

## APPENDIX 4D HALF-YEAR REPORT

### 1. Company details

Name of entity:	<b>Advanced Surgical Design &amp; Manufacture Limited</b>
ABN:	71 066 281 132
Reporting period:	<b>Half-year ended 31 December 2013</b>
Previous corresponding period:	Half-year ended 31 December 2012

### 2. Results for announcement to the market

Revenues from ordinary activities	up	18.1%	to	\$ 4,260,000
Loss from ordinary activities after tax attributable to the owners of Advanced Surgical Design & Manufacture Limited	down	68.1%	to	\$(90,000)
Loss for the period attributable to the owners of Advanced Surgical Design & Manufacture Limited	down	68.1%	to	\$(90,000)

#### *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 \$90,000 (31 December 2012: \$282,000).

Further information on the review of operations is detailed in the Director's report, part of the Interim Report.

The earnings before interest, tax, depreciation and amortisation ('EBITDA') was \$201,000 (2012: \$489,000).

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 loss after tax attributable to the owners of Advanced Surgical Design & Manufacture Limited and EBITDA.

	31/12/2013 \$'000	31/12/2012 \$'000
EBITDA	201	489
Less: Depreciation and amortisation	(399)	(426)
Less: Finance cost	(123)	(149)
Add: Interest income	2	5
	<hr/>	<hr/>
Loss before income tax expense and before profit from discontinued operations	(319)	(81)
Income tax expense	-	-
Profit/(loss) after income tax expense from discontinued operations	<hr/> 229	<hr/> (201)
Loss after income tax	<hr/> <hr/> (90)	<hr/> <hr/> (282)

### 3. Net tangible assets

	Reporting period	Previous corresponding period
Net tangible assets per ordinary security	9.07 cents	9.60 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 before income tax during the period (where material)		\$ -
Profit/(loss) from ordinary activities before income 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 after income tax during the period (where material)		\$ -
Profit/(loss) from ordinary activities after income 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 2013 is attached.

**12. Signed**

Signed: \_\_\_\_\_

Date: 27 February 2014

Peter Kazacos  
Director  
Sydney

**Advanced Surgical Design & Manufacture Limited**  
**ABN 71 066 281 132**

**Interim Report - 31 December 2013**

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**Advanced Surgical Design & Manufacture Limited**  
**Directors' report**  
**31 December 2013**

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 2013.

**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 from the previous half-year.

**Review of operations**

The loss for the consolidated entity after providing for income tax amounted to \$90,000 (31 December 2012: \$282,000).

Total revenue for the half year ended 31 December 2013 was \$4.3m (31 December 2012: \$3.6m).

During the reporting period there was growth in all product categories. Our product offering across ASDM branded products along with imported products has been supported by our local design and manufacturing capabilities resulting in strong customer loyalty.

Margin was consistent year on year with a continued focus gaining efficiencies in manufacturing through process improvement and improved manufacturing techniques.

*Net profit from ordinary activities*

The consolidated entity's earnings before interest, tax and depreciation and amortisation ("EBITDA") in HY13 was a profit of \$0.2m compared to profit of \$0.5m in HY12.

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 loss after tax attributable to the owners of Advanced Surgical Design & Manufacture Limited and EBITDA.

	31/12/2013 \$'000	31/12/2012 \$'000
EBITDA	201	489
Less: Depreciation and amortisation	(399)	(426)
Less: Finance cost	(123)	(149)
Add: Interest income	2	5
	<hr/>	<hr/>
Loss before income tax expense and before profit from discontinued operations	(319)	(81)
Profit/(loss) after income tax expense from discontinued operations	229	(201)
	<hr/>	<hr/>
Loss after income tax	(90)	(282)

**Advanced Surgical Design & Manufacture Limited**  
**Directors' report**  
**31 December 2013**

Corporate and administration expenses include accounting, administration, director, legal, insurance and other public company costs. Administration expenses for the half-year were \$1.2m (31 December 2012: \$1.0 m). The increase in costs related to taxation services around the R&D tax refund \$0.1m and director fees. During the period March 2012 to March 2013, the Directors of the consolidated entity did not received any fees for their services, this was reinstated during the period ended 31 December 2013.

