ASX/MEDIA RELEASE

Appendix 4E Preliminary Final Results

SYDNEY 31 AUGUST, 2012 – Australia's largest manufacturer of orthopaedic devices, Advanced Surgical Design and Manufacture Limited (ASDM) (ASX: AMT), today announced its results for the year ended 30 June 2012.

The highlights for the period

- Increased full year sales revenue to $8.7m from $7.4m – 17.6% increase
- Execution of new distribution agreements
- EBITDA turnaround with positive result of $0.9m
- Continued manufacturing efficiency gains
- Sales channel penetration for existing and new products

Revenue

Total group revenue for the year ended 30 June 2012 ("FY12") was $8.7m, representing an increase of 17.6%. The execution of new distribution agreements was aided by core product sales growth whilst pricing across product lines remaining strong.

Operating profit

The consolidated entity's earnings before interest, tax and depreciation and amortisation ("EBITDA") in FY12 was a profit of $0.9m compared to an EBITDA loss of $1.7m in FY11, an improvement of $2.6m.

The loss for the consolidated entity after providing for income tax amounted to $0.2m (30 June 2011: $3.3m).

During FY12, the company continued its focus on streamlining the manufacturing processes and the use of resources which resulted in a stronger margin with plans aimed at continuing this trend. This together with strong cost control and solid sales performance provided the base for the financial performance.

Cash position

The cash balance at 30 June 2012 was an overdraft of $0.2m, with operating cash flow performance improving significantly during the second half of the financial year.

As we focused on our product acquisition strategy during the year, cash commitments for stock and instruments sets for new products was a drain on cash reserves. Sales of our new categories are providing greater opportunities through the sales channel and resulting in a residual benefit to our core in-house manufactured products. With continued cost control and sales growth through new products operating cash flow improvements are anticipated in FY13.

Mr Peter Kazacos Chairman said: “ASDM’s management has achieved a strong result and turned the business around. With sales growth of 18% in a difficult year and significant cost containment we have been able to deliver a very pleasing result. We still face significant challenges but with the dedication of the management team FY13 is shaping up to be a positive year. With continued focus on the customer this growth is expected to continue into FY13 as we aim to return to being a profitable company.”

Contact Details: Company

Mr Peter Kazacos – Chairman
Advanced Surgical Design & Manufacture Limited
T: 61 2 9439 4448

ABOUT ADVANCED SURGICAL DESIGN AND MANUFACTURE

ASDM is Australia’s largest manufacturer of orthopaedic devices. Our focus is to deliver responsive customer service through our extensive capabilities. Our goal is to build a large and highly profitable medical company.

Our principal product is the Active Total Knee, which has significantly improved the quality of life for 7,500 people globally.

We also exclusively distribute Small Bone Innovations, Orthofix Spinal Implants, SpineGuard, Arthrosurface Inc and Parcus Medical LLC implantable orthopaedic devices, accessories and surgical instruments.

The company continues to build upon its extensive patent and product development portfolio. We have extensive research relationships with universities, companies and surgeon inventors. Our partnerships are building innovative products which will deliver significant shareholder wealth.

APPENDIX 4E
PRELIMINARY FINAL REPORT

1. Company details

Name of entity:	**Advanced Surgical Design & Manufacture Limited**
ABN:	71 066 281 132
Reporting period:	**Year ended 30 June 2012**
Previous corresponding period:	Year ended 30 June 2011

2. Results for announcement to the market

Revenues from ordinary activities	up	17.6%	to	$ 8,669,000
Loss from ordinary activities after tax attributable to the owners of Advanced Surgical Design & Manufacture Limited	down	94.7%	to	$(173,000)
Loss for the period attributable to the owners of Advanced Surgical Design & Manufacture Limited	down	94.7%	to	$(173,000)

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

Comments
The loss for the consolidated entity after providing for income tax amounted to $173,000 (30 June 2011: $3,265,000).

