D Wilks (from 29 June 2011)	884	-	-	75	1	-	-	960
<i>Other key management personnel and group executives</i>								
Mr B J Spillane	132,246	-	13,742	11,665	1,759	-	-	159,412
Mrs J E Ducie (from 27 October 2010)	99,635	13,761	-	9,728	255	-	26,633	150,012
Mr R J Seares (until 28 June 2011)	190,608	-	-	15,077	(198)	28,938	(72,045)	162,380
<b>Total</b>	<b>1,507,392</b>	<b>13,761</b>	<b>91,220</b>	<b>83,654</b>	<b>13,755</b>	<b>28,938</b>	<b>(45,412)</b>	<b>1,693,308</b>

The negative amount for Mr R J Seares for options relates to options that were forfeited during the year prior to vesting.

**Silex Systems Limited**  
**Directors' report**  
30 June 2011 (continued)

**Key management personnel of the group and other executives of the company and the group**

2010	Short-term employee benefits			Post-employment benefits	Long term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary benefits	Superannuation	Long service leave	Options	
Name	\$	\$	\$	\$	\$	\$	\$
<i>Executive directors</i>							
Dr M P Goldsworthy	611,950	75,000	60,587	14,461	(8,949)	-	753,049
Mr C D Wilks	130,272	-	-	11,273	214	-	141,759
<i>Non executive directors</i>							
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
<i>Other key management personnel</i>							
Mr B J Spillane Company Secretary and Financial Controller	141,671	-	14,796	12,176	6,497	-	175,140
Mr R J Seares General Manager - Silex Solar Pty Ltd (appointed 17 August 2009)	152,538	10,000	-	14,005	198	72,045	248,786
<b>Total</b>	<b>1,241,431</b>	<b>85,000</b>	<b>75,383</b>	<b>70,365</b>	<b>(2,040)</b>	<b>72,045</b>	<b>1,542,184</b>

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 *	
	2011	2010	2011	2010	2011	2010
<i>Executive directors</i>						
Dr M P Goldsworthy	<b>100.0%</b>	90.0%	-	10%	-	-
Mr C D Wilks	<b>100.0%</b>	100.0%	-	-	-	-
<i>Other key management personnel and group executives</i>						
Mr B J Spillane	<b>100.0%</b>	100.0%	-	-	-	-
Mrs J E Ducie	<b>73.1%</b>	-	<b>9.2%</b>	-	<b>17.7%</b>	-
Mr R J Seares	<b>100.0%</b>	67.0%	-	4%	<b>(44.4%)</b>	29%

\* This relates to options with the percentages based on the value of options expensed during the year.

**C) Service Agreements**

Dr M P Goldsworthy

Term of agreement – no expiry.

Package consisting of base salary, superannuation and motor vehicle reviewed by remuneration committee.

Mr C D Wilks

Term of agreement – reappointed a director for a further period of 3 years commencing 23 November 2010.

Package consisting of directors fees, daily fee for additional specialist work and superannuation.  
Remuneration details reviewed by remuneration committee.

Mr 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 month's package.

Mrs J E Ducie

Term of agreement – employed from 3 May 2010, no expiry.

Package consisting of base salary and superannuation reviewed annually.

Payment of a termination benefit on early termination by the Company equal to 1 month's package.

Mr R J Seares (until 28 June 2011)

Term of agreement – employed 17 August 2009, no expiry.

Package consisting of base salary and superannuation reviewed annually.

Payment of a termination benefit on early termination by the Company equal to 1 month's package.

***D) Share-based compensation***

*Options*

Options are granted under the Silex Systems Limited Employee Share Option Plan. 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	Share price hurdle
29th June 2009	28th June 2014	\$5.88	\$3.20	100% after 29th June 2011	N/A
30th July 2010	29th July 2015	\$4.65	\$1.97	100% after 30th July 2012	\$4.86

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.

