



Ellex Medical Lasers Limited

ABN 15 007 702 927

ANNUAL REPORT 2003



Ellexmedical



Highlights...

Net Profit after Tax and before Amortisation of Goodwill of \$2.737 million. This is considered a strong result in light of the flat economic global conditions and the middle-east crisis resulting in our customers deferring capital equipment expenditure during the reporting period and the financial issues facing one of our large trading contract OEM customer, Lumenis Inc.

Generated positive operating cash flow of \$2.729 million underlying the strong cash generating potential of the Ellex business. This positive cash result enabled Ellex to ensure it has no debt other than a loan of \$2 million on the Adelaide property and over \$1 million of cash in the bank at balance sheet date.

Completed development of the Selective Laser Trabeculoplasty (SLT) product which is Ellex's first product in the potentially lucrative glaucoma market. Initially this product has been sold through Lumenis however an Ellex variant will be ready for sale by December 2003.

Strengthened the Board and management team with a number of key appointments. Ellex will continue to focus on developing and growing a team capable of expanding Ellex in the global market place.

'Laserex' sales in the US increased 24% over the prior year underlying the continuing strength of our brand and the benefits of establishing direct ownership of distribution in key markets.





Under the terms of the arrangement, Ellex undertook to release the product in to production by early in the calendar year 2003, and to step up production by mid year. The arrangements gave Lumenis exclusivity in the USA and Japan, with Ellex able to enter the markets in the rest of the world with a product based on the same technology platform but different in features, after one year of delay.

This meant that Lumenis and Ellex would be the only two companies worldwide that had access to this exciting new technology platform.

The total market size for this treatment laser has not yet been measured but the market for drugs used to treat the same condition exceeds A\$5 billion per annum. Initial data showed that revenues of A\$10m per annum could be achieved within three years, making a significant contribution to the Ellex revenue stream.

Over the course of this year, the Management Team at Ellex completed a strategic plan for the growth of the business for the following five years. The plan involves the development of an impressive range of products to provide a full portfolio of lasers for the post cataract, retinal and glaucoma segments of the ophthalmic market. This range will be developed over the next several years and give Ellex the platform to become the premier supplier of lasers to the ophthalmic industry.





Profiles

Bob Johnson, Non-Executive Director

Bob Johnson is an Adelaide-based businessman with wide interests in technology and mining. He is the Chairman of the Mapttek Group which has grown its software and laser mapping business through the world. He has extensive experience in overseas business development and marketing strategies. He is Chairman of Havilah Resources NL, an exploration company operating in South Australia, as well as several other private companies. He is also Chairman of Solution City, an industry-sponsored initiative to promote the technology companies of Adelaide.



Company Secretary

Kevin McGuinness

Kevin joined Ellex in October 2002 as Chief Financial Officer and Company Secretary. Kevin has over 15 years senior financial management experience of public and private companies. Kevin joined Ellex from Nautilus, an ASX listed company with revenue of approximately \$90 million in the food and logistics arena. Prior to this Kevin was Director, Finance & Operations for Urban Pacific where he managed the commercial and financial elements of a number of significant and complex property projects. Kevin holds a Bachelor of Arts in Accounting from the University of South Australia and is a Chartered Accountant having worked for seven years in Australia and the UK for Deloitte.





Ellex Medical Lasers Limited

Financial Report

**for the year ended
30 June 2003**



Financial Report

for the year ended 30 June 2003

The Directors present their report together with the consolidated financial report of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2003 and the auditor's report thereon.

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Directors Declaration for the year ended 30 June 2003

The Directors declare that:

- (a) The attached financial statements and notes comply with accounting standards;
- (b) The attached financial statements and notes give a true and fair view of the financial position and performance of the Company and the Consolidated Entity
- (c) In the Directors opinion, the attached financial statements and notes are in accordance with the Corporations Act 2001; and
- (d) 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.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of Directors



David J Lindh
Chairman
25 August 2003



At 30 June directors and director related entities hold directly, indirectly, or beneficially the following equity interests in the company:

Fully paid ordinary shares
Ordinary options
Secondary options

Consolidated		Company	
2003 No.	2002 No.	2003 No.	2002 No.
3,694,072	4,222,674	3,694,072	4,222,674
4,754,000	5,583,516	4,754,000	5,583,516
213,392	730,083	213,392	730,083

All ordinary shares and share options issued to the directors and director related entities during the financial year were made in accordance with a resolution passed at a general meeting of shareholders on the provisions of the directors and employee share option plan. Further details of the executive share option plan are contained in the directors' report and note 6 to the financial statements.

(d) Other transactions with director related entities

The company has purchased consulting services from SEQM Pty Ltd for \$21,800. This company is controlled by a relative of the chairman. The consultancy is on normal commercial terms and conditions.

The company received rent from a tenant, Your Amigo Pty Ltd for \$24,000. Mr V Previn is a Non Executive Director of Your Amigo Pty Ltd. The rental is on normal commercial terms and conditions.

The amount payable to directors per note 17 refers to salary and directors fees for Mr V Previn.

Consolidated		Company	
2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
1,059	939	-	699
-	(571)	-	-
1,059	368	-	699
-	26,152	-	-
-	26,152	-	-

37. Notes to the Statement of Cash Flows

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

Cash
Bank overdraft

(b) Businesses acquired

During the prior financial year, one business was acquired. Details of the acquisition are as follows:

Consideration

Cash



	Consolidated		Company	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Fair value of net assets acquired				
Current assets				
Cash	-	1,175	-	-
Receivables	-	2,027	-	-
Inventories	-	3,618	-	-
Non-current assets				
Property, plant and equipment	-	599	-	-
Other	-	380	-	-
Non-current liabilities				
Payables	-	(1,022)	-	-
Interest bearing liabilities	-	(169)	-	-
Provision for income tax	-	(1,776)	-	-
Provisions	-	(657)	-	-
Net assets acquired	-	4,175	-	-
Goodwill on acquisition	-	21,977	-	-
	-	26,152	-	-
Net cash outflow on acquisition				
Cash consideration	-	26,152	-	-
Less cash balances acquired	-	(1,175)	-	-
	-	24,977	-	-
(c) Financing facilities				
Secured loan and overdraft facilities with various maturity dates through to 2003 and which may be extended by mutual agreement:				
Amount used	2,000	2,571	-	-
Amount unused	4,000	1,429	-	-
	6,000	4,000	-	-
(d) Reconciliation of profit from ordinary activities after related income tax to net cash flows from operating activities				
Profit from ordinary activities after related income tax	1,632	3,281	1,727	276
(Profit)/loss on sale of non-current assets	19	43	9	26
Depreciation and amortisation of non-current assets	1,418	1,331	-	-
Increase/(decrease) in income tax payable	(1,055)	(931)	(34)	128
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:				
(Increase)/decrease in assets:				
Current receivables	2,041	(3,866)	(70)	(3,354)
Current inventories	(1,054)	(3,946)	-	-
Other assets	129	180	9	349
Increase/(decrease) in liabilities:				
Current trade payables	(222)	2,647	(99)	(232)
Other liabilities	(179)	245	-	(25)
Net cash from operating activities	2,729	(1,016)	1,542	(2,832)



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