Revenue
Total revenue for the year ended 30 June 2012 (“FY12”) was $8.7m, representing an increase of 18% from the 2011 financial year (“FY11”). The addition of new product lines during FY12 has complemented our existing range and will assist us in continuing to drive growth through our current and newly developed sales channels.

Net profit from ordinary activities
The consolidated entity's earnings before interest, tax, depreciation and amortisation ('EBITDA') in FY12 was a profit of $0.9m compared to loss of $1.7m in FY11.

EBITDA is a financial measure which is not prescribed by Australian Accounting Standards (‘AAS’) and represents the profit under AAS adjusted for non-specific non-cash and significant items.

The following table summarises key reconciling items between statutory profit after tax attributable to the shareholders of Advanced Surgical Design & Manufacture Limited and EBITDA.

	2012 $'000	2011 $'000
EBITDA	862	(1,743)
Less: Depreciation and amortisation	(941)	(1,035)
Less: Finance cost	(284)	(230)
Add: Interest income	10	19
Loss before income tax (expense)/benefit	(353)	(2,989)
Income tax (expense)/benefit	180	(276)
Loss after income tax (expense)/benefit	(173)	(3,265)

During FY12, the company continued its focus on streamlining the manufacturing processes and the use of resources resulted in a stronger margin with future improvements aimed at continuing this trend.

Corporate and administration expenses have been tightly managed with a number of initiatives not renewed from prior year.

Cash position
The cash balance at 30 June 2012 was an overdraft of $0.2m, with operating cash flow performance improving significantly during the second half of the financial year.

As we focused on our product acquisition strategy during the year, cash commitments for stock and instruments sets for new products was a significant drain on cash reserves. Sales of our new categories are providing greater opportunities through the sales channel and resulting in a residual benefit to our core in-house manufactured products. With continued cost control and sales growth through new products operating cash flow improvements are anticipated in financial year ending 30 June 2013 ('FY13').

Outlook
FY12 was a transitional year with a significantly improved financial result. We are however, still short of one of our goals, being a dividend payment. We continue to work towards this as an outcome, but timing at this stage is not predicable. FY12 has placed us in a stronger position, with our objective to deliver continued revenue growth and profit in FY13.

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 through customer focus, responsiveness and leveraging our capabilities.

3. NTA backing

	Reporting period	Previous corresponding period
Net tangible asset backing per ordinary security	10.71 cents	11.24 cents

4. Control gained over entities

Name of entities (or group of entities)	Not applicable	
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 or declared during the current financial period.

Previous corresponding period
There were no dividends paid 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

	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
Name of associate / joint venture	Current period	Previous corresponding period	Current period	Previous corresponding period
Not applicable.				
Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)				
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 are in the process of being audited.

11. Attachments

Details of attachments (if any):

Preliminary Final Annual Report.

12. Signed

Signed: ______________________ Date: 31 August 2012

Peter Kazacos
Director
Sydney

Advanced Surgical Design & Manufacture Limited
ABN 71 066 281 132

Preliminary Final Annual Report - 30 June 2012

Advanced Surgical Design & Manufacture Limited
Statement of comprehensive income
For the year ended 30 June 2012

	Note	Consolidated (unaudited) 2012 $'000	2011 $'000
Revenue	2	8,669	7,370
Other income		38	5
Expenses			
Cost of sales and purchases of consumables		(3,515)	(3,293)
Corporate and administration expenses		(2,319)	(3,153)
Quality and research and development expenses		(1,297)	(1,952)
Sales and marketing expense		(1,645)	(1,736)
Finance costs	3	(284)	(230)
Loss before income tax (expense)/benefit		(353)	(2,989)
Income tax (expense)/benefit		180	(276)
Loss after income tax (expense)/benefit for the year attributable to the owners of Advanced Surgical Design & Manufacture Limited		(173)	(3,265)
Other comprehensive income			
Foreign currency translation		(2)	80
Other comprehensive income for the year, net of tax		(2)	80
Total comprehensive income for the year attributable to the owners of Advanced Surgical Design & Manufacture Limited		(175)	(3,185)
		Cents	**Cents**
Basic earnings per share		(0.49)	(9.25)
Diluted earnings per share		(0.49)	(9.25)

