

APPENDIX 4D

HALF-YEAR REPORT

1. Company details

Name of entity:	Advanced Surgical Design & Manufacture Limited
ABN:	71 066 281 132
Reporting period:	Half-year ended 31 December 2012
Previous corresponding period:	Half-year ended 31 December 2011

2. Results for announcement to the market

Revenues from ordinary activities	up	0.0%	to	\$ 3,966,000
Loss from ordinary activities after tax attributable to the owners of Advanced Surgical Design & Manufacture Limited	down	51.0%	to	\$(282,000)
Loss for the period attributable to the owners of Advanced Surgical Design & Manufacture Limited	down	51.0%	to	\$(282,000)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the consolidated entity after providing for income tax amounted to \$282,000 (31 December 2011: \$575,000).

Refer to directors report attached for further information.

3. Net tangible assets

	Reporting period	Previous corresponding period
Net tangible assets backing per ordinary security	9.60 cents	9.63 cents

4. Control gained over entities

Name of entities (or group of entities)	Not applicable
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Date control gained

Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)

\$ -

Profit/(loss) from ordinary activities after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period (where material)

\$ -

5. Loss of control over entities

Name of entities (or group of entities)	Not applicable
Date control lost	
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)	\$ -
Profit/(loss) from ordinary activities after tax of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material)	\$ -

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous corresponding period

There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

The following dividend or distribution plans are in operation:

Not applicable.

The last date(s) for receipt of election notices for the dividend or distribution plans: Not applicable.

8. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Current period	Previous corresponding period	Current period	Previous corresponding period
Not applicable.				
<i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i>				
Profit(loss) from ordinary activities before income tax			\$ -	\$ -
Income tax on operating activities			\$ -	\$ -

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The accounts were subject to a review by the auditors and the review report is attached as part of the Interim Report.

11. Attachments

Details of attachments (if any):

The Interim Report of Advanced Surgical Design & Manufacture Limited for the half-year ended 31 December 2012 is attached.

12. Signed

Signed: _____



Date: 22 February 2013

Peter Kazacos

Sydney

Advanced Surgical Design & Manufacture Limited
ABN 71 066 281 132

Interim Report - 31 December 2012

Advanced Surgical Design & Manufacture Limited
Directors' report
31 December 2012

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Advanced Surgical Design & Manufacture Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the half-year ended 31 December 2012.

Directors

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

Peter Kazacos - Chairman
John O'Meara
Peter Welsh

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of the sale, manufacture and design of surgical implants, this remained unchanged.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$282,000 (31 December 2011: \$575,000).

This was an improvement of \$0.3m and due to an exceptional team effort of all our staff and partners at ASDM.

Revenue and margin

Total revenue for the half year ended 31 December 2012 was \$4.0m (31 December 2011: \$4.0m).

This was an encouraging result considering two major customers retired during the period. The deployment of our portfolio strategy of products allowed us to cushion the impact and maintain a solid base for future growth. During the period we continued to improve manufacturing efficiencies and effectiveness which ensured we maintained strong margins across all products groups.

In August 2012, the Active Total Knee Replacement reached a significant milestone; 20 years clinical history. It remains the only Australian made total knee product in the Australian marketplace with a long and successful clinical history.

Corporate and administration expenses

Corporate and administration expenses include accounting, administration, legal, insurance and other public company costs. Administration expenses for the half-year were \$0.9m (31 December 2011: \$1.1 m).

Quality and research and development expenses

Research and development ('R&D') expenses have decreased by approximately \$0.2 m to \$0.5m (31 December 2011: \$0.7m). During the year our primary R&D focus continued with our orthopaedic product range. The Peripheral Access Device ("PAD") is currently undergoing clinical trials for two indications of use; the first in leg perfusion and the second as announced in December 2012 a cancer trial. Our exposure to these projects is reduced as the development costs have been largely completed.

Sales and marketing expenses

Sales and marketing expenses have increased by approximately \$0.1m to \$1.0m (31 December 2011: \$0.9m). With the addition of the Small Bone Innovations and Orthofix Spinal product ranges there has been an increase in sales and marketing costs and activities to manage the sales effort and launch of these products. During October 2012, the consolidated entity invested significantly in the Australian Orthopaedic Association meeting in Sydney to showcase our brand and associated partners.

Cash position

During the period the consolidated entity secured a debtors financing facility from Scottish Pacific which will enable growth and security in coming periods. As a consequence the overdraft previously in place has been cancelled as the terms of the facility of the debtors finance arrangement are far superior to that previously in place.

