

CONSOLIDATED RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the half year ended 31 December 2010

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	down	12%	To	\$A'000 22,372
Consolidated results				
Earnings before interest, tax, depreciation and amortisation (EBITDA)	down	39%	to	1,737
Profit for the period, before tax	down	63%	to	635
Profit from ordinary activities after tax	down	57%	to	530
Net profit for the period attributable to members	down	57%	to	518
Dividends (distributions)				
		Amount per security		Franked amount per security
Final Dividend				
Interim Dividend		Nil		Nil
Previous corresponding period		Nil		Nil
Record date for determining entitlements to the dividend				
NOT APPLICABLE				

OTHER INFORMATION

For the half year ended 31 December 2010

Ellex Medical Lasers Limited ACN 007 702 927

Net Tangible Assets per Security	Half Year ended 31 December 2010	Half Year ended 31 December 2009
Net tangible asset backing per ordinary security* (excludes value attributable to goodwill, other intangible assets, deferred tax asset, capitalised development expenditure and related deferred grant income)	\$0.23	\$0.22

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

Report for the half-year ended 31 December 2010

Contents**Page**

Directors' report	2
Auditor's independence declaration	3
Directors' declaration	4
Consolidated statement of comprehensive income	5
Consolidated statement of financial position	6
Consolidated statement of changes in equity	7
Consolidated statement of cash flows	8
Notes to the Consolidated financial statements	9
Independent auditor's review report	11
Corporate Directory	13

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 2010. 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
Mr G Canala	Non-Executive Director and Company Secretary

Principal Activities

The principal activities of the company during the course of the financial period were the manufacture and sale of ophthalmic equipment.

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

Review of operations

Ellex Medical Lasers Limited (Ellex) generated a Net Profit After Tax of \$530 thousand for the half-year ended 31 December 2010 (2009: a Net Profit After Tax of \$1,229 thousand) on revenue of \$22,372 thousand (2009: \$25,481 thousand).

Distributors

Sales in the Distributor area were down 8% to \$5,999 thousand. The uncertainty in many financial markets and the relatively strong Australian dollar has led to a weakening in demand for capital equipment.

Direct

The delay in purchasing capital equipment by the end customer, due to the global economic conditions in major markets, has caused a 14% decrease in sales to \$16,356 thousand over the prior comparable period. New initiatives are being implemented to help stimulate demand in this market, including launching new third party products into these distribution channels.

Auditor's independence declaration

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

Rounding of amounts

The company is a company of the kind referred to in ASIC Class Order 98/100 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.

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, 23 February 2011

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**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF ELLEX MEDICAL LASERS LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Ellex Medical Lasers Limited for the half-year ended 31 December 2010, 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



S J Gray
Director – Audit & Assurance Services

Adelaide, 23 February 2011

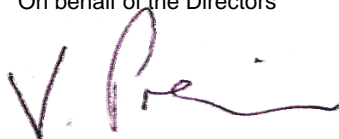
Directors' declaration

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) the financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Accounting Standard 134: Interim Financial Reporting and giving a true and fair view of the financial position as at 31 December 2010 and performance of the consolidated entity for the half-year ended on that date.

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, 23 February 2011

Consolidated statement of comprehensive income for the half-year ended 31 December 2010

	Consolidated Group	
	Half-year ended 31 Dec 2010 \$'000	Half-year ended 31 Dec 2009 \$'000
Revenue	22,372	25,481
Other income / (expenses)	125	441
Changes in inventories of finished goods and work in progress	568	(1,094)
Raw materials and consumables used	(11,278)	(10,503)
Employee benefits expense	(6,860)	(8,052)
Depreciation and amortisation expense	(913)	(919)
Legal costs	(25)	(60)
Advertising and marketing expense	(716)	(916)
Finance costs	(189)	(204)
Product development raw materials and consumables used	(123)	(60)
Mark-To-Market unrealised foreign exchange (loss) / gain	-	31
Other expenses	(2,326)	(2,410)
Profit before tax	635	1,735
Income tax (expense)	(105)	(506)
Profit for the period	530	1,229
Other comprehensive income		
Exchange differences on translating foreign operations	(1,303)	(977)
Total comprehensive income for the period	(773)	252
Profit attributable to:		
Equity holders of the parent	518	1,197
Non-controlling interest	12	32
	530	1,229
Total comprehensive income attributable to:		
Equity holders of the parent	(785)	220
Non-controlling interest	12	32
	(773)	252
Earnings per share:		
From continuing operations:		
Basic (cents per share)	0.62	1.41
Diluted (cents per share)	0.62	1.41

