Appendix 4E

Preliminary final report

Name of entity

ELLEX MEDICAL LASERS LIMITED

ABN or equivalent company reference	Half yearly *(tick)*	Preliminary final *(tick)*	Half year/financial year ended ('current period')
15 007 702 927		✓	**30 JUNE 2015**

Results for announcement to the market

Extracts from this report for announcement to the market.

				$A'000
Revenues from ordinary activities	Up	15.3%	to	62,679
Earnings from ordinary activities Before Interest, Tax, Depreciation and Amortisation	Up	87.6%	to	5,605
Net profit before tax	Up	100.7%	to	2,631
Profit from ordinary activities after tax	Up	113.2%	to	1,680
Profit from ordinary activities before tax attributable to members	Up	100.7%	to	2,631
Net profit for the period attributable to members	Up	113.2%	to	1,680

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend *(Preliminary final report only)* Interim dividend *(Half yearly report only)*	Nil ¢	Nil %
Previous corresponding period	Nil ¢	Nil %

+Record date for determining entitlements to the dividend,
(in the case of a trust, distribution)

N/A

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:

Refer to Attached Press Release and Investor Presentation

NTA backing	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	17.6 ¢	15.5 ¢

Acquisitions

Compliance statement

1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.

Identify other standards used: N/A

2 This report, and the +accounts upon which the report is based (if separate), use the same accounting policies.

3 This report does give a true and fair view of the matters disclosed.

4 This report is based on +accounts to which one of the following applies.

(Tick one)

☐	The +accounts have been audited.	☐	The +accounts have been subject to review.
☑	The +accounts are in the process of being audited or subject to review.	☐	The +accounts have *not* yet been audited or reviewed.

5 The entity has a formally constituted audit committee.

6 There has been no changes in controlled entities

Sign here: .... Date: 27 August 2015

(Director)

Print name: Victor Previn

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the financial year ended 30 June 2015

	Note	Consolidated Group 2015 $'000	Consolidated Group 2014 $'000
Revenue	2	62,679	54,378
Other income	4(a)	281	405
Changes in inventories of finished goods and work in progress		839	(273)
Raw materials and consumables used	4(b)	(30,644)	(26,457)
Employee benefits expense		(16,512)	(14,672)
Legal fees	4(b)	(467)	(332)
Depreciation and amortisation expense	4(b)	(2,532)	(1,424)
Advertising and marketing		(2,254)	(1,895)
Finance costs	3	(204)	(252)
Implied Interest for deferred consideration		(238)	-
Product development expenses		(797)	(702)
Unrealised FX (loss)/gain	4(b)	(76)	(426)
Realised FX l(loss)/gain	4(b)	463	(340)
Other expenses		(7,907)	(6,699)
Profit/(loss) from before income tax		**2,631**	**1,311**
Income tax (expense)/benefit	5	(951)	(523)
Profit/(loss) for the year		**1,680**	**788**
Other comprehensive income:			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translating foreign operations		1,164	(708)
Total comprehensive income/(loss) for the year		**2,844**	**80**
Profit/(Loss) attributable to:			
Members of the parent		1,680	788
Non-controlling interest		-	-
		1,680	788
Total comprehensive income attributable to:			
Members of the parent		2,844	80
Non-controlling interest		-	-
		2,844	80
Earnings per share:			
Basic earnings per share (cents)	22	1.56	.73
Diluted earnings per share (cents)	22	1.56	.73

Consolidated Statement of Financial Position as at 30 June 2015

	Note	Consolidated Group 2015 $'000	Consolidated Group 2014 $'000
Current assets			
Cash and cash equivalents	29	4,593	1,768
Trade and other receivables	7	12,153	11,805
Current inventories	8	15,682	14,172
Other current assets	9	1,142	1,412
Total current assets		**33,570**	**29,157**
Non-current assets			
Trade and other receivables	7	293	218
Non-current inventories	8	612	1,464
Property, plant and equipment	10	3,635	3,078
Capitalised development expenditure	12	10,710	9,682
Intangible assets	11	4,369	3,833
Deferred tax assets	5(b)	5,791	6,796
Total non-current assets		**25,410**	**25,071**
Total assets		**58,980**	**54,228**
Current liabilities			
Trade and other payables	14	6,447	5,889
Borrowings	15	6,010	5,137
Provisions	16	2,591	2,375
Deferred income	17	527	389
Current tax liabilities	5(b)	36	83
Total current liabilities		**15,611**	**13,873**
Non-current liabilities			
Trade and other payables	14	2,662	2,631
Borrowings	15	747	605
Deferred income	18	50	47
Provisions	16	116	122
Total non-current liabilities		**3,575**	**3,405**
Total liabilities		**19,186**	**17,278**
Net assets		**39,794**	**36,950**
Equity			
Issued capital	19	41,229	41,229
Reserves	20	(967)	(2,131)
Accumulated losses	21	(468)	(2,148)
		39,794	36,950
Parent entity interest		39,794	36,950
Non-controlling interest		-	-
Total equity		**39,794**	**36,950**

Consolidated Statement of Changes in Equity
for the financial year ended 30 June 2015