Advanced Surgical Design & Manufacture Limited
Directors' report
31 December 2012

Outlook

With the retirement of two key Active Knee surgeons during the period it provided a significant challenge for the consolidated entity. The team had foreseen this change and worked hard to minimise the overall impact. With diversification of the sales channel across a wider product range ASDM is now in a stronger position to grow sales and deliver profit.

The ASDM team has worked tirelessly to establish strong foundations and the 2013 financial year has started well with some positive achievements but it still remains a challenging time.

In the year ahead we will continue to drive both the commercial and development aspects of our business to ensure we remain focused on the goal of building shareholder wealth and creating a strong and profitable medical device company.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

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 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

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 the following page.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Peter Kazacos
Director

22 February 2013
Sydney



Auditor's Independence Declaration

As lead auditor for the review of Advanced Surgical Design & Manufacture Limited for the half year ended 31 December 2012, 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 black ink, appearing to read 'James McElvogue'.

James McElvogue
Partner
PricewaterhouseCoopers

Sydney
22 February 2013

Advanced Surgical Design & Manufacture Limited
Financial report
31 December 2012

Contents

	Page
Financial report	
Statement of comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9
Directors' declaration	14
Independent auditor's review report to the members of Advanced Surgical Design & Manufacture Limited	15

General information

The financial report covers Advanced Surgical Design & Manufacture Limited as a consolidated entity consisting of Advanced Surgical Design & Manufacture Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Advanced Surgical Design & Manufacture Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Advanced Surgical Design & Manufacture Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Unit 2
12 Frederick Street
St Leonards NSW 2065

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 22 February 2013. The directors have the power to amend and reissue the financial report.

Advanced Surgical Design & Manufacture Limited
Statement of comprehensive income
For the half-year ended 31 December 2012

		Consolidated	
	Note	31/12/12	31/12/11
		\$'000	\$'000
Revenue	3	3,966	3,965
Other income	4	244	1
Expenses			
Purchases of consumables and manufacturing costs		(1,854)	(1,658)
Corporate and administration expenses		(944)	(1,132)
Quality and research and development expenses		(526)	(692)
Sales and marketing expense		(1,014)	(908)
Shared-based payment expense		(5)	-
Finance costs		(149)	(151)
Loss before income tax expense		(282)	(575)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Advanced Surgical Design & Manufacture Limited		(282)	(575)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(45)	2
Other comprehensive income for the half-year, net of tax		(45)	2
Total comprehensive income for the half-year attributable to the owners of Advanced Surgical Design & Manufacture Limited		<u>(327)</u>	<u>(573)</u>
		Cents	Cents
Basic earnings per share	11	(0.79)	(1.63)
Diluted earnings per share	11	(0.79)	(1.63)

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

Advanced Surgical Design & Manufacture Limited
Statement of financial position
As at 31 December 2012

		Consolidated	
	Note	31/12/12	30/06/12
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents	5	24	1
Trade and other receivables		1,540	1,797
Inventories		4,891	5,597
Income tax refund due		243	605
Total current assets		<u>6,698</u>	<u>8,000</u>
Non-current assets			
Receivables		194	192
Property, plant and equipment		2,746	3,159
Intangibles		253	256
Total non-current assets		<u>3,193</u>	<u>3,607</u>
Total assets		<u>9,891</u>	<u>11,607</u>
Liabilities			
Current liabilities			
Trade and other payables		3,326	4,517
Borrowings	6	844	887
Provisions		140	129
Total current liabilities		<u>4,310</u>	<u>5,533</u>
Non-current liabilities			
Borrowings		1,553	1,700
Provisions		315	339
Total non-current liabilities		<u>1,868</u>	<u>2,039</u>
Total liabilities		<u>6,178</u>	<u>7,572</u>
Net assets		<u>3,713</u>	<u>4,035</u>
Equity			
Issued capital	7	8,823	8,818
Reserves		521	566
Accumulated losses		(5,631)	(5,349)
Total equity		<u>3,713</u>	<u>4,035</u>

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

Advanced Surgical Design & Manufacture Limited
Statement of changes in equity
For the half-year ended 31 December 2012

