

CONSOLIDATED RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the half year ended 31 December 2008

Ellex Medical Lasers Limited ACN 007 702 927

This results announcement is to be read in conjunction with the statutory financial statements attached to this announcement.

Consolidated Results

Revenues from ordinary activities	up	21%	to	\$A'000 30,449
Consolidated results – excluding one-off items*				
Earnings before interest, tax, depreciation and amortisation (EBITDA)	up	13%	to	2,544
Profit for the period, before tax	up	5%	to	1,356
Profit from ordinary activities after tax	up	149%	to	2,814
Consolidated results – including one-off items*				
Earnings before interest, tax, depreciation and amortisation (EBITDA)	down	1,097%	to	(23,420)
Loss for the period, before tax	down	1,853%	to	(24,608)
Loss from ordinary activities after tax	down	1,970%	to	(23,150)
Net loss for the period attributable to members	down	2,044%	to	(23,132)
Dividends (distributions)				
		Amount per security		Franked amount per security
Final Dividend		Nil		Nil
Interim Dividend		Nil		Nil
Previous corresponding period		Nil		Nil
Record date for determining entitlements to the dividend	NOT APPLICABLE			

* One-off non-cash items associated with unrealised mark-to-market foreign exchange losses (\$3.612m, 2007: gain \$0.107m) and impairment of intangibles (\$22.352m).

OTHER INFORMATION

For the half year ended 31 December 2008

Ellex Medical Lasers Limited ACN 007 702 927

Net Tangible Assets per Security	Half Year ended 31 December 2008	Half Year ended 31 December 2007
Net tangible asset backing per ordinary security* (excludes value attributable to goodwill, other intangible assets, deferred tax asset, capitalized development expenditure and related deferred grant income)	\$0.26	\$0.24

* Net tangible asset backing per ordinary security – subsequent to capital raising completed on 7 January 2009 was \$0.21.

Dividends

Date the dividend (distribution) is payable

NOT APPLICABLE

Record date to determine entitlements to the dividend (distribution)

NOT APPLICABLE

If it is a final dividend, has it been declared?

NOT APPLICABLE

Amount per security

	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
Final dividend:			
Current year	0.00 ¢	0.00 ¢	0.00 ¢
Previous year	0.00 ¢	0.00 ¢	0.00 ¢
Interim dividend:			
Current year	0.00 ¢	0.00 ¢	0.00 ¢
Previous year	0.00 ¢	0.00 ¢	0.00 ¢

Ellex Medical Lasers Limited

ACN 007 702 927

Half-year report for the half-year ended 31 December 2008

Contents

Page

Directors' report	2
Auditor's independence declaration	3
Independent auditor's review report	4
Directors' declaration	5
Condensed consolidated income statement	6
Condensed consolidated balance sheet	7
Condensed consolidated statement of recognised income and expense	8
Condensed consolidated cash flow statement	9
Notes to the condensed consolidated financial statements	10

Directors' report

The directors of Ellex Medical Lasers Limited (The Company) submit herewith the financial report of Ellex Medical Lasers Limited and its subsidiaries (the group) for the half-year ended 31 December 2008. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the company during or since the end of the half-year are:

Name

Mr V Previn	Chairman
Mr A Sundich	Non-Executive Director
Professor J Marshall	Non-Executive Director
Mr M Plunkett	Executive Director (appointed 17 October 2008)
Mr G Canala	Executive Director (appointed 17 October 2008)
Mr K McGuinness	Executive Director (ceased employment and resigned as a Director on 20 October 2008)
Mr A Mitchell	Company Secretary (ceased employment and resigned as Company Secretary on 27 October 2008)

Review of operations

Ellex Medical Lasers Limited (Ellex) generated a Net Loss After Tax of \$23,149,958 for the half year ended 31 December 2008 (2007: a profit of \$1,237,799) on revenue of \$30,449,422 (2007: \$25,267,668). These financial statements should be read in conjunction with the press release of the financial statements.

Auditor's independence declaration

The auditor's independence declaration is included on page 3 of the half-year report.

Rounding off of amounts

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Principal Activities

The principal activities of the company during the course of the financial year were the manufacture and sale of Ophthalmic equipment.

There were no significant changes in the nature of the activities of the company during the year.

Signed in accordance with a resolution of directors made pursuant to S.306 (3) of the Corporations Act 2001.

On behalf of the Directors



Victor Previn

Director

Adelaide, 26 February 2009

The Board of Directors
Ellex Medical Lasers Limited
82 Gilbert Street
ADELAIDE SA 5000

26 February 2009

Dear Board Members

Ellex Medical Lasers Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Ellex Medical Lasers Limited.