**Silex Systems Limited**  
**Directors' report**  
30 June 2011 (continued)

Name	Number of options granted during the year	Value of options at grant date	Number of options vested during the year	Number of options that were forfeited during the year	Number of options lapsed during the year	Value at lapse date
<b>Directors of Silex Systems Limited</b>						
Dr M P Goldsworthy	-	-	-	-	1,200,000	-
Mr C D Wilks	-	-	-	-	600,000	-
<b>Other key management personnel and executives of the Group</b>						
Mr B J Spillane	-	-	-	-	28,000	-
Mrs J E Ducie	40,000	78,820	-	-	-	-
Mr R J Seares	-	-	-	45,000	-	-

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 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 2011 included:

Exercise price cents	Grant date	Expiry date	Share price at grant date cents	Expected volatility of Company's shares	Expected dividend yield	Risk free interest rate
465	30 July 2010	29 July 2015	462	50%	-	4.75%

*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:

Name	Number of ordinary shares issued on exercise of options during the year	
	2011	2010
<b>Directors of Silex Systems Limited</b>		
-	-	-
<b>Other key management personnel of the Group</b>		
Mr B J Spillane	-	22,000

**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 9 to 12, 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.

Name	Cash bonus		Options				
	Paid %	Forfeited %	Financial Year granted	Vested %	Forfeited %	Financial years in which options may vest	Maximum total value of grant to vest \$
Mrs J E Ducie	100	-	Y/E 30/6/2011	-	-	Y/E 30/6/2013	78,820
Mr R J Seares	-	-	Y/E 30/6/2009	-	100	N/A	N/A

***Restrictions on limiting risk***

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 \$
2007	6.4	460,000	12.49
2008	(6.5)	-	7.96
2009	(2.6)	-	6.00
2010	(12.3)	85,000	4.60
2011	(19.6)	13,761	2.92

The increase in the negative earnings per share in the current year was mainly due to Solar Systems Pty Ltd and Silex Solar Pty Ltd. As mentioned earlier, Solar Systems segment loss increased from \$1,620,816 in the prior year to \$5,731,189 in the current year. The prior year loss included only 3.5 months of operations of Solar Systems. Silex Solar's segment loss increased from \$8,279,595 to \$18,078,515 as the business experienced several negative factors, including the strong Australian dollar and a flood of cheap imported panels from Asian competitors which led to much lower than anticipated selling prices. In addition, the industry was heavily impacted by significant adverse changes to State and Federal government solar industry support policies. This loss includes approximately \$6,300,000 in 'one off' costs associated with the cell line closure.

The short term incentives (STI's) in the current year were awarded to Mrs Julie Ducie for her tremendous contribution to the management of the Company's financial affairs and for her role in the share placement and share purchase plan. The prior year STI's were awarded to Dr Michael Goldsworthy for the establishment of the Solar division (Silex Solar and Solar Systems) and to Mr RJ Seares for achieving product certification for the Silex Solar panels. The STI's in the year ended 30 June 2007 are related to the progress made on the Uranium Enrichment Project and the signing of the deal with GE.

In recent years, the share market has dropped considerably due to growing concerns over the deteriorating conditions in global financial and equity markets. Silex's share price has suffered as a result. In addition, events in Fukushima have had a negative impact on uranium-based stocks, including a significant fall in the Silex share price in the weeks following the initial event. Progress in the Group's various technology projects has not directly been reflected in EPS as some of the projects are still in the research and development phase and, with the exception of the Uranium Enrichment Project and more recently Silex Solar, are yet to generate substantial revenue.

**12. Company secretary**

Mrs Julie E. Ducie, B. Bus., CA was appointed to the position of Company Secretary in October 2010. Before joining Silex, Julie spent 4 years in the Construction Industry in the Middle East as Finance Manager of a Facade Engineering company with projects in Dubai, Bahrain and Qatar. Prior to this, Julie was a Senior Associate with a Chartered Accounting Practice.

**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:

Director's name	Directors' Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Number Held	Number Attended	Number Held	Number Attended	Number Held	Number Attended
Mr B S Patterson	5	4	1	-	-	-
Mr R P Campbell	12	12	2	2	1	1
Dr M P Goldsworthy	12	12	-	-	-	-
Mr C D Wilks	12	12	-	-	-	-
Dr C S Goldschmidt	12	11	2	2	1	1
Prof S W R Burdon	4	4	1	1	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 breach 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 parent entity is subject to the environmental and health and safety regulations applicable to tenants of the Lucas Heights Science and Technology Centre. The parent entity is also bound by the rules and regulations set out in the Australian Radiation Protection and Nuclear Safety Act, 1998, and are a licensee under the Act. Silex Solar is subject to a number of regulations including the Sydney Water Act, NSW Occupational Health and Safety (Dangerous Goods) Regulation and NSW Protection of the Environment Operations (Clean Air) Regulations.

