SSH medical Limited

ABN 75 070 028 625

Appendix 4E - Preliminary Final Report

The Directors of SSH Medical Limited ("SSH") present the Preliminary Financial Report (Appendix 4E) for the year ended 30 June 2005.

Financial results for the year reflect a reduction of 54% in revenue from ordinary activities to $1,919,963 compared to $4,209,035 for the year ended 30 June 2004. This reduction in revenue arose from the sale of the Group's main undertaking, SSH Medical (Aust) Pty Limited, at the end of November 2004. The subsidiary had been incurring trading losses during the period prior to its disposal and was forecast to continue to do so. As a consequence of the disposal and a number of cost reduction initiatives, the consolidated loss from ordinary activities after tax reported by the Group as a whole for the year was reduced by 44% to $1,579,539 compared to a loss of $2,829,397 in the previous year.

In view of the continued reduction in consumable sales for the VedaScope® the Directors have resolved to adjust the carrying values of the Company assets related to the product (see reconciliation to the 2004 result below). The impact of Australian Equivalents to International Financial Reporting Standards ("AIFRS") is discussed in the notes to this report.

The table below normalises the 2004 and 2005 trading results to enable a reconciliation to be effected.

	Year ended 30 June 2005 $	Year ended 30 June 2004 $
Loss per Appendix 4E	**(1,579,539)**	**(2,829,397)**
Major non-recurring items		
Loss on disposal of subsidiary	231,525	-
Inventory write down	212,915	-
Patents write down	67,988	335,669
Plant and equipment write down	47,258	-
Significant expense items (excluding items related to SSH Medical (Aust) Pty Limited)	-	140,740
Sub Total	(1,019,853)	(2,352,988)
Loss incurred by SSH Medical (Aust) Pty Limited	151,950	1,041,579
Normalised loss for the year SSH Medical Limited and SSH Medical Workstation Pty Limited	**(867,903)**	**(1,311,409)**

Normalising the trading results for 2004 and 2005 and adding back the loss incurred in the subsidiary in each year it can be seen that losses in the remaining businesses have been reduced by $443,506. The disposal also reduced the Group's cash burn and generated $1,070,000 cash in respect of the transaction.

The Directors recognise that the Company cannot continue to incur trading losses indefinitely. The Company's two products, the second generation VedaScope® and MediStation, are in differing stages of development and neither of them are cash generative. This situation is unlikely to change for a number of years.

Having considered the opportunities for short term profits to be earned by the two aforementioned products, the Directors have resolved to adopt the following course of action over the period up to December 2005:

- Dispose of SSH Medical Workstation Pty Limited
- Acquire Bio-Layer Pty Limited ("Bio-Layer")
- Seek $4.256 million in new capital through a Prospectus offer to existing shareholders and the general public (this Prospectus was lodged with ASIC on 8 September 2005)
- Review the nature of and long term prospects for the VedaScope® business
- Re-locate the corporate head office of SSH to the Bio-Layer facility in Brisbane

The first three points above will be discussed and voted on by Shareholders at an Extraordinary General Meeting ("EGM") of Shareholders scheduled for **23 September 2005**. Full details of these transactions can be found in the Prospectus dated 8 September 2005 which is available on line at www.sshmedical.com or by request from the Company Secretary on (02) 9889 8999.

Bio-Layer

The most notable change being discussed at the meeting is the acquisition of Bio-Layer.

Bio-Layer is an Australian company concentrating on the development and commercialisation of technology for the rapid design of novel materials for the biotechnology, diagnostics and pharmaceutical industries. The initial focus of the business has been the development of materials science based technology that changes the way in which immunoassays (clinical disease diagnostics) are developed and manufactured.

The combination of rational design, combinatorial chemistry and surface science has resulted in the creation of a process to develop and test thousands of surface coatings simultaneously, which can be screened to identify the optimal composition for a particular type of diagnostic test surface. By way of example, the Bio-Layer technology has been demonstrated to produce an immunoassay performance improvement of up to 70 times higher than existing assays for tumour necrosis factor (a common diagnostic test).

The Bio-Layer technology achieves three key goals:

- Enhanced assay performance
- Improved sensitivity
- Lower manufacturing costs

These three characteristics are highly desired by manufacturers of diagnostic kits and immunoassays.

Bio-Layer developed surfaces are currently incorporated in four commercial diagnostic assays used in academic and research applications. These assays, incorporating Bio-Layer technology, are distributed by a major life science platform company.

