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 2010**
Previous corresponding period:	Year ended 30 June 2009

2. Results for announcement to the market

Revenues from ordinary activities	up	16.6%	to	$ 7,470,000
Loss from ordinary activities after tax attributable to the owners of Advanced Surgical Design & Manufacture Limited	up	54.7%	to	$(464,000)
Loss for the period attributable to the owners of Advanced Surgical Design & Manufacture Limited	up	54.7%	to	$(464,000)

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

Comments

During the financial year ended 30 June 2010, the company achieved a number of significant milestones including:

- Peripheral Access Device ("PAD") Class IIa registration (for use where the device is not attached to a pump);
- Sale of the intellectual property relating to the Uni-Compartmental Knee to Stryker Corporation;
- Granting of Class III CE Marking for the Active Total Knee Replacement system in Europe;
- First sales of the Active Total Knee Replacement system into Continental Europe through a Distributor appointment in Greece;
- United States FDA Registration for Posterior Stabilised Active Knee Range;
- Presentation of PAD Pilot Trial Results at the Association of International Vascular Surgeons Conference;
- Ethics approval of a major multi-centre trial for the PAD, with first patient treated and released from hospital;
- Establishing a direct sales presence in Europe through acquisition of the UK distributor;
- Continued expansion into the US;
- Expansion of our sales force into South Australia and Queensland; and
- Maintaining a positive operating cash flow position

Revenue
Total revenue for the year ended 30 June 2010 (FY10) was $7.4m, a 16% increase from the 2009 financial year ("FY09"). Core product sales growth was 8% with pricing across product lines remaining strong.

During the year, ASDM completed the sale of the intellectual property of the Uni-Compartmental Knee to Stryker. This accounted for a positive year on year variance in product revenue of $0.4m.

We continue to see new surgeon acceptance in all our market segments and greater penetration of our consumable products domestically.

Loss from ordinary activities
ASDM continues on a growth path in terms of existing products, markets and new product development. During the period our rollout of our strategy continued successfully and remains on track.

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During the year a significant milestone was reached with the PAD granted Class IIa classification from the Therapeutic Goods Administration (TGA) – proving device efficacy. This significant milestone has been reflected in our financial statements with the PAD development costs incurred post this milestone being capitalised.

As a result the earnings before interest, tax and depreciation and amortisation ("EBITDA") recorded a profit of $1.2m compared to a EBITDA loss of $0.7m in FY09, an improvement of $1.9m on FY09. During the financial year we completed a further 20 instrument sets, taking our current total of new instrument sets to 40 with the remaining 10 sets due for completion in the first half of FY11. This will allow us to further strengthen our marketing push both domestically and internationally. The continued development of these instruments sets continues to have a margin impact on non recoverable manufacturing costs, due to manufacturing tooling and methods refinement. Feedback from surgeons in the field is that the quality and design of these instruments is world class.

The rollout of the sales and marketing strategy via geographic diversification of our business has marginally increased sales and marketing costs during FY10. The total knee replacement is one of the strongest surgeon preference items in orthopaedics but traditionally has a significant time lag between sales and marketing expenses and revenue growth.

During the year we also continued to invest approximately 18% of revenue into our Research and Development ("R&D") an increase of 3% on FY09, with a significant focus being the continued development of the PAD. The focus on this innovation led to the successful Class IIa approval for this device in early August 2009. The Class IIa approval allows the device to be sold for vascular access purposes in Australia and Europe. In April 2010 a 40-patient clinical trial of a surgical technique, using the PAD, was registered by the Therapeutic Goods Administration (TGA) having been approved by the Northern Sydney Central Coast Area Health Ethics Committee.

ASDM now has the exclusive global commercialisation rights to the device and H.E.L.P. (Hypertensive Extracorporeal Limb Perfusion) treatment. The HELP procedure is being used in cases where the patient has a threatened limb and has no other options to avoid amputation.

Corporate and administration costs decreased in line with expectations. During last financial year, our first full year as a listed entity, a number of costs were incurred which were not recurring in 2010.

Net loss before tax was $20k, compared to a net loss before tax of $1.6m in FY09. The net loss after tax was impacted by a deferred tax adjustment of ($600k). The group is required to reassess both recognised and unrecognised deferred tax assets at the end of each reporting period which resulted in the aforementioned adjustment.

Earnings per share for FY10 was a loss of 1.31 cents per share, a decrease from a loss of 2.90 cents for FY09.

Outlook

Already this year we have successfully achieved a number of milestones which have further strengthened our market and strategic positioning. 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.

Our core product range of orthopaedic implants is continuing to go global. Replicating our current Australian market share in these international markets would deliver a significant turnover increase. While the inventory and infrastructure requirements for this growth will influence its timing, the outcome is definitely achievable in the longer term. In the meantime the focus on achieving this growth is matched by efforts in reducing the costs of manufacture and improvements in delivery efficiency.

The licensing commercialisation agreement relating to the PAD for HELP which was executed in July 2010 now places ASDM in the prime position to accelerate and drive the strategy. The next 12 months will see development of this in all aspects of the product lifecycle and route to market. Engaging and partnering with expert organisations and individuals in this area will be a major underpinning of success. This is particularly true of launching into the US market which will require significant focus and resources in the near future.

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3. NTA backing

	Reporting period	Previous corresponding period
Net tangible asset backing per ordinary security	16.43 cents	20.12 cents

4. Control gained over entities

Name of entities (or group of entities)	Advanced Surgical Design & Manufacture (UK) Limited
Date control gained	1 April 2010
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)	$(52,000)
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 during the current financial period.