Notes to the consolidated financial statements are included on pages 9 to 10.

Consolidated statement of financial position as at 31 December 2010

	Consolidated Group	
	31 December 2010 \$'000	30 June 2010 \$'000
Current assets		
Cash and cash equivalents	3,403	3,220
Trade and other receivables	11,234	13,017
Inventories	16,784	17,099
Current tax assets	24	26
Other assets	742	848
Total current assets	32,187	34,210
Non-current assets		
Trade and other receivables	257	295
Property, plant and equipment	2,866	2,995
Deferred tax assets	7,373	7,473
Other intangible assets	720	704
Capitalised development expenditure	6,035	5,901
Total non-current assets	17,251	17,368
Total assets	49,438	51,578
Current liabilities		
Trade and other payables	5,376	5,903
Borrowings	7,683	7,814
Provisions	1,911	1,941
Other liabilities	299	603
Total current liabilities	15,269	16,261
Non-current liabilities		
Borrowings	1,184	1,654
Provisions	218	232
Other liabilities	353	244
Total non-current liabilities	1,755	2,130
Total liabilities	17,024	18,391
Net assets	32,414	33,187
Equity		
Issued capital	35,188	35,188
Reserves	(1,076)	227
Accumulated losses	(1,861)	(2,379)
Parent entity interest	32,251	33,036
Non-controlling interest	163	151
Total equity	32,414	33,187

Notes to the consolidated financial statements are included on pages 9 to 10.

**Consolidated statement of changes in equity
for the half-year ended 31 December 2010**

	Issued Capital \$'000	Share Option Reserve \$'000	Foreign Currency Reserve \$'000	Non- Controlling Interest \$'000	Accumu- lated Losses \$'000	Total \$'000
Balance at 1 July 2009	35,176	16	847	211	(6,199)	30,051
Total comprehensive income for the period	-	-	(977)	32	1,197	252
Shares issued during the period	12	-	-	-	-	12
Subtotal	35,188	16	(130)	243	(5,002)	30,315
Dividends paid or provided for	-	-	-	-	-	-
Balance at 31 December 2009	35,188	16	(130)	243	(5,002)	30,315
Balance at 1 July 2010	35,188	16	211	151	(2,379)	33,187
Total comprehensive income for the period	-	(16)	(1,287)	12	518	(773)
Subtotal	35,188	-	(1,076)	163	(1,861)	32,414
Dividends paid or provided for	-	-	-	-	-	-
Balance at 31 December 2010	35,188	-	(1,076)	163	(1,861)	32,414

Notes to the consolidated financial statements are included on pages 9 to 10.

Consolidated statement of cash flows for the half-year ended 31 December 2010

	Consolidated Group	
	Half-year ended 31 Dec 2010	Half-year ended 31 Dec 2009
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	24,137	27,147
Grant income received	-	294
Payments to suppliers and employees	(22,115)	(24,734)
Interest and other costs of finance paid	(189)	(204)
Income tax refund	-	416
Income tax paid	(23)	-
Net cash provided by operating activities	1,810	2,919
Cash flows from investing activities		
Interest received	18	11
Refund / (Payment) for deposits	-	(51)
Payment for property, plant and equipment	(212)	(185)
Payment for intangible assets	(36)	(104)
Payment for business acquisitions	-	(724)
Payment for capitalised development costs	(686)	(944)
Net cash used in investing activities	(916)	(1,997)
Cash flows from financing activities		
Proceeds from borrowings	696	1,925
Repayment of borrowings	(1,297)	(726)
Net cash (used in)/provided by financing activities	(601)	1,199
Net increase in cash and cash equivalents	293	2,121
Cash and cash equivalents at the beginning of the period	3,217	1,601
Effects of exchange rate changes on the balance of cash held in foreign currencies	(111)	(337)
Cash and cash equivalents at the end of the period	3,399	3,385

Notes to the consolidated financial statements are included on pages 9 to 10.