Research and development expenses were \$0.7m (31 December 2012: \$0.5m). During the period ended 31 December 2013, the consolidated entity has been focused on the development of a new range of instruments for the Active Knee Total Knee Replacement System. The increase in costs is related to design, prototyping and associated costs in the development of this new range. ASDM has been working with our Design Panel of Australian surgeons to develop a range of instruments that are innovative and showcase the consolidated entity's design and manufacturing capability fostering growth opportunities.

Our primary research and development focus continues to be 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 this project is limited as the development costs have been largely completed.

Sales and marketing expenses were \$1.1m (31 December 2012: \$0.9m). During the period ended 31 December 2013, the sales and marketing team executed on a number of initiatives linked to sales including increasing the sales channel reach with additional resources, a SBI Cadaver Lab and attendance at a number of Hand conference which was a first for ASDM. A number of these initiatives have long lead times but the initial response has been very promising.

The loss after tax for the half-year was \$0.09m (31 December 2012: \$0.3m). During the period, the consolidated entity also achieved a significant milestone in the disposition of our Spinal Fixation business operation which strengthened our balance sheet in the process.

*Cash position*

During the period the consolidated entity continued to pay down its borrowings with total debt as at 31 December 2013 \$1.7m (31 December 2012: \$2.4m). ASDM continues to invest in the business to ensure we are able to compete by providing the unique service offering of local design and manufacturing capabilities.

*Outlook*

ASDM's strategy has been to focus on development and support a portfolio of high quality orthopaedic products. With diversification of the sales channel across a wider product range ASDM is now in a stronger position to grow sales and deliver profit. We now have a solid base to continue to invest in the Active Knee Total Knee System to drive sales growth and look for opportunities to bring high quality products to the Australian market.

The 2014 financial year has started well but it still remains an extremely competitive and challenging time. ASDM is focused on highlighting our unique offering of local design and manufacturing capabilities to encourage surgeon engagement.

**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.

**Advanced Surgical Design & Manufacture Limited**  
**Directors' report**  
**31 December 2013**

**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



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Peter Kazacos  
Director

27 February 2014  
Sydney

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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 2013, 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.

Sumanth Prakash  
Partner  
PricewaterhouseCoopers

Sydney  
27 February 2014

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**Advanced Surgical Design & Manufacture Limited**  
**Financial report**  
**31 December 2013**

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**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 27 February 2014. The directors have the power to amend and reissue the financial report.

**Advanced Surgical Design & Manufacture Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2013**

	Note	Consolidated	
		31/12/2013 \$'000	31/12/2012 \$'000
<b>Revenue from continuing operations</b>	4	4,260	3,606
Other income	5	270	244
<b>Expenses</b>			
Cost of sales and purchases of consumables		(1,737)	(1,447)
Corporate and administration expenses		(1,245)	(958)
Quality and research and development expenses		(663)	(526)
Sales and marketing expenses		(1,066)	(846)
Share-based payment expense		(15)	(5)
Finance costs		(123)	(149)
<b>Loss before income tax expense from continuing operations</b>		(319)	(81)
Income tax expense		-	-
Loss after income tax expense from continuing operations		(319)	(81)
Profit/(loss) after income tax expense from discontinued operations	6	229	(201)
<b>Loss after income tax expense for the half-year attributable to the owners of Advanced Surgical Design &amp; Manufacture Limited</b>		(90)	(282)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		-	(45)
Other comprehensive income for the half-year, net of tax		-	(45)
<b>Total comprehensive income for the half-year</b>		<u>(90)</u>	<u>(327)</u>
Total comprehensive income for the half-year is attributable to:			
Continuing operations		(319)	(126)
Discontinued operations		229	(201)
		<u>(90)</u>	<u>(327)</u>

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Advanced Surgical Design & Manufacture Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2013**