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 30 June 2012

	Consolidated (unaudited)	
	2012	**2011**
	$'000	**$'000**
Assets		
Current assets		
Cash and cash equivalents	1	16
Trade and other receivables	1,797	1,062
Inventories	5,597	2,868
Income tax refund due	605	-
Total current assets	8,000	3,946
Non-current assets		
Receivables	192	217
Property, plant and equipment	3,159	3,682
Intangibles	256	278
Deferred tax	-	462
Total non-current assets	3,607	4,639
Total assets	11,607	8,585
Liabilities		
Current liabilities		
Trade and other payables	4,517	1,200
Borrowings	887	651
Provisions	129	183
Total current liabilities	5,533	2,034
Non-current liabilities		
Borrowings	1,700	1,979
Provisions	339	325
Total non-current liabilities	2,039	2,304
Total liabilities	7,572	4,338
Net assets	4,035	4,247
Equity		
Issued capital	8,818	8,855
Reserves	566	568
Accumulated losses	(5,349)	(5,176)
Total equity	4,035	4,247

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 year ended 30 June 2012

	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Consolidated (unaudited)				
Balance at 1 July 2010	8,915	481	(1,911)	7,485
Loss after income tax (expense)/benefit for the year	-	-	(3,265)	(3,265)
Other comprehensive income for the year, net of tax	-	80	-	80
Total comprehensive income for the year	-	80	(3,265)	(3,185)
Transactions with owners in their capacity as owners:				
Share-based payments	-	7	-	7
Tax effect on transaction costs arising on share issue	(60)	-	-	(60)
Balance at 30 June 2011	8,855	568	(5,176)	4,247

	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Consolidated (unaudited)				
Balance at 1 July 2011	8,855	568	(5,176)	4,247
Loss after income tax (expense)/benefit for the year	-	-	(173)	(173)
Other comprehensive income for the year, net of tax	-	(2)	-	(2)
Total comprehensive income for the year	-	(2)	(173)	(175)
Transactions with owners in their capacity as owners:				
Tax effect on transaction costs arising on share issue	(37)	-	-	(37)
Balance at 30 June 2012	8,818	566	(5,349)	4,035

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 year ended 30 June 2012

	Consolidated (unaudited)	
	2012	**2011**
	$'000	**$'000**
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	8,893	7,939
Payments to suppliers and employees (inclusive of GST)	(8,195)	(8,872)
	698	(933)
Interest received	10	19
Interest and other finance costs paid	(284)	(230)
Net cash from/(used in) operating activities	424	(1,144)
Cash flows from investing activities		
Payments for property, plant and equipment	(356)	(482)
Payments for intangibles	(40)	(50)
Net cash used in investing activities	(396)	(532)
Cash flows from financing activities		
Proceeds from borrowings - third party	-	1,859
Proceeds from borrowings - related party	200	570
Repayment of lease liabilities	(239)	(1,648)
Net cash from/(used in) financing activities	(39)	781
Net decrease in cash and cash equivalents	(11)	(895)
Cash and cash equivalents at the beginning of the financial year	(172)	723
Cash and cash equivalents at the end of the financial year	(183)	(172)

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

Note 1. Significant accounting policies

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

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.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy.

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 Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 2009-12 Amendments to Australian Accounting Standards
The consolidated entity has applied AASB 2009-12 from 1 July 2011. These amendments make numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, which had no major impact on the requirements of the amended pronouncements. The main amendment was to AASB 8 'Operating Segments' and required an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures.

AASB 2010-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project
The consolidated entity has applied AASB 2010-4 amendments from 1 July 2011. The amendments made numerous non-urgent but necessary amendments to a range of Australian Accounting Standards and Interpretations. The amendments provided clarification of disclosures in AASB 7 'Financial Instruments: Disclosures', in particular emphasis of the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments; clarified that an entity can present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes in accordance with AASB 101 'Presentation of Financial Instruments'; and provided guidance on the disclosure of significant events and transactions in AASB 134 'Interim Financial Reporting'.