The market for immunoassay consumables is estimated to be worth between US$6 – US$7 billion per annum. Bio-Layer anticipates capturing a royalty stream from a number of large immunodiagnostic tests in which its products become incorporated.

Bio-Layer is working with global diagnostic companies to develop surfaces and test procedures specific to an individual company's needs and is currently deriving revenue from three sources:

- Product development fees – the investigation into the feasibility and development of new surface materials for assays funded by the customer
- Licence fees – upon successful completion of the feasibility study the customer paying a licence fee to Bio-Layer

- Royalty fees – Bio-Layer deriving ongoing revenue streams by way of royalty payments from customers incorporating the Bio-Layer technology into their own diagnostic kits

The directors and managers of Bio-Layer have considerable experience and successful track records in large multinational companies and also in founding and commercialising technology ventures. The business also comprises an internationally accredited team of scientists.

Subject to Shareholder approval at the EGM of the acquisition of Bio-Layer and associated resolutions, Dr Carrie Hillyard, Dr Jason Armstrong and Richard Martin will join the Board of Directors of SSH.

Patents

During the year SSH reviewed the holding value of its intangible assets and has taken a decision to write down the value of patents by $67,988 to a value that reflects the discounted cash flows arising from an agreed licencing arrangement for the use of the VedaScope® technology. This agreement has been put in place between the Company and the acquirer of SSH Medical Workstation Pty Limited.

The Company will continue to retain the protection afforded by the patents relating to the VedaScope® technology but will charge all further expense to profit and loss as incurred.

Future Outlook and Trends

If shareholders approve the resolutions required to give effect to both the Bio-Layer acquisition and the disposal of SSH Medical Workstation Pty Limited, the Group will comprise a parent company which retains responsibility for the VedaScope®, and Bio-Layer. As mentioned earlier the VedaScope® business will be reviewed over the next few months while a great deal of effort will be expended on the acceleration of the commercialisation of the Bio-Layer technology.

Bio-Layer is presently in discussions with a number of the world's leading diagnostic companies and is aiming to secure a number of further feasibility study contracts for major diagnostic tests over the coming 6 to 12 months.

Capital Raising

SSH cash reserves at 30 June 2005 stood at approximately $297,000. The acquisition of Bio-Layer provides the Company with a business that has great potential but requires an injection of working capital to accelerate the commercialisation of the intellectual property it has developed since it commenced operations.

SSH is proposing to raise the working capital required for this purpose through offering Shareholders and new investors an opportunity to subscribe for new shares in SSH by way of the Prospectus offer mentioned earlier. The amount of capital to be raised is $4.256 million.

After Balance Date Events

Other than the previously announced proposals to:

- Acquire Bio-Layer
- Seek new capital to accelerate the commercialisation of the Bio-Layer technology
- Sell SSH Medical Workstation Pty Limited

there have been no matters or circumstances that have arisen since the end of the financial year, which have or could have significant effect on the operations of the economic entity, or on the result of those operations, or the state of affairs of the economic entity in subsequent financial years.

Going Concern

The statements of financial performance and cash flow show that the consolidated entity incurred losses of $1,579,539 and negative cash flows of $124,826 during the year ended 30 June 2005.

During the year in review and since balance date the Directors have taken a number of measures directed at improving profits as well as cost cutting measures and commenced negotiations for capital funding, and to acquire an entity with the potential to generate trading profit and cash.

The Directors believe that there is a reasonable basis that the Shareholders of the Company will approve the resolutions being placed before them at the upcoming EGM, that associated matters will be successfully concluded, and that the economic entity will continue as a going concern and therefore have prepared the financial statements on this basis.

Further details on the disposal of SSH Medical Workstation Pty Limited, the acquisition of Bio-Layer and the proposed capital raising can be found in the Prospectus lodged with ASIC on 8 September 2005. This is available online at www.sshmedical.com or by request from the Company Secretary on (02) 9889 8999.

Kim McGrath
Chairman
13 September 2005

S.S.H.medical Limited

ABN 75 070 028 625

Appendix 4E. Preliminary Interim Report.