	Issued Capital $'000	Other Reserves $'000	Foreign Currency Reserve $'000	Accumulated Losses $'000	Total $'000
Balance at 1 July 2013	**35,188**	**142**	**(1,565)**	**(2,936)**	**30,829**
Issue of share capital	6,312	-	-	-	6,312
Transaction costs	(271)	-	-	-	(271)
Total of transactions with owners	6,041	-	-	-	6,041
Profit/(loss) for the year	-	-	-	788	788
Other comprehensive income	-	-	(708)	-	(708)
Total comprehensive income	-	-	(708)	(2,148)	36,950
Balance at 30 June 2014	41,229	142	(2,273)	(2,148)	36,950
Balance at 1 July 2014	**41,229**	**142**	**(2,273)**	**(2,148)**	**36,950**
Issue of share capital	-	-	-	-	-
Transaction costs	-	-	-	-	-
Total of transactions with owners	41,229	142	(2,273)	(2,148)	36,950
Profit/(loss) for the year	-	-	-	1,680	1,680
Other comprehensive income	-	-	1,164	-	1,164
Total comprehensive income	41,229	142	1,164	1,680	39,794
Balance at 30 June 2015	41,229	142	(1,109)	(468)	39,794

Statement of Cash Flows
for the financial year ended 30 June 2015

	Note	Consolidated Group 2015 $'000	Consolidated Group 2014 $'000
Cash flows from operating activities			
Receipts from customers		62,566	54,222
Grant income received		224	156
Payments to suppliers and employees		(56,170)	(51,422)
Interest and other costs of finance paid		(204)	(252)
Income tax (payable)/refund		(92)	-
Net cash provided by/(used in) operating activities	29(c)	6,324	2,704
Cash flows from investing activities			
Interest received		4	9
Payment for deposits		(121)	-
Payment for acquisition of business		-	(1,693)
Payment for property, plant and equipment		(1,485)	(1,017)
Proceeds from sale of property, plant and equipment		39	1
Payment for intangible assets		(282)	(80)
Payments for capitalised development costs		(2,321)	(2,064)
Net cash used in investing activities		(4,166)	(4,844)
Cash flows from financing activities			
Proceeds from issues of share capital		-	5,929
Proceeds from borrowings		2,324	364
Repayment of borrowings		(1,263)	(1,782)
Repayment of leases		(43)	(13)
Net cash provided by / (used in) financing activities		1,018	4,498
Net (decrease)/increase in cash and cash equivalents		3,176	2,358
Cash and cash equivalents at the beginning of the financial year		1,786	(513)
Effects of exchange rate changes on the balance of cash held in foreign currencies		(369)	(59)
Cash and cash equivalents at the end of the financial year	29(a)	4,593	1,786

Note	Contents

1. Significant accounting policies

This financial report includes the consolidated financial statements and notes of Ellex Medical Lasers Limited and controlled entities “Consolidated Group”.

Statement of compliance

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Ellex Medical Lasers Limited is the Group’s Ultimate Parent Company. Ellex Medical Lasers Limited is a Public Company incorporated and domiciled in Australia. The address of its principal place of business is 82 Gilbert Street, Adelaide SA 5000.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of financial instruments. 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 financial report are rounded off to the nearest thousand dollars, unless otherwise indicated. Ellex Medical Lasers Limited is a for profit entity for the purpose of preparing financial statements.

New and revised standards that are effective for these financial statements

A number of new and revised standards and an interpretation became effective for the first time to annual periods beginning on or after 1 July 2014. Information on these new standards is presented below.

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.

AASB 2012-3 is applicable to annual reporting periods beginning on or after 1 January 2014.

The adoption of these amendments has not had a material impact on the Group as the amendments merely clarify the existing requirements in AASB 132.

AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets

These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal

When developing IFRS 13 Fair Value Measurement, the IASB decided to amend IAS 36 Impairment of Assets to require disclosures about the recoverable amount of impaired assets. The IASB noticed however that some of the amendments made in introducing those requirements resulted in the requirement being more broadly applicable than the IASB had intended. These amendments to

IAS 36 therefore clarify the IASB’s original intention that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

AASB 2013-3 makes the equivalent amendments to AASB 136 Impairment of Assets and is applicable to annual reporting periods beginning on or after 1 January 2014.

The adoption of these amendments has not had a material impact on the Group as they are largely of the nature of clarification of existing requirements.

AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles)

Part A of AASB 2014-1 makes amendments to various Australian Accounting Standards arising from the issuance by the IASB of International Financial Reporting Standards Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle.

1. Significant accounting policies continued

Among other improvements, the amendments arising from Annual Improvements to IFRSs 2010-2012 Cycle:

- clarify that the definition of a 'related party' includes a management entity that provides key management personnel services to the reporting entity (either directly or through a group entity)
- amend AASB 8 Operating Segments to explicitly require the disclosure of judgements made by management in applying the aggregation criteria

Among other improvements, the amendments arising from Annual Improvements to IFRSs 2011-2013 Cycle clarify that an entity should assess whether an acquired property is an investment property under AASB 140 Investment Property and perform a separate assessment under AASB 3 Business Combinations to determine whether the acquisition of the investment property constitutes a business combination.

Part A of AASB 2014-1 is applicable to annual reporting periods beginning on or after 1 July 2014.

The adoption of these amendments has not had a material impact on the Group as they are largely of the nature of clarification of existing requirements.

AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) (effective date: 1 January 2015)

AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 [December 2009] and AASB 9 [December 2010]) from 1 February 2015.

New standards and interpretations issued not yet effective

AASB 9 Financial Instruments (effective date: 1 January 2018)

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

a. Financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows.

b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c. Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

d. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

e. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

   - the change attributable to changes in credit risk are presented in Other Comprehensive Income ('OCI')
   - the remaining change is presented in profit or loss

   If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

   Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

   - classification and measurement of financial liabilities; and
   - derecognition requirements for financial assets and liabilities.

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

See TA Alert 2009-22, TA Alert 2010-49, TA Alert 2013-13 and TA Alert 2014-09 for further information.

1. Significant accounting policies continued

Note that ASIC has included the disclosure of the impact of AASB 9 as a key focus area for the 30 June 2015 reporting season, so it is important for Directors to ensure that 30 June 2015 financial reports disclose the specific impact of AASB 9. For more information, refer to our TA Alert 2015-06 ASIC focus areas for 30 June 2015 financial reports.