.AASB 2010-5 Amendments to Australian Accounting Standards
The consolidated entity has applied AASB 2010-5 amendments from 1 July 2011. The amendments made numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board.

AASB 124 Related Party Disclosures (December 2009)
The consolidated entity has applied AASB 124 (revised) from 1 July 2011. The revised standard simplified the definition of a related party by clarifying its intended meaning and eliminating inconsistencies from the definition. A subsidiary and an associate with the same investor are related parties of each other; entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.

Note 1. Significant accounting policies (continued)

AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets
The consolidated entity has applied AASB 2010-6 amendments from 1 July 2011. These amendments add and amended disclosure requirements in AASB 7 about transfer of financial assets, including the nature of the financial assets involved and the risks associated with them. Additional disclosures are now required when (i) an asset is transferred but is not derecognised; and (ii) when assets are derecognised but the consolidated entity has a continuing exposure to the asset after the sale.

AASB 1054 Australian Additional Disclosures
The consolidated entity has applied AASB 1054 from 1 July 2011. The standard sets out the Australian-specific disclosures as a result of Phase I of the Trans-Tasman Convergence Project, which are in addition to International Financial Reporting Standards, for entities that have adopted Australian Accounting Standards.

AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project
The consolidated entity has applied AASB 2011-1 amendments from 1 July 2011. These amendments made changes to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to International Financial Reporting Standards ('IFRSs') and harmonisation between Australian and New Zealand Standards. The amendments removed certain guidance and definitions from Australian Accounting Standards for conformity of drafting with IFRSs but without any intention to change requirements.

AASB 1048 Interpretation of Standards (revised)
The consolidated entity has applied AASB 1048 (revised) for the year ended 30 June 2012. The revised standard identifies the Australian Interpretations and classifies them into two groups: those that correspond to an International Accounting Standards Board ('IASB') Interpretation (Table 1 – international equivalent), and those that do not (Table 2 – domestic interpretations). The standard has been updated to remove old or superseded interpretations and add new interpretations.

Note 1. Significant accounting policies (continued)

Going concern

These 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 consolidate entity:

• The loss before tax for the financial year ended 30 June 2012 was $353,000 (2011: $2,989,000) with positive cashflows from operations of $424,000 (FY11: net operating cash outflows of $1,144,000).

• Although net current assets are $2,467,000 (2011: $1,912,000), current liabilities include an amount of $2,510,000. This amount is the maximum amount claimed to be owed to a supplier for the purchase of inventory that, if confirmed by both parties, would be due and payable. Inventory amounting to $574,000 has been agreed to be returned to the supplier and, subsequent to 30 June 2012, inventory totalling $382,000 has been returned and the liability reduced by that amount. The consolidated entity currently has insufficient cash and available facilities to pay the creditor. As the product range is a relaunch and with the scale up of stock provided for, sales traction has been lower than anticipated. Management have initiated discussions with the supplier that the balance will be settled as stock is sold by the consolidated entity or returned / redistributed to the supplier or its other distributors.

• The consolidated entity has successfully renegotiated at reporting date an extension in the repayment of a related party loan totalling $570,000 from December 2012 to not before 31 December 2013 but before 30 to June 2014.

• The consolidated entity has a bank overdraft facility of $500,000, approximately $184,000 of which was drawn down as at reporting date. The facility is subject to annual review and the directors are not aware of any reason why the facility would not be continued on terms acceptable to the consolidated entity.

• Prior to the reporting date, the consolidated entity purchased stock under a new distribution agreement and financed this via a short term loan with a related party totalling $200,000, which is due for repayment by 30 September 2012. The consolidated entity anticipates refinancing this short term loan prior to its maturity date and subsequent to the reporting date has in principle obtained such long term refinancing on acceptable terms.

