CONSOLIDATED RESULTS FOR ANNOUNCEMENT TO THE MARKET
For the half year ended 31 December 2004
Ellex Medical Lasers Limited
A.C.N. 007 516 841

Consolidated Results				**$A'000**
Revenues from ordinary activities	**up**	8.4%	to	14,546
Profit (loss) from ordinary activities after tax before goodwill amortisation	**down**	81.2%	to	114
Profit (loss) from ordinary activities after tax attributable to members	**down**	928.3%	to	(439)
Net profit (loss) for the period attributable to members	**down**	928.3%	to	(439)

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend Interim dividend	0.00 ¢	0.00 ¢
Previous corresponding period	0.00 ¢	0.00 ¢

Record date for determining entitlements to the dividend	NOT APPLICABLE

Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:

The result reflects the continued investment in product development and growing our distribution and sales channels particularly in Japan. A total of $2.5 million was expensed in relation to these initiatives.

The Board believes that this investment will drive revenue and profit growth in the future as well as providing income streams from more diverse but strategically related segments.

Reference should be made to the Press Release attached to this report.

OTHER INFORMATION
For the half year ended 31 December 2004
Ellex Medical Lasers Limited

Net Tangible Assets per Security	Half year ended 31 December 2004	Half year ended 31 December 2003
Net tangible asset backing per ordinary security (excludes value attributable to goodwill and intellectual property)	$0.18	$0.17

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 ¢

DIRECTORS' REPORT
Ellex Medical Lasers Limited

The directors of Ellex Medical Lasers Limited submit herewith the financial report for the half year ended 31 December 2004. 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 D.J. Lindh (Chairman)

Mr P. Falzon (Non-Executive Director)

Dr K.R. Johnson (Non-Executive Director)

Mr V. Previn (Managing Director)

Review of Operations

Ellex Medical Lasers Limited (Ellex) generated a Net Loss After Tax of $439,000 on revenue of $14.5 million. Before amortisation of goodwill, Net Profit After Tax was $114,000.

The result reflects the continued investment in product development and growing our distribution and sales channels particularly in Japan. A total of $2.5 million was expensed in relation to these initiatives.

The Board believes that this investment will drive revenue and profit growth in the future as well as providing income streams from more diverse but strategically related segments.

Reference should be made to the Press Release attached to this report.

Auditors Independence Declaration

The auditor's independence declaration is included on page 4.

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 financial report are rounded off to the nearest thousand dollars.

Signed in accordance with a resolution of directors.

On behalf of the Directors

David J Lindh
Chairman
17 February 2005

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Deloitte House
190 Flinders Street
Adelaide SA 5000
GPO Box 1969
Adelaide SA 5001 Australia

DX 664
Tel: +61 (0) 8 8407 7000
Fax: +61 (0) 8 8407 7001
www.deloitte.com.au

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

17 February 2005
Our Ref: STH/mhg

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 2004, 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

ST Harvey
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Deloitte House
190 Flinders Street
Adelaide SA 5000
GPO Box 1969
Adelaide SA 5001 Australia

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Fax: +61 (0) 8 8407 7001
www.deloitte.com.au

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF ELLEX MEDICAL LASERS LIMITED

Scope

We have reviewed the financial report of Ellex Medical Lasers Limited for the half-year ended 31 December 2004 as set out on pages 6 to 14. The financial report includes the consolidated financial statements of the consolidated entity comprising the disclosing entity and the entities it controlled at the end of the half-year or from time to time during the half-year. The disclosing entity's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

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:

a) the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and

(ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and

b) other mandatory professional reporting requirements in Australia.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stephen Harvey
Partner
Chartered Accountants

Adelaide, 17 February 2005

DIRECTORS' DECLARATION
Ellex Medical Lasers Limited

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 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.303(5) of the Corporations Act 2001.