As lead audit partner for the review of the financial statements of Ellex Medical Lasers Limited for the half-year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



S T Harvey
Partner
Chartered Accountants

Independent Auditor's Review Report to the Members of Ellex Medical Lasers Limited

We have reviewed the accompanying half-year financial report of Ellex Medical Lasers Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, cash flow statement, statement of recognised income and expense for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 5 to 11.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Ellex Medical Lasers Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Ellex Medical Lasers Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



S T Harvey
Partner
Chartered Accountants
Adelaide, 26 February 2009

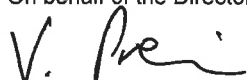
Directors' declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to S.303 (5) of the Corporations Act 2001.

On behalf of the Directors



Victor Previn
Director

Adelaide, 26 February 2009

**Condensed consolidated income statement
for the half-year ended 31 December 2008**

	Consolidated	
	Half-year ended 31 Dec 2008 \$'000	Half-year ended 31 Dec 2007 \$'000
Revenue	30,449	25,268
Other (expenses) / income	(242)	589
Changes in inventories of finished goods and work in progress	3,208	1,939
Raw materials and consumables used	(17,340)	(14,572)
Employee benefits expense	(9,040)	(7,717)
Depreciation and amortisation expense	(784)	(662)
Legal costs	(124)	(58)
Advertising and marketing	(1,171)	(965)
Finance costs	(404)	(283)
Product development raw materials and consumables used	(286)	(56)
Mark-To-Market unrealised foreign exchange (loss) / gain	(3,612)	107
Impairment of Intangibles	(22,352)	-
Other expenses	(2,910)	(2,186)
(Loss) / Profit before tax	(24,608)	1,404
Income tax credit / (expense)	1,458	(166)
(Loss) / Profit for the period	(23,150)	1,238
Attributable to:		
Equity holders of the parent	(23,132)	1,190
Minority interest	(18)	48
	(23,150)	1,238
Earnings per share:		
From continuing operations:		
Basic (cents per share)	(33.4)	1.7
Diluted (cents per share)	(33.8)	1.6

Notes to the condensed consolidated financial statements are included on pages 10 to 11.

**Condensed consolidated balance sheet
as at 31 December 2008**

	Consolidated	
	31 December 2008 \$'000	30 June 2008 \$'000
Current assets		
Cash assets	1,468	830
Trade and other receivables	17,434	13,038
Other financial assets	-	275
Inventories	20,667	17,745
Current tax assets	827	246
Other	1,064	1,008
Total current assets	41,460	33,142
Non-current assets		
Trade and other receivables	297	168
Property, plant and equipment	3,735	3,761
Deferred tax assets	7,853	6,238
Goodwill	-	21,680
Other intangible assets	543	439
Capitalised development expenditure	6,263	6,513
Total non-current assets	18,691	38,799
Total assets	60,151	71,941
Current liabilities		
Trade and other payables	8,355	8,085
Borrowings	14,025	9,175
Current tax payables	33	227
Provisions	1,790	1,736
Other liabilities	3,651	439
Total current liabilities	27,854	19,662
Non-current liabilities		
Borrowings	-	1,380
Provisions	178	218
Other liabilities	1,092	2,740
Total non-current liabilities	1,270	4,338
Total liabilities	29,124	24,000
Net assets	31,027	47,941
Equity		
Issued capital	33,635	33,635
Reserves	3,914	(2,321)
(Accumulated losses)/Retained earnings	(6,714)	16,417
	30,835	47,731
Parent entity interest	30,835	47,731
Minority interest	192	210
Total equity	31,027	47,941

Notes to the condensed consolidated financial statements are included on pages 10 to 11.

**Condensed consolidated statement of recognised income and expense
for the half-year ended 31 December 2008**

	Consolidated	
	Half-year ended 31 Dec 2008 \$'000	Half-year ended 31 Dec 2007 \$'000
Exchange differences arising on translation of foreign operations	6,332	183
(Lapse) / Issue of Share Options to employees	(97)	12
Net income/(expense) recognised directly in equity	6,235	195
(Loss) / Profit for the period	(23,150)	1,238
Total recognised income and expense for the period	(16,915)	1,433
Attributable to:		
Equity holders of the parent	(16,897)	1,385
Minority interests	(18)	48
	(16,915)	1,433

Notes to the condensed consolidated financial statements are included on pages 10 to 11.

Condensed consolidated cash flow statement for the half-year ended 31 December 2008

	Consolidated	
	Half-year ended 31 Dec 2008 \$'000	Half-year ended 31 Dec 2007 \$'000
Cash flows from operating activities		
Receipts from customers	27,774	22,552
Grant income received	308	339
Payments to suppliers and employees	(25,450)	(24,736)
Interest and other costs of finance paid	(404)	(283)
Income tax refund	-	105
Income tax paid	(143)	-
Net cash (used in)/provided by operating activities	2,085	(2,023)
Cash flows from investing activities		
Interest received	4	47
Payment for deposits	(129)	(10)
Payment for property, plant and equipment	(430)	(971)
Payment for intangible assets	(109)	(138)
Payment for business acquisitions	(1,055)	(498)
Payment for capitalised development costs	(1,530)	(526)
Net cash used in investing activities	(3,249)	(2,096)
Cash flows from financing activities		
Proceeds from issues of shares	-	2,805
Payment for share issue costs	-	(139)
Proceeds from borrowings	600	857
Repayment of borrowings	(616)	(886)
Net cash (used in)/provided by financing activities	(16)	2,637
Net (decrease)/increase in cash and cash equivalents	(1,180)	(1,482)
Cash and cash equivalents at the beginning of the period	(22)	2,740
Effects of exchange rate changes on the balance of cash held in foreign currencies	534	182
Cash and cash equivalents at the end of the period	(668)	1,440

Notes to the condensed consolidated financial statements are included on pages 10 to 11.

