

1. Company details

Name of entity:	Advanced Surgical Design & Manufacture Limited
ABN:	71 066 281 132
Reporting period:	For the year ended 30 June 2014
Previous period:	For the year ended 30 June 2013

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	11.1% to	7,972
Total revenues for continuing and discontinued operations	up	2.3% to	7,972
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	down	10.6% to	704
Loss from ordinary activities after tax attributable to the owners of Advanced Surgical Design & Manufacture Limited	down	88.8% to	(64)
Loss for the year attributable to the owners of Advanced Surgical Design & Manufacture Limited	down	88.8% to	(64)

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 \$64,000 (30 June 2013: \$571,000).

Revenue

Total revenue for the year ended 30 June 2014 ("FY14") was \$8.0m, representing an increase of 11% from the 2013 financial year ("FY13").

This growth was a mix across all product categories driven by our emphasis on education and training. During the year we undertook a number of cadaver labs which exposes physicians to our products and provided practical experience and user experiences converting to increased users and procedures.

Net profit from ordinary activities

The consolidated entity's earnings before interest, tax and depreciation and amortisation ("EBITDA") in FY14 was a profit of \$0.7m compared to profit of \$0.8m in FY13.

The earnings before interest, tax, depreciation and amortisation ("EBITDA") was \$704,000 (2013: \$788,000).

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



	Consolidated	
	2014	2013
	(unaudited)	\$'000
	\$'000	\$'000
EBITDA	704	788
Less: Depreciation and amortisation	(783)	(1,013)
Less: Finance cost	(228)	(270)
Add: Interest income	6	7
	<u> </u>	<u> </u>
Loss after income tax expense from continuing operations	(301)	(488)
Profit/(loss) after income tax expense from discontinued operations	237	(83)
	<u> </u>	<u> </u>
Loss after income tax	<u>(64)</u>	<u>(571)</u>

FY14's continued focus on streamlining its manufacturing processes led to stronger margins particularly in the locally manufactured products. The company continues to seek improvements in manufacturing methods to drive down costs and improve efficiencies and yield for stronger margin into the future.

Corporate and administration expenses have increased by \$0.2m represented by consultants relating to Research & Development ('R&D') tax refund \$0.1m and reinstatement of full year Directors fees \$0.1m.

ASDM's competitive advantage is local capability in design and manufacturing management. This provides for a responsive and dynamic organisation. During FY14, this development and continued alignment of our R&D to support our orthopaedic products and customers resulted in an increase in costs by \$0.2m to \$1.4m (30 June 2013: \$1.2m).

ASDM is advancing into the next phase of our development. Over the past 12-18 months, the company has been working closely with local innovators and surgeons to develop the next iteration of the Active Total Knee instrumentation. This development supports the Active Knee's long and successful clinical history with a new approach to surgical procedures that will pave the way to wider market segment opportunities.

During 2014, ASDM has partnered with the University of Sydney in the licensing of an exciting new technology in the ceramic bone scaffold area. This novel and breakthrough technology not only emphasises our focus on orthopaedics but also on industry collaboration in general.

Net loss after tax was \$0.1m (30 June 2013: \$0.6m). This result is after the expensing of all research and development related expenses.

Cash position

The cash balance at 30 June 2014 was \$0.03m, with headroom under the debtors financing facility from Scottish Pacific which will enable growth and security in coming periods.

Outlook

In 2014-2015, ASDM will be rolling out a new corporate brand identity that will underpin our commitment to our focus on opportunities in the future. Additionally, we will continue to concentrate on surgeon education and training through specialised cadaveric lab experiences that provide the fundamentals for the most effective and efficient patient outcomes.

ASDM is committed to developing a highly trained and skilled medical device workforce that collaborates with our partners to deliver innovation and patient focused outcomes.

3. Net tangible assets

	Reporting period	Previous period
	Cents	Cents
Net tangible assets per ordinary security	<u>9.04</u>	<u>9.26</u>

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4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

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 financial statements are currently being audited and an unqualified opinion is expected to be issued.

11. Attachments

Details of attachments (if any):

The Preliminary Financial Report of Advanced Surgical Design & Manufacture Limited for the year ended 30 June 2014 is attached.