	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Consolidated				
Balance at 1 July 2011	8,855	568	(5,176)	4,247
Loss after income tax expense for the half-year	-	-	(575)	(575)
Other comprehensive income for the half-year, net of tax	-	2	-	2
	<u>-</u>	<u>2</u>	<u>-</u>	<u>2</u>
Total comprehensive income for the half-year	-	2	(575)	(573)
	<u>-</u>	<u>2</u>	<u>(575)</u>	<u>(573)</u>
Balance at 31 December 2011	<u>8,855</u>	<u>570</u>	<u>(5,751)</u>	<u>3,674</u>
	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Consolidated				
Balance at 1 July 2012	8,818	566	(5,349)	4,035
Loss after income tax expense for the half-year	-	-	(282)	(282)
Other comprehensive income for the half-year, net of tax	-	(45)	-	(45)
	<u>-</u>	<u>(45)</u>	<u>-</u>	<u>(45)</u>
Total comprehensive income for the half-year	-	(45)	(282)	(327)
	<u>-</u>	<u>(45)</u>	<u>(282)</u>	<u>(327)</u>
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 7)	5	-	-	5
	<u>5</u>	<u>-</u>	<u>-</u>	<u>5</u>
Balance at 31 December 2012	<u>8,823</u>	<u>521</u>	<u>(5,631)</u>	<u>3,713</u>

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

Advanced Surgical Design & Manufacture Limited
Statement of cash flows
For the half-year ended 31 December 2012

Note	Consolidated	
	31/12/12 \$'000	31/12/11 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	4,493	4,038
Payments to suppliers and employees (inclusive of GST)	<u>(4,701)</u>	<u>(3,799)</u>
	(208)	239
Interest received	5	6
Interest and other finance costs paid	(149)	(151)
Income taxes refunded	<u>605</u>	<u>-</u>
Net cash from operating activities	<u>253</u>	<u>94</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(30)	(34)
Payments for intangibles	<u>(15)</u>	<u>(18)</u>
Net cash used in investing activities	<u>(45)</u>	<u>(52)</u>
Cash flows from financing activities		
Proceeds from issue of shares	7 5	-
Proceeds from borrowings - third party	194	-
Repayments of borrowings - third party	-	(179)
Repayment of lease liabilities	-	(30)
Repayment of borrowings - related party	<u>(200)</u>	<u>-</u>
Net cash used in financing activities	<u>(1)</u>	<u>(209)</u>
Net increase/(decrease) in cash and cash equivalents	207	(167)
Cash and cash equivalents at the beginning of the financial half-year	<u>(183)</u>	<u>(172)</u>
Cash and cash equivalents at the end of the financial half-year	5 <u>24</u>	<u>(339)</u>

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

Advanced Surgical Design & Manufacture Limited
Notes to the financial statements
31 December 2012

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2012 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following amending Accounting Standards is most relevant to the consolidated entity:

AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income

The consolidated entity has applied AASB 2011-9 amendments from 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation.

Note 1. Significant accounting policies (continued)

Going concern

These interim financial statements have been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

This statement is made after noting the following in relation to the financial affairs of the consolidated entity:

- The loss before tax for the financial half-year ended 31 December 2012 was \$282,000 (2011: \$575,000) with positive cash flows from operations of \$253,000 (2011: \$94,000).
- At 31 December 2012, the net current assets are \$2,388,000 (2011: \$2,467,000). Current liabilities include a \$1,981,000 (2011: \$2,501,000) current payable to a supplier for purchase of inventory. During the six months, inventory amounting to \$382,000 was returned / redistributed as agreed with the supplier and an additional \$98,000 in cash payments was made to the creditor. The consolidated entity currently has insufficient cash and available facilities to pay the creditor if demanded. Management continues to have discussions with the supplier that the balance will be settled as stock is sold by the consolidated entity. The directors do not anticipate payment being demanded in the short term, however, are continuously working to strengthen the consolidated entity's balance sheet and improve the terms and access to financing facilities.

The following initiatives have been enacted by the directors during the six months to 31 December 2012 in order to improve the consolidated entity's capital management position:

1. The consolidated entity successfully settled the short term loan with a related party totalling \$200,000.
2. The consolidated entity replaced its bank overdraft facility of \$500,000, by entering into a debtor financing agreement, refer to note 6 for further details. Terms of the debtor facility are effectively lending 80% of debtors with less than 90 days aging up to a maximum of \$1,500,000.
3. The consolidated entity has successfully issued shares in February 2013 for cash amounting to \$595,000.
4. In March 2013, the consolidated entity will undertake a rights issue to raise approximately \$1,500,000, this is subject to the successful take up by the existing shareholders.

The continuing viability of the consolidated entity and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon the consolidated entity being successful in:

- Generating positive cash flows from the existing business.
- Receiving ongoing support from suppliers and financiers.
- Successfully completing the rights issue in March 2013 as mentioned above, of \$1,500,000.
- Achieving a satisfactory outcome to settle the current payable owed to a supplier totalling \$1,981,000.

As a result of these matters, there is a material uncertainty whether the consolidated entity will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial statements. The directors believe that the consolidated entity will be successful in the above matters and, accordingly, have prepared the financial statements on a going concern basis.