Results for announcement to the market

Current Reporting Period — **Year ended 30 June 2005**

Previous Reporting Period — **Year ended 30 June 2004**

				$
Revenue from ordinary activities	down	54%	to	1,919,963
Profit / (loss) from ordinary activities after tax attributable to members	down	44%	to	(1,579,539)
Net profit / (loss) for the period attributable to members	down	44%	to	(1,579,539)

Dividends / distributions	Amount per security	Franked amount per security
Interim dividend	0.0c	0.0c
Final dividend	0.0c	0.0c

The Directors do not propose or recommend the payment of a dividend

Record date for determining entitlements to the dividend	Not Applicable

Brief explananation of the figures reported above

See attached interim report

These accounts are in the process of being audited and the Directors expect the accounts to be unqualified.

Retained earnings	Year ended 30 June 2005 $	Year ended 30 June 2004 $
Accumulated losses at the beginning of the financial year	(16,955,404)	(14,079,672)
Interest on converting note	(64,073)	(46,335)
Net loss for the year	(1,579,539)	(2,829,397)
	(18,599,016)	(16,955,404)

Net tangible assets	As at 30 June 2005	As at 30 June 2004
Net tangible asset backing per ordinary share (AU Dollars)	$0.005	$0.022

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Appendix 4E, Preliminary Interim Report.

S.S.H. Medical Limited

Appendix 4E, preliminary final report

Consolidated statement of financial performance.

	Year ended 30 June 2005 $	Year ended 30 June 2004 $
Sales	1,919,963	4,209,035
Cost of sales	(1,566,974)	(3,063,111)
Gross profit	352,989	1,145,924
Other revenue from ordinary activities	102,209	228,927
Production expenses		
Selling and distribution expenses	(564,064)	(1,505,649)
Occupancy expenses	(52,245)	(155,902)
Administration expenses	(847,865)	(1,327,543)
Borrowing costs	(14,581)	(21,065)
Research and development expenses	(451,296)	(978,612)
Other expenses from ordinary activities	(272,634)	(468,637)
Loss from ordinary activities before income tax benefit	**(1,747,487)**	**(3,082,557)**
Income tax benefit relating to ordinary activities	167,948	**253,160**
Loss from ordinary activities after income tax benefit	**(1,579,539)**	**(2,829,397)**
Total changes in equity other than those resulting from transactions with owners as owners	**(1,579,539)**	**(2,829,397)**
Basic earnings per share (cents per share)	(1.8)	(3.2)
Diluted earnings per share (cents per share)	(1.8)	(3.2)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	91,861,936	87,165,920

Diluted earnings per share is calculated after classifying all options on issue and all ownership based remuneration scheme shares remaining unconverted at 30 June 2005 as potential ordinary shares. As this would be anti-dilutive no adjustment has been made.

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Notes to the statement of financial performance

1 The statement to 30 June 2005 includes revenue from SSH Medical (Aust) Pty Limited for the period 1 July 2004 to 30 November 2004 at which point the subsidiary was disposed of.
The statement to 30 June 2004 includes a full year of revenue arising from SSH Medical (Aust) Pty Limited.

		Year ended **30 June 2005** $	Year ended **30 June 2004** $
2	Analysis of Revenues		
	Revenues from operating activities		
	Sale of goods	1,919,963	4,209,035
	Other revenue from operating activities	71,515	172,584
	Revenues from non-operating activities		
	Interest - other corporations	16,261	35,478
	Other revenue from non-operating activities	14,433	20,865
		2,022,172	4,437,962
3	Net gain / (loss) on the disposal of assets in each of the following classes of assets other than assets measured at net market value		
	Property Plant & Equipment	(14,722)	(70,386)
4	Net revenue / (expense) since the beginning of the reporting period resulting from deductions from the carrying amounts of assets		
	Depreciation of non current assets	(186,875)	(363,683)
	Amortisation of non current assets	(12,830)	(35,601)
	Write down of patents to recoverable amount	(67,988)	(335,669)
	Write down of plant and equipment to recoverable amount	(47,258)	-
		(314,951)	(734,953)
5	Large and unusual items included in the stated loss from ordinary activities		
	Charging as an expense to profit and loss		
	Write down of patents to recoverable amount	67,988	335,669
	Write down of plant and equipment to recoverable amount	47,258	-
	Write down in inventory to recoverable amount	212,915	-
	Expense incurred in considering takeover bid	-	101,448
	Loss on asset disposal following closure of Melbourne facility	-	70,386
	Costs incurred ceasing manufacture in Melbourne	-	72,298
	Cost of preparing new medical product catalogue	-	83,267
	Cost incurred on unsuccessful capital raising initiatives	-	39,292
		328,161	702,360