• Based on current cashflow forecasts, the bank overdraft facilities have sufficient head room to allow the consolidated entity to absorb the peaks and troughs in its working capital requirements assuming the suitable resolution of the supplier negotiations noted above. There is no indication that these banking facilities will be revoked. If the banking facilities were unexpectedly revoked the consolidated entity is confident that alternate sources of funding would become available to the consolidated entity on acceptable terms.

The directors have assessed the financial position of the consolidated entity and the ability of the consolidated entity to improve profitability and cash flow to a point where the consolidated entity can repay the short term debt facilities, and assuming the successful negotiation of the supplier agreement noted above, manage the non-current liabilities and continue to pay creditors as and when they fall due and payable.

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 and the relatively new distribution agreements.

• Achieving a satisfactory outcome to settle the current payable owed to a supplier totalling $2,129,000 net of returns noted above without the requirement to draw on existing cash reserves or debt facilities, and that the balance will be settled as stock is sold by the consolidated entity or returned / redistributed to the supplier or its other distributors.

As a result of these matters there is a material uncertainty that may cast significant doubt on whether the consolidated entity will continue as a going concern and, therefore, whether it will realise its assets and liabilities in the normal course of business and at the amounts stated in the financial statements. However, 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 1. Significant accounting policies (continued)

Basis of preparation

Historical cost conversion
The financial statements have been prepared under the historical cost convention.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Advanced Surgical Design & Manufacture Limited ('company' or 'parent entity') as at 30 June 2012 and the results of all subsidiaries and special purpose entities for the year then ended. Advanced Surgical Design & Manufacture Limited, its subsidiaries and special purpose entities together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Special purpose entities ('SPEs') are those entities where the consolidated entity, in substance, controls the SPE so as to obtain the majority of benefits without having any ownership interest.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries and special purpose entities have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the 'business combinations' accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation
The financial report is presented in Australian dollars, which is Advanced Surgical Design & Manufacture Limited's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximates the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Note 1. Significant accounting policies (continued)

Revenue recognition
The consolidated entity recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the consolidated entity's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The consolidated entity bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sale of goods
A sale is recorded when goods have been shipped to the customer, the customer has accepted the goods and collectability of the related receivables is probable.

Lease income
Lease income from operating leases is recognised in income on an accrual basis.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Note 1. Significant accounting policies (continued)

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the lease's inception at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset’s useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Employee benefits

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

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.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Advanced Surgical Design & Manufacture Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued 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 shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 1. Significant accounting policies (continued)

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

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.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2012. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any ‘recycling’ of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity’s own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The consolidated entity will adopt this standard from 1 July 2013 but the impact of its adoption is yet to be assessed by the consolidated entity.

Note 1. Significant accounting policies (continued)

AASB 2010-8 Amendments to Australian Accounting Standards- Deferred Tax: Recovery of Underlying Assets
These amendments are applicable to annual reporting periods beginning on or after 1 January 2012 and a practical approach for the measurement of deferred tax relating to investment properties measured at fair value, property, plant and equipment and intangible assets measured using the revaluation model. The measurement of deferred tax for these specified assets is based on the presumption that the carrying amount of the underlying asset will be recovered entirely through sale, unless the entity has clear evidence that economic benefits of the underlying asset will be consumed during its economic life. The consolidated entity is yet to quantify the tax effect of adopting these amendments from 1 July 2012.

AASB 10 Consolidated Financial Statements
This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has a new definition of ‘control’. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its ‘power’ over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee’s returns (e.g. operating policies, capital decisions, appointment of key management). The consolidated entity will not only have to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The adoption of this standard from 1 July 2013 may have an impact where the consolidated entity has a holding of less than 50% in an entity, has de facto control, and is not currently consolidating that entity.

