



**ANNUAL REPORT YEAR ENDED 30 JUNE 2015**



1985 – 2015

**30 YEARS OF OPHTHALMIC INNOVATION**

# From Scientific Laser Company to Global Ophthalmic Brand.

Over the years, Ellex has evolved from a small scientific laser company into a global leader in the conception, design, manufacture, marketing and sale of medical devices to ophthalmologists for the treatment of eye disease.

Since the introduction of our first ophthalmic laser in 1985, Ellex has been building a knowledge base and reputation for excellence in ophthalmology. Today, more than 25,000 Ellex laser and ultrasound systems are in use in more than 100 countries to help diagnose and treat the leading causes of blindness and visual impairment.

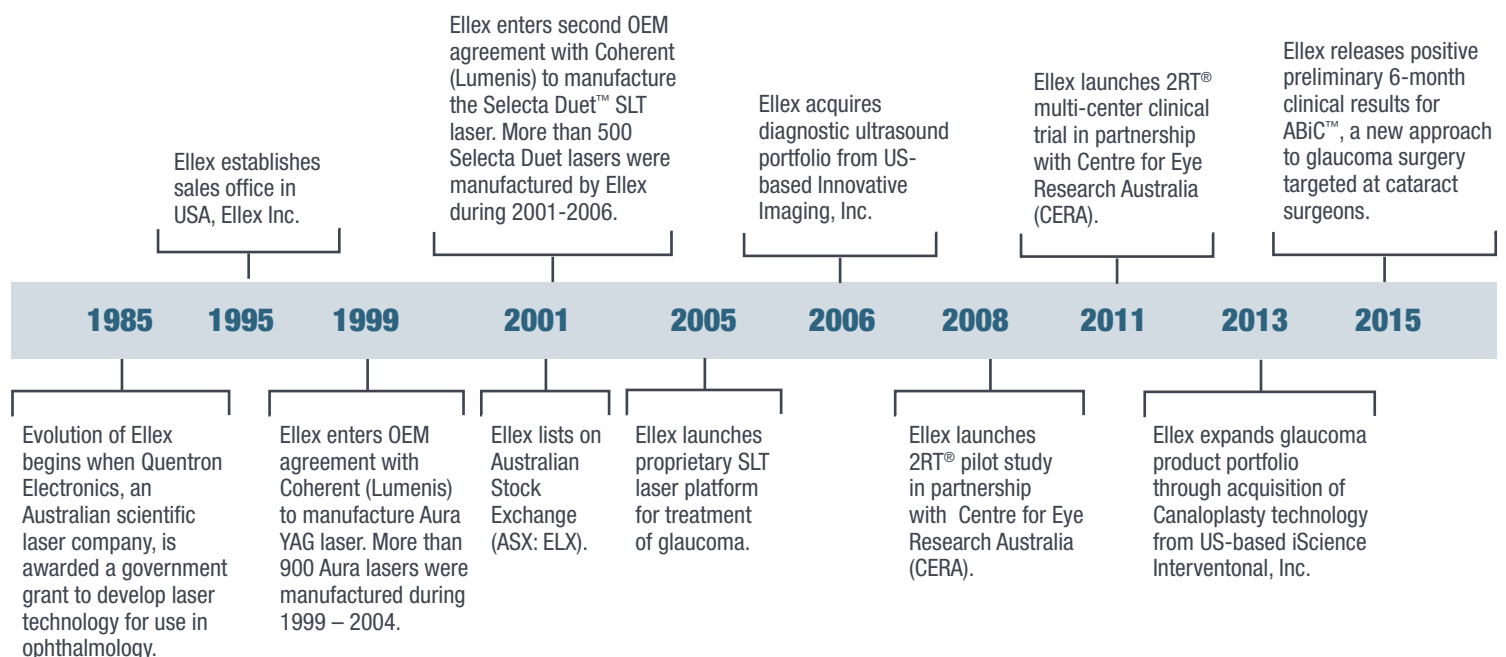
Our 30-year history has seen us successfully navigate a changing, and often volatile, global market. In 2015 our sales performance was the highest in our history. Ellex is now a growing, profitable and scalable global ophthalmic manufacturing and distribution business, comprising direct sales offices in the major markets of the USA, Australia, Germany, France and Japan. In addition, a network of more than 50 distribution partners enables



us to deliver advanced products and technologies to ophthalmologists throughout the rest of the world.

Our global workforce of 230 includes expert manufacturing teams in Adelaide, Australia and Fremont, California. Additionally, product development and engineering resources, and 60 staff in sales, marketing and clinical support have fostered a brand that is synonymous with advanced, high-quality devices and technologies for the diagnosis and treatment of eye disease.

Continued investment in the development of high-return technologies, such as 2RT®, has also been a key driver of our business over the past 30 years – and offers the potential to propel our business forward at an unprecedented rate. A non-invasive laser therapy for age-related macular degeneration (AMD), 2RT® is a breakthrough approach for the management of retinal disease.

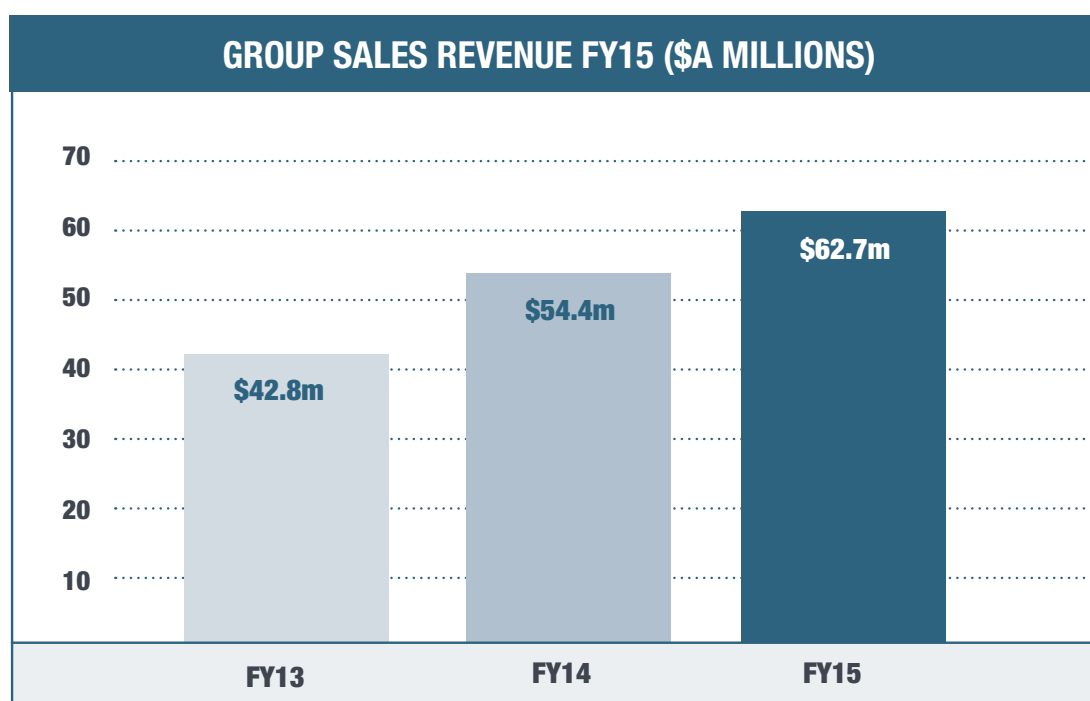


# A Global Leader in a Growing, Profitable Market.

Ellex is experiencing a period of rapid growth. One of the fastest growing companies in the ophthalmic industry, we have achieved better-than-industry growth of 14% over the last three years. This compares with an average industry growth rate for devices of 4.5%.

Importantly, 2015 marked the third consecutive year of improved financial performance for our business. Prudent business management and operating efficiencies contributed to consistent improvements to both top line and bottom line performance. Growing market acceptance of device-based ophthalmic treatments, as compared to the traditional approach of pharmacological treatments, also contributed to strong sales performance across the Company's four key market segments of glaucoma, secondary cataracts and vitreous opacities, retinal disease and age-related macular degeneration (AMD).

During the period, Ellex relinquished its contract manufacturing arrangements, previously implemented to safeguard against the rising Australian dollar. This enabled the Company to free up manufacturing resources in order to fulfill sales demand for its products.

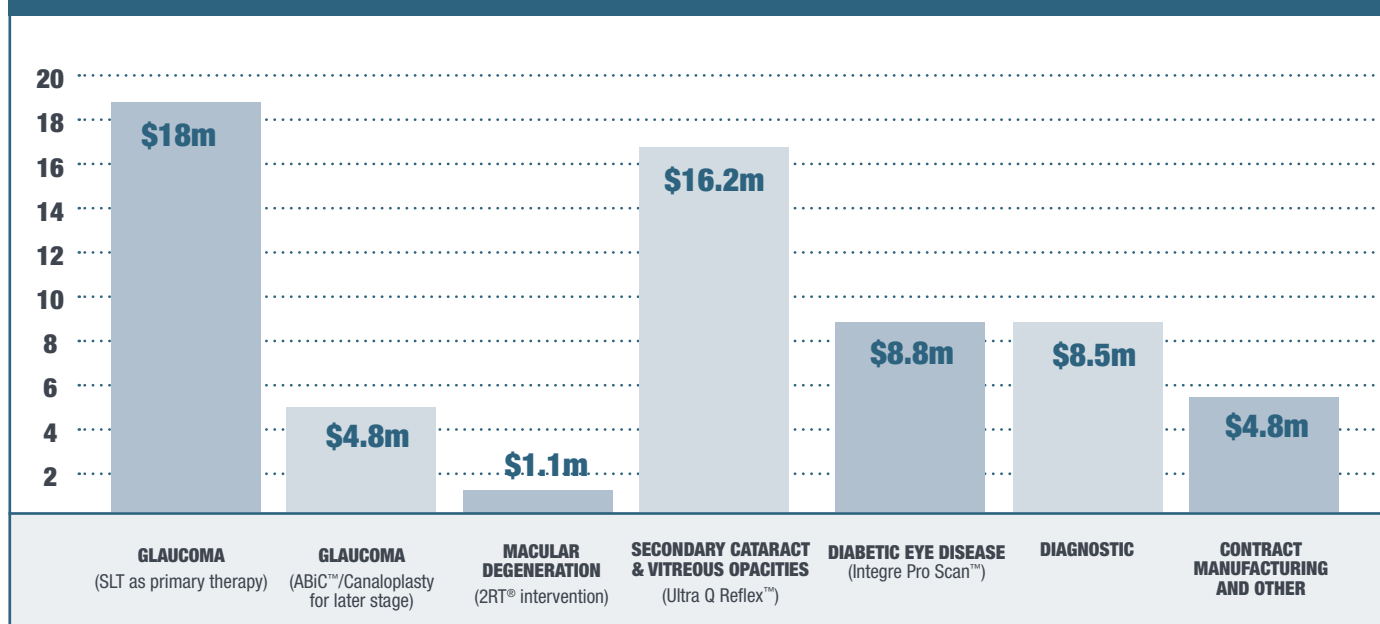


An ongoing commitment to educational marketing and clinical advancement has seen Ellex emerge as a brand leader over recent years. During the 2015 financial year Ellex undertook a number of initiatives to support the market's transition from pharmacological treatment to device-based treatment, including participation at the European Society of Cataract and Refractive Surgeons (ESCRS) in London, UK, the Asia Pacific Academy of Ophthalmology (APAO) in Ghangzhou, China, the World Glaucoma Congress (WGC) in Hong Kong, and the American Academy of Ophthalmology (AAO) in Chicago, USA.