Notes to the condensed consolidated financial statements

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2008 annual financial report for the financial year ended 30 June 2008, other than as detailed below.

Going concern

These financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. There has been a breach of the capital adequacy (equity ratio) covenant during the period causing all debt to be classified as current. The directors believe that the group will continue to receive the support of the finance providers and that there is sufficient external funding to supplement forecast cash flows from operations to enable the entity to achieve their business plans as submitted to the finance providers and therefore that the entity is able to continue as a going concern and realize their assets and extinguish their liabilities in the ordinary course of business and at the amounts stated in the financial statements.

2. Segment information

The consolidated entity has one business segment, being the manufacture and sale of ophthalmic equipment, which is shown in the Condensed Consolidated Income Statement and Balance Sheet in this half year report.

The consolidated entity has not presented a separate segment report.

3. Income taxes

Unrecognised deferred tax balances

The following deferred tax assets have not been brought to account as assets:

Timing difference – Intellectual Property

	31 Dec 2008	31 Dec 2007
	\$'000	\$'000
	-	3,808
	-	3,808

4. Dividends

	Half-year ended 31 Dec 2008		Half-year ended 31 Dec 2007	
	Cents per share	Total \$'000	Cents per share	Total \$'000
Recognised amounts				
Fully paid ordinary shares				
Final dividend	Nil	Nil	Nil	Nil

5. Issuances, repurchases and repayments of equity securities

During the half-year reporting period, Ellex Medical Lasers Limited issued no ordinary shares under its executive and employee share option plans. There were no movements in the ordinary share capital or other issued share capital of the company in the current or prior half-year reporting period.

Ellex Medical Lasers Limited issued no share options over ordinary shares under its executive share option plan during the half-year reporting period.

6. Subsequent events

In January 2009, management implemented a restructure plan to reduce operating expenses by making a number of staff redundant costing \$0.5m and saving in excess of \$2m annually.

On 7 January 2009, a non-renounceable rights issue was completed. A total of 16,379,506 shares were allocated at a price of \$0.10 per share (proceeds received of \$1.5m, net of costs) bringing the total shares on issue to 84,910,345.

7. Impairment of intangible assets

Management and the directors reviewed the intangible assets held on the Balance Sheet to assess any potential impairment. The assessment of the recoverable amount of goodwill determined that goodwill associated with prior period business combinations was impaired and that the full carrying value of \$21.68m be written off as non-recoverable. The main contributing factor to the impairment of the cash-generating units was the economic conditions and the impact on forecast sales models.

The assessment of capitalised development expenditure and the related deferred grant income liabilities were reviewed and assessed to be impaired with a net effect of \$0.672m. The main contributing factor to the impairment of this asset was the recoverability of these capitalised costs.

Ellex Medical Lasers limited

Notes to the condensed consolidated financial statements

CORPORATE DIRECTORY**Directors**

Mr Victor Previn	BE (Chairman)
Mr Alex Sundich	BEC, MComm, ACA, ASIA (Non-Executive Director)
Professor John Marshall	Ph. D (Non Executive Director)
Mr Giuseppe Canala	BTECH, BA, FAICD (Executive Director)
Mr Malcolm Plunkett	(Executive Director)

Company Secretary

Mr Giuseppe Canala

Registered Office

Ellex Medical Lasers Limited
ABN 15 007 702 927
82 Gilbert Street
Adelaide South Australia 5000
Telephone: +61 8 8104 5200
Facsimile: +61 8 8104 5651

Auditors

Deloitte Touche Tohmatsu
11 Waymouth Street
Adelaide South Australia 5000

Legal Advisors

Thomson Playford
101 Pirie Street
Adelaide South Australia 5000

Share Registry

Computershare Investor Services Limited
Level 5, 115 Grenfell Street
Adelaide South Australia 5000

GPO Box 1903
Adelaide South Australia 5001

Enquiries within Australia: 1300 556 161
Enquiries outside Australia: +61 3 9415 4000
Website: www.computershare.com

Websites:

www.ellex.com
www.slt-ellex.com

Stock Exchange

The company Ellex Medical Lasers Limited is listed on the Australian Stock Exchange (ASX).
The ASX Code is: ELX-Ordinary Shares.