On behalf of Directors

David J Lindh
Chairman

17 February 2005

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
For the half year ended 31 December 2004
Ellex Medical Lasers Limited

	Consolidated	
	31 Dec 2004	**31 Dec 2003**
	$'000	**$'000**
Revenue from ordinary activities	**14,546**	13,421
Raw materials and consumables used	**(7,089)**	(7,121)
Changes in labour and overhead	**(8)**	(68)
Employee benefits expense	**(5,137)**	(3,986)
Legal fees	**(24)**	(31)
Depreciation and amortisation expense	**(829)**	(733)
Advertising and marketing	**(425)**	(319)
Borrowing costs	**(172)**	(77)
Product development raw materials and consumables used	**(367)**	(424)
Other expenses from ordinary activities	**(1,076)**	(572)
Profit from ordinary activities before income tax expense	**(581)**	90
Income tax (expense)/benefit relating to ordinary activities	**142**	(37)
Profit from ordinary activities after related income tax expense	**(439)**	53
Net profit attributable to outside equity interests	**-**	-
Net profit attributable to members of the parent entity	**(439)**	53
Decrease in foreign currency translation reserve arising on translation of self-sustaining foreign operations	**(206)**	(114)
Total changes in equity other than those resulting from transactions with owners as owners	**(645)**	(61)

Earnings per share		
- Basic (cents per share)	**-0.006**	0.1
- Diluted (cents per share)	**-0.006**	0.1

Notes to the financial statements are included on pages 10 to 14.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2004
Ellex Medical Lasers Limited

	Consolidated	
	31 Dec 2004	**30 June 2004**
	$'000	**$'000**
Current assets		
Cash assets	**-**	756
Receivables	**3,721**	3,297
Inventories	**10,100**	9,398
Other current assets	**451**	222
Total current assets	**14,272**	13,673
Non-current assets		
Property, plant and equipment	**4,571**	4,611
Intangibles	**18,322**	18,875
Deferred tax assets	**1,595**	1,155
Total non-current assets	**24,488**	24,641
Total assets	**38,760**	38,314
Current liabilities		
Bank overdraft	**457**	-
Payables	**3,733**	4,376
Interest-bearing liabilities	**252**	92
Current tax liabilities	**328**	396
Provisions	**806**	677
Other	**-**	4
Total current liabilities	**5,576**	5,545
Non-current liabilities		
Interest-bearing liabilities	**3,174**	2,145
Provisions	**175**	146
Total non-current liabilities	**3,349**	2,291
Total liabilities	**8,925**	7,836
Net assets	**29,835**	30,478
Equity		
Contributed equity	**27,985**	27,985
Reserves	**2,289**	2,699
Retained losses	**(439)**	(206)
Total equity	**29,835**	30,478

Notes to the financial statements are included on pages 10 to 14.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the half year ended 31 December 2004
Ellex Medical Lasers Limited

	Consolidated Inflows/(Outflows)	
	31 Dec 2004	**31 Dec 2003**
	$'000	**$'000**
Cash flows from operating activities		
Receipts from customers	**14,094**	13,930
Payments to suppliers and employees	**(15,534)**	(11,955)
Interest and bill discounts received	**2**	7
Interest and other costs of finance paid	**(172)**	(77)
Income tax paid	**(353)**	(206)
Net cash (used in)/provided by	**(1,963)**	1,699
Cash flows from investing activities		
Payment for purchase of intangibles	**-**	(27)
Payment for property, plant and equipment	**(236)**	(735)
Net cash used in investing activities	**(236)**	(762)
Cash flows from financing activities		
Proceeds of borrowings	**1,191**	-
Repayment of borrowings	**-**	(118)
Net cash used in financing activities	**1,191**	(118)
Net increase/(decrease) in cash held	**(1,008)**	819
Cash at the beginning of the half year	**756**	1,059
Effects of exchange rate changes on the balance of cash held in foreign currencies	**(205)**	(54)
Cash at the end of the half year	**(457)**	1,824

Notes to the financial statements are included on pages 10 to 14.

1. Basis of Preparation

The half year financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001 and AASB 1029 "Interim Financial reporting". The half year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the 2004 annual financial report.

Significant Accounting Policies

The accounting policies adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the 2004 annual financial report, with the exception of the following:

Tax Consolidation
The directors have elected that the company and all its wholly owned Australian resident entities will join a tax-consolidated group. As a result, all income tax expenses, revenues, assets and liabilities of the members of the tax-consolidated group will be recognised in the financial statements of the parent entity.

Due to the existence of a tax sharing agreement between the entities in the tax-consolidated group, the income tax expense/revenue of the parent entity includes the tax contributions amounts paid or payable between the parent entity and subsidiary entities made in accordance with the agreement. Further information about the tax sharing agreement is detailed at note 7 to the financial statements.

The current and deferred tax assets and liabilities of the parent entity will not be reduced by any amounts owing from or to subsidiary entities in accordance with the tax sharing agreement as these amounts will be recognised as intercompany receivables and payables.