Previous corresponding period
There were no dividends paid 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.

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8. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding: Current period	Reporting entity's percentage holding: Previous corresponding period	Contribution to profit/(loss) (where material): Current period	Contribution to profit/(loss) (where material): 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:

Advanced Surgical Design & Manufacture (UK) Limited, a subsidiary of Advanced Surgical Design & Manufacture Limited, was prepared under the United Kingdom equivalents to International Financial Reporting Standards ('UK IFRS').

10. Audit qualification or review

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

The report has been prepared based on a 30 June 2010 Annual Financial Report which is in the process of being audited by an independent Audit Firm in accordance with the requirements of S302 of the Corporations Act 2001.

11. Attachments

Details of attachments (if any):

The Financial Report of Advanced Surgical Design & Manufacture Limited for the year ended 30 June 2010 is attached.

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Advanced Surgical Design & Manufacture Limited

ABN 71 066 281 132

Financial Report - 30 June 2010

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Advanced Surgical Design & Manufacture Limited
Corporate directory
30 June 2010

Directors	Peter Kazacos B.E, B.Sc Dr Gregory James Roger MB BS, M Eng (Res) Walter Kmet BComm, GDhthSrvMt, MBT, FAIM John O'Meara PCM	
Company secretary	Richard Ulrick BA, LLB, Dip Fin Mgt, FCIS, CPA	
Notice of annual general meeting	The annual general meeting of Advanced Surgical Design & Manufacture Limited:	
	will be held at	Unit 2 12 Frederick Street St Leonards NSW 2065
	time date	11:00 AM Friday 5 November 2010
Registered office	Unit 2/12 Frederick Street St Leonards NSW 2065	
Principal place of business	Unit 2/12 Frederick Street St Leonards NSW 2065	
Share register	Link Market Services Limited Level 12 680 George Street Sydney NSW 2000	
Auditor	PricewaterhouseCoopers Darling Park Tower 2 201 Sussex Street Sydney NSW 2000	
Solicitors	Watson Mangioni Level 13 50 Carrington Street Sydney NSW 2000	
Bankers	Commonwealth Bank of Australia PO Box 327 Silverwater NSW 2128	
Stock exchange listing	Advanced Surgical Design & Manufacture Limited shares are listed on the Australian Securities Exchange (code: AMT)	
Website address	www.asdm.com.au	

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Advanced Surgical Design & Manufacture Limited
Financial report
For the year ended 30 June 2010

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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.

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

During the financial year the principal continuing activities of the consolidated entity consisted of the sale, manufacture and design of surgical implants.

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Advanced Surgical Design & Manufacture Limited
Statement of comprehensive income
For the year ended 30 June 2010

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000
Revenue	4	7,470	6,409
Other income	5	33	3
Expenses	6		
Cost of sales and purchases of consumables		(3,385)	(3,259)
Corporate and administration expenses		(2,094)	(2,502)
Quality and research and development expenses		(752)	(1,063)
Sales and marketing expense		(1,160)	(1,126)
Finance costs	6	(132)	(100)
Loss before income tax (expense)/benefit		(20)	(1,638)
Income tax (expense)/benefit	7	(444)	613
Loss after income tax (expense)/benefit for the year attributable to the owners of Advanced Surgical Design & Manufacture Limited	23	(464)	(1,025)
Other comprehensive income			
Foreign currency translation		(33)	-
Other comprehensive income for the year, net of tax		(33)	-
Total comprehensive income for the year attributable to the owners of Advanced Surgical Design & Manufacture Limited		(497)	(1,025)
		Cents	**Cents**
Basic earnings per share	36	(1.31)	(2.90)
Diluted earnings per share	36	(1.31)	(2.90)

The above statement of 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 30 June 2010

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000
Assets			
Current assets			
Cash and cash equivalents	8	723	852
Trade and other receivables	9	1,005	1,145
Inventories	10	2,834	2,817
Total current assets		4,562	4,814
Non-current assets			
Receivables	11	205	200
Property, plant and equipment	12	4,162	4,449
Intangibles	13	1,503	230
Deferred tax	14	798	1,140
Total non-current assets		6,668	6,019
Total assets		11,230	10,833
Liabilities			
Current liabilities			
Trade and other payables	15	1,013	878
Borrowings	16	906	269
Provisions	17	113	78
Total current liabilities		2,032	1,225
Non-current liabilities			
Borrowings	18	755	787
Deferred tax	19	185	18
Provisions	20	341	349
Total non-current liabilities		1,281	1,154
Total liabilities		3,313	2,379
Net assets		7,917	8,454
Equity			
Contributed equity	21	8,915	8,980
Reserves	22	481	489
Accumulated losses	23	(1,479)	(1,015)
Total equity		7,917	8,454

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

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Advanced Surgical Design & Manufacture Limited
Statement of changes in equity
For the year ended 30 June 2010

	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Consolidated				
Balance at 1 July 2008	9,040	313	10	9,363
Total comprehensive income for the year	-	-	(1,025)	(1,025)
Transactions with owners in their capacity as owners:				
Tax effect on transaction costs arising on share issue	(60)	-	-	(60)
Share-based payments	-	176		176
Balance at 30 June 2009	8,980	489	(1,015)	8,454

	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Consolidated				
Balance at 1 July 2009	8,980	489	(1,015)	8,454
Total comprehensive income for the year	-	(33)	(464)	(497)
Transactions with owners in their capacity as owners:				
Tax effect on transaction costs arising on share issue	(65)	-	-	(65)
Share-based payments	-	25	-	25
Balance at 30 June 2010	8,915	481	(1,479)	7,917