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	
	2011	2010
	\$	\$
<b>Remuneration of auditors</b>		
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	<b>202,000</b>	155,950
Total remuneration for audit services	<b>202,000</b>	155,950
Other assurance services		
PricewaterhouseCoopers Australian firm		
Audit of government grants	<b>19,000</b>	-
Total remuneration for other assurance services	<b>19,000</b>	-
Total remuneration for assurance services	<b>221,000</b>	155,950
<b>Total remuneration</b>	<b>221,000</b>	155,950

**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 17.

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



Dr M P Goldsworthy  
Managing Director

Sydney, 30 September 2011



Mr C D Wilks  
Director



## Auditor's Independence Declaration

As lead auditor for the audit of Silex Systems Limited for the year ended 30 June 2011, 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.

A handwritten signature in black ink, appearing to read 'Rod Dring', is positioned above the printed name.

Rod Dring  
Partner  
PricewaterhouseCoopers

Sydney  
30 September 2011

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## **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. They comply with the ASX Corporate Governance Principles and Recommendations (including 2010 Amendments).

### **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. When a new director is to be appointed, the Board prepares a list of the requisite range of skills, experience and expertise. From this the Board, prepares a short-list of candidates with appropriate skills and experience. A number of channels are used to source candidates to ensure the company benefits from a diverse range of individuals in the selection process.

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

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Expertise</b>	<b>Year Appointed Director</b>
Dr M P Goldsworthy	53	Managing Director/CEO	Physicist and Co-inventor of the SILEX Technology	1992
Mr C D Wilks	53	Non-executive Director	Investment Banking, Finance and Company Management	1988
Dr C S Goldschmidt	57	Non-executive Director	Company Management	1992
Prof S W R Burdon	68	Non-executive Director	Telecommunications industry and Company Management	2011
Mr R P Campbell	66	Non-executive Director/Chairman	Finance and Accounting, Computing and Company Management	1996

Dr C S Goldschmidt, Prof S W R Burdon and Mr R B Campbell 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. Additional information on the skills and experience of the directors is included in Section 10 of the Directors' report.

### **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 June 2011 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 considers 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.

**Diversity policy**

The Company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Accordingly the Company has developed a diversity policy which takes effect from 1 July 2011, a copy of which can be found on the Company's website. This policy outlines the Company's position on all forms of diversity, in particular diversity as it relates to gender. It includes requirements for the Board to establish measurable objectives for achieving gender diversity, and for the Board to assess annually both the objectives, and the company's progress in achieving them. Reporting against the defined measurable objectives will commence in the 2012 Annual Report.

**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:

Mr B S Patterson (until 27 October 2010)

Dr C S Goldschmidt (member for full year, Chairman from 27 October 2010 to 30 September 2011)

Prof S W R Burdon (member from 14 February 2011, Chairman from 30 September 2011)

Mr R P Campbell (Chairman until 27 October 2010, member after 27 October 2010)

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

Following Mr Patterson's retirement, the Board commenced a search for a new director who would also join the audit committee. Mr Burdon was appointed a director in February 2011 and became a member of the audit committee at that time. The audit committee did not meet during the period between Mr Patterson's retirement and Mr Burdon's appointment.

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's 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 the directors' report. 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 website 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, intellectual property patenting and significant commercial exposures on a regular basis for review. Management has reported to the Board 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 OH&S Committees have been 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 parent entity is subject to the environmental and health and safety regulations applicable to tenants of the Lucas Heights Science and Technology Centre. The parent entity is also bound by the rules and regulations set out in the Australian Radiation Protection and Nuclear Safety Act, 1998, and are a licensee under that Act. Silex Solar is subject to a number of regulations including the Sydney Water Act, NSW Occupational Health and Safety (Dangerous Goods) Regulation and NSW Protection of the Environment Operations (Clean Air) Regulations. 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:

Mr B S Patterson (Chairman until 27 October 2010)

Mr R P Campbell

Dr C S Goldschmidt (Chairman from 27 October 2010 to 30 September 2011)

Prof S W R Burdon (member from 14 February 2011, Chairman from 30 September 2011)

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

Following Mr Patterson's retirement, the Board commenced a search for a new director who would also join the remuneration committee. Mr Burdon was appointed a director in February 2011 and became a member of the remuneration committee at that time. The remuneration committee did not meet during the period between Mr Patterson's retirement and Mr Burdon's appointment.