Our twofold strategy – investing in advanced technologies, such as 2RT®, and product development and distribution – provides two sources of value and diversification of income sources. It has allowed us to cement our industry-leading position over the past 30 years.

Looking to the future, our sustainable business model provides a strong platform for growth, while a commercialisation program for our new proprietary technologies provides the potential for major transformational growth.

#### REVENUE BY MARKET SEGMENT / DISEASE FY15 (\$A MILLIONS)



# The Industry's Most Comprehensive Product Portfolio.

The current portfolio of Ellex products, including 2RT®, iTrack™, Ultra Q Reflex™, Tango™ and Integre Pro Scan™, underpins the success of our business – and sets us apart from the rest of the industry. It also provides a solid platform for future growth, with a total available market estimated at \$10 billion annually.

## GLAUCOMA

**Total Market: US\$4.6 billion | Device Market: US\$0.35 billion**

### **ABiC™ with ITRACK™**

A restorative surgical procedure, Canaloplasty performed with the iTrack™ uses patented microcatheter technology to restore the eye's natural outflow pathways. Since acquiring the iTrack™ technology platform from US-based iScience Interventional, Inc. in late 2013, Ellex has worked with physicians in the US and Europe to develop a new approach to Canaloplasty, known as ABiC™, which will make better use of surgeon time in the operating room. Designed as an adjunct to cataract surgery, ABiC™ with the iTrack™ is expected to open up new markets for the Ellex business. With more than 24 million cataract procedures performed worldwide each year, the introduction of ABiC™ offers the potential for significant sales growth.

### **SLT as Primary Therapy**

A repeatable, non-invasive laser therapy, SLT has been found to be a more economical approach when compared to traditional glaucoma medications, offering significant economic benefit to patients and the wider healthcare system. SLT can also eliminate the side effects and compliance issues associated with glaucoma medications. The increased global acceptance of SLT as a primary therapy option for glaucoma, particularly in Asia, offers considerable growth opportunity for the Company's Tango™ and Solo™ product lines. In China alone, it is estimated that 19 million people suffer from glaucoma.

## SECONDARY CATARACTS AND VITREOUS OPACITIES

**Total Market: US\$3.3 billion | Device Market: US\$0.65 billion**

### Ultra Q Reflex™

The Ultra Q Reflex™ is the only YAG laser designed to perform treatments in both the anterior and posterior portion of the eye – including laser vitreolysis for the treatment of vitreous opacities and floaters. Featuring Ellex's patented Reflex™ technology, the Ultra Q Reflex™ is the only laser designed specifically for laser vitreolysis: offering three treatment modalities in one system. Compared to the standard two-treatment modality YAG lasers available on the market today, Ellex has a significant opportunity to supplant the 20,000 global installed base for YAG lasers with the Ultra Q Reflex™.

## RETINAL DISEASE

**Total Market: US\$1.5 billion | Device Market: US\$0.305 billion**

### Integre Pro Scan™

Diabetes has now reached epidemic proportions in Australia, with 280 people developing the disease every day. To that end, treatments and devices to arrest the progression of diabetic-related eye disease, including DMO, are in high demand. Introduced in 2015, the Integre Pro Scan™ is a semi-automated retinal treatment laser designed for the treatment of DMO and other retinal diseases and complications. Combining multi-color photocoagulation with computer-controlled pattern scanning, Integre Pro Scan™ enables treatment to be performed faster and with greater precision. It also affords greater patient comfort.

## AGE-RELATED MACULAR DEGENERATION

**Total Market: current spend on AMD treatments (i.e. pharma) US\$5.1 billion**

### 2RT™ Retinal Rejuvenation

The leading cause of blindness in the developed world, age-related macular degeneration (AMD) is responsible for 48% of vision loss in Australia with nearly 18,000 new cases reported each year. A non-thermal, nanosecond pulse laser therapy, Ellex's proprietary 2RT® technology may hold the key to safer and more effective treatment of retinal disease, and has the potential to be the world's first interventional treatment for early AMD.

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## Corporate Governance Statement

The Board has adopted ASX Corporate Governance Principles and Recommendations *3rd Edition ASX Corporate Governance Council*. Our Corporate Governance statements are available for viewing on our website at <http://www.ellex.com/investors/investor-room/corporate-governance>.

The directors of Ellex Medical Lasers Limited submit herewith the annual financial report of the Company for the financial year ended 30 June 2015. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names and particulars of the directors of the Company during or since the end of the financial year are:

## Directors

### Victor Previn, Chairman

Victor Previn is 57 years old and was appointed a director on 16 July 2001 after the acquisition of Ellex Laser Systems. Victor Previn is a professional engineer and one of the original founders of Ellex. His career spans more than 30 years in the laser industry. Mr. Previn was responsible for developing and commercializing the technology platform that is now the core of Ellex's current production. He has spent more than 27 years in the ophthalmic laser industry travelling widely throughout Asia, Europe and the USA in a business development capacity.

Mr. Previn held the position of Managing Director from 2003 to 2005. In July of 2005, Mr. Previn was elected Chairman of the Ellex board of directors. He is also a member of the Audit & Risk Committee and the Remuneration Committee.

Mr Previn beneficially holds shares of 9,316,031 as at 29<sup>th</sup> September 2015

### Alex Sundich

Alex Sundich is 51 years old and was appointed a non-executive director on 22 July 2005. Alex is currently a director of Palladion Partners, a corporate advisory and principal investment firm. From 2002 to 2008, Alex was a senior executive in the funds management industry. Prior to this, he was an investment banker with Goldman Sachs and CSFB, involved in mergers and acquisitions and capital raisings. Alex is currently the Chairman of Petrel Energy Limited and an Executive Director of Burleson Energy Limited.

Mr Sundich beneficially holds shares of 6,300,000 as at 29<sup>th</sup> September 2015.

### Giuseppe Canala

Giuseppe Canala is 68 years old and was appointed an Independent Director on 17 October 2008. Giuseppe is an experienced company director with a range of laser-related companies, with a professional engineering and economics background. As an original co-founder of Ellex, he has served the Company in a broad range of management roles, including Director of Engineering, Operations Manager, Managing Director and Company Secretary. He was the Chairman from 1990 to 2001. He is currently a member of the Audit & Risk Committee and Remuneration Committee.

Mr Canala beneficially holds shares of 4,061,788 as at 29<sup>th</sup> September 2015.

### Rahmon Coupe

Rahmon Coupe is 52 years old and was appointed an Independent Director on 15 May 2013. Mr Coupe is Chief Executive Officer and Director of YourAmigo Limited, an organic search engine solutions company. Mr. Coupe has more than 26 years' experience in the areas of corporate management, intellectual property management, contract negotiation, business development and engineering and has worked across a diverse range of industries, including: information technology and the internet, life sciences and public broadcasting. Mr. Coupe has held various project and engineering management roles for government research-based organisations, including the Defence Science and Technology Organisation (DSTO).

Mr. Coupe holds an Honours Degree in Electrical and Electronic Engineering from the University of Adelaide and was awarded the Ernst & Young Entrepreneur Of The Year in Technology and Emerging Industries for the Central Region of Australia in 2009.

Mr Coupe beneficially holds shares of 989,000 as at 29<sup>th</sup> September 2015.

### Meera Verma

Meera Verma is 57 years old and was appointed an Independent Director on 15 May 2013. Dr Verma is a professional executive with expertise spanning the global healthcare, product development and biotechnology delivery industries. She is the principal of Headland Vision, a strategic product development advisory and consultancy company, and previously served as Site Director for the Adelaide-based R&D and manufacturing facility of Hospira Incorporation, a global speciality pharmaceutical and medication company. Dr. Verma is a Fellow of both the Australian Academy of Technological Sciences and Engineering (ATSE) and the Australian Institute of Company Directors.

Dr. Verma holds a Doctoral Degree in Biochemistry from the University of Adelaide and is a Non-Executive Director of Biosensis Pty Ltd and (not-for-profit) Trees for Life. She is currently a member of the Remuneration Committee.

Dr Verma beneficially holds shares of 49,000 as at 29<sup>th</sup> September 2015.

The above named directors held office during and since the end of the financial year unless otherwise stated.

## Company Secretary

Maria Maieli has over 25 years of senior financial management experience in public and private companies, specialising in international tax and reporting and corporate compliance and governance.

Ms. Maieli holds a Masters Degree in Professional Accounting from the Southern Cross University and is a Certified Practising Accountant (CPA). Ms. Maieli is currently completing a Graduate Diploma of Applied Corporate Governance through the Governance Institute of Australia.

Ms. Maieli joined Ellex in May 2011 and holds the position of CFO. She was appointed Company Secretary 1 January 2013.

## Directors' Report

### Principal activities

During the year, the principal activities of entities within the Group were:

- Global leader in design and manufacture of lasers and ultrasound systems
- Distribution and service of medical devices to ophthalmologists to diagnose and treat eye disease
- Manufacture and distribution of canaloplasty mircocatheter.

There have been no significant changes in the nature of these activities during the year.

### Review of operations

An operating profit before tax of \$2.6m was achieved for the year ended 30 June 2015. This is another material improvement in operating result following on from a solid performance in 2014. Net cash from operations also grew substantially to \$6.3m, up from \$2.7m in 2014.