AASB 15 Revenue from Contracts with Customers (effective date: 1 January 2017)

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations:

- establishes a new revenue recognition model
- changes the basis for deciding whether revenue is to be recognised over time or at a point in time
- provides new and more detailed guidance on specific topics (e.g., multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- expands and improves disclosures about revenue

In May 2015, the AASB issued ED 260 Income of Not-for-Profit Entities, proposing to replace the income recognition requirements of AASB 1004 Contributions and provide guidance to assist not-for-profit entities to apply the principles of AASB 15. The ED is open for comment until 14 August 2015.

Note that ASIC has included the disclosure of the impact of AASB 15 as a key focus area for the 30 June 2015 reporting season, so it is important for Directors to ensure that 30 June 2015 financial reports disclose the specific impact of AASB 15. For more information, refer to our TA Alert 2015-06 ASIC focus areas for 30 June 2015 financial reports.

AASB 2014-1 Amendments to Australian Accounting Standards (Part D: Consequential Amendments Arising from AASB 14) (effective date: 1 January 2016)

Part D of AASB 2014-1 makes consequential amendments arising from the issuance of AASB 14.

AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation (effective date: 1 January 2016)

The amendments to AASB 116 prohibit the use of a revenue-based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment.

The amendments to AASB 138 present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate. This rebuttable presumption can be overcome (i.e., a revenue-based amortisation method might be appropriate) only in two (2) limited circumstances:

i The intangible asset is expressed as a measure of revenue, for example when the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold (for instance, the right to operate a toll road could be based on a fixed total amount of revenue to be generated from cumulative tolls charged); or

ii When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 (effective date: 1 January 2017)

AASB 2014-5 incorporates the consequential amendments arising from the issuance of AASB 15.

AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) (effective date: 1 January 2018)

AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9.

AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 (effective date: 1 January 2016)

The amendments:

- clarify the materiality requirements in AASB 101, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information
- clarify that AASB 101's specified line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated

- add requirements for how an entity should present subtotals in the statement(s) of profit and loss and other comprehensive income and the statement of financial position
- clarify that entities have flexibility as to the order in which they present the notes, but also emphasise that understandability and comparability should be considered by an entity when deciding that order
- remove potentially unhelpful guidance in IAS 1 for identifying a significant accounting policy.

1. Significant accounting policies continued

AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality (effective 1 July 2015)

The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.

Accounting Policies

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2015 and the comparative information presented in these financial statements for the year ended 30 June 2014.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value. Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Company financial statements.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial asset:

- has been acquired principally for the purpose of selling in the near future;
- is a part of an identified portfolio of financial instruments that the consolidated group manages together and has a recent actual pattern of short-term profit-taking; or
- is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss and includes any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 30.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest income is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

1. Significant accounting policies continued

(a) Financial assets continued

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(b) Financial instruments issued by the Company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the consolidated group are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(c) Foreign currency

For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of Ellex Medical Lasers Limited and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entities functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

On consolidation, the assets and liabilities of the Group's foreign operations are translated into Australian dollars at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the consolidated group's foreign currency translation reserve. Such differences are recognised in profit or loss in the period in which the foreign operation is disposed.

(d) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

1. Significant accounting policies continued

(e) Impairment of assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(f) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated group, being the Company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 10 'Consolidated Financial Statements'. A list of subsidiaries appears in note 26 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The interest of non-controlling shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

1. Significant accounting policies continued

(f) Principles of consolidation continued

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated group are eliminated in full.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the consolidated group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling share of changes in equity since the date of the combination.

Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received in recognised in a separate reserve within equity attributable to owners of Ellex Medical Lasers Limited.

When the group ceases to have control, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(g) Foreign currency translation

The consolidated financial statements are presented in Australian dollars (AUD), which is also the functional currency of the parent company.

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognised in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

2. Revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts.

Sale of goods

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer to the buyer the significant risks and rewards of ownership of the goods.

Rendering of Services

The Group generates revenues from after-sale service and maintenance, and extended warranty contracts. Consideration received for those services is initially deferred, included in other liabilities and is recognised as revenue in the period when the service is performed.

Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

	Consolidated Group	
	2015 $'000	2014 $'000
Revenue from continuing operations consisted of the following items:		
Revenue from the sale of goods	62,679	54,378
	62,679	54,378

3. Finance costs

	Consolidated Group	
	2015 $'000	2014 $'000
Interest on bank overdrafts and loans	191	238
Interest on obligations under finance leases	13	5
Other interest expense	-	9
Attributable to continuing operations	204	252

4. Profit/(loss) for year

Profit/(losses) for the year has been arrived at after crediting (charging) the following gains and losses from continuing operations:

(a) Other income

Government grants are assistance by the government in the form of transfers of resources to the consolidated group in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the consolidated group other than the requirement to operate in certain regions or industry sectors.

Government grants relating to income are recognised as income over the periods necessary to match them with the related costs. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the consolidated group with no future related costs are recognised as income of the period in which it becomes receivable.

Government grants relating to assets are treated as deferred income and recognised in profit and loss over the expected useful lives of the assets concerned.