Ellex Medical Lasers Limited

Notes to the Consolidated financial statements
for the half-year ended 31 December 2010

Notes to the Consolidated financial statements for the half-year ended 31 December 2010

Note 1: Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2010 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Ellex Medical Lasers Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2010, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

Borrowings

There has been a breach of the Debt Service Cover covenant (subsequently acknowledged and formally waived by the finance provider) during the period causing all finance facility debt to be classified as current.

Note 2: Operating Segments**(i) Segment performance**

	Distributors \$'000	Direct \$'000	Total \$'000
Six months ended 31 December 2010			
Revenue			
External sales	5,999	16,356	22,355
Total segment revenue	5,999	16,356	22,355
Segment net profit before tax	1,192	2,786	3,978
<i>Reconciliation of segment result to group net profit/(loss) before tax</i>			
Amounts not included in segment result but reviewed by the Board:			
• Depreciation and amortisation			(913)
Unallocated items:			
• Corporate charges			(2,258)
• Finance costs			(189)
• Interest revenue			17
Net profit before tax from continuing operations			635
Six months ended 31 December 2009			
Revenue			
External sales	6,546	18,923	25,469
Total segment revenue	6,546	18,923	25,469
Segment net profit before tax	1,487	3,347	4,834

Ellex Medical Lasers Limited

Notes to the Consolidated financial statements
for the half-year ended 31 December 2010

	Distributors \$'000	Direct \$'000	Total \$'000
<i>Reconciliation of segment result to group net profit/(loss) before tax</i>			
Amounts not included in segment result but reviewed by the Board:			
• Depreciation and amortisation			(919)
Unallocated items:			
• Corporate charges			(2,402)
• Finance costs			(204)
• Other income			414
• Interest revenue			12
Net profit before tax from continuing operations			<u>1,735</u>

(ii) Segment assets

	Distributors \$'000	Direct \$'000	Total \$'000
31 December 2010			
Segment assets	10,881	26,541	37,422
Segment asset increases for the period:			
• Capital expenditure	11	31	42
• Other	(577)	(1,577)	(2,154)
Total segment assets	<u>10,315</u>	<u>24,995</u>	<u>35,310</u>

Reconciliation of segment assets to group assets

Inter-segment eliminations			
Unallocated assets:			
• Deferred tax assets			7,373
• Capitalised development expenditure			6,035
• Intangibles			720
Total group assets			<u>49,438</u>

30 June 2010

Segment assets	10,497	26,281	36,778
Segment asset increases for the period:			
• Capital expenditure	384	260	644
Total segment assets	<u>10,881</u>	<u>26,541</u>	<u>37,422</u>

Reconciliation of segment assets to group assets

Unallocated assets:			
• Deferred tax assets			7,473
• Capitalised development expenditure			5,901
• Intangibles			704
• Others			78
Total group assets			<u>51,578</u>

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF ELLEX MEDICAL LASERS LIMITED AND
CONTROLLED ENTITIES**

We have reviewed the accompanying half-year financial report of Ellex Medical Lasers Limited (“Company”), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors’ declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year’s end or from time to time during the half-year.

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 controls 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 consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a 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 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 2010 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.

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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.

Independence

In conducting our review, we 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 and controlled entities 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 2010 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



S J Gray
Director – Audit & Assurance Services

Adelaide, 23 February 2011

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 (Non-Executive Director)
Mr Malcolm Plunkett	(Executive Director)

Company Secretary

Mr Giuseppe Canala

Registered Office

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Stock Exchange

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