

## APPENDIX 4D

### ADVANCED SURGICAL DESIGN AND MANUFACTURE LIMITED

Half Yearly Report  
For the half-year ended 31 December 2008

Results for announcement to the market  
*(All comparisons to half-year ended 31 December 2007)*

		Movement		\$A 000's
Revenue from ordinary activities	up	0.62%	to	2,689
Net loss from ordinary activities after tax attributable to members	down	269.6%	to	(956)
Net loss for the period attributable to members	down	269.6%	to	(956)
Basic EPS (cents)	down	234.8%	to	(2.7)
Net tangible assets per share at 31 December 2008 (cents)	down	2.7%	to	23.18
Net tangible assets per share at 31 December 2007 (cents)				23.82

No interim dividend was paid and no dividend was proposed for the half-year ended 31 December 2008.

This report is based on the half-year financial report which has been subject to a review by PricewaterhouseCoopers.

## **Commentary on results for the half year ended 31 December 2008**

### **Revenue**

Total revenue during the half year was \$2.82m (Dec '07: \$2.80m) representing a slight increase over the same period last year. During the period ASDM has continued to develop and invest in its new markets both domestically and in Europe.

Historical trading patterns have continued in this half-year and at this stage there is no reason to suggest that won't continue with an expectation that stronger revenue levels would be derived in the second half of the financial year.

### **Operating loss**

The loss after tax for the half-year was \$0.956m (Dec '07: (\$0.259m)). As was highlighted in the Chairman's address at the 2008 Annual General Meeting, this operating loss reflects the investment in the continued rollout of our strategy of establishing a presence in the UK and further enhancing our position in the Australian orthopaedic market. We continue to develop innovative products within the medical devices area such as the Peripheral Access Device. This investment had enabled us to live up to our obligations to All Vascular and the attainment of a CE Mark for the device is well on track. This will provide ASDM with an additional revenue stream in due course.

### **Cash position**

During the period ASDM has invested significantly in stock and new instrument sets required for this expansion, as was foreshadowed in our 2007 Prospectus. Outlays incurred include the following:

- Set up costs associated with establishing a sales force, training and continued market development in Victoria and enhancing of the distribution channels in the UK - \$500k;
- Continued investment in research and development with the Peripheral Access Device ("PAD") and other new product developments - \$150k, including the assistance in the establishment of a clinical centre of excellence in Europe; and
- Additional investment in raw materials \$100k to accommodate the manufacture of additional instrument sets to underpin growth.

As a result our cash position at Dec 08 \$401k (Jun 08: \$1.5m) reflects these initiatives. It is anticipated based on historical trading patterns and contractual agreements the cash balance at year end 30 June 2009 will recover.

## **Vascular Peripheral Access Device (PAD)**

The Peripheral Access Device (PAD) initiative is in two main areas:

- (a) The development of the device itself, and
- (b) the support of the trial of hyperperfusion.

The device development has progressed extremely well with the completion of the Pilot Trial. Plans are well advanced for the Hyperperfusion trial to be expanded to the next 25 patients, with the trial to be carried out at Royal North Shore Hospital. It is anticipated that the results with these patients, if conforming to the same pattern of results seen with the 18 patients to date, will support the use of this groundbreaking new treatment in concert with the PAD device. The clinical trial in Europe is ongoing.

## **Summary**

ASDM continues to be regarded as an innovative and flexible participant in the highly competitive medical devices industry. We are able to maintain and embark on our growth strategy through our ability to offer flexibility, adaptability and innovation to our customers against global and domestic players. As we move into our second year as a listed company, our strategy of listing on the ASX has raised our internal and external standards allowing us to have a greater competitive advantage when responding to innovators and capital markets.