Note	Consolidated		
	31/12/2013 \$'000	31/12/2012 \$'000	
	Cents	Cents	
<b>Earnings per share for loss from continuing operations attributable to the owners of Advanced Surgical Design &amp; Manufacture Limited</b>			
Basic earnings per share	11	(0.73)	(0.23)
Diluted earnings per share	11	(0.73)	(0.23)
<b>Earnings per share for profit/(loss) from discontinued operations attributable to the owners of Advanced Surgical Design &amp; Manufacture Limited</b>			
Basic earnings per share	11	0.52	(0.56)
Diluted earnings per share	11	0.52	(0.56)
<b>Earnings per share for loss attributable to the owners of Advanced Surgical Design &amp; Manufacture Limited</b>			
Basic earnings per share	11	(0.21)	(0.79)
Diluted earnings per share	11	(0.21)	(0.79)

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

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**Advanced Surgical Design & Manufacture Limited**  
**Statement of financial position**  
**As at 31 December 2013**

	Note	Consolidated	
		31/12/2013 \$'000	30/06/2013 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		93	287
Trade and other receivables		1,629	1,628
Inventories		3,337	3,117
Income tax		270	544
Current assets classified as held for sale		-	2,343
<b>Total current assets</b>		<b>5,329</b>	<b>7,919</b>
<b>Non-current assets</b>			
Property, plant and equipment		2,445	2,567
Intangibles		161	153
Other		121	118
<b>Total non-current assets</b>		<b>2,727</b>	<b>2,838</b>
<b>Total assets</b>		<b>8,056</b>	<b>10,757</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		1,802	1,736
Borrowings	7	1,241	1,139
Provisions		150	137
		<b>3,193</b>	<b>3,012</b>
Liabilities directly associated with assets classified as held for sale		-	2,556
<b>Total current liabilities</b>		<b>3,193</b>	<b>5,568</b>
<b>Non-current liabilities</b>			
Borrowings		481	739
Provisions		254	247
<b>Total non-current liabilities</b>		<b>735</b>	<b>986</b>
<b>Total liabilities</b>		<b>3,928</b>	<b>6,554</b>
<b>Net assets</b>		<b>4,128</b>	<b>4,203</b>
<b>Equity</b>			
Issued capital		9,602	9,602
Reserves		536	521
Accumulated losses		(6,010)	(5,920)
<b>Total equity</b>		<b>4,128</b>	<b>4,203</b>

*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 2013**

	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
<b>Consolidated</b>				
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)
Total comprehensive income for the half-year	-	(45)	(282)	(327)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	5	-	-	5
Balance at 31 December 2012	<u>8,823</u>	<u>521</u>	<u>(5,631)</u>	<u>3,713</u>
	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
<b>Consolidated</b>				
Balance at 1 July 2013	9,602	521	(5,920)	4,203
Loss after income tax expense for the half-year	-	-	(90)	(90)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(90)	(90)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	15	-	15
Balance at 31 December 2013	<u>9,602</u>	<u>536</u>	<u>(6,010)</u>	<u>4,128</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 2013**

	<b>Consolidated</b>	
	<b>31/12/2013</b>	<b>31/12/2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	4,385	4,493
Payments to suppliers (inclusive of GST)	(4,787)	(4,701)
	(402)	(208)
Interest received	2	5
Interest and other finance costs paid	(123)	(149)
Gain from discontinued operation	229	-
Income taxes refunded	544	605
Net cash from operating activities	250	253
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(260)	(30)
Payments for intangibles	(25)	(15)
Payments for security deposits	(3)	-
Net cash used in investing activities	(288)	(45)
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	-	5
Proceeds from borrowings - third party	-	194
Repayment of lease liabilities	(156)	-
Repayments from borrowings - related party	-	(200)
Net cash used in financing activities	(156)	(1)
Net increase/(decrease) in cash and cash equivalents	(194)	207
Cash and cash equivalents at the beginning of the financial half-year	287	(183)
Cash and cash equivalents at the end of the financial half-year	93	24

*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 2013**

**Note 1. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2013 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 2013 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, 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 below. 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 is most relevant to the consolidated entity:

*AASB 10 Consolidated Financial Statements*

The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns 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 that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has 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.

*AASB 11 Joint Arrangements*

The consolidated entity has applied AASB 11 from 1 July 2013. The standard defines which entities qualify as joint arrangements 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 are accounted for using the equity method. 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 in accordance with the standards applicable to the particular asset, liability, revenue or expense.