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

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Advanced Surgical Design & Manufacture Limited
Statement of cash flows
For the year ended 30 June 2010

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		8,329	7,784
Payments to suppliers (inclusive of GST)		(6,829)	(7,627)
		1,500	157
Interest received		18	69
Interest and other finance costs paid		(132)	(100)
Net cash from operating activities	34	1,386	126
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	30	15	-
Payments for property, plant and equipment		(850)	(1,015)
Payments for intangible assets		(731)	(98)
Proceeds from sale of property, plant and equipment		4	23
Net cash used in investing activities		(1,562)	(1,090)
Cash flows from financing activities			
Proceeds from borrowings		204	458
Repayment of borrowings		(120)	-
Finance lease repayments		(37)	(166)
Net cash from financing activities		47	292
Net decrease in cash and cash equivalents		(129)	(672)
Cash and cash equivalents at the beginning of the financial year		852	1,524
Cash and cash equivalents at the end of the financial year	8	723	852

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

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Advanced Surgical Design & Manufacture Limited
Notes to the financial statements
30 June 2010

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

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 Standards and Interpretations did not have any impact on the financial performance or position of the consolidated entity. The following Standards and Interpretations are most relevant to the consolidated entity:

AASB 101 Presentation of Financial Statements ('AASB 101')
The consolidated entity has applied the revised AASB 101 from 1 July 2009 and now presents a statement of comprehensive income, which incorporates the income statement and all non-owner changes in equity. As a result, the consolidated entity now presents all owner changes in the statement of changes in equity. The balance sheet is now referred to as the statement of financial position. There is a requirement to present a third statement of financial position if there is restatement of comparatives through either a correction of error, change in accounting policy or a reclassification. The cash flow statement is now referred to as the statement of cash flows.

AASB 3 Business Combinations ('AASB 3')
The consolidated entity has applied the revised AASB 3 for all new business combinations acquired on or after 1 July 2009. As well as the expensing of transaction costs and minority interest now being referred to as non-controlling interest, there are a number of significant changes - refer to the 'business combinations' accounting policy for further details.

AASB 127 Consolidated and Separate Financial Statements ('AASB 127')
The consolidated entity has applied the revised AASB 127 from 1 July 2009. The revised standard requires changes in ownership interest of a subsidiary without a change in control to be accounted for as a transaction with owners in their capacity as owners. It also changes the accounting for losses incurred by a partially owned subsidiary as well as the loss of control of a subsidiary - refer to the 'principles of consolidation' accounting policy for further details.

AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
This amendment is applicable from 1 July 2009 and removes references to the cost method. The distinction between pre and post acquisition profits is no longer relevant as all dividends are now recognised in profit or loss - refer to the 'principles of consolidation' accounting policy for further details.

AASB 7 Financial Instruments: Disclosure ('AASB 7')
This amended standard is applicable from 1 July 2009 and requires additional disclosure about fair value measurement of financial instruments, using a three level fair value hierarchy. The amendments also clarify the disclosure requirements about liquidity risks for derivative transactions and assets used for liquidly management.

AASB 8 Operating Segments ('AASB 8')
The consolidated entity has applied AASB 8, which replaces AASB 114 'Segment Reporting', from 1 July 2009. AASB 8 requires a management approach to segment reporting based on the information reported internally. Refer to note 3.

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Note 1. Significant accounting policies (continued)

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

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

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Going concern
At 30 June 2010 the consolidated entity had capital reserves of $7.9 million and cash and cash equivalents of $723,000. The consolidated entity had a considerable increase in operating cash flows, while it experienced negative overall cash flows during the financial year, due to the continued development of its promising PAD project and orthopaedic marketing strategy.

The directors are of the view that the consolidated entity will continue as a going concern and that ASDM will realise its assets and liabilities and commitments in the normal course of business and at the amounts stated in the financial statements.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 29.

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Note 1. Significant accounting policies (continued)

Principles of consolidation
The consolidated financial statements incorporates the assets and liabilities of all subsidiaries of Advanced Surgical Design & Manufacture Limited ('company' or 'parent entity') as at 30 June 2010 and the results of all subsidiaries for the year then ended. Advanced Surgical Design & Manufacture Limited and its subsidiaries 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.

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 have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Change in accounting policy from 1 July 2009
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 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.

The change in accounting policy has been applied prospectively.

Accounting policy up to 30 June 2009
The acquisition of subsidiaries is accounted for using the purchase 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 using the parent entity extension method, where the difference between the consideration paid and the book value of the share of net assets acquired is recognised in goodwill.

Where the consolidated entity loses control over a subsidiary, the consolidated entity recognises a gain or loss directly to the income statement, being the difference between the consideration received and the share of the net assets disposed of. Any investment retained is accounted for at its proportionate share of net asset value at the date control is lost.

Operating segments

Change in accounting policy from 1 July 2009
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Accounting policy up to 30 June 2009
A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different to those of segments operating in other economic environments.

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Note 1. Significant accounting policies (continued)

Foreign currency translation

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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

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 collectibility 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.

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Note 1. Significant accounting policies (continued)

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 under and over provision in 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.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

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Note 1. Significant accounting policies (continued)

Inventories
Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Investments and other financial assets
Investments and other financial assets are measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arms length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets
The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable date indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal can not exceed the amortised cost that would have been had the impairment not been recognised and is reversed to profit or loss.