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Consolidated statement of financial position.	**As at 30 June 2005 $**	**As at 30 June 2004 $**
CURRENT ASSETS		
Cash assets	296,830	421,656
Receivables	888	624,257
Inventories	235,578	1,442,511
Other	8,608	78,108
TOTAL CURRENT ASSETS	541,904	2,566,532
NON-CURRENT ASSETS		
Property, plant and equipment	123,161	736,924
Intangibles	67,000	131,124
TOTAL NON-CURRENT ASSETS	190,161	868,048
TOTAL ASSETS	732,065	3,434,580
CURRENT LIABILITIES		
Payables	155,253	959,643
Interest bearing liabilities	37,456	115,340
Provisions	12,650	197,170
TOTAL CURRENT LIABILITIES	205,359	1,272,153
NON-CURRENT LIABILITIES		
Interest bearing liabilities	-	22,905
Provisions	-	31,625
TOTAL NON-CURRENT LIABILITIES	-	54,530
TOTAL LIABILITIES	205,359	1,326,683
NET ASSETS	526,706	2,107,897
EQUITY		
Contributed equity	19,125,722	19,063,301
Accumulated losses	(18,599,016)	(16,955,404)
TOTAL EQUITY	526,706	2,107,897

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Appendix 4E, preliminary final report

Consolidated statement of cash flows.

	Year ended 30 June 2005 $	Year ended 30 June 2004 $
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	2,190,852	4,964,004
Payments to suppliers and employees	(3,330,118)	(7,546,654)
Borrowing costs	(14,581)	(21,065)
Interest received	16,261	35,478
Receipt R&D Tax Concession	167,948	253,160
AusIndustry R&D Start Grant	-	180,954
Net cash (used in) operating activities	(969,638)	(2,134,123)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payment for patents	(13,375)	(53,533)
Proceeds from disposal of subsidiary	1,070,000	-
Proceeds from disposal of non current assets	2,817	101,335
Payment for property, plant and equipment	(69,995)	(128,746)
Cash transferred on disposal of subsidiary	(16,189)	-
Net cash (used in) investing activities	973,258	(80,944)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from share issues	-	614,000
Proceeds from issue of converting notes	-	976,000
Converting note distributions	(64,074)	(46,335)
Payment for share issue costs	-	(62,102)
Repayment of borrowing	(64,372)	(91,393)
Net cash (used in) provided by financing activities	(128,446)	1,390,170
Net (decrease) increase in cash held	(124,826)	(824,897)
Opening cash brought forward	421,656	1,246,553
Closing cash carried forward	296,830	421,656

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Reconciliation of cash.	As at 30 June 2005 $	As at 30 June 2004 $
Cash on hand	143	1,000
Cash at bank	22,600	123,304
Deposit at call	274,087	297,352
	296,830	421,656

Reconciliation of net loss after tax to net cash flows from operations		
Net Loss	(1,579,539)	(2,829,397)
Non Cash Items		
Depreciation	186,875	363,683
Amortisation	12,830	35,601
Loss on disposal of fixed assets	14,722	70,386
Loss on disposal of subsidiary	231,525	-
Write down of patents to recoverable amount	67,988	335,669
Write down of plant and equipment to recoverable amount	47,258	-
Write down in inventory to recoverable amount	212,915	-
Doubtful debts	(2,400)	-
Share issue In lieu of bonus	10,000	-
Share issue in lieu of accrued leave	52,421	-
Changes in assets & liabilities		
(Increase) / decrease in trade debtors	(17,452)	146,614
Decrease in other debtors & short term deposits	6,859	99,213
(Increase) in inventories	(89,030)	(271,226)
Decrease in prepayments	40,133	78,834
(Decrease) in trade creditors & accruals	(96,226)	(183,752)
(Decrease) / increase in provisions	(68,517)	20,252
Net Cash flow from operations	(969,638)	(2,134,123)

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Supplementary information.