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.

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 director's 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

### Concise financial report – 30 June 2011

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#### **Relationship of the concise financial report to the full financial report**

The concise financial report is an extract from the full financial report for the year ended 30 June 2011. The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Silex Systems Limited and its subsidiaries as the full financial report. Further financial information can be obtained from the full financial report.

The full financial report and auditor's report will be sent to members on request, free of charge. Please call 61 2 9532 1331 and request a copy of the full financial report (or email [enquiries@silex.com.au](mailto:enquiries@silex.com.au)). Alternatively, you can access both the full financial report and the concise report via the internet on our website: [www.silex.com.au](http://www.silex.com.au).

**Silex Systems Limited**  
**Consolidated income statement**  
For the year ended 30 June 2011

	Notes	2011 \$	2010 \$
<b>Revenue from continuing operations</b>	2	<b>29,191,274</b>	9,609,270
Other income	3	<b>3,420,665</b>	370,000
Research and development materials		<b>(2,227,726)</b>	(784,713)
Finance costs		<b>(112,247)</b>	(115,416)
Depreciation and amortisation expense		<b>(7,750,067)</b>	(2,278,257)
Employee benefits expense		<b>(20,914,487)</b>	(12,564,568)
Consultants and professional fees		<b>(3,728,271)</b>	(3,149,989)
Printing, postage, freight and stationery		<b>(457,494)</b>	(139,840)
Rent, utilities and property outgoings		<b>(4,048,387)</b>	(2,763,677)
Travelling expenses		<b>(1,346,578)</b>	(748,170)
Changes in inventories		<b>8,314,376</b>	2,686,801
Raw materials and stores used		<b>(27,739,956)</b>	(5,547,984)
Net foreign exchange losses		<b>(990,374)</b>	(1,008,193)
Share of net loss of associate accounted for using the equity method		<b>(5,470)</b>	-
Other expenses from ordinary activities		<b>(3,087,024)</b>	(2,566,412)
<b>(Loss) before income tax expense</b>		<b>(31,481,766)</b>	(19,001,148)
Income tax expense		-	(2,504)
<b>Net (loss)</b>		<b>(31,481,766)</b>	(19,003,652)
 (Loss) is attributable to:			
Owners of Silex Systems Limited		<b>(31,301,061)</b>	(18,127,716)
Non-controlling interests		<b>(180,705)</b>	(875,936)
		<b>(31,481,766)</b>	(19,003,652)
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share for (loss) from continuing operations attributable to the ordinary equity holders of the company</b>			
Basic earnings per share		<b>(19.6)</b>	(12.3)
Diluted earnings per share		<b>(19.6)</b>	(12.3)

*The above consolidated income statement should be read in conjunction with the accompanying notes.*

**Silex Systems Limited**  
**Consolidated statement of comprehensive income**  
For the year ended 30 June 2011

---

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>(Loss) for the year</b>	<b>(31,481,766)</b>	(19,003,652)
<b>Other comprehensive income</b>		
Exchange differences on translation of foreign operations	<b>(471,034)</b>	(223,383)
<b>Other comprehensive income for the year, net of tax</b>	<b>(471,034)</b>	(223,383)
<b>Total comprehensive income for the year</b>	<b>(31,952,800)</b>	(19,227,035)
Attributable to:		
Owners of Silex Systems Limited	<b>(31,772,095)</b>	(18,351,099)
Non-controlling interests	<b>(180,705)</b>	(875,936)
<b>Total comprehensive income for the year</b>	<b>(31,952,800)</b>	(19,227,035)