The strong operating result was driven by an increase in sales of 15% over 2014. Revenues of \$62.7m were the highest in the history of the company. Global sales of our treatment laser portfolio, including early adopter sales of the proprietary 2RT™ laser indicated for early age-related macular degeneration (AMD) and clinically significant macular edema (CSME). Additionally sales of our Integre Pro™ retinal laser and the full year sales impact of the iTrack™ glaucoma surgical device, acquired on 1 January 2014, combined with the lower Australian dollar also contributed to the result.

With the exception of Japan, all sales territories showed growth in particular, once again, Asian growth was good. In Japan, following several years of declining sales of Ellex-branded product, a new sales management structure was implemented in October/November 2014 and since then we have been working to reinvigorate the sales of our Ellex-branded products in Japan.

Profitability of the business also improved during 2015. The ratio of EBITDA to sales climbed to 9% during the year compared with 5% in 2014. Better pricing and focussed effort on both operating costs and production cost management are the primary drivers of the improved profitability. This improved profitability was also achieved despite expenses of \$1.0m for the relaunch of iTrack™ canaloplasty device, 2RT™ and expansion in Asia growth initiatives for the 2016 financial year and beyond.

The balance sheet also improved during the year. As of 30 June 2015, our net debt was \$2.2m compared with \$3.9m at 30 June 2014. Inventory, a significant group asset, turned over at a rate 1.9 times per year up from 1.8 times in 2014. Careful inventory management, from raw materials at the factory to inventory of demonstration products, is a continuing point of focus for management. The improvement of cash flow from operations to \$6.3m from \$2.7m in 2014 is testimony to this focus.

Continuing commercial and clinical progress of our 2RT™ laser device intervention for patients with early stage AMD was also achieved in 2015. A total of \$2.3m was spent during 2015 on new product development including \$0.4m for the Laser Intervention in early AMD (LEAD) clinical trial. Interim results from this trial will be available in April 2016 with final results in 2018. In the meantime many doctors are electing to purchase 2RT™ as an intervention for patients with early AMD based on the promising clinical data already on hand.

### Financial position

As at 30 June 2015, the net assets of the consolidated group increased by \$2.8 million from 30 June 2014 to \$39.8 million.

The Board's goal is to continue to foster improved operational and profit performance whilst investing in future growth of the Ellex business.

### Environmental regulations

The group holds licences to operate the manufacturing processes required to produce its products. It is not subject to significant environmental regulation or reporting requirements. There have been no known significant breaches of the group's licence conditions.

### Future developments

The Company will continue to focus on the further development of its business being the development, manufacture, service and distribution of ophthalmic medical equipment for use in ophthalmic procedures worldwide and business related to these capabilities.

The market in which the business operates is very competitive. Therefore further disclosure of information regarding likely developments in the operations of the consolidated group in future financial years and the expected results of those operations is likely to prejudice the competitive position of the consolidated group. Accordingly, this information has not been disclosed in this report.

### Dividends

No dividend has been declared with respect to the year ended 30 June 2015 (30 June 2014: Nil).

## Share options

At the date of this report there are no shares under option.

There were no shares or interests issued during the financial year to directors, executives and staff as a result of exercise of an option.

## Indemnification of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company (as named above), the Company Secretary, and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of financial year indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate, against a liability incurred as such an officer or auditor.

No persons have applied for leave of the court under Section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of these proceedings. No proceedings have been brought or intervened on behalf of the Group with leave of the court under Section 237 of the Corporations Act 2001.

## Diversity

The gender quality indicators submitted in the Workplace Gender Report for financial year 30th June 2015.

|              | Total | Production | Others | Middle Management | Senior Management | Board |
|--------------|-------|------------|--------|-------------------|-------------------|-------|
| All Staff    | 224   | 63         | 114    | 29                | 13                | 5     |
| Female Staff | 59    | 19         | 26     | 10                | 3                 | 1     |
| % of total   | 26%   | 30%        | 23%    | 34%               | 23%               | 20%   |

Portion of Female Employees of Ellex Medical Lasers Limited as at 30 June 2015.

## Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, eleven Board meetings, three Audit & Risk Committee meetings and two Remuneration Committee meetings were held.

| Directors | Board of directors |          | Audit & Risk Committee |          | Remuneration committee |          |
|-----------|--------------------|----------|------------------------|----------|------------------------|----------|
|           | Held               | Attended | Held                   | Attended | Held                   | Attended |
| V Previn  | 11                 | 11       | 3                      | 3        | 2                      | 2        |
| A Sundich | 11                 | 10       | 3                      | 3        | -                      | -        |
| G Canala  | 11                 | 11       | 3                      | 3        | 2                      | 2        |
| R Coupe   | 11                 | 8        | -                      | -        | -                      | -        |
| M Verma   | 11                 | 11       | -                      | -        | 2                      | 2        |

## Directors' Report

### Director and executive shareholdings

#### Value of options issued to directors and executives.

No options were granted or exercised during the year on behalf of the company.

### Remuneration report - Audited

This remuneration report, which forms part of the director's report, sets out information about the remuneration of the directors and executives for the financial year ended 30 June 2015 in accordance with the Corporations Act 2001 and the Corporations Regulations 2001. The prescribed details for each person covered by this report are detailed below under the following headings:

- director and executive details
- remuneration policy for directors and executives
- relationship between the remuneration policy and company performance
- key terms of employment contracts
- remuneration of directors and executives

#### Director and executive details

The directors of Ellex Medical Lasers Limited during the year were:

- Victor Previn – Chairman
- Alex Sundich – Non-executive Director
- Giuseppe Canala – Independent Director
- Rahmon Coupe – Independent Director
- Meera Verma – Independent Director

The group executives of Ellex Medical Lasers Limited during the year were:

- Tom Spurling – Chief Executive Officer

#### Remuneration policy for directors and executives

The Board reviews the remuneration packages of all directors and executives on an annual basis. Remuneration packages are reviewed with due regard to performance and other relevant factors.

## Relationship between the remuneration policy and company performance

### Non-executive and Independent directors

Total remuneration for all non-executive directors, last voted on by shareholders at the 2001 AGM, is not to exceed \$200,000 (exclusive of superannuation) per annum and is set based upon advice from external advisors with reference to fees paid to other non-executive directors of comparable companies. Non-executive and independent directors' base fees are presently \$30,000 per annum.

The Chairman receives a director's fee of \$20,000 plus \$10,000 chairman's fee per annum. Director's fees cover all main Board functions but exclude membership of the Audit & Risk Committee. A fee of \$5,000 per annum is payable for membership of the Audit & Risk Committee. In addition, the Company pays compulsory superannuation. The Company does not have a formal Board Retirement scheme. Non-executive directors do not receive any performance related remuneration.

### Executive directors and executive management

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the consolidated group's diverse operations, recognising the Company's size, industry and location.

Remuneration and other terms of employment for executives are reviewed annually by the Board having regard to the individual's performance against goals and business plans, relevant comparative data and employment market conditions and independent expert advice.

Remuneration packages of executives incorporate a base salary (which can be taken as cash or fringe benefits), superannuation and performance-related short and long term incentives. The fixed component of remuneration is set to provide a base that is both appropriate to the position and is competitive in the market.

Short-term incentive payments are discretionary and take into account the extent to which specific operating targets set at the start of the financial year have been achieved. The operational targets consist of a number of key performance indicators (KPIs) covering both financial and non-financial measures of performance, the primary measure being the performance against profit targets.

Long-term incentives are linked to the improvement in the market value of the Company. The long term incentive is intended to reward efforts and results that promote long term growth in shareholder value.

The remuneration of key management personnel is based on an annual assessment of the individual's performance with reference to external data pertaining to executive remuneration. There is no link between the Company's performance and the setting of remuneration except as discussed on page 8.

Profit targets are defined as either Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) or Earnings Before Tax (EBT) or Regional Contribution margin, depending on the role of the employee involved. These have been chosen as the key measures by the Board as the most reflective performance indicators for the organisation at this point in its life cycle.

The tables below set out summary information about the consolidated group's earnings and movements in shareholder wealth for the five years to June 2015.

|                              | 30 June 2015<br>\$'000 | 30 June 2014<br>\$'000 | 30 June 2013<br>\$'000 | 30 June 2012<br>\$'000 | 30 June 2011<br>\$'000 |
|------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Revenue (i)                  | 62,679                 | 54,378                 | 42,805                 | 47,504                 | 43,135                 |
| EBITDA                       | 5,605                  | 2,987                  | 1,726                  | 3,149                  | 1,114                  |
| Net profit/(loss) before tax | 2,631                  | 1,311                  | 140                    | 1,067                  | (1,087)                |
| Net profit/(loss) after tax  | 1,680                  | 788                    | (816)                  | 1,050                  | (700)                  |

(i) Revenue includes revenue from sale of goods of ongoing operations as per Note 2 in the accounts in each financial year.

## Directors' Report

|                              | 30 June 2015 | 30 June 2014 | 30 June 2013 | 30 June 2012 | 30 June 2011 |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| Share price at start of year | 0.375        | 0.200        | 0.115        | 0.180        | 0.150        |
| Share price at end of year   | 0.310        | 0.375        | 0.200        | 0.115        | 0.180        |
| Interim dividend             | -            | -            | -            | -            | -            |
| Final dividend               | -            | -            | -            | -            | -            |
| Basic earnings per share     | 1.56 cps     | 0.73 cps     | (1.0) cps    | 1.2 cps      | (0.8) cps    |
| Diluted earnings per share   | 1.56 cps     | 0.73 cps     | (1.0) cps    | 1.2 cps      | (0.8) cps    |

### Key terms of employment contracts

Remuneration and other terms of employment of the Chief Executive Officer and senior executives are formalised in service agreements.

The payment of bonuses and other incentive payments are reviewed by the Remuneration Committee annually as part of the review of executive remuneration and a recommendation is put to the Board.

#### Tom Spurling – Chief Executive Officer

- Total remuneration package of \$332,079 inclusive of superannuation to be reviewed annually.
- Employer or employee may terminate employment on giving of 90 days' notice and in the event of early termination at the option of the employer, by payment of a termination benefit equal to the base salary for the unexpired period of notice. The termination benefit may be reduced by any amounts due to the Company under the long-term incentive arrangement.
- A short-term incentive payable at time of annual review, incentive will be at the discretion of the Board and based on overall performance of previous financial year. Range of incentive is \$25,000 to \$50,000.
- A long-term incentive in the form of shares of 133,550 shares for which an interest-free loan of \$43,939 was provided. The principle amount of this loan is only repayable from proceeds of the sale.

