

APPENDIX 4D

ADVANCED SURGICAL DESIGN AND MANUFACTURE LIMITED

Half Yearly Report
For the half-year ended 31 December 2009

Results for announcement to the market
(All comparisons to half-year ended 31 December 2008)

		Movement		\$A 000's
Revenue from ordinary activities	up	40.7%	to	3,972
Net profit from ordinary activities after tax attributable to members	up	105.3%	to	51
Net profit for the period attributable to members	up	105.3%	to	51
Basic EPS (cents)	up	105.6%	to	0.14
Net tangible assets per share at 31 December 2009 (cents)	down	3.93%	to	22.27
Net tangible assets per share at 31 December 2008 (cents)				23.18

No interim dividend was paid and no dividend was proposed for the half-year ended 31 December 2009.

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 2009

Revenue

Total revenue for the half-year was \$3.97m (Dec '08: \$2.82m) representing a 40.7% increase over the same period last year. This significant increase was a result of an earlier completion of the sale of intellectual property relating to the Active Uni-Compartmental Knee to Stryker during the period. This has allowed us to fast track the development of an additional 25 instrument sets for orthopaedic growth and continues the development of the Peripheral Access Device (PAD). This transaction aside, year on year growth in our underlying core product revenue in a difficult economic environment was 3%.

ASDM's strategy to develop new markets internationally is gaining momentum. During the period we supported our UK distributor in expanding our European footprint with increased activity expected in the second half based on orders and agreements entered into thus far.

Operating profit

The profit after tax for the half-year was \$0.05m (Dec '08: (\$0.96m)) an improvement of 105.3%. The Stryker sale of \$1.28m had a significant impact on the half-year profit. As a result, we have continued the investment in research and development of our pipeline of new innovations.

During the period we attained a significant milestone in the granting of Class IIa CE Mark certification for the PAD. Our commitment to this world class device and the treatments it allows is starting to realise results. In the meantime, the establishment of a multi-centre clinical trial for the hyperperfusion treatment continues. By attaching a pump to the patient and driving the blood through it at higher than normal pressures and flows, the use of the PAD then becomes a Class III Device with the regulatory and clinical evidence requirements much higher.

Cash position

The sale of the Active Uni Compartmental Knee System to Stryker boosted our cash position during the period and we continue to remain operating cash flow positive. The Stryker inflow allowed us to continue the development of the PAD at an accelerated pace and to also initiate the development of an additional 25 instruments to further underpin orthopaedic sales growth.

As a result our cash position at Dec 09 of \$1.14m (Jun 09: \$0.85m) reflects these initiatives.

Vascular Peripheral Access Device (PAD)

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

- (a) The development of the device and its use in access for chemotherapy
- (b) the support of the trial of hyperperfusion.

The device development has progressed extremely well with the completion of the Pilot Trial for hyperperfusion and the certification of the device for arterial access as part of isolated organ chemotherapy achieved. Plans are well advanced for the Hyperperfusion trial to be expanded to the next 40 patients, in a multi-centre, multi-surgeon trial based at Royal North Shore Hospital, Sydney. It is anticipated that the results of these patients, if conforming to the same pattern of results seen with the 16 patients to date, will support the use of this groundbreaking new treatment in concert with the PAD device.

Working in collaboration with a number of other companies, ASDM is assisting in the development of indications for the use of the PAD in isolated organ chemotherapy and radiotherapy modalities. The potential advantages are that the patient's arterial system can be readily accessed with multiple catheters to allow more targeted and repeated treatment of the cancer site in isolation. This in turn has lower whole body morbidity and the prospect of higher cure rates than currently achievable. As ASDM continues to work with these companies to explore the prospects, capital initiatives are considered to underpin any international roll out.

Summary

ASDM continues to be regarded as an innovative and agile 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 third 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.

Advanced Surgical Design & Manufacture Limited

ACN 066 281 132

Interim financial report for the half-year ended 31 December 2009

Advanced Surgical Design & Manufacture Limited ACN 066 281 132

Interim financial report - 31 December 2009

Contents

	Page
Directors' report	1
Financial statements	4
Directors' declaration	13
Independent auditor's review report to the members	14

Directors' report

Your directors present their report on the consolidated entity consisting of Advanced Surgical Design & Manufacture Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2009.

The following persons were directors of Advanced Surgical Design & Manufacture Limited during the whole of the half year and up to the date of this report:

P Kazacos	B.E., B.Sc
G Roger	MB BS, M Eng (Res)
W Kmet	BComm, GDhthSrvMt, MBT, FAIM

Review of operations

A summary of consolidated revenues and results for the half-year is set out below:

	31 December 2009 \$'000	31 December 2008 \$'000
Revenue from continuing operations	3,972	2,824
Loss before tax	(6)	(1,406)
Profit / (Loss) after income tax attributable to members of Advanced Surgical Design and Manufacture Limited	51	(956)

Revenue

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Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

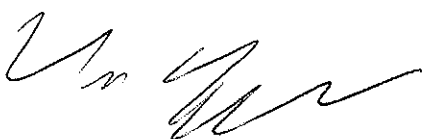
Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors.