2. Revenue

	Consolidated	
	31 Dec 2004	**31 Dec 2003**
	$'000	**$'000**
(a) Operating revenue		
Sales revenue:		
Sale of goods	13,494	12,926
Interest revenue:		
Other entities	2	7
Foreign exchange gain		-
Research & Development Start Grant income	1,050	241
Other	-	247
	14,546	13,421

NOTES TO THE FINANCIAL STATEMENTS
For the half year ended 31 December 2004
Ellex Medical Lasers Limited

3. Product Development

Included in the half year Statement of Financial Performance are the following expenses in relation to Product Development undertaken by the consolidated entity:

	Consolidated	
	31 Dec 2004	**31 Dec 2003**
	$'000	**$'000**
Salaries, wages and contractors	**891**	1,150
All other costs	**1,611**	1,145
Total Product Development expenses	**2,502**	2,295

4. Dividends

	31 Dec 2004		31 Dec 2003	
	Cents per share	**Total $'000**	**Cents per share**	**Total $'000**
Fully paid ordinary shares				
Final dividend – franked to 30%	Nil	Nil	Nil	Nil

5. Contingent Assets/Liabilities

There have been no changes in the Contingent Assets and Liabilities of the consolidated entity since the last reporting date.

6. Segment Information

The primary segment of the consolidated group is the business of manufacture and sale of Ophthalmic Lasers, shown in the consolidated statement of financial performance and statement of financial position in this half year report.

7. Tax Consolidation

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. The company and its wholly-owned Australian resident entities are eligible to consolidate for tax purposes under this legislation.

7. Tax Consolidation (cont)

The Board of Ellex Medical Lasers Limited has resolved to enter into Tax Consolidation from 1 July 2004. Management is currently in the process of calculating the impact on the group's tax position. A final assessment of the impact of consolidation will be completed prior to 30 June 2005.

Work undertaken by the group indicates that the impact of tax consolidation will have a significant positive impact on the tax base of assets held by the group. This is expected to result in a lower tax charge in future years and consequently a positive impact on reported earnings after tax. Full details of the impact of tax consolidation will be disclosed in the 30 June 2005 results, being the expected project completion date.

The company will be the 'head entity' of the tax consolidated group, and will agree to compensate each wholly-owned subsidiary for the carrying amount of its deferred tax balances.

8. Impact of adopting the Australian equivalents to International Financial Reporting Standards

Management of the transition to A-IFRSs
In accordance with the Financial Reporting Council's strategic directive, the consolidated entity will be required to prepare financial statements that comply with Australian equivalents to International Financial Reporting Standards ("A-IFRSs") for annual reporting periods beginning on or after 1 January 2005. Accordingly, the consolidated entity's first half-year report prepared under A-IFRSs will be for the half-year reporting period ended 31 December 2005, and its first annual financial report prepared under A-IFRSs will be for the year ended 30 June 2006.

At the date of this report, the Directors of the consolidated entity have established a project team which has performed a high-level assessment of the impact of A-IFRSs on the consolidated entity, and determined how they will manage the transition to A-IFRSs and carry out the transition work. The Directors and project team are monitoring the developments in A-IFRSs and the potential impact it will have on the company to be A-IFRS compliant shortly.

While no formal decision has yet been made as to the policy alternatives to be applied or the extent of which it will affect the company, the directors of Ellex Medical Lasers Ltd have identified the following as being the key accounting policy differences expected to arise on the transition to A-IFRSs.

Income tax
The consolidated entity currently recognises deferred taxes by accounting for the differences between accounting profits and taxable income, which gives rise to 'permanent' and 'timing' differences. Under A-IFRS, deferred taxes are measured by reference to the 'temporary differences' determined as the difference between the carrying amounts and the tax bases of assets and liabilities recognised in the balance sheet.

Adjustments to the recognised amounts of deferred taxes will be also result as a consequence of adjustments to carrying amounts of assets and liabilities resulting from the adoption of other A-IFRS. The likely impact of these changes on deferred tax balances has not been currently determined.

Impairment of assets
Non-current assets are written down to recoverable amount when an asset's carrying amount exceeds its recoverable amount. Historically, Ellex Medical Lasers Ltd has not used discounted cash flows in determining recoverable amount. A-IFRS prescribes a more prescriptive impairment test, and requires discounted cash flows to be used where value in use is used to assess recoverable amount. Non-current assets, besides goodwill and indefinite life intangible assets, will continue to be depreciated, and are only subject to the impairment test if an indication of impairment exists.