### Remuneration of directors and executives

#### Elements of director and executive compensation

The remuneration structure that has been adopted by the Group consists of the following components:

- Fixed salary/fees
- Benefits – including the provision of motor vehicle, superannuation and health benefits
- Short term incentive (STI) – the performance measures are set annually after consultation with the directors and executives and are specifically tailored to the areas where each executive has a level of control.

The Board may, at its discretion, award bonuses for exceptional performance in relation to each person's pre-agreed KPI's.

### Transactions with other related parties

Other related parties include:

- the parent entity;
- subsidiaries;
- key management personnel of the consolidated group,
- and any other related parties.

At 30 June 2015, the following balances arising from transactions with key management personnel of the Group remain outstanding by the Group:

- Amounts payable to (related to remuneration paid in arrears):

|             |          |
|-------------|----------|
| ♦ V Previn  | \$10,744 |
| ♦ A Sundich | \$10,744 |
| ♦ G Canala  | \$10,744 |
| ♦ M Verma   | \$7,500  |
| ♦ R Coupe   | \$9,209  |

At 30 June 2014, the following balances arising from transactions with key management personnel of the Group remain outstanding by the Group:

- Amounts payable to (related to remuneration paid in arrears):

|             |          |
|-------------|----------|
| ♦ V Previn  | \$13,106 |
| ♦ A Sundich | \$10,193 |
| ♦ G Canala  | \$10,193 |
| ♦ M Verma   | \$7,500  |
| ♦ R Coupe   | \$8,737  |

All loans advanced to and payable to related parties are unsecured.

## Director and executive shareholdings

The following table sets out each director's relevant beneficiary interest in shares of the Company or a related body corporate as at the date of this report:

| Directors  | Beneficiary holdings of Directors and executives |           |                                 |
|------------|--------------------------------------------------|-----------|---------------------------------|
|            | Opening Balance<br>1 July 2014                   | Movements | Closing Balance<br>30 June 2015 |
| V Previn   | 9,316,031                                        | -         | 9,316,031                       |
| A Sundich  | 6,300,000                                        | -         | 6,300,000                       |
| G Canala   | 4,061,788                                        | -         | 4,061,788                       |
| R Coupe    | 989,000                                          | -         | 989,000                         |
| M Verma    | -                                                | 49,000    | 49,000                          |
| T Spurling | 397,236                                          | 133,550   | 530,786                         |

## Directors' Report

| 2015              | Short-term employee benefits |          |                       | Post employment benefits    |          | Share-based payment | Other long-term benefits | Total          |
|-------------------|------------------------------|----------|-----------------------|-----------------------------|----------|---------------------|--------------------------|----------------|
|                   | Salary and fees              | Bonus    | Non-monetary benefits | Pension and super-annuation | Other    |                     |                          |                |
|                   | \$                           | \$       | \$                    | \$                          | \$       | \$                  | \$                       | \$             |
| <b>Directors</b>  |                              |          |                       |                             |          |                     |                          |                |
| V Previn          | 135,000                      | -        | 4,615                 | 12,825                      | -        | -                   | -                        | 152,440        |
| G Canala          | 35,000                       | -        | -                     | 3,325                       | -        | -                   | -                        | 38,325         |
| A Sundich         | 35,000                       | -        | -                     | 3,325                       | -        | -                   | -                        | 38,325         |
| R Coupe           | 30,000                       | -        | -                     | 2,850                       | -        | -                   | -                        | 32,850         |
| M Verma           | 30,000                       | -        | -                     | -                           | -        | -                   | -                        | 30,000         |
| <b>Executives</b> |                              |          |                       |                             |          |                     |                          |                |
| T Spurling (i)    | 269,072                      | -        | -                     | 19,068                      | -        | 43,939              | -                        | 332,079        |
| <b>Total</b>      | <b>534,072</b>               | <b>-</b> | <b>4,615</b>          | <b>41,393</b>               | <b>-</b> | <b>43,939</b>       | <b>-</b>                 | <b>624,019</b> |

| 2014              | Short-term employee benefits |          |                       | Post employment benefits    |          | Share-based payment | Other long-term benefits | Total          |
|-------------------|------------------------------|----------|-----------------------|-----------------------------|----------|---------------------|--------------------------|----------------|
|                   | Salary and fees              | Bonus    | Non-monetary benefits | Pension and super-annuation | Other    |                     |                          |                |
|                   | \$                           | \$       | \$                    | \$                          | \$       | \$                  | \$                       | \$             |
| <b>Directors</b>  |                              |          |                       |                             |          |                     |                          |                |
| V Previn          | 45,000                       | -        | 3,875                 | 4,162                       | -        | -                   | -                        | 53,037         |
| G Canala          | 15,000                       | -        | -                     | 23,237                      | -        | -                   | -                        | 38,237         |
| A Sundich         | 35,000                       | -        | -                     | 3,237                       | -        | -                   | -                        | 38,237         |
| R Coupe           | 26,250                       | -        | -                     | 2,428                       | -        | -                   | -                        | 28,678         |
| M Verma           | 26,250                       | -        | -                     | 2,428                       | -        | -                   | -                        | 28,678         |
| <b>Executives</b> |                              |          |                       |                             |          |                     |                          |                |
| T Spurling (i)    | 248,190                      | -        | -                     | 17,334                      | -        | 48,850              | -                        | 314,374        |
| <b>Total</b>      | <b>395,690</b>               | <b>-</b> | <b>3,875</b>          | <b>52,826</b>               | <b>-</b> | <b>48,850</b>       | <b>-</b>                 | <b>501,241</b> |

### Bonuses granted as compensation and additional comments – 2015 and 2014

(i) T Spurling

Interest-free loan to purchase shares, refer to section “Key terms of employment contracts”.

| Name       | Fixed remuneration |        | Performance based remuneration |        |        |        | At risk |        |
|------------|--------------------|--------|--------------------------------|--------|--------|--------|---------|--------|
|            |                    |        | Bonus                          |        | LTI    |        |         |        |
|            | 2015 %             | 2014 % | 2015 %                         | 2014 % | 2015 % | 2014 % | 2015 %  | 2014 % |
| V Previn   | 100                | 100    | -                              | -      | -      | -      | -       | -      |
| G Canala   | 100                | 100    | -                              | -      | -      | -      | -       | -      |
| M Plunkett | 100                | 100    | -                              | -      | -      | -      | -       | -      |
| A Sundich  | 100                | 100    | -                              | -      | -      | -      | -       | -      |
| R Coupe    | 100                | 100    | -                              | -      | -      | -      | -       | -      |
| M Verma    | 100                | 100    | -                              | -      | -      | -      | -       | -      |
| T Spurling | 86                 | 85     | -                              | -      | 14     | 15     | 14      | 15     |

## End of remuneration report

## Proceedings on behalf of the Company

There are currently no pending proceedings on behalf of the Company.

## Non-audit services

Details of amounts paid or payable to the auditor for all services provided during the year by the auditor are outlined in note 32 to the financial statements.

## Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2015 is included on page 22 of the financial report.

## Rounding off of amounts

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

Signed in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors



Victor Previn  
Chairman  
Adelaide, 29<sup>th</sup> September 2015

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Wayville SA 5034

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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 audit of Ellex Medical Lasers Limited for the year ended 30 June 2015, 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 audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

*Grant Thornton*

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



S K Edwards  
Partner – Audit & Assurance

Adelaide, 29 September 2015

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

|                                                                                             | Note | Consolidated Group |                |
|---------------------------------------------------------------------------------------------|------|--------------------|----------------|
|                                                                                             |      | 2015<br>\$'000     | 2014<br>\$'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)        |
| <b>Profit/(loss) from before income tax</b>                                                 |      | <b>2,631</b>       | <b>1,311</b>   |
| Income tax (expense)/benefit                                                                | 5    | (951)              | (523)          |
| <b>Profit/(loss) for the year attributable to members of the parent</b>                     |      | <b>1,680</b>       | <b>788</b>     |
| <b>Other comprehensive income:</b>                                                          |      |                    |                |
| <i>Items that may be reclassified subsequently to profit and loss</i>                       |      |                    |                |
| Exchange differences on translating foreign operations                                      |      | 1,164              | (708)          |
| <b>Total comprehensive income/(loss) for the year attributable to members of the parent</b> |      | <b>2,844</b>       | <b>80</b>      |

### Earnings per share:

|                                    |    |      |      |
|------------------------------------|----|------|------|
| Basic earnings per share (cents)   | 22 | 1.56 | 0.73 |
| Diluted earnings per share (cents) | 22 | 1.56 | 0.73 |

Notes to the financial statements are included on pages 27 to 73.

## Consolidated Statement of Financial Position as at 30 June 2015

|                                     | Note | Consolidated Group |                |
|-------------------------------------|------|--------------------|----------------|
|                                     |      | 2015<br>\$'000     | 2014<br>\$'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)        |
| Total Equity                        |      | 39,794             | 36,950         |

Notes to the financial statements are included on pages 27 to 73

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

|                                          | Issued Capital<br>\$'000 | Other Reserves<br>\$'000 | Foreign<br>Currency<br>Reserve<br>\$'000 | Accumulated<br>Losses<br>\$'000 | Total<br>\$'000 |
|------------------------------------------|--------------------------|--------------------------|------------------------------------------|---------------------------------|-----------------|
| <b>Balance at 1 July 2013</b>            | <b>35,188</b>            | <b>142</b>               | <b>(1,565)</b>                           | <b>(2,936)</b>                  | <b>30,829</b>   |
| Issue of share capital                   | 6,312                    | -                        | -                                        | -                               | 6,312           |
| Transaction costs                        | (271)                    | -                        | -                                        | -                               | (271)           |
| <b>Total of transactions with owners</b> | <b>6,041</b>             | <b>-</b>                 | <b>-</b>                                 | <b>-</b>                        | <b>6,041</b>    |
| Profit/(loss) for the year               | -                        | -                        | -                                        | 788                             | 788             |
| Other comprehensive income               | -                        | -                        | (708)                                    | -                               | (708)           |
| <b>Total comprehensive income</b>        | <b>-</b>                 | <b>-</b>                 | <b>(708)</b>                             | <b>788</b>                      | <b>80</b>       |
| <b>Balance at 30 June 2014</b>           | <b>41,229</b>            | <b>142</b>               | <b>(2,273)</b>                           | <b>788</b>                      | <b>80</b>       |
| <b>Balance at 1 July 2014</b>            | <b>41,229</b>            | <b>142</b>               | <b>(2,273)</b>                           | <b>(2,148)</b>                  | <b>36,950</b>   |
| Issue of share capital                   | -                        | -                        | -                                        | -                               | -               |
| Transaction costs                        | -                        | -                        | -                                        | -                               | -               |
| <b>Total of transactions with owners</b> | <b>-</b>                 | <b>-</b>                 | <b>-</b>                                 | <b>-</b>                        | <b>-</b>        |
| Profit/(loss) for the year               | -                        | -                        | -                                        | 1,680                           | 1,680           |
| Other comprehensive income               | -                        | -                        | 1,164                                    | -                               | 1,164           |
| <b>Total comprehensive income</b>        | <b>-</b>                 | <b>-</b>                 | <b>1,164</b>                             | <b>1,680</b>                    | <b>2,844</b>    |
| <b>Balance at 30 June 2015</b>           | <b>41,229</b>            | <b>142</b>               | <b>(1,109)</b>                           | <b>(468)</b>                    | <b>39,794</b>   |

Notes to the financial statements are included on pages 27 to 73

# Statement of Cash Flows

## for the financial year ended 30 June 2015

|                                                                                    | Note  | Consolidated Group |                |
|------------------------------------------------------------------------------------|-------|--------------------|----------------|
|                                                                                    |       | 2015<br>\$'000     | 2014<br>\$'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 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          |

Notes to the financial statements are included on pages 27 to 73

## Notes to the Financial Statements for the financial year ended 30 June 2015

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# Notes to the Financial Statements

## 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.

The consolidated financial statements for the year ended 30 June 2015 were approved and authorised for issue by the Board of Directors on 29<sup>th</sup> September 2015.