*The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.*

**Silex Systems Limited**  
**Consolidated balance sheet**  
As at 30 June 2011

	<u>30/06/2011</u>	<u>30/6/2010</u>
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	15,470,436	40,731,209
Held to maturity investments – term deposits	93,937,500	-
Trade and other receivables	8,550,710	3,183,548
Inventories	9,183,917	3,222,840
Total current assets	<u>127,142,563</u>	<u>47,137,597</u>
<b>Non-current assets</b>		
Property, plant and equipment	14,486,600	11,883,255
Deferred tax assets	20,168	20,985
Intangible assets	22,037,511	23,450,887
Investments accounted for using the equity method	129,556	-
Other	-	1,510,357
Total non-current assets	<u>36,673,835</u>	<u>36,865,484</u>
<b>Total assets</b>	<u>163,816,398</u>	<u>84,003,081</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	5,210,593	5,646,927
Provisions	811,607	734,703
Total current liabilities	<u>6,022,200</u>	<u>6,381,630</u>
<b>Non-current liabilities</b>		
Trade and other payables	2,334,690	1,182,000
Provisions	124,434	135,095
Total non-current liabilities	<u>2,459,124</u>	<u>1,317,095</u>
<b>Total liabilities</b>	<u>8,481,324</u>	<u>7,698,725</u>
<b>Net assets</b>	<u>155,335,074</u>	<u>76,304,356</u>
<b>EQUITY</b>		
Contributed equity	231,040,738	122,423,175
Reserves	6,930,760	5,035,839
Accumulated losses	(82,276,667)	(50,975,606)
Capital and reserves attributable to owners of Silex Systems Limited	155,694,831	76,483,408
Non-controlling interest	(359,757)	(179,052)
<b>Total equity</b>	<u>155,335,074</u>	<u>76,304,356</u>

*The above consolidated balance sheet should be read in conjunction with the accompanying notes.*

**Silex Systems Limited**  
**Consolidated statement of changes in equity**  
For the year ended 30 June 2011

	Attributable to owners of Silex Systems Limited					
	Contributed equity	Reserves	Accumulated losses	Total	Non- controlling interests	Total
	\$	\$	\$	\$	\$	\$
<b>Balance at 30 June 2009</b>	<b>103,611,221</b>	<b>7,250,013</b>	<b>(32,847,890)</b>	<b>78,013,344</b>	-	<b>78,013,344</b>
Loss for the year	-	-	(18,127,716)	(18,127,716)	(875,936)	(19,003,652)
Exchange differences on translation of foreign operations	-	(223,383)	-	(223,383)	-	(223,383)
<b>Total comprehensive income for the year</b>	-	<b>(223,383)</b>	<b>(18,127,716)</b>	<b>(18,351,099)</b>	<b>(875,936)</b>	<b>(19,227,035)</b>
<b>Transactions with owners in their capacity as owners</b>						
Contributions of equity, net of transaction costs	17,991,746	-	-	17,991,746	-	17,991,746
Employee share options - value of employee services	-	1,717,354	-	1,717,354	-	1,717,354
Transfer from share based payments reserve	810,167	(810,167)	-	-	-	-
Transactions with non-controlling interests	-	(2,897,978)	-	(2,897,978)	696,884	(2,201,094)
Deferred tax credit recognised directly in equity	10,041	-	-	10,041	-	10,041
	18,811,954	(1,990,791)	-	16,821,163	696,884	17,518,047
<b>Balance at 30 June 2010</b>	<b>122,423,175</b>	<b>5,035,839</b>	<b>(50,975,606)</b>	<b>76,483,408</b>	<b>(179,052)</b>	<b>76,304,356</b>
Loss for the year	-	-	(31,301,061)	(31,301,061)	(180,705)	(31,481,766)
Exchange differences on translation of foreign operations	-	(471,034)	-	(471,034)	-	(471,034)
<b>Total comprehensive income for the year</b>	-	<b>(471,034)</b>	<b>(31,301,061)</b>	<b>(31,772,095)</b>	<b>(180,705)</b>	<b>(31,952,800)</b>
<b>Transactions with owners in their capacity as owners</b>						
Contributions of equity, net of transaction costs	108,347,195	-	-	108,347,195	-	108,347,195
Employee share options - value of employee services	-	2,637,140	-	2,637,140	-	2,637,140
Transfer from share based payments reserve	271,185	(271,185)	-	-	-	-
Transactions with non-controlling interests	-	-	-	-	-	-
Deferred tax credit recognised directly in equity	(817)	-	-	(817)	-	(817)
	108,617,563	2,365,955	-	110,983,518	-	110,983,518
<b>Balance at 30 June 2011</b>	<b>231,040,738</b>	<b>6,930,760</b>	<b>(82,276,667)</b>	<b>155,694,831</b>	<b>(359,757)</b>	<b>155,335,074</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**Silex Systems Limited**  
**Consolidated statement of cash flows**  
For the year ended 30 June 2011