*AASB 12 Disclosure of Interests in Other Entities*

The consolidated entity has applied AASB 12 from 1 July 2013. The standard contains the entire disclosure requirement associated with interests in other entities: subsidiaries, joint arrangements (joint operations or joint ventures), associates and unconsolidated structured entities. It has significantly enhanced the disclosure requirements, when compared to the standards that have been replaced.

*AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13*

The consolidated entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

**Advanced Surgical Design & Manufacture Limited**  
**Notes to the financial statements**  
**31 December 2013**

**Note 1. Significant accounting policies (continued)**

*AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)*

The consolidated entity has applied AASB 119 and its consequential amendments from 1 July 2013. The standard eliminates 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 standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

*AASB 127 Separate Financial Statements (Revised), AASB 128 Investments in Associates and Joint Ventures (Reissued) and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standard*

The consolidated entity has applied AASB 127, AASB 128 and AASB 2011-7 from 1 July 2013. AASB 127 and AASB 128 have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12 and AASB 2011-7 makes numerous consequential changes to a range of Australian Accounting Standards and Interpretations. AASB 128 has also been amended to include the application of the equity method to investments in joint ventures.

*AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments*

The consolidated entity has applied AASB 2012-10 amendments from 1 July 2013, which amends AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments.

**Note 2. 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 consolidated entity:

- The loss before tax and discontinued operations for the financial half-year ended 31 December 2013 was \$319,000 (2012: \$81,000) with positive cashflows from operations of \$250,000 (2012: \$253,000).
- The consolidated entity has an extension in the repayment of a related party loan totalling \$570,000 to be payable by 30 June 2014.
- The company has a debtors finance facility with \$614,237 available to be drawn down as at 31 December 2013.

**Note 3. 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.

Management reviews Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA') to make decisions. The following table summarises key reconciling items between statutory loss after tax attributable to the owners of Advanced Surgical Design & Manufacture Limited and EBITDA.



**Advanced Surgical Design & Manufacture Limited**  
**Notes to the financial statements**  
**31 December 2013**

**Note 3. Operating segments (continued)**

*Operating segment information*

<b>Consolidated - 31/12/2013</b>	Intersegment eliminations/ unallocated \$'000	Total \$'000
<b>EBITDA</b>	<u>201</u>	201
Depreciation and amortisation		(399)
Interest revenue		2
Finance costs		(123)
Profit from discontinued operations		<u>229</u>
<b>Loss before income tax expense</b>		(90)
Income tax expense		<u>-</u>
<b>Loss after income tax expense</b>		<u>(90)</u>
<b>Consolidated - 31/12/2012</b>	Intersegment eliminations/ unallocated \$'000	Total \$'000
<b>EBITDA</b>	<u>261</u>	261
Depreciation and amortisation		(426)
Interest revenue		5
Finance costs		(149)
Profit from discontinued operations		<u>27</u>
<b>Loss before income tax expense</b>		(282)
Income tax expense		<u>-</u>
<b>Loss after income tax expense</b>		<u>(282)</u>

For segment assets and liabilities refer to statement of financial position.

**Advanced Surgical Design & Manufacture Limited**  
**Notes to the financial statements**  
**31 December 2013**

**Note 4. Revenue**

	<b>Consolidated</b>	
	<b>31/12/2013</b>	<b>31/12/2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>From continuing operations</b>		
<i>Sales revenue</i>		
Sale of goods	4,148	3,568
<i>Other revenue</i>		
Interest	2	5
Sub-lease rentals	-	12
Other revenue	110	21
	<u>112</u>	<u>38</u>
Revenue from continuing operations	<u>4,260</u>	<u>3,606</u>

**Note 5. Other income**

	<b>Consolidated</b>	
	<b>31/12/2013</b>	<b>31/12/2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Other income	-	1
Research and development refund	270	243
Other income	<u>270</u>	<u>244</u>

**Note 6. Discontinued operations**

*Description*

On 12 July 2013 the consolidated entity signed an agreement with Orthofix Australia Pty Ltd for the disposal of its spinal business. This business has therefore been treated as a discontinued operation.