8. Impact of adopting the Australian equivalents to International Financial Reporting Standards (cont)

Under the transitional rules of A-IFRS, the consolidated entity has the option to use fair value as the deemed cost of fixed assets. The likely impact of using fair value has not been currently determined.

Amortisation of goodwill
Goodwill is currently amortised over a 20-year period. A-IFRS does not permit goodwill to be amortised, but instead requires the carrying amount to be tested for impairment at least annually. Goodwill currently recognised in the balance sheet, adjusted if necessary on the optional restatement of business combinations, must be allocated to individual cash generating units (or groups of cash generating units) and tested for impairment at the allocated level. This change in accounting policy may result in increased volatility in the income statement, as impairment losses are expected to occur infrequently.

Off-balance sheet financial assets and liabilities
A-IFRS requires the recognition of all financial assets and financial liabilities, including derivatives and embedded derivatives, which is not presently required under current Australian GAAP. On initial assessment of this requirement, the consolidated entity does not believe that there are any financial assets and financial liabilities that are currently not recognised on the balance sheet that would require recognition under A-IFRS.

Hedge accounting
The consolidated entity enters into forward exchange contracts for its purchases in order to hedge its exposure to fluctuations in exchange rates. Under A-IFRS, hedges are designated as fair value hedges or cash flow hedges, and the accounting differs depending on the designation.

Where a hedge is designated as a fair value hedge, changes in the fair value of the hedged item and hedging instrument are recognised in profit or loss to the extent hedged, however, changes in the fair value of the hedging instruments classified as cash flow hedges are recognised in equity, and are recycled to the income statement when the hedged transaction affects the profit or loss.

The designation, documentation and effectiveness requirements under A-IFRS may result in some hedges no longer qualifying for hedge accounting. On transition, the consolidated entity also has the option of designating financial instruments currently considered hedges as financial assets and liabilities that are recognised at fair value through the profit and loss. It is not possible to determine the impact of the change in hedging requirements until a full analysis of the impact of the different options available to the entity (including no longer accounting for hedging instruments under hedge accounting) has been finalised.

Proceeds from sale of assets
The current definition of revenue requires proceeds on sale of non-current assets to be included as revenue – this has the effect of grossing up the statement of financial performance. Under A-IFRS, such proceeds on sale will no longer meet the definition of revenue and accordingly will be excluded from revenue. However, the net gain or loss from the sale will continue to be recognised as part of the income statement as ‘income’. Consequently, there is no impact on net profit from this change in accounting policy.

Government grants
Presently, non-reciprocal grants received are recognised as revenue when the consolidated entity obtains control of the grant, regardless of the specific purpose to which the grant is required to be expended or the periods over which the grant applies. A liability to repay the grant is only recognised where a present obligation exists to repay grant monies. A-IFRS requires grants received to be recognised as income on a systematic basis over the periods necessary to match them with related costs, which they are intended to compensate, but only when there is reasonable assurance that the entity will comply with the conditions attaching to them and the grants will be received. As this treatment is currently used, there will be no change in accounting policy.

8. Impact of adopting the Australian equivalents to International Financial Reporting Standards (cont)

Foreign currency translation
The current requirements for translation of foreign subsidiaries differentiates between self-sustaining and integrated foreign subsidiaries, with the foreign currency differences for integrated foreign subsidiaries being included in the profit and loss. However, under A-IFRS, there is no differentiation between these two types of subsidiaries, and all foreign currency differences are included in equity. The impact of the change on the financial statements will increase the volatility in the income statement.

Valuation of options
Under A-IFRS, options issued by the company each year must be valued and expensed in the profit and loss over the vesting period of the options. The impact of the change on the financial statements cannot yet be quantified, but will reduce reported profits and increase equity.

Business combinations
Under A-IFRS, the purchase method of accounting must be applied where there is a business combination, however, not all acquisitions will qualify as a business combination, and as such the purchase method of accounting for these acquisitions will no longer be appropriate.

Furthermore, there are a number of recognition and measurement differences that result in relation to assets and liabilities acquired in a business combination, particularly in relation to intangible assets and restructuring provisions. The impact of these changes in accounting policy on first-time adoption will depend on whether the consolidated entity will elect to adopt the exemption available to it to not reopen past acquisitions and retrospectively account for them.