P Kazacos
Chairman

Sydney NSW
22 February 2010



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Auditor's Independence Declaration

As lead auditor for the review of Advanced Surgical Design & Manufacture Limited for the half year ended 31 December 2009, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Advanced Surgical Design & Manufacture Limited and the entities it controlled during the period.

A handwritten signature in blue ink, appearing to read 'Manoj Santiago'.

Manoj Santiago
Partner
PricewaterhouseCoopers

Sydney
22 February 2010

Advanced Surgical Design & Manufacture Limited ACN 066 281 132

Interim financial report - 31 December 2009

Contents

	Page
Financial report	
Consolidated statement of comprehensive income	5
Consolidated statement of financial position	6
Consolidated statement of changes in equity	7
Consolidated statement of cash flows	8
Notes to the financial statements	9
Directors' declaration	13
Independent auditor's review report to the members	14

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by Advanced Surgical Design & Manufacture Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Advanced Surgical Design & Manufacture Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2009

		Half-year	
		31 December 2009	31 December 2008
	Notes	\$'000	\$'000
Revenue from continuing operations	3	3,972	2,824
Expenses			
Cost of sales and purchases of consumables		(1,663)	(1,589)
Corporate and administration expenses		(1,170)	(1,184)
Quality and Research and development expenses		(623)	(649)
Sales and marketing expenses		(469)	(757)
Finance costs		(53)	(51)
Loss before income tax		(6)	(1,406)
Income tax benefit		57	450
Loss for the half- year		51	(956)
Other comprehensive income		-	-
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year		51	(956)
Profit / (Loss) and total comprehensive income for the half-year is attributable to:			
Equity holders of Advanced Surgical Design & Manufacture Limited		51	(956)
Earnings per share for profit / (loss) from continuing operations and total comprehensive income attributable to the ordinary equity holders of the company:		Cents	Cents
Basic profit / (loss) per share		0.1	(2.7)
Diluted profit / (loss) per share		0.1	(2.5)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Advanced Surgical Design & Manufacture Limited
Consolidated statement of financial position
As at 31 December 2009

	31 December 2009 \$'000	30 June 2009 \$'000
Notes		
ASSETS		
Current assets		
Cash and cash equivalents	1,141	851
Trade and other receivables	948	1,145
Inventories	2,765	2,818
Other current assets	27	-
Total current assets	<u>4,881</u>	<u>4,814</u>
Non-current assets		
Property, plant and equipment	4,371	4,449
Deferred tax assets	1,147	1,140
Intangible assets	238	230
Other non-current assets	200	200
Total non-current assets	<u>5,956</u>	<u>6,019</u>
Total assets	<u>10,837</u>	<u>10,833</u>
LIABILITIES		
Current liabilities		
Trade and other payables	805	876
Borrowings	261	270
Provisions	95	78
Total current liabilities	<u>1,161</u>	<u>1,224</u>
Non-current liabilities		
Borrowings	841	787
Deferred tax liabilities	1	19
Provisions	349	349
Total non-current liabilities	<u>1,191</u>	<u>1,155</u>
Total liabilities	<u>2,352</u>	<u>2,379</u>
Net assets	<u>8,485</u>	<u>8,454</u>
EQUITY		
Contributed equity	8,948	8,980
Reserves	501	489
Retained losses	(964)	(1,015)
Total equity	<u>8,485</u>	<u>8,454</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Advanced Surgical Design & Manufacture Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2009

Notes	Ordinary shares \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2008	9,040	313	10	9,363
Total comprehensive income for the half-year	-	-	(956)	(956)
Contributions of equity	(32)	113	-	81
Balance at 31 December 2008	9,008	426	(946)	8,488
 Balance at 1 July 2009	 8,980	 489	 (1,015)	 8,454
Total comprehensive income for the half-year	-	-	-	-
Contributions of equity	(32)	12	51	31
Balance at 31 December 2009	8,948	501	(964)	8,485

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Advanced Surgical Design & Manufacture Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2009