Note 2. Operating segments

Identification of reportable operating segments

The consolidated entity operates in one segment being the sale, manufacture and design of surgical implants. This is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The consolidated entity operates predominately in one geographical region being Australia.

Advanced Surgical Design & Manufacture Limited
Notes to the financial statements
31 December 2012

Note 3. Revenue

	Consolidated	
	31/12/12	31/12/11
	\$'000	\$'000
<i>Sales revenue</i>		
Sale of goods	3,949	3,854
<i>Other revenue</i>		
Interest	5	6
Sub-lease rentals	12	105
	17	111
Revenue	3,966	3,965

Note 4. Other income

	Consolidated	
	31/12/12	31/12/11
	\$'000	\$'000
Other income	1	1
Research and development refund	243	-
Other income	244	1

Note 5. Current assets - cash and cash equivalents

	Consolidated	
	31/12/12	30/06/12
	\$'000	\$'000
Cash on hand	24	1

	Consolidated	
	31/12/12	31/12/11
	\$'000	\$'000

Reconciliation to cash and cash equivalents at the end of the financial half-year

The above figures are reconciled to cash and cash equivalents at the end of the financial half-year as shown in the statement of cash flows as follows:

Cash and cash equivalents	24	12
Bank overdraft	-	(351)
Balance as per statement of cash flows	24	(339)

Advanced Surgical Design & Manufacture Limited
Notes to the financial statements
31 December 2012

Note 6. Current liabilities - borrowings

	Consolidated	
	31/12/12	30/06/12
	\$'000	\$'000
Bank overdraft	-	184
Related party loans	-	200
Financing facility	284	-
Lease liability	560	503
	<u>844</u>	<u>887</u>

In October 2012, the consolidated entity renegotiated its existing short term debt facility with a debtor financing specialist to extend the working capital available. The total available amount under the facility was \$1,500,000 of which \$284,000 were drawn down as at 31 December 2012. The full facility is in place for at least two years to September 2014.

Note 7. Equity - issued capital

	Consolidated		Consolidated	
	31/12/12	30/06/12	31/12/12	30/06/12
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>36,048,996</u>	<u>35,298,996</u>	<u>8,823</u>	<u>8,818</u>

Movements in ordinary share capital

Details	Date	No of shares	Issue price	\$'000
Balance	1 July 2012	35,298,996		8,818
Shares issued	23 October 2012	<u>750,000</u>		<u>5</u>
Balance	31 December 2012	<u>36,048,996</u>		<u>8,823</u>

Note 8. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 9. Related party transactions

During the half-year period the consolidated entity had re-paid the loan of \$200,000 to parties related to Tom Milicevic. On 23 October 2012, the company issued 750,000 restricted shares to employees.

Note 10. Events after the reporting period

On 13 February 2013, the company had issued a total of shares of 5,407,349 at the issue price of \$0.11 per share, amounting to \$595,000.

No other matter or circumstance has arisen since 31 December 2012 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Advanced Surgical Design & Manufacture Limited
Notes to the financial statements
31 December 2012

Note 11. Earnings per share

	Consolidated	
	31/12/12	31/12/11
	\$'000	\$'000
Loss after income tax attributable to the owners of Advanced Surgical Design & Manufacture Limited	<u>(282)</u>	<u>(575)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>35,584,322</u>	<u>35,298,996</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>35,584,322</u>	<u>35,298,996</u>
	Cents	Cents
Basic earnings per share	(0.79)	(1.63)
Diluted earnings per share	(0.79)	(1.63)

Options granted to employees under the Employee Option Plan for the current and previous periods are not included in the determination of diluted earnings per share because they are anti-dilutive for the half-year. These options could potentially dilute basic earnings per share in the future. The options have not been included in the determination of basic earnings per share.

Advanced Surgical Design & Manufacture Limited
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Peter Kazacos', written over a horizontal line.

Peter Kazacos
Director

22 February 2013
Sydney



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 report of Advanced Surgical Design & Manufacture Limited, which comprises the statement of financial position as at 31 December 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Advanced Surgical Design & Manufacture Limited Group (the consolidated entity). The consolidated entity comprises both Advanced Surgical Design & Manufacture 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 of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

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 a 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 2012 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. 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.

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

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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 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty regarding continuation as a going concern

Without qualifying our opinion, we draw attention to Note 1 in the half-year financial report, which indicates that the company's continuation as a going concern depends on its success in obtaining additional funding. This condition, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern, and, therefore the company may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the half-year report.

A handwritten signature in black ink, likely belonging to a PricewaterhouseCoopers representative.

PricewaterhouseCoopers

A handwritten signature in black ink, reading 'James McElvogue'.

James McElvogue
Partner

Sydney
22 February 2013