	<u>2011</u>	<u>2010</u>
	\$	\$
<b>Cash Flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	28,955,595	7,124,147
Payments to suppliers and employees (inclusive of goods and services tax)	(60,903,378)	(22,657,952)
Transaction costs relating to acquisition of business	(226,160)	(267,095)
Interest received	3,597,163	1,913,854
Interest paid	(153,492)	(514)
Income tax (paid)	-	(13,900)
<b>Net cash (outflows) from operating activities</b>	<u>(28,730,272)</u>	<u>(13,901,460)</u>
<b>Cash Flows from investing activities</b>		
Payment for additional interest in subsidiaries	-	(200)
Payment for investments accounted for using the equity method	(135,026)	-
Payments for acquisition of business, net of cash acquired	-	(1,999,998)
Payments for held to maturity investments	(93,937,500)	-
Payments for property, plant and equipment	(7,525,386)	(1,364,377)
Payments for intangibles	(107,979)	(138,290)
Payments for other non-current assets	-	(1,055,808)
Proceeds from sale of property, plant and equipment	6,355	-
Repayment of loans by employees	3,731	24,493
<b>Net cash (outflows) from investing activities</b>	<u>(101,695,805)</u>	<u>(4,534,180)</u>
<b>Cash Flows from financing activities</b>		
Proceeds from issue of shares	106,347,190	1,502,434
<b>Net cash inflows from financing activities</b>	<u>106,347,190</u>	<u>1,502,434</u>
<b>Net (decrease) in cash held</b>	<b>(24,078,887)</b>	<b>(16,933,206)</b>
Cash and cash equivalents at the beginning of the financial year	40,731,209	58,605,297
Effects of exchange rate changes on cash	(1,181,886)	(940,882)
<b>Cash and cash equivalents at end of year</b>	<u>15,470,436</u>	<u>40,731,209</u>

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

**Silex Systems Limited**  
**Notes to the financial statements**  
30 June 2011

This concise financial report relates to the consolidated entity consisting of Silex Systems Limited and the entities it controlled at the end of, or during, the year ended 30 June 2011. The accounting policies have been consistently applied to all years presented, unless otherwise stated in note 2 below.

**Note 1 Presentation currency**

The presentation currency used in this concise financial report is Australian dollars.

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Note 2 Revenue</b>		
<b>From continuing operations</b>		
Recoverable Project costs	<b>5,208,290</b>	4,767,279
Sale of goods	<b>19,388,590</b>	3,099,828
Interest income	<b>4,576,490</b>	1,691,352
Other	<b>17,904</b>	50,811
	<b>29,191,274</b>	9,609,270
<b>Note 3 Other income</b>		
Government Grants	<b>3,392,253</b>	370,000
Other	<b>28,412</b>	-
	<b>3,420,665</b>	370,000

*(i) Government grants*

Federal and state government solar project grants of \$3,112,954 (2010: \$320,000) were recognised as other income by Solar Systems during the financial year. Part of the grants may be repayable in certain circumstances. These include: if there remains an amount of funding that has not been spent, the government determines that Solar Systems is unable to perform the Activities in the agreement, and if the government determines that the funds have not been spent in accordance with the grant. State government solar project grants of \$264,636 (2010: \$50,000) were recognised as other income by Silex Solar during the financial year. There are no unfulfilled conditions attaching to these grants. An export market development grant of \$14,663 (2010: nil) was recognised as income during the financial year.

**Silex Systems Limited**  
**Notes to the financial statements**  
30 June 2011 (continued)

**Note 4 Segment information**

<b>2011</b>	Silex Systems \$	Translucent \$	Silex Solar \$	ChronoLogic \$	Solar Systems \$	Total \$
Total segment revenue	10,440,020	2,702,959	19,266,708	38,398	242,592	32,690,677
Inter-segment revenue	(815,186)	(2,684,217)	-	-	-	(3,499,403)
<b>Revenue from external customers</b>	<b>9,624,834</b>	<b>18,742</b>	<b>19,266,708</b>	<b>38,398</b>	<b>242,592</b>	<b>29,191,274</b>
<b>Segment result</b>	<b>1,077,843</b>	<b>(4,351,375)</b>	<b>(18,078,515)</b>	<b>(1,759,477)</b>	<b>(5,731,189)</b>	<b>(28,842,713)</b>
<b>Total segment assets</b>	107,706,026	1,539,538	20,173,869	366,300	25,532,081	155,317,814
<b>Total segment liabilities</b>	1,538,358	238,263	4,278,886	237,454	2,188,363	8,481,324