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Note 1. Significant accounting policies (continued)

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation on other assets is calculated using either the diminishing value or straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Plant and equipment	2-20 years
Fixtures and fittings	2-13 years
Leasehold improvements	2-10 years
Instrument sets	5-7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

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 dependant 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 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 is 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.

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Note 1. Significant accounting policies (continued)

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of an intangible asset is measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangibles are reviewed annually. Changes in expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill
Where an entity or operation is acquired in a business combination, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of the acquisition over the fair value of the identifiable net assets acquired is brought to account as goodwill. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Research and development
Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs will be amortised on a straight-line basis over the period of their expected benefit, which has not commenced during the current financial year.

Website
Significant costs associated with the development of the revenue generating aspects of the website, including the capacity of placing orders, are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of between 10 and 20 years.

Patents and trademarks
Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of between 10 and 20 years.

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

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Note 1. Significant accounting policies (continued)

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

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, including:
- interest on short-term and long-term borrowings
- interest on finance leases

Provisions
Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Wages and salaries and annual leave
Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long-term employee benefit obligations
The liability for long service leave and annual leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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Note 1. Significant accounting policies (continued)

Share-based payments
Share-based compensation benefits are provided to employees via the ASDM Employee Option Plan and an employee share scheme.

The fair value of options granted under the ASDM Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

Contributed equity
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.

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Note 1. Significant accounting policies (continued)

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

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.

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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 Standards and Interpretations not yet effective
Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The consolidated entity's assessment of the impact of these new standards and interpretations, most relevant to and not early adopted by the consolidated entity, are set out below.

AASB 2009-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project
These amendments are applicable to annual reporting periods beginning on or after 1 January 2010. These amendments result in some accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The main change is the removal of specific guidance on classifying land as a lease in AASB 117 'Leases', which may result in more land leases being classified as finance leases. The adoption of these amendments from 1 July 2010 will not have a material impact on the consolidated entity.

AASB 2009-8 Amendments to AASB 2 - Group Cash-settled Share-based Payment Transactions
These amendments are applicable to annual reporting periods beginning on or after 1 January 2010. These amendments clarify the scope of AASB 2 'Share-Based Payment' by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the consolidated entity settles the transaction, and no matter whether the transaction is settled in shares or cash. These amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence these two Interpretations are superseded by these amendments. The adoption of these amendments from 1 July 2010 will not have a material impact on the consolidated entity.

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Note 1. Significant accounting policies (continued)

AASB 2009-10 Amendments to AASB 132 – Classification of Rights Issues
These amendments are applicable to annual reporting periods beginning on or after 1 February 2010. These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The adoption of these amendments from 1 July 2010 will not have a material impact on the consolidated entity.

AASB 2009-12 Amendments to Australian Accounting Standards - Related Party Disclosures
These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments make numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, which have no major impact on the requirements of the amended pronouncements. The main amendment is to AASB 8 'Operating Segments' and requires 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. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.

AASB 9 Financial Instruments and 2009-11 Amendments Australian Accounting Standards arising from AASB 9
This standard and consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. This standard introduces new classification and measurement models for financial assets as part of phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). It uses 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. The standard also removes the impairment requirements for financial assets held at fair value. The accounting for financial liabilities has not been amended by the IASB and continues to be classified and measured in accordance with AASB 139. The consolidated entity will adopt this standard from 1 July 2011 but the impact of its adoption is yet to be assessed by the consolidated entity.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Share-based payment transactions
The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Provision for impairment of inventories
The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

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Note 2. Critical accounting judgements, estimates and assumptions (continued)

Estimation of useful lives of assets
The consolidated entity's management determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and definite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. Management will increase the depreciation and amortisation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Goodwill and other indefinite life intangible assets
The consolidated entity tests annually whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists the recoverable amount of the asset is determined. This involves fair value less costs to sell or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax
The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity’s current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recognition of deferred tax assets
The consolidated entity is required to reassess both recognised and unrecognised deferred tax assets at the end of each reporting period. Deferred tax assets relating to unused tax losses have only been recognised to the extent that it is probable that the consolidated entity will have sufficient future taxable profit against which the unused tax losses can be utilised. The consolidated entity has therefore reversed $321,000 of tax losses previously recognised as a deferred tax asset and recognised an amount of $399,000 which has been determined in reference to future short term forecasts. The impact of applying this critical judgement has been reflected in note 7.

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.

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Note 4. Revenue

	Consolidated	
	2010	2009
	$'000	$'000
Sales revenue		
Sale of goods	6,027	6,188
Sale of intellectual property	1,280	-
	7,307	6,188
Other revenue		
Interest	18	69
Sub-lease rentals	145	152
	163	221
Revenue	7,470	6,409

Note 5. Other income

	Consolidated	
	2010	2009
	$'000	$'000
Net gain on disposal of property, plant and equipment	-	3
Other income	33	-
Other income	33	3

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Note 6. Expenses

	Consolidated	
	2010	**2009**
	$'000	**$'000**
Loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	539	471
Fixtures and fittings	186	76
Leasehold improvements	28	28
Lease make good	60	60
Instrument sets	268	138
Total depreciation	1,081	773
Amortisation		
Website	9	10
Patents and trademarks	34	20
Total amortisation	43	30
Total depreciation and amortisation	1,124	803
Impairment		
Patents and trademarks	-	116
Finance costs		
Interest and finance charges paid/payable	132	100
Net foreign exchange loss		
Net foreign exchange loss	116	9
Net loss on disposal		
Net loss on disposal of property, plant and equipment	1	-
Rental expense relating to operating leases		
Minimum lease payments	688	669
Superannuation expense		
Defined contribution superannuation expense	232	220
Share-based payments expense		
Share-based payments expense	25	176
Employee benefits expense		
Employee benefits expense	2,489	2,594
Research costs not capitalised		
Research costs not capitalised	312	181
Write off of assets		
Inventories	107	105