**Advanced Surgical Design & Manufacture Limited**  
**Notes to the financial statements**  
**31 December 2013**

**Note 6. Discontinued operations (continued)**

*Financial performance information*

	<b>Consolidated</b>	
	<b>31/12/2013</b>	<b>31/12/2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue	-	360
Total revenue	<u>-</u>	<u>360</u>
Cost of sales and purchases of consumables	-	(308)
Corporate and administration expenses	-	(85)
Sales and marketing expense	-	(168)
Total expenses	<u>-</u>	<u>(561)</u>
Loss before income tax expense	-	(201)
Income tax expense	<u>-</u>	<u>-</u>
Loss after income tax expense	<u>-</u>	<u>(201)</u>
Gain on sale before income tax	229	-
Income tax expense	<u>-</u>	<u>-</u>
Gain on disposal after income tax expense	<u>229</u>	<u>-</u>
Profit/(loss) after income tax expense from discontinued operations	<u>229</u>	<u>(201)</u>

*Cash flow information*

	<b>Consolidated</b>	
	<b>31/12/2013</b>	<b>31/12/2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Net cash from/(used in) operating activities	<u>(39)</u>	<u>146</u>
Net increase/(decrease) in cash and cash equivalents from discontinued operations	<u>(39)</u>	<u>146</u>

**Note 7. Current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>31/12/2013</b>	<b>30/06/2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Related party loans	570	570
Financing facility	10	-
Lease liability	<u>661</u>	<u>569</u>
	<u>1,241</u>	<u>1,139</u>

**Note 8. Equity - dividends**

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

**Advanced Surgical Design & Manufacture Limited**  
**Notes to the financial statements**  
**31 December 2013**

**Note 9. Contingent liabilities**

The consolidated entity had no contingent liabilities at 31 December 2013 and 30 June 2013.

The consolidated entity has performance guarantee totalling \$118,000 at 31 December 2013 (30 June 2013: \$118,000) in relation to rental commitments.

**Note 10. Events after the reporting period**

No matter or circumstance has arisen since 31 December 2013 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.

**Note 11. Earnings per share**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>31/12/2013</b>	<b>31/12/2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of Advanced Surgical Design & Manufacture Limited	<u>(319)</u>	<u>(81)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>43,751,248</u>	<u>35,584,322</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>43,751,248</u>	<u>35,584,322</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.73)	(0.23)
Diluted earnings per share	(0.73)	(0.23)
	<b>Consolidated</b>	<b>Consolidated</b>
	<b>31/12/2013</b>	<b>31/12/2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Earnings per share for profit/(loss) from discontinued operations</i>		
Profit/(loss) after income tax attributable to the owners of Advanced Surgical Design & Manufacture Limited	<u>229</u>	<u>(201)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>43,751,248</u>	<u>35,584,322</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>43,751,248</u>	<u>35,584,322</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	0.52	(0.56)
Diluted earnings per share	0.52	(0.56)

**Advanced Surgical Design & Manufacture Limited**  
**Notes to the financial statements**  
**31 December 2013**

**Note 11. Earnings per share (continued)**

	<b>Consolidated</b>	
	<b>31/12/2013</b>	<b>31/12/2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Earnings per share for loss</i>		
Loss after income tax attributable to the owners of Advanced Surgical Design & Manufacture Limited	<u>(90)</u>	<u>(282)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>43,751,248</u>	<u>35,584,322</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>43,751,248</u>	<u>35,584,322</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.21)	(0.79)
Diluted earnings per share	(0.21)	(0.79)

Options granted to employees under the Employee Option Plan for half-year ended 31 December 2013 and prior period are not included in the determination of diluted earnings per share because they are anti-dilutive for the periods. 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 2013 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)(a) of the Corporations Act 2001.

On behalf of the directors



Peter Kazacos  
Director

27 February 2014  
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 (the Company), which comprises the statement of financial position as at 31 December 2013, the statement of profit or loss and other 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 Advanced Surgical Design & Manufacture (the consolidated entity). The consolidated entity comprises 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 Australian 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 2013 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*.

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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 2013 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### *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 2013 included on Advanced Surgical Design & Manufacture Limited's web site. The company's directors are responsible for the integrity of the Advanced Surgical Design & Manufacture Limited 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.

  
PricewaterhouseCoopers

  
Sumanth Prakash  
Partner

Sydney  
27 February 2014