Segment Analysis	Year ended 30 June 2005 $	Year ended 30 June 2004 $
Revenue - External Sales		
Medical Devices	4,320	9,515
Medical and Veterinary Equipment	1,915,643	4,199,520
	1,919,963	4,209,035
Revenue - Total Revenues		
Medical Devices	25,172	49,201
Medical and Veterinary Equipment	1,997,000	4,388,761
	2,022,172	4,437,962
Trading Result		
Medical Devices	(1,595,537)	(2,040,978)
Medical and Veterinary Equipment	(151,950)	(1,041,579)
	(1,747,487)	(3,082,557)
Income Tax Expense	167,948	253,160
Net Loss	(1,579,539)	(2,829,397)
Assets		
Medical Devices	732,065	2,594,431
- Less inter company balances	-	(1,425,219)
Medical and Veterinary Equipment	-	2,265,368
	732,065	3,434,580
Liabilities		
Medical Devices	(205,359)	(486,534)
Medical and Veterinary Equipment	-	(2,265,368)
- Less inter company balances	-	1,425,219
	(205,359)	(1,326,683)

Accounting Policies

During the year under review the accounting policies used by the economic entity are consistent with those applied in previous years.

Adoption of International Financial Reporting Standards

The Company is preparing and managing the transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) effective for financial years commencing 1 January 2005. The adoption of AIFRS will be reflected in the economic entity's and the parent entity's financial statements for the year ended 30 June 2006 and for the half year ended 31 December 2005. On first time adoption of AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated. The majority of AIFRS transitional adjustments will be made retrospectively against retained earnings at 1 July 2004.

The economic entity's management, with the assistance of external consultants, has assessed the significance of the expected changes and is preparing for their implementation. The impact of the alternative treatments and elections under AASB 1: First Time Adoption of Australian Equivalents to International Financial Reporting Standards has been considered where applicable.

The Directors are of the opinion that the key differences in the economic entity's accounting policies on conversion to AIFRS and the financial effect of these differences, where known, are as follows. Users of the financial statements should note, however, that the amounts disclosed could change if there are any amendments by standard setters to the current AIFRS or interpretation of the AIFRS requirements changes from the continuing work of the Company and its consultants.

i. Impairment of Assets

Under AASB 136: Impairment of Assets, the recoverable amount of an asset is determined as the higher of fair value less costs to sell, and value in use. In determining value in use, projected future cash flows are discounted using a risk adjusted pre-tax discount rate and impairment is assessed for the individual asset or at the "cash generating unit" level. A "cash generating unit " is determined as the smallest group of assets that generates cash flows that are largely independent of the cash inflows from other assets or groups of assets. The current policy is to determine the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. It is likely that this change in accounting policy will lead to impairments being recognised more often.

The economic entity has re-assessed its impairment testing policy and tested all assets for impairment as at 1 July 2005. The impact of the change is estimated to be not significant.

ii. Income Tax

Currently, the economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under AASB112: Income Taxes, the economic entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

The economic entity does carry an income tax benefit on its statement of financial position as the conditions to do so under AGAAP or AIFRS such cannot be satisfied. On transition, there is no expected financial impact on the economic entity.

iii. Share-based Payments

Share-based compensation forms part of the remuneration of employees of the economic entity (including executives) as disclosed in the notes to the financial statements. The economic entity does not recognise an expense for any share based compensation granted. Under AASB 2: Share Based Payments, the economic entity will be required to recognise an expense for such share based compensation. Share based compensation is measured at the fair value of the share options determined at the grant date and recognised over the expected vesting period of the options. A reversal of the expense will be permitted to the extent non-market based vesting conditions (e.g. service conditions) are not met. The entity will not retrospectively recognise share-based payments vested before 1 January 2005 as permitted under AIFRS first time adoption.

The recognition of the expense will decrease the consolidated entity's opening retained earnings on initial adoption of AIFRS and increase share capital by $32,130 for share-based payments issued after 7 November 2002 but not vested before 1 January 2005. Similar impacts will also occur in future periods.

Reconciliation of Net Profit

		Economic Entity 2005 $
Net profit reported under Australian Accounting Standards		(1,579,539)
- Recognition of impairment loss	-	
- Recognition of expense re share based payments	(32,130)	
Total transitional adjustments		(32,130)
Net profit under AIFRS		(1,611,669)

Reconciliation of Equity

		Economic Entity 2005 $
Total equity reported under Australian Accounting Standards		526,706
- Recognition of impairment loss	-	
- Recognition of expense re share based payments	(32,130)	
Transitional adjustment to retained profits		(32,130)
- Recognition of increased share capital re share based payments	32,130	
Transitional adjustments to share capital		32,130
Total equity under AIFRS		526,706