	Consolidated Group	
	2015 $'000	2014 $'000
(Loss)/gain on disposal of property, plant and equipment	(28)	(1)
Grants Income	224	150
Interest	4	9
Other income	81	247
	281	405

4. Profit/(loss) for year continued

(b) Other expenses

Profit/(losses) before income tax has been arrived at after charging the following expenses. The line items below are attributable to continuing operations:

	Consolidated Group	
	2015 $'000	2014 $'000
Cost of goods sold	30,644	26,457
Net bad and doubtful debts arising from:		
Trade and other receivables	(18)	(33)
	(18)	(33)
Write-down of inventories to net realisable value	(877)	(141)
Write-off of obsolete stock	664	(95)
Total of movement in stock provision	**(213)**	**(236)**
Depreciation of property, plant and equipment	743	570
Amortisation of intangible assets	1,789	854
Depreciation and amortisation expense	**2,532**	**1,424**
Legal fees	467	332
Unrealised foreign exchange losses/(gains)	(76)	426
Realised foreign exchange losses/(gains)	(463)	340
Operating lease rental expenses:		
Minimum lease payments	2,006	3,047

Notes to the Financial Statements

5. Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient future taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the consolidated group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the consolidated group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Ellex Medical Lasers Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the ‘separate taxpayer within group’ approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

5. Income tax continued

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in note 5 to the financial statements. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(a) Income tax recognised in profit or loss

	Consolidated Group	
	2015 $'000	2014 $'000
Tax expense comprises:		
Current tax expense	24	109
Deferred tax expense/(benefit)	927	414
Total tax expense	**951**	**523**
The prima facie income tax (benefit) on pre-tax accounting (loss)/profit from operations reconciles to the income tax (benefit) in the financial statements as follows:		
Profit from operations	**2,631**	**1,311**
Income tax expense/(benefit) calculated at 30%	789	393
Non-deductible expenses	6	170
Effect of higher tax rates of tax on overseas income (USA, Japan and Europe)	67	83
Other – Research and Development Tax Concession	(71)	322
Other	129	(103)
(Over)/under provision of income tax in previous year	31	(342)
Total income tax expense	**951**	**523**

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate in Australia when compared with the previous reporting period.

5. Income tax continued

(b) Deferred tax balances

Deferred tax assets/(liabilities) arising from the following:

	Consolidated Group			
2015	1/07/14	Charged to Income	Charged to Equity	30/06/15
Non-current Assets				
Temporary differences				
PPE	46	(190)	-	(144)
Intangibles	2,282	(20)	-	2,262
Capitalised Research and Development	(3,072)	(308)	-	(3,380)
Section 40-880 deductions	165	(44)	-	121
Provisions	542	430	-	972
Doubtful Debts	7	(2)	-	5
Temporary difference on unrealised intercompany profits	737	(320)	-	417
Other	210	(188)	-	22
Current Liabilities				
Provisions	(83)	471	-	(36)
	834	(595)	-	239
Unused tax loses and credits				
Tax losses (Japan)	973	32	-	1,005
Tax losses (USA)	560	47	-	607
Tax losses (Germany)	193	(17)	-	176
Tax losses (France)	137	49	-	186
Tax lossess (USA Ellex iScience)	-	181		181
Tax losses (Tax consolidated group)	1,124	(1,124)	-	-
Unused Research and Development tax offset	2,892	469	-	3,361
	5,879	(587)	-	5,516
	6,713	**(1,182)**	**-**	**5,791**

Notes to the Financial Statements

5. Income tax continued

(b) Deferred tax balances continued

2014	Consolidated Group 1/07/13	Charged to Income	Charged to Equity	30/06/14
Non-current Assets				
Temporary differences				
PPE	18	28	-	46
Intangibles	2,526	(244)	-	2,282
Capitalised Research and Development	(2,647)	(425)	-	(3,072)
Section 40-880 deductions	-	53	112	165
Provisions	502	40	-	542
Doubtful Debts	4	3	-	7
Other financial liabilities	-	-	-	-
Temporary difference on unrealised intercompany profits	572	165	-	737
Other	252	(42)	-	210
Current Liabilities				
Provisions	-	(83)	-	(83)
	1,227	(505)	112	834
Unused tax loses and credits				
Tax losses (Japan)	905	68	-	973
Tax losses (USA)	502	58	-	560
Tax losses (Germany)	134	59	-	193
Tax losses (France)	26	111	-	137
Tax losses (Tax consolidated group)	2,161	(1,037)	-	1,124
Unused Research and Development tax offset	2,145	747	-	2,892
	5,873	6	-	5,879
	7,100	(499)	112	6,713

5. Income tax continued

(c) Tax consolidation

Relevance of tax consolidation to the consolidated group

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from
1 July 2004 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Ellex Medical Lasers Limited. The members of the tax-consolidated group are identified at note 26.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, Ellex Medical Lasers Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding agreement.

6. Share-based payments

The consolidated group has an ownership based compensation scheme for employees and executives (including executive directors). In accordance with the provisions of the scheme, as approved by shareholders at an annual general meeting, employees and executives are granted options to purchase parcels of ordinary shares at a price determined by the directors.

There were no options granted during the year (30 June 2014: Nil).

Notes to the Financial Statements

7. Trade and other receivables

	Consolidated Group	
	2015 $'000	2014 $'000
Current		
Trade receivables(i)	12,025	11,754
Allowance for doubtful debts	(18)	(33)
	12,007	11,721
Other receivables	142	82
Goods and services tax (GST) recoverable	4	2
	12,153	11,805
Non Current		
Sundry recoverables	294	218
	294	218
Ageing of past due but not impaired		
60 – 90 days	2,368	1,473
90 – 120 days	1,744	1,539
Total	4,112	3,012
Movement in the allowance for doubtful debts		
Balance at the beginning of the year	33	10
Amounts written off as uncollectible	18	33
Amounts reversed as previously over provided	(33)	(10)
Balance at the end of the year	18	33
Ageing of impaired trade receivables		
60 – 90 days	-	-
90 – 120 days	-	-
120+ days	18	33
Total	18	33