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Note 7. Income tax expense/(benefit)

	Consolidated	
	2010	2009
	$'000	$'000
Income tax expense/(benefit)		
Deferred tax	444	(613)
Aggregate income tax expense/(benefit)	444	(613)
Deferred tax included in income tax expense/(benefit)		
Decrease/(increase) in deferred tax assets (note 14)	277	(515)
(Decrease)/increase in deferred tax liabilities (note 19)	167	(98)
	444	(613)
Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable		
Loss before income tax (expense)/benefit	(20)	(1,638)
Tax at the Australian tax rate of 30%	(6)	(491)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	7	53
Concessional research and development expenditure	(101)	(74)
Investment allowance	(28)	(43)
Sundry items	(27)	(58)
	(155)	(613)
Prior year tax losses previously recognised now not recognised	321	-
Current year tax losses not recognised	278	-
Income tax expense/(benefit)	444	(613)
Amounts charged directly to equity		
Deferred tax assets (note 14)	65	60
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	1,995	-
Potential tax benefit @ 30%	599	-

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

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Note 8. Current assets - cash and cash equivalents

	Consolidated	
	2010	**2009**
	$'000	**$'000**
Cash at bank and on hand	723	852

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows.

Interest rate risk exposure
The consolidated entity's exposure to interest rate risk is discussed in note 25.

Note 9. Current assets - trade and other receivables

	Consolidated	
	2010	**2009**
	$'000	**$'000**
Trade receivables	959	1,086
Other receivables	5	-
Prepayments	41	59
	1,005	1,145

Impairment of receivables
At 30 June 2010 the directors were not aware of any receivables that were impaired (2009: Nil).

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Note 9. Current assets - trade and other receivables (continued)

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $304,000 at 30 June 2010 ($300,000 at 30 June 2009). Management did not consider a credit risk on the aggregate balances after reviewing agency credit information and credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	Consolidated	
	2010 **$'000**	**2009** **$'000**
1 to 2 months	281	235
3 to 4 months	23	65
	304	300

Other receivables
These amounts generally arise from transactions outside the usual operating activities of the consolidated entity.

Foreign exchange and interest rate risk
Information about the consolidated entity's exposure to exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 25.

Fair value and credit risk
Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

Note 10. Current assets - inventories

	Consolidated	
	2010 **$'000**	**2009** **$'000**
Raw materials - at cost	550	737
Work in progress - at cost	162	414
Finished goods - at lower of cost or net realisable value	2,122	1,666
	2,834	2,817

Inventory expense
Write downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2010 amounted to $107,000 (2009: $105,000). The expense has been included in ‘cost of sales’ in profit or loss.

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Note 11. Non-current assets - receivables

	Consolidated	
	2010	2009
	$'000	$'000
Other receivables	205	200

Impaired receivables or receivables past due
None of the non-current receivables are impaired or past due but not impaired.

Foreign exchange and interest rate risk
Information about the consolidated entity's exposure to exposure to foreign currency risk and interest rate risk in relation to other receivables is provided in note 25.

Fair value and credit risk
The effect of discounting is considered not to be material and their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

Note 12. Non-current assets - property, plant and equipment

	Consolidated	
	2010	2009
	$'000	$'000
Plant and equipment - at cost	6,625	6,588
Less: Accumulated depreciation	(4,758)	(4,220)
	1,867	2,368
Fixtures and fittings - at cost	1,419	1,103
Less: Accumulated depreciation	(694)	(508)
	725	595
Leasehold improvements - at cost	279	279
Less: Accumulated depreciation	(175)	(147)
	104	132
Lease make good - at cost	288	283
Less: Accumulated depreciation	(140)	(80)
	148	203
Instrument sets - at cost	2,092	1,657
Less: Accumulated depreciation	(774)	(506)
	1,318	1,151
	4,162	4,449

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Note 12. Non-current assets - property, plant and equipment (continued)

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

	Plant and equipment $'000	Fixtures and fittings $'000	Leasehold improvements $'000	Lease make good $'000	Instrument sets $'000	Total $'000
Consolidated						
Balance at 1 July 2008	2,711	513	159	231	613	4,227
Additions	128	168	1	32	686	1,015
Disposals	-	(10)	-	-	(10)	(20)
Depreciation expense	(471)	(76)	(28)	(60)	(138)	(773)
Balance at 30 June 2009	2,368	595	132	203	1,151	4,449
Additions	42	316	-	5	492	855
Additions through business combinations (note 30)	1	-	-	-	-	1
Disposals	(5)	-	-	-	-	(5)
Transfers in/(out)	-	-	-	-	(57)	(57)
Depreciation expense	(539)	(186)	(28)	(60)	(268)	(1,081)
Balance at 30 June 2010	1,867	725	104	148	1,318	4,162

Key assumptions used for value-in-use calculations
In performing value-in-use calculations, the consolidated entity has applied a post-tax discount rate of 12.0% (2009: 12.0%), which is the post-tax Weighted Average Cost of Capital (WACC). Revenues are projected to increase at a rate of 3.0% (2009: 4.8%) for the first five years based on management's expectations. Revenues beyond the 5 year period are extrapolated using an estimated growth rate of 3.0%.