  

<b>2010</b>	Silex Systems \$	Translucent \$	Silex Solar \$	ChronoLogic \$	Solar Systems \$	Total \$
Total segment revenue	7,177,219	2,620,403	3,158,402	20,185	17,608	12,993,817
Inter-segment revenue	(774,092)	(2,610,455)	-	-	-	(3,384,547)
<b>Revenue from external customers</b>	<b>6,403,127</b>	<b>9,948</b>	<b>3,158,402</b>	<b>20,185</b>	<b>17,608</b>	<b>9,609,270</b>
<b>Segment result</b>	<b>(1,298,639)</b>	<b>(4,394,761)</b>	<b>(8,279,595)</b>	<b>(1,544,998)</b>	<b>(1,620,816)</b>	<b>(17,138,809)</b>
<b>Total segment assets</b>	38,962,120	1,774,954	12,493,407	403,774	21,867,512	75,501,767
<b>Total segment liabilities</b>	1,703,388	220,837	2,971,020	216,789	2,586,691	7,698,725

*(i) Segment result*

The board of directors assesses the performance of the operating segments based on a result that excludes share based payments. Exchange gains and losses on intercompany loans which eliminate on consolidation are also excluded from the segment result. Amortisation of intellectual property on consolidation is also excluded from the segment result. A reconciliation of segment result to operating (loss) before tax is provided as follows:

	<b>2011</b>	2010
	\$	\$
Segment result	<b>(28,842,713)</b>	(17,138,809)
Amortisation of Intellectual property on consolidation	<b>(1,913)</b>	(1,913)
Share based payments expense	<b>(2,637,140)</b>	(1,860,426)
(Loss) before income tax	<b>(31,481,766)</b>	(19,001,148)

**Note 5 Business combination**

**(a) Summary of acquisition**

There were no acquisitions in the current year.

In the prior year, the Group completed the acquisition of assets of Melbourne based Solar Systems Group (SSG). The assets were acquired in a wholly owned subsidiary (Solar Systems Pty Ltd), with business operations to continue in part of the previously leased premises in Abbotsford, Melbourne and at Bridgewater, Victoria.

As at 30 June 2010 deferred consideration of \$1,990,232 remained payable. Shares were issued in July 2010 and August 2010 to satisfy the balance of the deferred consideration.

The provisionally determined fair values of the assets and liabilities recognised as a result of the acquisition disclosed in last year's accounts have been finalised without change.

*Acquisition-related costs*

Acquisition-related costs of \$226,160 which were included in Other expenses in the prior year were paid in the current year and are included in operating cash flows in the statement of cash flows in the current year.

**Note 6 Dividends**

No dividends were declared or paid during the year or in the prior year.

**Note 7 Events occurring after reporting date**

Subsequent to year end, Silex management announced the cessation of activity of its cell production line at Silex Solar. (Refer ASX announcement 16 August 2011).

Apart from the cell production line details above, 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.

**Silex Systems Limited**  
**Directors' declaration**  
30 June 2011

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The directors declare that in their opinion, the concise financial report of the consolidated entity for the year ended 30 June 2011 as set out on pages 26 to 34 complies with Accounting Standard AASB 1039: *Concise Financial Reports*.

The concise financial report is an extract from the full financial report for the year ended 30 June 2011. The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report, which is available on request.

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



Dr M P Goldsworthy  
Managing Director



Mr C D Wilks  
Director

Sydney

30 September 2011



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

### **Report on the concise financial report**

We have audited the accompanying concise financial report of Silex Systems Limited (the company) which comprises the balance sheet as at 30 June 2011, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and related notes, derived from the audited financial report of the company for the year ended 30 June 2011 for both Silex Systems Limited and the Silex Systems Limited Group (the consolidated entity). The concise financial report does not contain all the disclosures required by the Australian Accounting Standards and accordingly, reading the concise financial report is not a substitute for reading the audited financial report.