(i) The debtors balance that has been financed is $4,945 thousand (2014: $2,920 thousand). This relates specifically to receivables due from customers in Japan and USA. An allowance has been made for estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

8. Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

	Consolidated Group	
	2015 $'000	2014 $'000
Current		
Raw materials – at cost	3,452	3,467
Raw materials – at net realisable value	495	77
Work in progress – at cost	973	792
Work in progress - at net realisable value	71	11
Finished goods – at cost	10,380	9,772
Finished goods – at net realisable value	311	53
	15,682	14,172
Non-Current		
Finished goods - at cost	612	1,464
	612	1,464

9. Other current assets

	Consolidated Group	
	2015 $'000	2014 $'000
Prepayments	1,142	1,412
	1,142	1,412

10. Property, plant and equipment

Plant and equipment and leasehold improvements are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the items payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight line basis and diminishing value basis so as to write off the net cost or other revalued amount of each asset over its expected useful life.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The following estimated useful lives are used in the calculation of depreciation:

- Plant and equipment   2 – 20 years

Notes to the Financial Statements

10 Property, plant and equipment continued

	Consolidated Group	
	Plant and equipment at cost $'000	Total $'000
Gross carrying amount		
Balance at 30 June 2013	**9,415**	**9,415**
Additions	1,017	1,017
Disposals	(123)	(123)
Net foreign currency exchange difference	(252)	(252)
Balance as at 30 June 2014	**10,057**	**10,057**
Additions	1,485	1,485
Disposals	(544)	(544)
Net foreign currency exchange difference	2	2
Balance at 30 June 2015	**11,000**	**11,000**
Accumulated depreciation/amortisation and impairment		
Balance at 30 June 2013	**(6,942)**	**(6,942)**
Depreciation	(570)	(570)
Disposals	55	55
Net foreign currency exchange differences	478	478
Balance at 30 June 2014	**(6,979)**	**(6,979)**
Depreciation	(743)	(743)
Disposals	140	140
Net foreign currency exchange differences	217	217
Balance at 30 June 2015	**(7,365)**	**(7,365)**
Net book value		
As at 30 June 2014	3,078	3,078
As at 30 June 2015	3,635	3,635

11. Intangible assets

Patents, trademarks and licences

Patents, trademarks and licences are recorded at cost less accumulated amortisation. Amortisation is charged on a straight line basis over the estimated useful lives (2-20 years) of the products the patent covers. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

Intellectual Property

Intellectual property acquired as part of the acquisition during the year is recognised at fair value and is amortised straight line over ten years.

Research and development expense/capitalised development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Internally-generated intangible assets are stated at cost less accumulated amortisation and impairment, and are amortised over the period over which the products are actually sold:

- Capitalised development costs 5 – 10 years

11. Intangible assets continued

	Intellectual Property	Patents & Trademarks	Consolidated Group
	$'000	$'000	Total $'000
Gross carrying amount			
Balance at 30 June 2013	-	1,023	1,023
Additions	3,145	80	3,225
Balance at 30 June 2014	3,145	1,103	4,248
Foreign currency exchange differences	726	22	748
Additions	-	260	260
Balance at 30 June 2015	3,871	1,385	5,256
Accumulated amortisation and impairment			
Balance at 30 June 2013	-	(209)	(209)
Amortisation expense	(157)	(49)	(206)
Balance as at 30 June 2014	(157)	(258)	(415)
Amortisation expense	(417)	(55)	(472)
Balance as at 30 June 2015	(574)	(313)	(887)
Net book value			
As at 30 June 2014	2,988	845	3,833
As at 30 June 2015	3,297	1,072	4,369

Notes to the Financial Statements

12. Capitalised development expenditure

	Consolidated Group
	Capitalised Development $'000
Gross carrying amount	
Balance at 30 June 2013	14,292
Additions	2,064
Balance at 30 June 2014	16,356
Additions	2,321
Balance at 30 June 2015	18,677
Accumulated amortisation and impairment	
Balance as at 30 June 2013	(6,026)
Amortisation expense	(648)
Balance as at 30 June 2014	(6,674)
Amortisation expense	(1,293)
Balance as at 30 June 2015	(7,967)
Net book value	
As at 30 June 2014	9,682
As at 30 June 2015	10,710

13. Assets pledged as security

In accordance with the security arrangements of liabilities, as disclosed in note 15 to the financial statements, all non-current and current assets of the consolidated group (except capitalised development and deferred tax assets), have been pledged as security under banking agreements.

14. Current and non-current trade and other payables

(a) Current trade and other payables

	Consolidated Group	
	2015 $'000	2014 $'000
Trade payables	3,561	2,915
Accruals	971	1,300
Accrual for deferred consideration	688	514
Payable to directors	49	50
Other payables	1,178	1,110
	6,447	5,889

(b) Non-current trade and other payables

	Consolidated Group	
	2015 $'000	2014 $'000
Accrual for deferred consideration	2,662	2,631

15. Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised.

Secured – at amortised cost

	Consolidated Group	
	2015 $'000	2014 $'000
Current		
Bank overdrafts (note 29a)	-	-
Bank borrowings (i)	5,762	4,941
Finance lease liabilities (note 25a) (ii)	64	14
Other loans (unsecured)	184	182
	6,010	5,137
Non-Current		
Bank borrowings (iii)	396	584
Finance lease liabilities (note 25a) (ii)	351	21
	747	605

Summary of borrowing arrangements

(i) The current borrowings include $581 thousand (2014: $1,331 thousand) of the commercial bill, $2,645 thousand (2014: $2,920 thousand) of YEN denominated debtor financing, export trade facility of $421 thousand (2014: $363 thousand) and $1,880 thousand (2014: NIL) of USD denominated debtor facility. Both of these amounts are due to Westpac Banking Corporation and are secured by a fixed and floating change over the Group's assets. The balance also includes $198 thousand (2014: $327 thousand) of YEN denominated bank debt due to Kansai Urban Bank in Japan.