Impairment charge
There was no impairment charge on property, plant and equipment during the year (2009: $nil).

Note 13. Non-current assets - intangibles

	Consolidated 2010 $'000	**Consolidated 2009 $'000**
Goodwill - at cost	585	-
	585	-
Capitalised development - at cost	617	-
	617	-
Website - at cost	121	66
Less: Accumulated amortisation	(53)	(44)
	68	22
Patents and trademarks - at cost	422	363
Less: Accumulated amortisation	(189)	(155)
	233	208
	1,503	230

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Note 13. Non-current assets - intangibles (continued)

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

	Goodwill $'000	Capitalised development $'000	Website $'000	Patents and trademarks $'000	Total $'000
Consolidated					
Balance at 1 July 2008	-	-	31	247	278
Additions	-	-	1	97	98
Impairment of assets	-	-	-	(116)	(116)
Amortisation expense	-	-	(10)	(20)	(30)
Balance at 30 June 2009	-	-	22	208	230
Additions	-	617	55	59	731
Additions through business combinations (note 30)	585	-	-	-	585
Amortisation expense	-	-	(9)	(34)	(43)
Balance at 30 June 2010	585	617	68	233	1,503

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Note 14. Non-current assets - deferred tax

	Consolidated	
	2010 $'000	2009 $'000
The balance comprises temporary differences attributable to:		
Amounts recognised in the statement of comprehensive income:		
Tax losses	399	720
Other provisions and accruals	301	257
	700	977
Amounts recognised in equity:		
Transaction costs on share issue	98	163
	98	163
Deferred tax asset	798	1,140
Deferred tax asset to be recovered after more than 12 months	798	1,140
Movements:		
Opening balance	1,140	685
Credited/(charged) to the statement of comprehensive income (note 7)	(277)	515
Charged to equity	(65)	(60)
Closing balance	798	1,140

The consolidated entity has revised the carrying amount of its deferred tax asset in accordance with the guidance provided in AASB 112 'Income Taxes'. A summary of the critical accounting judgement is included in note 2.

Note 15. Current liabilities - trade and other payables

	Consolidated	
	2010 $'000	2009 $'000
Trade payables	274	255
Accrued expenses	393	292
Other payables	346	331
	1,013	878

Foreign exchange and interest rate risk
Information about the consolidated entity's exposure to exposure to foreign currency risk and interest rate risk in relation to trade and other payables is provided in note 25.

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Note 16. Current liabilities - borrowings

	Consolidated	
	2010	2009
	$'000	$'000
Bank loans	207	154
Other loans	609	-
Lease liability	90	115
	906	269

Refer to note 18 for further information on assets pledged as security and financing arrangements and note 25 for detailed information on financial instruments.

Note 17. Current liabilities - provisions

	Consolidated	
	2010	2009
	$'000	$'000
Employee benefits	113	78

Note 18. Non-current liabilities - borrowings

	Consolidated	
	2010	2009
	$'000	$'000
Bank loans	658	678
Lease liability	97	109
	755	787

Refer to note 25 for detailed information on financial instruments.

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

	Consolidated	
	2010	2009
	$'000	$'000
Bank loans	865	832
Lease liability	187	224
	1,052	1,056

Note 18. Non-current liabilities - borrowings (continued)

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

	Consolidated	
	2010	2009
	$'000	$'000
Cash and cash equivalents	723	852
Receivables	959	1,086
Plant and equipment	217	1,135
	1,899	3,073

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

	Consolidated	
	2010	2009
	$'000	$'000
Total facilities		
Bank overdraft	500	250
Bank loans	865	832
	1,365	1,082
Used at the reporting date		
Bank overdraft	-	-
Bank loans	865	832
	865	832
Unused at the reporting date		
Bank overdraft	500	250
Bank loans	-	-
	500	250

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Note 19. Non-current liabilities - deferred tax

	Consolidated	
	2010	**2009**
	$'000	**$'000**
The balance comprises temporary differences attributable to:		
Amounts recognised in the statement of comprehensive income:		
Property, plant and equipment	-	18
Development costs	185	-
Deferred tax liability	185	18
Deferred tax liability to be settled after more than 12 months	185	18
Movements:		
Opening balance	18	116
Charged/(credited) to the statement of comprehensive income (note 7)	167	(98)
Closing balance	185	18

Note 20. Non-current liabilities - provisions

	Consolidated	
	2010	**2009**
	$'000	**$'000**
Employee benefits	53	66
Lease make good	288	283
	341	349

Lease make good
The provision represents the present value of the estimated costs to make good the premises leased by the consolidated entity at the end of the respective lease terms.

Movements in provisions
Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	Lease make good $'000
Consolidated - 2010	
Carrying amount at the start of the year	283
Additional provisions recognised	5
Carrying amount at the end of the year	288

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Note 21. Equity - contributed

	Consolidated		Consolidated	
	2010 Shares	2009 Shares	2010 $'000	2009 $'000
Ordinary shares - fully paid	35,298,996	35,298,996	8,915	8,980

Movements in ordinary share capital

Details	Date	No of shares	Issue price	$'000
Balance	1 July 2008	35,298,996		9,040
Less: Tax effect on transaction costs arising on share issue	30 June 2009	-	$0.00	(60)
Balance	30 June 2009	35,298,996		8,980
Less: Tax effect on transaction costs arising on share issue	30 June 2010	-	$0.00	(65)
Balance	30 June 2010	35,298,996		8,915

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

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Note 21. Equity - contributed (continued)

Share buy-back
There is no current on-market share buy-back.