	Half-year	
	31 December	31 December
	2009	2008
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	4,546	3,710
Payments to suppliers and employees (inclusive of goods and services tax)	<u>(3,768)</u>	<u>(4,469)</u>
	778	(759)
Interest received	3	46
Interest paid	(53)	(3)
Income taxes paid	-	-
Net cash (outflow) inflow from operating activities	<u>728</u>	<u>(716)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(462)	(137)
Payments for intangible assets	<u>(22)</u>	<u>(3)</u>
Net cash (outflow) from investing activities	<u>(484)</u>	<u>(140)</u>
Cash flows from financing activities		
Repayment of borrowings	(79)	(80)
Proceeds from borrowings	204	-
Finance lease payments	<u>(79)</u>	<u>(187)</u>
Net cash (outflow) inflow from financing activities	<u>46</u>	<u>(267)</u>
Net (decrease) increase in cash and cash equivalents	290	(1,123)
Cash and cash equivalents at the beginning of the half-year	<u>851</u>	<u>1,524</u>
Cash and cash equivalents at end of half-year	<u>1,141</u>	<u>401</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Contents of the notes to the financial statements

		Page
1	Summary of significant accounting policies	10
2	Segment information	10
3	Revenue	10
4	Expenses	11
5	Equity securities issued	11
6	Reserves	12
7	Dividends	12
8	Contingencies	12
9	Events occurring after the balance sheet date	12

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

This general purpose financial report for the interim half-year reporting period ended 31 December 2009 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by Advanced Surgical Design and Manufacture Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2009 reporting periods. The entity has not adopted these new standards and interpretations and it is not expected that their adoption will have a material impact on future financial statements.

2 Segment information

(a) Description of segments

Business segments

The entity operates in one segment being the design and manufacture of surgical implants.

Geographical segments

The entity predominantly operates within Australia. The entity also operates across the UK, Europe and USA however these geographical segments do not meet the quantitative thresholds required by AASB 8.

3 Revenue

	Half-year	
	31 December 2009	31 December 2008
	\$'000	\$'000
Revenue from continuing operations		
<i>Sales revenue</i>		
Sale of goods	2,609	2,689
Sale of intellectual property	1,280	-
	<u>3,889</u>	<u>2,689</u>
<i>Other revenue</i>		
Sub-lease rentals	72	81
Interest	3	48
Net foreign exchange gains (net loss in 2009 – refer to note 4)	-	6
Other revenue	8	-
	<u>3,972</u>	<u>2,824</u>

4 Expenses

	Half-year	
	31 December 2009 \$'000	31 December 2008 \$'000
Loss before income tax includes the following specific expenses classified by nature		
<i>Depreciation and amortisation</i>	554	374
<i>Employee benefits expense</i>	1,500	1,643
<i>Share based payments</i>	12	113
<i>External quality and research and development</i>	158	96
<i>Net foreign exchange losses (net gain in 2008 – refer to note 3)</i>	100	-

5 Equity securities issued

	31 December 2009 Shares	31 December 2008 Shares	31 December 2009 \$'000	31 December 2008 \$'000
Issue of ordinary shares during the half-year				
Equity settled transactions	-	-	-	-
Conversion of loans	-	-	-	-
Capital raising	-	-	-	-
Employee shares issued for nil consideration	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	-
Movements shares during the period				
Equity issued during the period			-	-

6 Reserves

	31 December 2009 \$'000	30 June 2009 \$'000
Reserves		
Share-based payments reserve	<u>501</u>	<u>489</u>
	31 December 2009 \$'000	30 June 2009 \$'000
Movements:		
<i>Share-based payments reserve</i>		
Opening balance	489	426
Option expense	12	63
Employee share plan expense	-	-
Closing balance	<u>501</u>	<u>489</u>

7 Dividends

	Half-year 31 December 2009 \$'000	31 December 2008 \$'000
Ordinary shares		
Dividends provided for during the period	<u>-</u>	<u>-</u>
	-	-

8 Contingencies

The directors are not aware of any material contingent liabilities existing at the end of the reporting period.

9 Events occurring after the balance sheet date

There has not arisen in the interval between the reporting date and the date of this financial report, any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the entity, the result of operations, or the state of affairs of the entity in future financial periods.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 4 to 12 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Advanced Surgical Design & Manufacture Limited will be able to pay its debts as and when they become due and payable; and

This declaration is made in accordance with a resolution of the directors.


P Kazacos
Chairman

Sydney NSW
22 February 2010

PricewaterhouseCoopers
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Independent auditor's review report to the members of Advanced Surgical Design & Manufacture Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial statements of Advanced Surgical Design & Manufacture Limited, which comprise the statement of financial position as at 31 December 2009, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Advanced Surgical Design & Manufacture Group (the consolidated entity). The consolidated entity comprises both Advanced Surgical Design & Manufacture Pty Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Advanced Surgical Design & Manufacture Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or

**Independent auditor's review report to the members of
Advanced Surgical Design & Manufacture Limited (continued)**

management.

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of the company for the half-year ended 31 December 2009 included on Advanced Surgical & Manufacture Limited's web site. The company's directors are responsible for the integrity of Advanced Surgical & Manufacture Limited's web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Advanced Surgical Design & Manufacture Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers



Manoj Santiago
Partner

Sydney
22 February 2010