(ii) Secured by the assets leased. The borrowings are all at fixed interest rates with repayment periods not exceeding 5 years.

(iii) The non current balance includes Nil of the commercial bill (2014; Nil) and $395 thousand (2014: $584 thousand) of YEN denominated bank debt due to Kansai Urban Bank in Japan.

(iv) The borrowings from Westpac are classified as current because under the terms of the current agreement, the facility will expire within 12 months of 30 June 2015.

Notes to the Financial Statements

16. Provisions

Provisions are recognised when the consolidated group has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

Warranties

Provisions for warranty costs are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the consolidated group's liability.

Provision is made for benefits accruing to employees in respect of wages and salaries, staff bonuses, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the compensation rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated group in respect of services provided by employees up to reporting date.

Contributions to employee contribution super plans are expensed when incurred.

	Consolidated Group	
	2015 $'000	2014 $'000
Current		
Employee benefits	2,266	2,074
Warranty (i)	325	301
	2,591	**2,375**
Non-Current		
Employee benefits	116	122
	116	**122**

16. Provisions continued

	Consolidated Group
	Warranty (i)
Balance at 30 June 2013	290
Additional provisions recognised	420
Amounts used	(409)
Balance at 30 June 2014	**301**
Additional provisions recognised	419
Amounts used	(395)
Balance at 30 June 2015	**325**

(i) The provision for warranty claims represents the present value of the directors' best estimate of the future outflow of economic benefits that will be required under the consolidated group's warranty program. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

17. Other current liabilities

	Consolidated Group	
	2015 $'000	2014 $'000
Deferred warranty income	527	389
	527	**389**

18. Other non-current liabilities

	Consolidated Group	
	2015 $'000	2014 $'000
Deferred warranty income	50	47
	50	**47**

19. Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Ellex Medical Lasers Limited as treasury shares until the shares are cancelled or reissued.

Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Ellex Medical Lasers Limited.

Dividends

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	Consolidated Group	
	2015 $'000	2014 $'000
107,646,897 fully paid ordinary shares		
(2014: 107,646,897)	41,229	41,229
	41,229	41,229

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

	Company 2015		Company 2014	
	No. '000	$'000	No. '000	$'000
Fully paid ordinary shares				
Balance at beginning of financial year	107,647	41,229	84,910	35,188
Share issue	-	-	22,737	6,041
Balance at end of financial year	107,647	41,229	107,647	41,229

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

20. Reserves

	Consolidated Group	
	2015 $'000	2014 $'000
Foreign currency translation reserve		
Balance at beginning of financial year	(2,273)	(1,565)
Translation of foreign operations	1,164	(708)
Balance at end of financial year	(1,109)	(2,273)

Exchange differences relating to the translation from USA Dollars, Japanese Yen and the Euro, being the functional currencies of the consolidated group's foreign subsidiaries in the USA, Japan, France and Germany, into Australian dollars are brought to account by entries made directly to the foreign currency translation reserve.

Other reserves		
Balance at beginning of financial year	142	142
Transaction with non-controlling interest	-	-
Balance at end of financial year	142	142

Transactions with non-controlling interests

This reserve is issued to record the differences described in note 1 which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

21. Accumulated losses

	Consolidated Group	
	2015 $'000	2014 $'000
Balance at beginning of financial year	(2,148)	(2,936)
Net profit attributable to members of the parent entity	1,680	788
Balance at end of financial year	(468)	(2,148)

Notes to the Financial Statements

22. Earnings per share

	Consolidated Group	
	2015 Cents per share	2014 Cents per share
Basic earnings per share:		
Total basic earnings per share	**1.56**	**.73**
Diluted earnings per share:		
Total diluted earnings per share	**1.56**	**.73**

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	Consolidated Group	
	2015 $'000	2014 $'000
Net profit/(loss)	1,680	788

	Consolidated Group	
	2015 No.	2014 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	107,646,897	107,646,897

Diluted earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:

	Consolidated Group	
	2015 $'000	2014 $'000
Net profit/(loss)	1,680	788

22. Earnings per share continued

	Consolidated Group	
	2015 No.	2014 No.
Weighted average number of ordinary shares used in the calculation of basic EPS	107,646,897	107,646,897
Shares deemed to be issued for no consideration in respect of:		
Employee options	-	-
Weighted average number of ordinary shares used in the calculation of diluted EPS (i)	**107,646,897**	**107,646,897**

(i) The share options in note 6 are not dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share.

23. Dividends

	2015		2014	
	Cents per share	Total $'000	Cents per share	Total $'000
Fully paid ordinary shares				
Final dividend – franked to 30%	**Nil**	**Nil**	**Nil**	**Nil**

	Company	
	2015 $'000	2014 $'000
Adjusted franking account balance	3,889	3,797

24. Commitments for expenditure

Lease commitments

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in note 25 to the financial statements.

Notes to the Financial Statements

25. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(a) Finance leases

Leasing arrangements

Finance leases relate to motor vehicles, plant and equipment and leasehold improvements with lease terms of between 3 to 5 years.

The consolidated group's obligation under finance leases are secured by the lessor's title to the leased assets.