Capital risk management
The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that they can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The capital risk management policy remains unchanged from the 30 June 2009 Annual Report.

The consolidated entity monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'trade and other payables' and 'borrowings' as shown in the statement of financial position) less 'cash and cash equivalents' as shown in the statement of financial position. Total capital is calculated as 'total equity' as shown in the statement of financial position plus net debt.

The gearing ratio at the reporting date was as follows:

	Consolidated	
	2010	**2009**
	$'000	**$'000**
Current liabilities - trade and other payables (note 15)	1,013	878
Current liabilities - borrowings (note 16)	906	269
Non-current liabilities - borrowings (note 18)	755	787
Total borrowings	2,674	1,934
Current assets - cash and cash equivalents (note 8)	(723)	(852)
Net debt	1,951	1,082
Total equity	7,917	8,454
Total capital	9,868	9,536
Gearing ratio	20%	11%

Note 22. Equity - reserves

	Consolidated	
	2010	**2009**
	$'000	**$'000**
Foreign currency reserve	(33)	-
Share-based payments reserve	514	489
	481	489

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Note 22. Equity - reserves (continued)

	Foreign currency $'000	Share-based payments $'000	Total $'000
Consolidated			
Balance at 1 July 2008	-	313	313
Share-based payments	-	176	176
Balance at 30 June 2009	-	489	489
Foreign currency translation	(33)	-	(33)
Share-based payments	-	25	25
Balance at 30 June 2010	(33)	514	481

Foreign currency reserve
The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian Dollars.

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Note 23. Equity - accumulated losses

	Consolidated	
	2010 $'000	**2009 $'000**
Retained profits/(accumulated losses) at the beginning of the financial year	(1,015)	10
Loss after income tax (expense)/benefit for the year	(464)	(1,025)
Accumulated losses at the end of the financial year	(1,479)	(1,015)

Note 24. Equity - dividends

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

	Consolidated	
	2010 $'000	**2009 $'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

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Note 25. Financial risk management

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

The consolidated entity undertake certain transactions denominated in foreign currency and are exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date was as follows:

	Assets		Liabilities	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Consolidated				
US Dollars	10	38	18	18
Euros	202	-	180	-
Pound Sterling	10	-	6	-
Swiss Francs	-	-	8	-
	222	38	212	18

The consolidated entity had net assets denominated in foreign currencies of $10,000 (assets $222,000 less liabilities $212,000) as at 30 June 2010 (2009: $20,000 (assets $38,000 less liabilities $18,000)). Based on this exposure, had the Australian Dollar weakened/strengthened by 10% (2009: weakened/strengthened by 10%) against these foreign currencies with all other variables held constant, the consolidated entity's profit before tax for the year would have been $1,000 lower/higher (2009: $2,000 lower/higher) and equity would have been $1,000 lower/higher (2009: $1,000 lower/higher). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date. The actual foreign exchange loss for the year ended 30 June 2010 was $116,000 (2009: loss of $9,000).

Price risk

The consolidated entity is not exposed to any significant price risk.

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Note 25. Financial risk management (continued)

Interest rate risk
The consolidated entity's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the consolidated entity to interest rate risk. Borrowings issued at fixed rates expose the consolidated entity to fair value interest rate risk.

For the consolidated entity the bank loans outstanding, totalling $1,475,000 (2009: $832,000), are principal and interest payment loans. Monthly cash outlays of approximately $11,000 (2009: $6,000) per month are required to service the interest payments. An official increase/decrease in interest rates of one (2009: one) percentage point would have an adverse/favourable affect on profit before tax of $15,000 (2009: $8,000) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts. In addition, minimum principal repayments of $817,000 (2009: $154,000) are due during the year ending 30 June 2011 (2009: 30 June 2010).

Credit risk
Credit risk is managed on a consolidated entity basis. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated	
	2010 $'000	2009 $'000
Bank overdraft	500	250
	500	250

The bank overdraft facilities may be drawn at any time and is subject to an annual review by the bank.

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Advanced Surgical Design & Manufacture Limited
Notes to the financial statements
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Note 25. Financial risk management (continued)

Remaining contractual maturities
The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2010	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	274	-	-	-	274
Accrued expenses	-	393	-	-	-	393
Other payables	-	346	-	-	-	346
Interest-bearing - fixed rate						
Bank loans	8.58	283	279	446	-	1,008
Other loans	6.50	629	-	-	-	629
Lease liability	9.00	105	114	-	-	219
Total non-derivatives		2,030	393	446	-	2,869

Consolidated - 2009	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	255	-	-	-	255
Accrued expenses	-	292	-	-	-	292
Other payables	-	331	-	-	-	331
Interest-bearing - fixed rate						
Bank loans	8.58	219	256	512	-	987
Lease liability	9.00	122	136	-	-	258
Total non-derivatives		1,219	392	512	-	2,123

The cash flows in the maturity analysis above are not expected to occur significantly earlier than disclosed.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

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Note 26. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by PricewaterhouseCoopers, the auditor of the company, and its related practices:

	Consolidated	
	2010	2009
	$	$
Audit services - PricewaterhouseCoopers		
Audit or review of the financial report	96,000	88,000
Other services - PricewaterhouseCoopers		
Tax compliance services	21,318	33,689
Tax consulting and advice	-	4,539
Audit of regulatory returns	-	2,200
Other assurance services	13,750	44,000
	35,068	84,428
	131,068	172,428

Note 27. Contingent liabilities

The consolidated entity had no contingent liabilities at 30 June 2010 and 30 June 2009.