### 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.

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

## 1. Significant accounting policies continued

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.

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
-

### 1. Significant accounting policies continued

- 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:

- 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
- 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.

#### **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.

## 1. Significant accounting policies continued

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.

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.

# Notes to the Financial Statements

## 1. Significant accounting policies continued

### (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.

### (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.

## 1. Significant accounting policies continued

### (e) Impairment of assets continued

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.

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

## Notes to the Financial Statements

### 1. Significant accounting policies continued

#### (f) Principles of consolidation continued

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 is 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) Significant management judgement in applying accounting policies

When preparing the financial statements, management undertakes a number of judgements, estimate and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

#### Significant management judgement

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

#### Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions (see Note 5).

#### Estimation uncertainty

Information about estimate and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

#### Impairment

In assessing impairment, management estimate the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. In 2015, the Group has not recognised an impairment loss on capitalised development expenditure. (See Note 12)

## 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<br>\$'000     | 2014<br>\$'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<br>\$'000     | 2014<br>\$'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            |

## Notes to the Financial Statements

### 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<br>\$'000     | 2014<br>\$'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<br>\$'000     | 2014<br>\$'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)           |
| <b>Total of movement in stock provision</b>       | <b>(213)</b>       | <b>(236)</b>   |
|                                                   |                    |                |
| Depreciation of property, plant and equipment     | 743                | 570            |
| Amortisation of intangible assets                 | 1,789              | 854            |
| <b>Depreciation and amortisation expense</b>      | <b>2,532</b>       | <b>1,424</b>   |
| Legal fees                                        | 467                | 332            |
| Unrealised foreign exchange losses/(gains)        | 76                 | 426            |
| Realised foreign exchange losses/(gains)          | (463)              | 340            |
| <b>Operating lease rental expenses:</b>           |                    |                |
| Minimum lease payments                            | 2,006              | 3,047          |
| Superannuation contributions                      | 739                | 710            |

### 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).

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.

## 5. Income tax continued

### (a) Income tax recognised in profit or loss

|                                | Consolidated Group |                |
|--------------------------------|--------------------|----------------|
|                                | 2015<br>\$'000     | 2014<br>\$'000 |
| <b>Tax expense comprises:</b>  |                    |                |
| Current tax expense            | 24                 | 109            |
| Deferred tax expense/(benefit) | 927                | 414            |
| <b>Total tax expense</b>       | <b>951</b>         | <b>523</b>     |

|                                                                                                                                                                         |              |              |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| 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: |              |              |
| <b>Profit from operations</b>                                                                                                                                           | <b>2,631</b> | <b>1,311</b> |
| 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)        |
| <b>Total income tax expense</b>                                                                                                                                         | <b>951</b>   | <b>523</b>   |

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.

## Notes to the Financial Statements

### 5. Income tax continued

#### (b) Deferred tax balances

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

| 2015                                                    | Consolidated Group |                   |                   |          |
|---------------------------------------------------------|--------------------|-------------------|-------------------|----------|
|                                                         | 1/07/14            | Charged to Income | Charged to Equity | 30/06/15 |
| <b>Non-current Assets</b>                               |                    |                   |                   |          |
| <b>Temporary differences</b>                            |                    |                   |                   |          |
| Property, plant and equipment                           | 46                 | (190)             | -                 | (144)    |
| Intangibles                                             | 2,282              | (20)              | -                 | 2,262    |
| Capitalised Development costs                           | (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       |
| <b>Current Liabilities</b>                              |                    |                   |                   |          |
| Provisions                                              | (83)               | 47                | -                 | (36)     |
|                                                         | 834                | (595)             | -                 | 239      |
| <b>Unused tax losses and credits</b>                    |                    |                   |                   |          |
| 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 losses (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              | (363)             | -                 | 5,516    |
|                                                         | 6,713              | (958)             | -                 | 5,755    |

## 5. Income tax continued

### (b) Deferred tax balances continued

| 2014                                                    | Consolidated Group |                   |                   |          |
|---------------------------------------------------------|--------------------|-------------------|-------------------|----------|
|                                                         | 1/07/13            | Charged to Income | Charged to Equity | 30/06/14 |
| <b>Non-current Assets</b>                               |                    |                   |                   |          |
| <b>Temporary differences</b>                            |                    |                   |                   |          |
| Property, plant and equipment                           | 18                 | 28                | -                 | 46       |
| Intangibles                                             | 2,526              | (244)             | -                 | 2,282    |
| Capitalised Development costs                           | (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      |
| <b>Current Liabilities</b>                              |                    |                   |                   |          |
| Provisions                                              | -                  | (83)              | -                 | (83)     |
|                                                         | 1,227              | (505)             | 112               | 834      |
| <b>Unused tax losses and credits</b>                    |                    |                   |                   |          |
| 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).

## 7. Trade and other receivables

|                                                     | Consolidated Group |                |
|-----------------------------------------------------|--------------------|----------------|
|                                                     | 2015<br>\$'000     | 2014<br>\$'000 |
| <b>Current</b>                                      |                    |                |
| 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         |
| <b>Non Current</b>                                  |                    |                |
| Sundry recoverables                                 | 293                | 218            |
|                                                     | 293                | 218            |
| <b>Ageing of past due but not impaired</b>          |                    |                |
| 60 – 90 days                                        | 2,368              | 1,473          |
| 90 – 120 days                                       | 1,744              | 1,539          |
| <b>Total</b>                                        | <b>4,112</b>       | <b>3,012</b>   |
| <b>Movement in the allowance for doubtful debts</b> |                    |                |
| Balance at the beginning of the year                | 33                 | 10             |
| Amounts written off as uncollectible                | 18                 | 33             |
| Amounts reversed as previously over provided        | (33)               | (10)           |
| <b>Balance at the end of the year</b>               | <b>18</b>          | <b>33</b>      |
| <b>Ageing of impaired trade receivables</b>         |                    |                |
| 60 – 90 days                                        | -                  | -              |
| 90 – 120 days                                       | -                  | -              |
| 120+ days                                           | 18                 | 33             |
| <b>Total</b>                                        | <b>18</b>          | <b>33</b>      |

- (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.

## Notes to the Financial Statements

### 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<br>\$'000     | 2014<br>\$'000 |
| <b>Current</b>                             |                    |                |
| 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             |
|                                            | <b>15,682</b>      | <b>14,172</b>  |
| <b>Non-Current</b>                         |                    |                |
| Finished goods - at cost                   | 612                | 1,464          |
|                                            | <b>612</b>         | <b>1,464</b>   |

### 9. Other current assets

|             | Consolidated Group |                |
|-------------|--------------------|----------------|
|             | 2015<br>\$'000     | 2014<br>\$'000 |
| Prepayments | 1,142              | 1,412          |
|             | <b>1,142</b>       | <b>1,412</b>   |

### 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

## 10. Property, plant and equipment continued

|                                                             | Consolidated Group                 |              |
|-------------------------------------------------------------|------------------------------------|--------------|
|                                                             | Plant and equipment at cost \$'000 | Total \$'000 |
| <b>Gross carrying amount</b>                                |                                    |              |
| 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       |
| <b>Accumulated depreciation/amortisation and impairment</b> |                                    |              |
| 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)      |
| <b>Net book value</b>                                       |                                    |              |
| As at 30 June 2014                                          | 3,078                              | 3,078        |
| As at 30 June 2015                                          | 3,635                              | 3,635        |

## Notes to the Financial Statements

### 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.

|                                                | Intellectual<br>Property | Patents &<br>Trademarks | Consolidated<br>Group |
|------------------------------------------------|--------------------------|-------------------------|-----------------------|
|                                                | \$'000                   | \$'000                  | Total<br>\$'000       |
| <b>Gross carrying amount</b>                   |                          |                         |                       |
| 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                 |
| <b>Accumulated amortisation and impairment</b> |                          |                         |                       |
| 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)                 |
| <b>Net book value</b>                          |                          |                         |                       |
| As at 30 June 2014                             | 2,988                    | 845                     | 3,833                 |
| As at 30 June 2015                             | 3,297                    | 1,072                   | 4,369                 |

## 12. Capitalised development expenditure

|                                                | Consolidated Group                |
|------------------------------------------------|-----------------------------------|
|                                                | Capitalised Development<br>\$'000 |
| <b>Gross carrying amount</b>                   |                                   |
| 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                            |
| <b>Accumulated amortisation and impairment</b> |                                   |
| 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)                           |
| <b>Net book value</b>                          |                                   |
| As at 30 June 2014                             | 9,682                             |
| As at 30 June 2015                             | 10,710                            |

### 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

## Notes to the Financial Statements

### 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<br>\$'000     | 2014<br>\$'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<br>\$'000     | 2014<br>\$'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<br>\$'000     | 2014<br>\$'000 |
| <b>Current</b>                            |                    |                |
| Bank overdrafts (note 29a)                | -                  | -              |
| Bank borrowings (i)                       | 5,762              | 4,941          |
| Finance lease liabilities (note 25a) (ii) | 64                 | 14             |
| Other loans (unsecured)                   | 184                | 182            |
|                                           | <b>6,010</b>       | <b>5,137</b>   |
| <b>Non-Current</b>                        |                    |                |
| Bank borrowings (iii)                     | 396                | 584            |
| Finance lease liabilities (note 25a) (ii) | 351                | 21             |
|                                           | <b>747</b>         | <b>605</b>     |