#### *Directors' responsibility for the concise financial report*

The directors are responsible for the preparation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*, and the *Corporations Act 2001*, and for such internal controls as the directors determine are necessary to enable the preparation of the concise financial report.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the concise financial report based on our audit procedures which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of the consolidated entity for the year ended 30 June 2011. We expressed an unmodified audit opinion on that financial report in our report dated 30 September 2011. The Australian 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 for the year is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the concise financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the concise financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the concise 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.

Our procedures include testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of audit evidence supporting the amounts and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with *AASB 1039 Concise Financial Reports*.

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

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### ***PricewaterhouseCoopers, ABN 52 780 433 757***

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*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Silex Systems Limited would be in the same terms if given to the directors as at the date of this auditor's report.

*Auditor's opinion*

In our opinion, the concise financial report of the company for the year ended 30 June 2011 complies with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

*Report on the remuneration report*

The following paragraphs are copied from our report on the remuneration report for the year ended 30 June 2011.

We have audited the remuneration report included in pages 7 to 14 of the directors' report for the year ended 30 June 2011. 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 2011, complies with section 300A of the *Corporations Act 2001*.

*Matters relating to the electronic presentation of the audited concise financial report*

This auditor's report relates to the concise financial report and remuneration report of Silex Systems Limited (the company) for the year ended 30 June 2011 included on Silex Systems Limited 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 concise financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the concise financial report 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.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Rod Dring'.

Rod Dring  
Partner

Sydney  
30 September 2011

Shareholders' information

**1. Information relating to shareholders as at 22 September 2011**

**a. Distribution schedule**

1-1,000	2,355
1,001-5,000	2,677
5,001-10,000	798
10,001-100,000	787
100,001 and over	92
Total number of holders of each class of security	6,709

Voting rights - on a show of hands  
- on a poll

Percentage of total holding held by the largest 20 holders	71.15%
Number of total holding less than a marketable parcel of shares	225

Substantial shareholders	Ordinary shares
Jardvan Pty Ltd	29,801,030
The Bank of New York Mellon Corporation	14,268,822
M&G Investment (including M&G Investment Funds (3), M&G Investment Management Limited, M&G Limited, M&G Group Limited and Prudential plc)	10,240,822

**b. Names of Twenty Largest Holders as at 22 September 2011**

Name	Number of securities	Percentage held
Jardvan Pty Ltd	29,801,030	17.52%
HSBC Custody Nominees (Australia) Limited	23,464,785	13.79%
National Nominees Limited	23,319,276	13.71%
J P Morgan Nominees Australia Limited	9,291,640	5.46%
J P Morgan Nominees Australia Limited (Cash Income A/c)	7,309,931	4.30%
Majenta Holdings Pty Ltd	5,702,923	3.35%
Polly Pty Ltd	4,073,863	2.39%
Throvena Pty Ltd	2,978,203	1.75%
Hamlac Pty Ltd	2,525,937	1.48%
Mr Christopher David Wilks	2,405,070	1.41%
Citicorp Nominees Pty Limited	2,060,442	1.21%
Quintal Pty Ltd	2,002,952	1.18%
Truenergy Solar Pty Ltd	1,103,927	0.65%
Credit Suisse Securities (Europe) Ltd	870,000	0.51%
Mithena Holdings Pty Ltd	817,139	0.48%
HSBC Custody Nominees (Australia) Limited - A/C 2	765,750	0.45%
Cogent Nominees Pty Limited	701,770	0.41%
RBC Dexia Investor Services Australia Nominees Pty Ltd	653,763	0.38%
CS Fourth Nominees Pty Ltd	638,632	0.38%
UBS Wealth Management Australia Nominees Pty Ltd	558,428	0.33%
	121,045,461	71.15%

**2. Vendor securities as at 22 September 2011**

There are no vendor securities.

**Silex Systems Limited**  
**Shareholders' information**  
30 June 2011 (continued)

**3. Interest of directors in securities as at 22 September 2011**

	<b>Ordinary shares</b>	<b>Interest held</b>
Mr R P Campbell	1,354,823	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
Prof S W R Burdon	20,000	Beneficially

**4. Securities subject to voluntary escrow as at 22 September 2011**

	Number on issue	Date escrow period ends
As at 20 September 2011 the following securities were subject to voluntary escrow:		
Ordinary shares	1,098,099	15 March 2012

**5. Unquoted equity securities as at 22 September 2011**

	Number on issue	Number of holders
Options issued under the Silex Systems Limited Employee Share Option Plan to take up ordinary shares	3,505,000	64