	Present value of minimum future lease payments	
	Consolidated Group	
	2015 $'000	2014 $'000
Not longer than 1 year	80	15
Later than 1 year and not later than 5 years	376	24
Later than 5 years	-	-
Minimum future lease payments	**456**	**39**
Less future finance charges	(41)	(4)
Present value of minimum lease payments	**415**	**35**

25. Leases continued

(b) Operating leases

Leasing arrangements

Operating leases relate to business premises with lease terms of between 2 to 5 years and property, plant and equipment with lease terms less than 5 years. The business premises leases will be reviewed at the end of the lease term.

	Consolidated Group	
	2015 $'000	2014 $'000
Non-cancellable operating lease payments		
Not longer than 1 year	1,012	1,479
Longer than 1 year and not longer than 5 years	994	1,568
	2,006	**3,047**

26. Subsidiaries

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expenses as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquiree, and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately.

Name of Entity	Country of Incorporation	Ownership Interest 2015 %	Ownership Interest 2014 %
Parent Entity			
Ellex Medical Lasers Limited (i) (ii)	Australia		
Subsidiaries			
Ellex Medical Pty Ltd (i) (ii)	Australia	100	100
Laserex Medical Pty Ltd (ii)	Australia	100	100
Ellex Inc	USA	100	100
Ellex (Japan) Corporation	Japan	100	100
Ellex R&D Pty Ltd (i) (ii)	Australia	100	100
Ellex Australia Pty Ltd (i) (ii)	Australia	100	100
Ellex Services Europe SARL	France	100	100
Ellex France SARL	France	100	100
Innovative Imaging, Inc	USA	100	100
Ellex Deutschland GmbH	Germany	100	100
Ellex Machine Shop Pty Ltd (i) (ii)	Australia	100	100
Ellex iScience Inc	USA	100	100

(i) Ellex Medical Lasers Limited is the head of the Tax Consolidated Group which includes Ellex Medical Pty Ltd, Ellex Australia Pty Ltd, Ellex R&D Pty Ltd and Ellex Machine Shop Pty Ltd.

(ii) These wholly-owned subsidiaries have entered into a deed of cross-guarantee with Ellex Medical Lasers Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report from the year ended 30 June 2009.

26. Subsidiaries continued

The Statement profit or loss and other of comprehensive income and Statement of financial position of the entities party to the deed of cross guarantee are:

	Consolidated Group 2015 $'000	Consolidated Group 2014 $'000
Statement of comprehensive income		
Revenue	42,804	42,402
Other income	982	745
Loss on sale of property, plant and equipment	(11)	(1)
Raw materials and consumables used	(22,489)	(24,972)
Employee benefits expense	(8,022)	(7,288)
Depreciation and amortisation expense	(1,575)	(1,206)
Legal fees	(333)	(322)
Advertising and marketing	(1,117)	(1,110)
Finance costs	(184)	(214)
Product development	(797)	(702)
Rent/Lease	(941)	-
Foreign currency translation movement	543	(324)
Other expenses	(5,158)	(3,601)
Profit/(Loss) before income tax	**3,702**	**3,407**
Income tax credit/(expense)	(832)	(876)
Profit/(Loss) for the year	**2,870**	**2,531**

Notes to the Financial Statements

26. Subsidiaries continued

	Consolidated Group	
	2015 $'000	2014 $'000
Statement of financial position		
Current assets		
Cash assets	2,552	890
Trade and other receivables	11,282	11,827
Inventories	9,987	9,138
Other	630	927
Total current assets	**24,451**	**22,782**
Non-current assets		
Trade and other receivables	16,891	18,280
Property, plant and equipment	2,134	2,101
Deferred tax assets	3,314	4,159
Other intangible assets	874	3,796
Capitalised development expenditure	11,267	10,239
Total non-current assets	**34,480**	**38,575**
Total assets	**58,931**	**61,357**

26. Subsidiaries continued

	Consolidated Group	
	2015 $'000	2014 $'000
Current liabilities		
Trade and other payables	3,695	6,367
Borrowings	5,750	4,830
Provisions	2,270	1,639
Other	-	-
Total current liabilities	**11,715**	**12,836**
Non-current liabilities		
Borrowings	174	-
Provisions	-	122
Other liabilities	-	-
Total non-current liabilities	**174**	**122**
Total liabilities	**11,889**	**12,958**
Net assets	**47,042**	**48,399**
Equity		
Issued capital	41,229	41,229
Reserves	(2,392)	(1,778)
Retained earnings	8,205	8,948
	47,042	**48,399**

27. Segment information

Each of these operating segments is managed separately as each of these sales lines require different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of distribution channels since the diversification of the Group's operations inherently has notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Notes to the Financial Statements

27. Segment information continued

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment;
- the manufacturing process;
- the type or class of customer for the products or service;
- the distribution method; and
- external regulatory requirements.

Types of products and services by segment

Distributors

The Distributors segment sells ophthalmic medical equipment to independent third-party distributors globally. All revenues are aggregated as one reportable segment as the products are similar in nature, have the same types of customers and are subject to a similar regulatory environment. The distributor business is managed by a separate sales team and supported by the manufacturing site.

Direct

The Direct segment sells ophthalmic medical equipment to the end-user customer in various markets around the world. All revenues are aggregated, as one reportable segment as the products are similar in nature, have the same types of customer and are subject to a similar regulatory environment. The direct business is managed by the regional managers where a direct business is situated.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- impairment of intangibles;
- income tax expense;
- deferred tax assets and liabilities; and
- intangible assets.