### 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 charge 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<br>\$'000     | 2014<br>\$'000 |
| <b>Current</b>     |                    |                |
| Employee benefits  | 2,266              | 2,074          |
| Warranty (i)       | 325                | 301            |
|                    | <b>2,591</b>       | <b>2,375</b>   |
| <b>Non-Current</b> |                    |                |
| Employee benefits  | 116                | 122            |
|                    | <b>116</b>         | <b>122</b>     |

|                                  | Consolidated Group |            |
|----------------------------------|--------------------|------------|
|                                  | Warranty (i)       |            |
| Balance at 30 June 2013          |                    | 290        |
| Additional provisions recognised |                    | 420        |
| Amounts used                     |                    | (409)      |
| <b>Balance at 30 June 2014</b>   |                    | <b>301</b> |
| Additional provisions recognised |                    | 419        |
| Amounts used                     |                    | (395)      |
| <b>Balance at 30 June 2015</b>   |                    | <b>325</b> |

- (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. Deferred income**

|                          | Consolidated Group |                |
|--------------------------|--------------------|----------------|
|                          | 2015<br>\$'000     | 2014<br>\$'000 |
| Deferred warranty income | 527                | 389            |
|                          | 527                | 389            |

**18. Deferred income - non-current**

|                          | Consolidated Group |                |
|--------------------------|--------------------|----------------|
|                          | 2015<br>\$'000     | 2014<br>\$'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.

## Notes to the Financial Statements

### 19. Issued capital continued

|                                        | Consolidated Group |                |
|----------------------------------------|--------------------|----------------|
|                                        | 2015<br>\$'000     | 2014<br>\$'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<br>\$'000     | 2014<br>\$'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 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<br>\$'000     | 2014<br>\$'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)        |

## 22. 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<br>Cents per share | 2014<br>Cents per share |
| <b>Basic earnings per share:</b>   |                         |                         |
| Total basic earnings per share     | 1.56                    | 0.73                    |
| <b>Diluted earnings per share:</b> |                         |                         |
| Total diluted earnings per share   | 1.56                    | 0.73                    |

### 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<br>\$'000     | 2014<br>\$'000 |
| Net profit/(loss) | 1,680              | 788            |

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

## Notes to the Financial Statements

### 22. Earnings per share continued

#### 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<br>\$'000     | 2014<br>\$'000 |
| Net profit/(loss)                                                                     | 1,680              | 788            |
|                                                                                       | Consolidated Group |                |
|                                                                                       | 2015<br>No.        | 2014<br>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 |
| <b>Fully paid ordinary shares</b> |                 |              |                 |              |
| Final dividend – franked to 30%   | Nil             | Nil          | Nil             | Nil          |

|                                   | Company        |                |
|-----------------------------------|----------------|----------------|
|                                   | 2015<br>\$'000 | 2014<br>\$'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.

## 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<br>\$'000                                 | 2014<br>\$'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             |

### (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<br>\$'000     | 2014<br>\$'000 |
| <b>Non-cancellable operating lease payments</b> |                    |                |
| 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          |

## Notes to the Financial Statements

### 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 %             | 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<br>\$'000     | 2014<br>\$'000 |
| <b>Statement of comprehensive income</b>      |                    |                |
| 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)        |
| <b>Profit/(Loss) before income tax</b>        | <b>3,702</b>       | <b>3,407</b>   |
| Income tax credit/(expense)                   | (832)              | (876)          |
| <b>Profit/(Loss) for the year</b>             | <b>2,870</b>       | <b>2,531</b>   |

|                                        | Consolidated Group |                |
|----------------------------------------|--------------------|----------------|
|                                        | 2015<br>\$'000     | 2014<br>\$'000 |
| <b>Statement of financial position</b> |                    |                |
| <b>Current assets</b>                  |                    |                |
| Cash assets                            | 2,552              | 890            |
| Trade and other receivables            | 11,282             | 11,827         |
| Inventories                            | 9,987              | 9,138          |
| Other                                  | 630                | 927            |
| <b>Total current assets</b>            | <b>24,451</b>      | <b>22,782</b>  |

## Notes to the Financial Statements

### 26. Subsidiaries continued

|                                     | Consolidated Group |                |
|-------------------------------------|--------------------|----------------|
|                                     | 2015<br>\$'000     | 2014<br>\$'000 |
| <b>Non-current assets</b>           |                    |                |
| 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         |
| <b>Total non-current assets</b>     | <b>34,480</b>      | <b>38,575</b>  |
| <b>Total assets</b>                 | <b>58,931</b>      | <b>61,357</b>  |

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

## 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.

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.

## Notes to the Financial Statements

### 27. Segment information continued

#### 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.

#### (a) Segment performance

|                                                                        | Distributors<br>\$'000 | Direct<br>\$'000 | Total<br>\$'000 |
|------------------------------------------------------------------------|------------------------|------------------|-----------------|
| <b>Year ended 30 June 2015</b>                                         |                        |                  |                 |
| <b>Revenue</b>                                                         |                        |                  |                 |
| External sales                                                         | 17,782                 | 44,897           | 62,679          |
| <b>Total segment revenue</b>                                           | <b>17,782</b>          | <b>44,897</b>    | <b>62,679</b>   |
| <b>Segment net profit before tax</b>                                   | <b>4,965</b>           | <b>7,962</b>     | <b>12,927</b>   |
| 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             |
| <b>Net profit before tax from continuing operations</b>                |                        |                  | <b>2,631</b>    |

## 27. Segment information continued

### (a) Segment performance continued

|                                                                        | Distributors<br>\$'000 | Direct<br>\$'000 | Total<br>\$'000 |
|------------------------------------------------------------------------|------------------------|------------------|-----------------|
| <b>Year ended 30 June 2014</b>                                         |                        |                  |                 |
| <b>Revenue</b>                                                         |                        |                  |                 |
| External sales                                                         | 15,444                 | 38,934           | 54,378          |
| <b>Total segment revenue</b>                                           | <b>15,444</b>          | <b>38,934</b>    | <b>54,378</b>   |
| <b>Segment net profit before tax</b>                                   | <b>4,323</b>           | <b>5,464</b>     | <b>9,787</b>    |
| 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)           |
| <b>Net profit before tax from continuing operations</b>                |                        |                  | <b>1,311</b>    |

### (b) Segment assets

|                                                  | Distributors<br>\$'000 | Direct<br>\$'000 | Total<br>\$'000 |
|--------------------------------------------------|------------------------|------------------|-----------------|
| <b>Year ended 30 June 2015</b>                   |                        |                  |                 |
| <b>Segment assets – opening</b>                  | <b>15,059</b>          | <b>18,858</b>    | <b>33,917</b>   |
| Segment asset charges for the period:            |                        |                  |                 |
| Net reduction in inventories and receivables     | 979                    | 3,214            | 4,194           |
| <b>Total segment assets</b>                      | <b>16,038</b>          | <b>22,072</b>    | <b>38,110</b>   |
| 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           |
| <b>Total group assets</b>                        |                        |                  | <b>58,980</b>   |

## 27. Segment information continued

### (b) Segment assets continued

|                                                  | Distributors<br>\$'000 | Distributors<br>\$'000 | Total<br>\$'000 |
|--------------------------------------------------|------------------------|------------------------|-----------------|
| <b>Year ended 30 June 2014</b>                   |                        |                        |                 |
| 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           |
| <b>Total segment assets</b>                      | <b>15,059</b>          | <b>18,858</b>          | <b>33,917</b>   |
| 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           |
| <b>Total group assets</b>                        |                        |                        | <b>54,228</b>   |

### (c) Segment liabilities

|                                | Distributors<br>\$'000 | Direct<br>\$'000 | Total<br>\$'000 |
|--------------------------------|------------------------|------------------|-----------------|
| <b>Year ended 30 June 2015</b> |                        |                  |                 |
| <b>Segment liabilities</b>     | <b>15,301</b>          | <b>3,885</b>     | <b>19,186</b>   |
| <b>Year ended 30 June 2014</b> |                        |                  |                 |
| <b>Segment liabilities</b>     | <b>13,293</b>          | <b>3,985</b>     | <b>17,278</b>   |

### (d) Revenue by geographical region

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

|                          | 2015<br>\$'000 | 2014<br>\$'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          |
| <b>Total revenue</b>     | <b>62,679</b>  | <b>54,378</b>  |

## 27. Segment information continued

### (e) Assets by geographical region

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

|                          | 2015<br>\$'000 | 2014<br>\$'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                    | -              | -              |
| <b>Total assets</b>      | <b>58,980</b>  | <b>54,228</b>  |

### (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%).

## 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

Details of key management personnel compensation are disclosed in Directors' Report.

#### Transactions between Ellex Medical Lasers Limited and its related parties

The following balances arising from transactions between the Company and its other related parties are outstanding at reporting date:

- Loan totalling \$6,843 thousand (2014: \$10,591 thousand) are receivable from subsidiaries.

#### Transactions between the Group and its related parties

During the financial year ended 30 June 2015, the following transactions occurred between the Group and its other related parties:

- Interest payments of \$240 thousand (2014: \$157 thousand) were made between subsidiaries in the Group on inter-Company loans payable. The weighted average interest rate on the loans is 1.5% (2014: 3.85%). Interest is payable annually.
- Sales between the subsidiaries totalled \$18,646 thousand (2014: \$20,897 thousand) during the year. Payment terms are 60 days.
- Management fees were charged between subsidiaries of \$2,962 thousand (2014: \$1,381 thousand) during the year for management, accounting, marketing and communications support.

## 28. Related party disclosures continued

### (c) Key management personnel compensation

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

|                              | Consolidated Group |                |
|------------------------------|--------------------|----------------|
|                              | 2015<br>\$'000     | 2014<br>\$'000 |
| Short-term employee benefits | 539                | 399            |
| Post-employment benefits     | 41                 | 53             |
| Share based payments         | 44                 | 49             |
|                              | 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<br>\$'000     | 2014<br>\$'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<br>\$'000     | 2014<br>\$'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<br>Million JPY | 2014<br>Million JPY |
| Debtor finance (Japan) |                     |                     |
| • amount used (i)      | 247                 | 278                 |
| • amount unused        | 103                 | 72                  |
|                        | 350                 | 350                 |

|                      | Consolidated Group  |                     |
|----------------------|---------------------|---------------------|
|                      | 2015<br>Million USD | 2014<br>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<br>\$'000     | 2014<br>\$'000 |
| Profit/(Loss) for the year                                                                         | 1,680              | 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                                                        | 1,594              | (826)          |
| Net cash from operating activities                                                                 | 6,324              | 2,704          |

### 30. Financial instruments

The consolidated group enters into derivative financial instruments from time to time to manage its exposure to foreign exchange rate risk. Further details of derivative financial instruments are disclosed in note 30 to the financial statements.