12. Signed

Signed _____



Date: 29 August 2014

Peter Kazacos
Director
Sydney

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Advanced Surgical Design & Manufacture Limited

ABN 71 066 281 132

Preliminary Financial Report - 30 June 2014

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Advanced Surgical Design & Manufacture Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2014



		Consolidated	
	Note	2014 (unaudited) \$'000	2013 \$'000
Revenue	1	7,972	7,175
Other income	2	817	668
Expenses			
Cost of sales and purchases of consumables		(3,259)	(3,312)
Corporate and administration expenses		(2,253)	(2,036)
Quality and research and development expenses		(1,393)	(1,146)
Sales and marketing expenses		(1,957)	(1,567)
Finance costs		(228)	(270)
Loss before income tax expense from continuing operations		(301)	(488)
Income tax expense		-	-
Loss after income tax expense from continuing operations		(301)	(488)
Profit/(loss) after income tax (expense)/benefit from discontinued operations		237	(83)
Loss after income tax expense for the year attributable to the owners of Advanced Surgical Design & Manufacture Limited		(64)	(571)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		-	(45)
Other comprehensive income for the year, net of tax		-	(45)
Total comprehensive income for the year attributable to the owners of Advanced Surgical Design & Manufacture Limited		(64)	(616)
Total comprehensive income for the year is attributable to:			
Continuing operations		(301)	(533)
Discontinuing operations		237	(83)
		(64)	(616)

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 financial position
As at 30 June 2014



		Consolidated	
	Note	2014 (unaudited) \$'000	2013 \$'000
Assets			
Current assets			
Cash and cash equivalents	3	26	287
Trade and other receivables		2,290	2,172
Inventories		3,265	3,117
Current assets classified as held for sale		-	2,343
Total current assets		5,581	7,919
Non-current assets			
Receivables		123	118
Property, plant and equipment	4	2,116	2,567
Intangibles		214	153
Total non-current assets		2,453	2,838
Total assets		8,034	10,757
Liabilities			
Current liabilities			
Trade and other payables		1,661	1,736
Borrowings	5	1,566	1,139
Provisions	6	148	137
		3,375	3,012
Liabilities directly associated with assets classified as held for sale		-	2,556
Total current liabilities		3,375	5,568
Non-current liabilities			
Borrowings	7	233	739
Provisions		257	247
Total non-current liabilities		490	986
Total liabilities		3,865	6,554
Net assets		4,169	4,203
Equity			
Issued capital		9,602	9,602
Reserves		551	521
Accumulated losses		(5,984)	(5,920)
Total equity		4,169	4,203

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 2014



Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2012	8,818	566	(5,349)	4,035
Loss after income tax expense for the year	-	-	(571)	(571)
Other comprehensive income for the year, net of tax	-	(45)	-	(45)
Total comprehensive income for the year	-	(45)	(571)	(616)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	784	-	-	784
Balance at 30 June 2013	<u>9,602</u>	<u>521</u>	<u>(5,920)</u>	<u>4,203</u>
Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2013	9,602	521	(5,920)	4,203
Loss after income tax expense for the year	-	-	(64)	(64)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(64)	(64)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	30	-	30
Balance at 30 June 2014	<u>9,602</u>	<u>551</u>	<u>(5,984)</u>	<u>4,169</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 year ended 30 June 2014



	Consolidated	
	2014	
Note	(unaudited)	2013
	\$'000	\$'000
Cash flows from operating activities		
	9,456	8,338
Receipts from customers (inclusive of GST)		
	(9,804)	(8,151)
Payments to suppliers and employees (inclusive of GST)		
	(348)	187
Interest received	6	7
Interest and other finance costs paid	(228)	(270)
Income taxes refunded relating to research and development	544	605
Net cash from/(used in) operating activities	(26)	529
Cash flows from investing activities		
	(307)	(307)
Payments for property, plant and equipment	(86)	(11)
Payments for intangibles	237	-
Proceeds from sale of investments	(156)	(318)
Net cash used in investing activities		
Cash flows from financing activities		
	-	872
Proceeds from issue of shares	686	-
Proceeds from debtor finance facility	-	(88)
Share issue transaction costs	(465)	(325)
Repayment of lease liabilities	(300)	(200)
Repayments from borrowings - related party		
Net cash from/(used in) financing activities	(79)	259
Net increase/(decrease) in cash and cash equivalents	(261)	470
Cash and cash equivalents at the beginning of the financial year	287	(183)
Cash and cash equivalents at the end of the financial year	26	287

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

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Note 1. Revenue

	Consolidated	
	2014	2013
	(unaudited)	\$'000
	\$'000	\$'000
<i>Sales revenue</i>		
Sale of goods	7,966	7,156
<i>Other revenue</i>		
Interest	6	7
Sub-lease rentals	-	12
	<u>6</u>	<u>19</u>
Revenue	<u>7,972</u>	<u>7,175</u>

Note 2. Other income

	Consolidated	
	2014	2013
	(unaudited)	\$'000
	\$'000	\$'000
Net foreign exchange gain	-	121
Other income	-	3
Research and development tax offset	817	544
	<u>817</u>	<u>668</u>
Other income	<u>817</u>	<u>668</u>

Note 3. Current assets - cash and cash equivalents

	Consolidated	
	2014	2013
	(unaudited)	\$'000
	\$'000	\$'000
Cash on hand	26	287
	<u>26</u>	<u>287</u>

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Note 4. Non-current assets - property, plant and equipment