27. Segment information continued

(a) Segment performance

	Distributors $'000	Direct $'000	Total $'000
Year ended 30 June 2015			
Revenue			
External sales	17,782	44,897	62,679
Total segment revenue	**17,782**	**44,897**	**62,679**
Segment net profit before tax	**4,965**	**7,962**	**12,927**
Reconciliation of segment result to group net profit/(loss) before tax			
Amounts not included in segment result but reviewed by the Board:			
Depreciation and amortisation			(2,532)
Unallocated items:			
Corporate charges			(8,029)
Finance costs			(438)
Other income/(expense)			703
Net profit before tax from continuing operations			**2,631**
Year ended 30 June 2014			
Revenue			
External sales	15,444	38,934	54,378
Total segment revenue	**15,444**	**38,934**	**54,378**
Segment net profit before tax	**4,323**	**5,464**	**9,787**
Reconciliation of segment result to group net profit/(loss) before tax			
Amounts not included in segment result but reviewed by the Board:			
Depreciation and amortisation			(1,424)
Unallocated items:			
Corporate charges			(6,383)
Finance costs			(252)
Other income/(expense)			(417)
Net profit before tax from continuing operations			**1,311**

Notes to the Financial Statements

27. Segment information continued

(b) Segment assets

	Distributors $'000	Direct $'000	Total $'000
Year ended 30 June 2015			
Segment assets – opening	15,059	18,858	33,917
Segment asset charges for the period:			
Net reduction in inventories and receivables	979	3,214	4,194
Total segment assets	**16,038**	**22,072**	**38,110**
Reconciliation of segment assets to group assets			
Inter-segment eliminations			
Unallocated assets:			
Deferred tax assets			5,791
Capitalised development expenditure			10,710
Intangibles			4,369
Total group assets			**58,980**
Year ended 30 June 2014			
Segment assets – opening	7,531	23,634	31,165
Segment asset charges for the period:			
Net reduction in inventories and receivables	7,528	(4,776)	2,752
Total segment assets	**15,059**	**18,858**	**33,917**
Reconciliation of segment assets to group assets			
Inter-segment eliminations			
Unallocated assets:			
Deferred tax assets			6,796
Capitalised development expenditure			9,682
Intangibles			3,833
Total group assets			**54,228**

27. Segment information continued

(c) Segment liabilities

	Distributors $'000	Direct $'000	Total $'000
Year ended 30 June 2015			
Segment liabilities	**15,301**	**3,885**	**19,186**
Year ended 30 June 2014			
Segment liabilities	**13,293**	**3,985**	**17,278**

(d) Revenue by geographical region

Revenue attributable to external customers is disclosed below, based on the location of the external customer:

	2015 $'000	2014 $'000
Australia	11,812	9,385
United States of America	20,486	19,026
Europe / Middle East	15,343	10,277
Japan	8,445	10,371
Asia	4,373	3,883
South America and other	2,220	1,436
Total revenue	**62,679**	**54,378**

(e) Assets by geographical region

The location of segment assets is disclosed below by geographical location of the assets:

	2015 $'000	2014 $'000
Australia	45,351	38,705
United States of America	7,689	5,904
Europe	2,388	1,790
Japan	3,552	7,829
Asia	-	-
Other	-	-
Total assets	**58,980**	**54,228**

(f) Major customers

The Group has a number of customers to which it provides both products and services. The Group supplies one single external customer in the Direct segment which accounts for 6.0% of external revenue (2014: 7.4%). The Group supplies one single external customer in the distributor segment which accounts for 11.1% of external revenue (2014: 7.3%).

Notes to the Financial Statements

28. Related party disclosures

(a) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 26 to the financial statements.

(b) Transactions with key management personnel

(c) Key management personnel compensation

The aggregate compensation of the key management personnel of the consolidated group is set out below:

	Consolidated Group	
	2015 $'000	2014 $'000
Short-term employee benefits	575	448
Post-employment benefits	49	53
	624	501

29. Cash flow information

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flow is reconciled to the related items in the statement of financial position:

	Consolidated Group	
	2015 $'000	2014 $'000
Cash and cash equivalents	4,593	1,768
Bank overdraft (note 15)	-	-
	4,593	1,768

(b) Financing facilities

New facilities have been varied to existing agreements classifying debt from current to non-current

	Consolidated Group	
	2015 $'000	2014 $'000
Flexible Options Finance (overdraft facility)		
• amount used (note 15)	-	-
• amount (exceeded)/unused	1,500	1,500
	1,500	1,500
Equipment finance and finance advance (insurance premium)		
• amount used (note 15)	184	182
• amount unused	-	-
	184	182
Other facilities		
• amount used (note 15)	420	363
• amount unused	130	187
	550	550
Commercial Bill line		
• amount used (note 15)	581	1,331
• amount unused	-	-
	581	1,331

29. Cash flow information continued

(b) Financing facilities continued

	Consolidated Group	
	2015 Million JPY	2014 Million JPY
Debtor finance (Japan)		
• amount used (i)	247	278
• amount unused	103	72
	350	350

	Consolidated Group	
	2015 Million USD	2014 Million USD
Debtor finance (USA)		
• amount used (i)	1,443	-
• amount unused	57	-
	1,500	-

(i) At the reporting dates, these amounts outstanding totalled $4,945 thousand (2014: $2,920 thousand). The total debtors facility can only be drawn down against eligible debtors in accordance with the agreement.

(c) Reconciliation of profit/(loss) for the year to net cash flows from operating activities

	Consolidated Group	
	2015 $'000	2014 $'000
Profit/(Loss) for the year	1,456	788
Depreciation and amortisation of non-current assets	2,532	1,424
Loss/(Profit) on disposal of property, plant and equipment	28	1
Interest income received and receivable	4	9
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
• Current receivables	(348)	(1,563)
• Decrease/(increase) in tax balances	(652)	433
• Current and non-current inventories	658	465
• Other assets	270	(65)
• Current payables	558	2,038
• Other current and non-current liabilities	1,818	(826)
Net cash from operating activities	**6,324**	**2,704**

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