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, commercial bills and leases.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

|                             | Note  | Consolidated Group |                |
|-----------------------------|-------|--------------------|----------------|
|                             |       | 2015<br>\$'000     | 2014<br>\$'000 |
| Financial assets            |       |                    |                |
| Cash and cash equivalents   | 29(a) | 4,593              | 1,768          |
| Receivables                 | 7     | 12,446             | 12,023         |
| Total financial assets      |       | 17,039             | 13,791         |
| Financial liabilities       |       |                    |                |
| Trade and other payables    | 14    | 9,109              | 8,520          |
| Borrowings                  | 15    | 6,757              | 5,742          |
| Total financial liabilities |       | 15,866             | 14,262         |

#### (a) Capital risk management

The consolidated group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through optimising the debt and equity balance.

The capital structure of the consolidated group consists of debt, which includes the borrowings disclosed in note 15, cash and cash equivalents and equity attributable to the equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 19, 20 and 21 respectively. The consolidated group operates globally, primarily through subsidiary companies established in the markets in which the consolidated group trades. None of the subsidiary companies are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand manufacturing facilities and distribution assets, as well as make routine out flows of tax and repayment of maturing debt. The consolidated group's policy is to manage debt and equity centrally, using capital market issues and borrowing facilities to meet anticipated funding requirements.

#### Externally imposed capital requirements

The following financial covenants apply at all times to the group and are tested with respect to the twelve month period prior to the test date:

- Fixed charge cover ratio  $\geq 2.00x$ ;
- Gearing ratio  $\leq 2.5x$ ;
- Minimum Tangible Net Worth  $\geq$  the great of \$14m or 85% of prior Financial Year end Tangible Net Worth;
- Capitalised Research and Development must not exceed the sum of:
  - Free cash flow plus
  - 70% of equity raised during the test period plus
  - 70% of cash at Bank as appearing in your balance sheet at commencement of the test period

### 30. Financial instruments continued

#### (b) Financial risk management objectives

The requirements are monitored on a continual basis and form part of the regular management and Board reporting.

The Audit & Risk Committee Group reviews the treasury function of the consolidated group to provide services to the business, coordinate access to domestic and international financial markets, and manage the financial risks relating to the operations of the consolidated group. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The consolidated group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the consolidated group's policies approved by the Board of Directors and Audit & Risk Committee, which provide written principles on the use of financial derivatives. Compliance with policies and exposure limits is reviewed by the management on a continuous basis. During the financial year 2010, the Board of Directors minuted that all future foreign currency hedging is to be approved by the Board before proceeding.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

#### (c) Categories of financial instruments

The categories of financial instruments are identified in the Statement of Financial Position and notes thereto.

#### (d) Loans and receivables designated as at 'fair value through profit or loss'

There were no loans and receivables designated as at 'fair value through profit or loss' in 2015 or 2014.

#### (e) Market risk

The consolidated group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. From time to time, the consolidated group enters into collar options to hedge the exchange rate risk arising on the sale of ophthalmic equipment in foreign currencies.

At the consolidated group and Company level market risk exposures are measured using sensitivity analysis. There has been no change in the consolidated group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

#### (f) Foreign currency risk management

The consolidated group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise.

The board of directors approves foreign currency risk management procedures that are applied.

The nature of the consolidated group's exposure to foreign currency risks and the circumstances in which they arise is as follows:

- Price lists
- Inventory holdings in off-shore warehouses

The consolidated group issues some price lists for its products in foreign currency, generally set in terms of its annual budgeted exchange rate.

- Sales and purchases in foreign currency

The consolidated group's major exposure arises from the export of products in foreign currency to off shore locations such as USA, Europe and Japan and the import of raw materials also denominated in foreign currency. The consolidated group strives to offset as much of this exposure within its capacity of a natural hedge, and manage the net exposure.

### 30. Financial instruments continued

#### (f) Foreign currency risk management continued

The objectives, policies and processes for managing foreign currency risk and the methods used to measure the risk are as follows:

##### Objective

The objective of the consolidated group's foreign currency risk policy is to seek to minimise the volatility associated with foreign currency rates and deliver AUD cash flows with as much certainty as possible.

##### Policy and processes

The management of consolidated group's foreign exchange risk is a two-stage process. The first is to assess the degree of natural hedge (offset purchases against receipts in same currencies) and then, if considered practical, to manage the 'net' exposure.

##### Natural Hedge

The consolidated group identifies any natural hedge that arises as a result of purchases/outflows denominated in the foreign currency which are able to be offset against sales/inflows received.

Timing differences between the inflows and outflows are managed using the following techniques:

- Foreign Currency Deposit Accounts - to store surplus funds from time-to-time;
- Foreign Currency Loans - where working capital requirements are drawn from time-to-time and repaid with foreign currency receipts.
- Non-AUD cashflows are monitored for any surplus funds or shortfalls.

##### Interim policy

The carrying amount of the consolidated group's foreign currency denominated monetary assets and monetary liabilities at reporting date is as follows:

|              | Liabilities  |              | Assets       |              |
|--------------|--------------|--------------|--------------|--------------|
|              | 2015<br>'000 | 2014<br>'000 | 2015<br>'000 | 2014<br>'000 |
| US dollars   | 3,725        | 211          | 5,416        | 3,783        |
| Japanese Yen | 1,364        | 1,449        | 4,262        | 4,507        |
| Euro         | (59)         | 158          | 2,059        | 1,134        |

##### Foreign currency sensitivity analysis

The consolidated group is mainly exposed to USA dollars, Euro and Japanese Yen.

The following table details the consolidated group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currency. 10% represents management's assessment of the possible change in foreign currency rates within a reasonable period of time. The sensitivity analysis only includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in the currency rates. The sensitivity includes external loans. A positive number indicates an increase in profit or loss and other equity where the Australian dollar weakens against the respective currency. For a strengthening of the Australian dollar against the respective currency there would be an equal and opposite impact on the profit and other equity.

## 30. Financial instruments continued

### (f) Foreign currency risk management continued

|                | Euro Impact Consolidated |           | USD Impact Consolidated |           | Japanese Yen Impact Consolidated |           |
|----------------|--------------------------|-----------|-------------------------|-----------|----------------------------------|-----------|
|                | 2015 '000                | 2014 '000 | 2015 '000               | 2014 '000 | 2015 '000                        | 2014 '000 |
| Profit or loss | 192                      | 88        | 458                     | 324       | 263                              | 277       |

The exposures are mainly attributable to foreign currency denominated receivables, payables, cash and loans.

### (g) Interest rate risk management

The consolidated group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings.

The sensitivity analysis below has been determined based upon exposures to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

At reporting date, if interest rates had been 100 basis points (2014: 100 basis points) higher or lower and all other variables were held constant, the consolidated group's:

- Net profit after tax would increase by \$10 thousand and decrease by \$10 thousand (2014: increase by \$13 thousand and decrease by \$13 thousand). This is attributable to the consolidated group's exposure to interest rates on its variable rate borrowings.

The consolidated group's sensitivity to interest rates has increased during the current period mainly due to an increase in borrowings.

### (h) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated group. The consolidated group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated group exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved annually. The consolidated group measures credit risk on a fair value basis.

Trade accounts receivable consist of a large number of customers, spread across diverse geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit reference check is conducted for the debtor.

The consolidated group and the Company do not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the consolidated group's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

### (i) Fair value of financial instruments

The carrying amount of all financial assets and liabilities approximate their fair value.

### (j) Liquidity risk management

The consolidated group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 29(b) is a listing of undrawn facilities that the consolidated group has at its disposal to further reduce liquidity risk.

### 30. Financial instruments continued

#### (k) Maturity profile of financial instruments

The following tables detail the consolidated group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the consolidated group can be required to pay. The tables include both interest and principal cash flows.

| 2015                    | Average interest rate | Less than 1 month \$'000 | Interest rate maturity |                       |                     | 5+ years \$'000 | Total \$'000 |
|-------------------------|-----------------------|--------------------------|------------------------|-----------------------|---------------------|-----------------|--------------|
|                         |                       |                          | 1 to 3 months \$'000   | 3 to 12 months \$'000 | 1 to 5 years \$'000 |                 |              |
| Financial Liabilities   |                       |                          |                        |                       |                     |                 |              |
| Overdraft               | -                     | -                        | -                      | -                     | -                   | -               | -            |
| Commercial Bills        | 3.3%                  | -                        | 187                    | 394                   | -                   | -               | 581          |
| Finance Lease           | 6.56%                 | 10                       | 21                     | 96                    | 288                 | -               | 415          |
| Finance Advance         | 3.3%                  | 23                       | 46                     | 115                   | -                   | -               | 184          |
| Trade payables          | -                     | 3,468                    | 93                     | -                     | -                   | -               | 3,561        |
| Other payables          | -                     | -                        | 2,206                  | 631                   | 2,085               | 577             | 5,499        |
| Payable to directors    | -                     | -                        | 49                     | -                     | -                   | -               | 49           |
| Kansai Loan             | 1.7%                  | 28                       | 55                     | 243                   | 267                 | -               | 593          |
| Debtor Finance Facility | 1.9%                  | 1,062                    | 3,429                  | 455                   | -                   | -               | 4,946        |
|                         |                       | 4,591                    | 6,086                  | 1,934                 | 2,640               | 577             | 15,828       |

| 2014                    | Average interest rate | Less than 1 month<br>\$'000 | Interest rate maturity  |                          |                        | 5+ years<br>\$'000 | Total<br>\$'000 |
|-------------------------|-----------------------|-----------------------------|-------------------------|--------------------------|------------------------|--------------------|-----------------|
|                         |                       |                             | 1 to 3 months<br>\$'000 | 3 to 12 months<br>\$'000 | 1 to 5 years<br>\$'000 |                    |                 |
| Financial Liabilities   |                       |                             |                         |                          |                        |                    |                 |
| Overdraft               | -                     | -                           | -                       | -                        | -                      | -                  | -               |
| Commercial Bills        | 3.3%                  | -                           | 187                     | 1,144                    | -                      | -                  | 1,331           |
| Finance Lease           | 5.8%                  | 1                           | 2                       | 11                       | 20                     | -                  | 34              |
| Finance Advance         | 3.3%                  | 23                          | 69                      | 90                       | -                      | -                  | 182             |
| Trade payables          | -                     | 2,280                       | 635                     | -                        | -                      | -                  | 2,915           |
| Other payables          | -                     | -                           | 2,212                   | 514                      | 1,903                  | 727                | 5,356           |
| Payable to directors    | -                     | -                           | 50                      | -                        | -                      | -                  | 50              |
| Kansai Loan             | 1.7%                  | 28                          | 55                      | 243                      | 584                    | -                  | 910             |
| Debtor Finance Facility | 2.1%                  | 1,097                       | 1,823                   | -                        | -                      | -                  | 2,920           |
|                         |                       | 3,429                       | 5,033                   | 2,002                    | 2,507                  | 727                | 13,698          |