	Consolidated	
	2014	2013
	(unaudited)	\$'000
	\$'000	\$'000
Plant and equipment - at cost	6,780	6,672
Less: Accumulated depreciation	(5,915)	(5,732)
	865	940
Fixtures and fittings - at cost	1,963	1,811
Less: Accumulated depreciation	(1,548)	(1,342)
	415	469
Leasehold improvements - at cost	470	467
Less: Accumulated depreciation	(364)	(301)
	106	166
Lease make good - at cost	300	300
Less: Accumulated depreciation	(300)	(300)
	-	-
Instrument sets - at cost	2,572	2,529
Less: Accumulated depreciation	(1,842)	(1,537)
	730	992
	2,116	2,567

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Plant and equipment \$'000	Fixtures and fittings \$'000	Leasehold improvements \$'000	Lease make good \$'000	Instrument sets \$'000	Total \$'000
Balance at 1 July 2012	1,198	651	23	40	1,247	3,159
Additions	10	66	187	-	44	307
Depreciation expense	(293)	(223)	(44)	(40)	(299)	(899)
Balance at 30 June 2013	915	494	166	-	992	2,567
Additions	134	127	3	-	43	307
Depreciation expense	(184)	(206)	(63)	-	(305)	(758)
Balance at 30 June 2014	865	415	106	-	730	2,116

Note 5. Current liabilities - borrowings

	Consolidated	
	2014	2013
	(unaudited)	\$'000
	\$'000	\$'000
Debtor finance facility	686	-
Related party loans	270	570
Lease liability	610	569
	<u>1,566</u>	<u>1,139</u>

Refer to note 7 for further information on assets pledged as security and financing arrangements.

Note 6. Current liabilities - provisions

	Consolidated	
	2014	2013
	(unaudited)	\$'000
	\$'000	\$'000
Employee benefits	148	137
	<u>148</u>	<u>137</u>

Note 7. Non-current liabilities - borrowings

	Consolidated	
	2014	2013
	(unaudited)	\$'000
	\$'000	\$'000
Lease liability	233	739
	<u>233</u>	<u>739</u>

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	2014	2013
	(unaudited)	\$'000
	\$'000	\$'000
Lease liability	843	1,308
Debtor finance facility	686	-
	<u>1,529</u>	<u>1,308</u>

Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	Consolidated	
	2014	2013
	(unaudited)	\$'000
	\$'000	\$'000
Cash and cash equivalents	-	287
Receivables	1,315	1,319
Plant and equipment	582	537
	<u>1,897</u>	<u>2,143</u>

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Note 7. Non-current liabilities - borrowings (continued)

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2014	2013
	(unaudited)	\$'000
	\$'000	\$'000
Total facilities		
Related party borrowing facility	270	570
Lease liability	843	1,308
Business card facility	15	15
Debtor finance facility	1,500	-
	<u>2,628</u>	<u>1,893</u>
Used at the reporting date		
Related party borrowing facility	270	570
Lease liability	843	1,308
Business card facility	-	-
Debtor finance facility	686	-
	<u>1,799</u>	<u>1,878</u>
Unused at the reporting date		
Related party borrowing facility	-	-
Lease liability	-	-
Business card facility	15	15
Debtor finance facility	814	-
	<u>829</u>	<u>15</u>

Note 8. Equity - dividends

Dividends

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

Franking credits

	Consolidated	
	2014	2013
	(unaudited)	\$'000
	\$'000	\$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>320</u>	<u>320</u>

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 9. Earnings per share

	Consolidated	
	2014	2013
	(unaudited)	\$'000
	\$'000	\$'000
<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>(301)</u>	<u>(488)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>43,751,248</u>	<u>38,418,751</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>43,751,248</u>	<u>38,418,751</u>
	Cents	Cents
Basic earnings per share	(0.69)	(1.27)
Diluted earnings per share	(0.69)	(1.27)
 <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>237</u>	<u>(83)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>43,751,248</u>	<u>38,418,751</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>43,751,248</u>	<u>38,418,751</u>
	Cents	Cents
Basic earnings per share	0.54	(0.22)
Diluted earnings per share	0.54	(0.22)
 <i>Earnings per share for loss</i>		
Loss after income tax attributable to the owners of Advanced Surgical Design & Manufacture Limited	<u>(64)</u>	<u>(571)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>43,751,248</u>	<u>38,418,751</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>43,751,248</u>	<u>38,418,751</u>

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Note 9. Earnings per share (continued)

	Cents	Cents
Basic earnings per share	(0.15)	(1.49)
Diluted earnings per share	(0.15)	(1.49)

Options granted to employees under the Employee Option Plan for year ended 30 June 2014 and prior years are not included in the determination of diluted earnings per share because they are anti-dilutive for the year. These options could potentially dilute basic earnings per share in the future. The options have not been included in the determination of basic earnings per share.

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