AASB 11 Joint Arrangements
This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard defines which entities qualify as joint ventures and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets will use equity accounting. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities will account for the assets, liabilities, revenues and expenses separately, using proportionate consolidation. The adoption of this standard from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 12 Disclosure of Interests in Other Entities
This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 ‘Consolidated and Separate Financial Statements’, AASB 128 ‘Investments in Associates’, AASB 131 ‘Interests in Joint Ventures’ and Interpretation 112 ‘Consolidation – Special Purpose Entities’. The adoption of this standard from 1 July 2013 will significantly increase the amount of disclosures required to be given by the consolidated entity such as significant judgements and assumptions made in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved.

Note 1. Significant accounting policies (continued)

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the consolidated entity from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.

AASB 127 Separate Financial Statements (Revised)
AASB 128 Investments in Associates and Joint Ventures (Reissued)
These standards are applicable to annual reporting periods beginning on or after 1 January 2013. They have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12. The adoption of these revised standards from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)
This revised standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments eliminate the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The amendments also changes the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months and will require annual leave that is not expected to be wholly settled within 12 months to be discounted allowing for expected salary levels in the future period when the leave is expected to be taken. The adoption of the revised standard from 1 July 2013 is expected to reduce the reported annual leave liability of the consolidated entity.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement
These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 July 2013 will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the consolidated entity.

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards
The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. The adoption of these amendments from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income
These amendments are applicable to annual reporting periods beginning on or after 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. The adoption of the revised standard from 1 July 2012 will impact the consolidated entity's presentation of its statement of comprehensive income.

Note 1. Significant accounting policies (continued)

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities
The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The disclosure requirements of AASB 7 'Financial Instruments: Disclosures' (and consequential amendments to AASB 132 'Financial Instruments: Presentation') have been enhanced to provide users of financial statements with information about netting arrangements, including rights of set-off related to an entity's financial instruments and the effects of such rights on its statement of financial position. The adoption of the amendments from 1 July 2013 will increase the disclosures by the consolidated entity.

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities
The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of "currently has a legally enforceable right of set-off"; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a significant impact on the consolidated entity.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle
The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 (IFRS 1) 'Firsttime Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of comprehensive information requirements when an entity provides a third balance sheet in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; AASB 132 'Financial Instruments: Presentation' Clarification of the tax effect of distributions to holders of an equity instrument is recognised in the income statement; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities. The adoption of the amendments from 1 July 2013 will not have a significant impact on the consolidated entity.

Note 2. Revenue

	Consolidated (unaudited)	
	2012	**2011**
	$'000	**$'000**
Sales revenue		
Sale of goods	8,511	7,195
Other revenue		
Interest	10	19
Sub-lease rentals	148	156
	158	175
Revenue	8,669	7,370

Note 3. Expenses

	Consolidated (unaudited)	
	2012	2011
	$'000	$'000
Loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	325	415
Fixtures and fittings	227	208
Leasehold improvements	33	49
Lease make good	60	60
Instrument sets	234	230
Total depreciation	879	962
Amortisation		
Website	19	21
Patents and trademarks	43	52
Total amortisation	62	73
Total depreciation and amortisation	941	1,035
Impairment		
Goodwill	-	585
Inventories	197	184
Trade receivables	79	122
Total impairment	276	891
Finance costs		
Interest and finance charges paid/payable	284	230
Net foreign exchange loss		
Net foreign exchange loss	-	63
Rental expense relating to operating leases		
Minimum lease payments	762	697
Superannuation expense		
Defined contribution superannuation expense	238	253
Share-based payments expense		
Share-based payments expense	-	7
Employee benefits expense excluding superannuation		
Employee benefits expense excluding superannuation	2,600	2,705

Note 4. Equity - dividends

Dividends
There were no dividends paid or declared during the current or previous financial year.

Note 4. Equity - dividends (continued)

Franking credits

	Consolidated (unaudited)	
	2012	**2011**
	$'000	**$'000**
Franking credits available for subsequent financial years based on a tax rate of 30%	320	320

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 5. Contingent liabilities

The consolidated entity had no contingent liabilities at 30 June 2012 and 30 June 2011.