## Notes to the Financial Statements

### 31. Parent entity information

The financial information for the parent entity, Ellex Medical Lasers Limited, has been prepared on the same basis as the consolidated financial statements except for that outlined below.

|                                                                   | Parent Entity  |                 |
|-------------------------------------------------------------------|----------------|-----------------|
|                                                                   | 2015<br>\$'000 | 2014<br>\$'000  |
| <b>Statement of financial position</b>                            |                |                 |
| Total current assets                                              | 1,562          | 338             |
| Total non-current assets                                          | 28,010         | 28,812          |
| <b>Total assets</b>                                               | <b>29,572</b>  | <b>29,150</b>   |
| Total current liabilities                                         | 170            | 162             |
| Total non-current liabilities                                     | (6,843)        | (10,591)        |
| <b>Total liabilities</b>                                          | <b>(6,843)</b> | <b>(10,429)</b> |
| Share capital                                                     | 41,231         | 41,231          |
| General reserves                                                  | (1,800)        | -               |
| Accumulated gain/(loss)                                           | (3,186)        | (1,652)         |
| <b>Total Equity</b>                                               | <b>36,245</b>  | <b>39,579</b>   |
| <b>Statement of profit or loss and other comprehensive income</b> |                |                 |
| (Loss)/profit for the year                                        | (1,534)        | (1,397)         |
| <b>Total comprehensive income</b>                                 | <b>(1,534)</b> | <b>(1,397)</b>  |

Except for those noted below, our accounting policies for the Ellex entity are consistent with those for the Ellex Group:

- Under tax funding arrangements, amounts receivable (or payable) recognised by the Ellex Group for the current tax payable (or receivable) assumed of our wholly owned entities are booked as current assets or liabilities.
- Investments in controlled entities, included within non-current assets above, are recorded at cost less impairment of the investment value. Refer to note 26 for details on our investments in controlled entities.

#### (a) Property, plant and equipment commitments

There are no contractual commitments for the acquisition of property, plant or equipment as at 30 June 2015 (2014: Nil).

#### (b) Contingent liabilities and guarantees

There are no contingent liabilities as at 30 June 2015 (2014: Nil).

#### (c) Indemnities, performance guarantees and financial support

The parent entity has provided the following indemnities, performance guarantees and financial support, through the Ellex entity as follows:

- Security over overseas subsidiaries assets to support facilities by Westpac to the value of \$19,224 thousand (2014: \$19,224 thousand).

### 32. Remuneration of auditors

|                                         | Consolidated Group |                |
|-----------------------------------------|--------------------|----------------|
|                                         | 2015<br>\$         | 2014<br>\$     |
| Auditor of the parent entity            |                    |                |
| Audit or review of the financial report |                    |                |
| • Grant Thornton                        | 108,000            | 105,000        |
|                                         | <b>108,000</b>     | <b>105,000</b> |

The auditor of Ellex Medical Lasers Limited is Grant Thornton Audit Pty Ltd (2014: Grant Thornton Audit Pty Ltd).

There were no non-audit services provided in 2015, (2014 non-audit services were performed with respect to an application to a third party for a grant).

## Directors' Declaration

### Directors' Declaration

1. In the opinion of the Directors of Ellex Medical Lasers Limited:
  - (a) The consolidated financial statements and notes of Ellex Medical Lasers Limited are in accordance with the Corporations Act 2001, including
    - i Giving a true and fair view of its financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
    - ii Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
  - (b) There are reasonable grounds to believe that Ellex Medical Lasers Limited will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2014.
3. Note 1 confirms that the consolidated financial statements also comply with the International Financial Reporting Standards.
4. At the date of this declaration, the Group is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee. In the Directors' opinion, these are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in note 26 to the financial statements, will as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the directors:

A handwritten signature in dark ink, appearing to read 'V. Previn', is written over a light blue horizontal line.

On behalf of the Directors  
Victor Previn  
Chairman  
Adelaide, 29<sup>th</sup> September 2015

Level 1,  
67 Greenhill Rd  
Wayville SA 5034

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELLEX MEDICAL LASERS LIMITED**

### **Report on the financial report**

We have audited the accompanying financial report of Ellex Medical Lasers Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

### **Directors' responsibility for the financial report**

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

Grant Thornton Audit Pty Ltd ACN 130 913 594  
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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Independence**

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

### **Auditor's opinion**

In our opinion:

- a the financial report of Ellex Medical Lasers Limited is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

### **Report on the remuneration report**

We have audited the remuneration report included in the directors' report for the year ended 30 June 2015. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

**Auditor's opinion on the remuneration report**

In our opinion, the remuneration report of Ellex Medical Lasers Limited for the year ended 30 June 2015, complies with section 300A of the Corporations Act 2001.

*Grant Thornton*

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



S K Edwards  
Partner – Audit & Assurance

Adelaide, 29 September 2015

## Additional Stock Exchange Information as at 4<sup>th</sup> September 2015

### Number of holders of equity securities

#### Ordinary share capital

- 107,646,897 fully paid ordinary shares are held by 2,994 individual shareholders.

All issued shares carry one vote per share.

#### Distribution of holders of equity securities

| Range                                 | Total Holders |
|---------------------------------------|---------------|
| 1 - 1,000                             | 1,144         |
| 1,001 - 5,000                         | 607           |
| 5,001 - 10,000                        | 369           |
| 10,001 - 100,000                      | 742           |
| 100,001 and over                      | 132           |
|                                       | <b>2,994</b>  |
| Holding less than a marketable parcel | 1,177         |

#### Substantial shareholders

| Ordinary shareholders     | Fully Paid |            |
|---------------------------|------------|------------|
|                           | Number     | Percentage |
| National Nominees Limited | 12,492,744 | 11.61      |
| Sedico Pty Ltd            | 9,316,031  | 8.65       |
| Pine Street Pty Ltd (i)   | 6,300,000  | 5.85       |

(i) Securities are registered in the names of Pine Street Pty Ltd <Pine Street Superannuation Fund> and Pine Street Pty Ltd

## Additional Stock Exchange Information as at 4<sup>th</sup> September 2015

### Twenty largest holders of quoted equity securities

| Ordinary shareholders                                                              | Fully Paid       |              |
|------------------------------------------------------------------------------------|------------------|--------------|
|                                                                                    | Number           | Percentage   |
| National Nominees Limited                                                          | 12,492,744       | 11.61        |
| Sedico Pty Ltd                                                                     | 9,316,031        | 8.65         |
| Ruminator Pty Ltd                                                                  | 4,784,230        | 4.44         |
| Mr Giuseppe Canala + Mrs Mira Canala <Giuseppe Canala S/F A/C>                     | 3,621,928        | 3.36         |
| Pine Street Pty Ltd <Pine Street Super Fund A/C>                                   | 2,700,000        | 2.51         |
| Pine Street Pty Ltd <Pine Street A/C>                                              | 3,600,000        | 3.34         |
| Citicorp Nominees Pty Limited                                                      | 2,424,391        | 2.25         |
| JP Morgan Nominees Australia Limited                                               | 2,026,395        | 1.88         |
| HSBC Custody Nominees (Australia) Limited                                          | 1,142,466        | 1.06         |
| Unley Underwriters Pty Limited                                                     | 1,107,424        | 1.03         |
| Ms Choi Chu Lee                                                                    | 1,093,505        | 1.02         |
| Mr Robert James Kenrick                                                            | 1,026,835        | 0.95         |
| Mr Douglas Robert Buchanan + Mrs Robyn Lorraine Buchanan <Buchanan Super Fund A/C> | 1,025,000        | 0.95         |
| Mr Rahmon Charles Coupe + Mrs Julia Deborah Coupe <Super Fund>                     | 989,000          | 0.92         |
| Five Talents Limited                                                               | 963,607          | 0.90         |
| Mr Roger Leslie Thompson                                                           | 875,250          | 0.81         |
| National Nominees Limited <DB A/C>                                                 | 859,866          | 0.80         |
| Atkone Pty Ltd                                                                     | 833,333          | 0.77         |
| Mr Stephen Luke Pronk + Mrs Joanne Dawn Pronk <Analytical Instru Super A/C>        | 815,594          | 0.76         |
| Anacacia Pty Ltd (Wattle Fund A/C)                                                 | 802,300          | 0.75         |
|                                                                                    | <b>52,499,89</b> | <b>48.76</b> |

The Company is not currently undertaking an on-market buy-back.

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## Corporate Directory

### Directors

**Victor Previn B Eng**  
(Executive Chairman)

**Alex Sundich** BEc, MComm, ACA, FFINSIA  
(Non-Executive Director)

**Giuseppe Canala** BTECH, BA, FAICD  
(Independent Director)

**Rahmon Coupe B Eng (Hons)**  
(Independent Director)

**Meera Verma** PhD, FTSE, FAICD  
(Independent Director)

### Company Secretary

**Maria Maieli** CPA, MPACC

### Registered Office

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**F** +61 8 8104 5231

### Auditors

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Level 1, 67 Greenhill Road  
Wayville SA 5034

### Legal Advisors

**Laity & Morrow**  
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Adelaide SA 5000

### Share Registry

**Computershare Investor Services Limited**  
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Adelaide SA 5001

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**www.computershare.com**

### Website

[www.ellex.com](http://www.ellex.com)

### Stock Exchange

The Company is listed on the Australian Stock Exchange (ASX)

### ASX Code

ELX - Ordinary Shares



[ellex.com](http://ellex.com)

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