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Note 28. Commitments for expenditure

	Consolidated	
	2010	2009
	$'000	$'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	707	695
One to five years	1,225	2,038
	1,932	2,733
Lease commitments - finance		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	105	122
One to five years	114	136
Total commitment	219	258
Less: Future finance charges	(32)	(34)
Net commitment recognised as liabilities	187	224
Representing:		
Lease liability - current (note 16)	90	115
Lease liability - non-current (note 18)	97	109
	187	224

The future minimum non-cancellable sub-lease operating lease payments expected to be received by the consolidated entity is $100,000 (2009: $106,000).

Operating lease commitments includes contracted amounts for various offices and plant and equipment under non-cancellable operating leases expiring within one to five years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Finance lease commitments includes contracted amounts for various plant and equipment with a written down value of $217,000 (2009: $1,135,000) under finance leases expiring within one to five years. Under the terms of the leases, the consolidated entity has the option to acquire the leased assets for predetermined residual values on the expiry of the leases.

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Note 29. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of comprehensive income

	Parent	
	2010 $'000	2009 $'000
Loss after income tax	(398)	(1,025)
Total comprehensive income	(398)	(1,025)

Statement of financial position

	Parent	
	2010 $'000	2009 $'000
Total current assets	4,444	4,814
Total assets	10,526	10,833
Total current liabilities	1,229	1,225
Total liabilities	2,510	2,379
Equity		
Contributed equity	8,915	8,980
Reserves	514	489
Accumulated losses	(1,413)	(1,015)
Total equity	8,016	8,454

Contingent liabilities
The parent entity had no contingent liabilities at 30 June 2010 and 30 June 2009.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment.

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Note 30. Business combinations

On 1 April 2010, ASDM Holdings Pty Limited, a subsidiary, acquired 100% of the ordinary shares of Advanced Surgical Design & Manufacture (UK) Limited (incorporated in the United Kingdom) for $17,000. The principal activity of Advanced Surgical Design & Manufacture (UK) Limited is the sale and distribution of surgical implants. The acquired business contributed revenues of $139,000 and a loss after tax of $52,000 to the consolidated entity for the period from 1 April 2010 to 30 June 2010. If the acquisition occurred on 1 July 2009, the full year contributions would have been revenues of $1,061,000 and a loss after tax of $433,000. The values identified in relation to the acquisition of Advanced Surgical Design & Manufacture (UK) Limited final at 30 June 2010.

Details of the acquisition are as follows:

	Acquiree's carrying amount $'000	Fair value $'000
Cash equivalents	32	32
Trade receivables	188	188
Other receivables	-	13
Inventories	370	233
Plant and equipment	-	1
Trade payables	(318)	(318)
Other payables	(158)	(158)
Other loans	(559)	(559)
Net liabilities acquired	(445)	(568)
Goodwill		585
Acquisition-date fair value of the total consideration transferred		17
Representing:		
Cash paid or payable to vendor		17

	Consolidated 2010 $'000	2009 $'000
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	17	-
Less: cash equivalents	(32)	-
Net cash used	(15)	-

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Note 31. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name of entity	Country of incorporation	Equity holding 2010 %	Equity holding 2009 %
ASDM Holdings Pty Limited	Australia	100.00	100.00
Advanced Surgical Design & Manufacture (UK) Limited	United Kingdom	100.00	-

Note 32. Economic dependency

The consolidated entity depends for a significant volume of revenue on relationships with key surgeons being Dr Bartlett, Dr Cross and Dr Wood. The consolidated entity, however, believes that it would be able to manage the transition to another surgeon should the relationship with any of these surgeons cease.

Note 33. Events occurring after the reporting date

No matter or circumstance has arisen since 30 June 2010 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 34. Reconciliation of loss after income tax to net cash from operating activities

	Consolidated 2010 $'000	Consolidated 2009 $'000
Loss after income tax (expense)/benefit for the year	(464)	(1,025)
Adjustments for:		
Depreciation and amortisation	1,124	803
Net loss/(gain) on disposal of non-current assets	1	(3)
Share-based payments	25	176
Foreign exchange differences	(33)	-
Impairment of intangible assets	-	116
Change in operating assets and liabilities:		
Decrease in trade and other receivables	318	861
(Increase)/decrease in inventories	273	(165)
(Increase)/decrease in deferred tax assets	277	(515)
Decrease in prepayments	18	7
Decrease in trade and other payables	(342)	(85)
Increase/(decrease) in deferred tax liabilities	167	(98)
Increase in employee benefits	22	22
Increase in other provisions	-	32
Net cash from operating activities	1,386	126

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Note 35. Non-cash investing and financing activities

	Consolidated	
	2010 $'000	2009 $'000
Leasehold improvements - lease make good	5	32

Note 36. Earnings per share

	Consolidated	
	2010 $'000	2009 $'000
Loss after income tax attributable to the owners of Advanced Surgical Design & Manufacture Limited	(464)	(1,025)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	35,298,996	35,298,996
Weighted average number of ordinary shares used in calculating diluted earnings per share	35,298,996	35,298,996
	Cents	**Cents**
Basic earnings per share	(1.31)	(2.90)
Diluted earnings per share	(1.31)	(2.90)

Options granted to employees under the Employee Option Plan for year ended 30 June 2010 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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