



ADVANCED OCULAR SYSTEMS LIMITED

ABN 35 107 371 460

APPENDIX 4E

PRELIMINARY FINAL REPORT

31 DECEMBER 2008

***This report has been prepared in
compliance with ASX listing Rule 4.3A***

This preliminary final report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the period ended 31 December 2007 and any public announcements made by the Company during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

+ See chapter 19 for defined terms.

Appendix 4E

Preliminary final report

Introduced 1/1/2003. Origin Appendix 4B

Name of entity

Advanced Ocular Systems Limited

ABN or equivalent company
reference

ABN 35 107 371 460

Preliminary
final (*tick*)



Financial year ended ('current period')

31 DECEMBER 2008

2. Results for announcement to the market

2.1 Revenue & other income	Down %	68%	to	\$1,023,362
2.2 Net loss attributable to members	Up %	33%	to	\$18,539,239
2.3 Dividends (distributions)	Amount per security	Franked amount per security		
Final dividend <i>The company is not proposing any dividends be paid</i>	-¢	-¢		
Previous corresponding period	-¢	-¢		

+ See chapter 19 for defined terms.

- **2.4 Brief explanation of any of the figures reported above in 2.1 to 2.3 necessary to enable the figures to be understood:**

Commentary of Results

Advanced Ocular Systems has undertaken significant restructuring activities during the year and to the date of this report. These activities have repositioned the company to minimise expenditure while pursuing the most prospective opportunities for shareholders. A summary of the key initiatives reported to shareholders and the ASX are set out below.

On 17 December 2008, International Formwork & Scaffolding Limited (IFS) and AOS entered into a Merger Memorandum of Understanding (MOU) under which AOS and IFS agreed to merge through AOS making an off-market takeover bid for all of the ordinary shares in IFS for a total consideration (in AOS scrip) of \$22 million.

AOS has finalised and despatched a Bidder's Statement for the proposed merger with IFS, which was lodged with ASIC and ASX on 20 February 2009.

The Bidder's Statement contains AOS's off-market takeover offer to IFS shareholders as required by the MOU and contains full details of the Merger proposal. Please refer to this document for further information. It is available from the ASX web site.

As previously announced, AOS has agreed, subject to shareholder approval being received, to sell the TA patents to Alcon for the sum of US\$850,000 plus the December quarter royalty of approximately US\$68,000. Documentation has been finalised for this sale with the royalty amount due to be paid at the end of February and the balance due to be paid upon confirmation of AOS shareholder approval. A shareholder meeting has been called for 11 March 2009 to consider this resolution.

Impairment of the investment in Westfield resulted in an amount of \$1,500,000 being reflected in the full year loss result. Details of the impairment can be obtained from an AOS announcement titled 'Market Update' lodged with ASX on 19 February 2009. In addition, the investment in Biovision Inc of \$951,685 has been fully impaired following receipt of advice from the company that it has been placed into bankruptcy.

Settlement of the agreement to sell the Intra Ocular Lens (IOL) patents supporting the Tetraflex™ product licenses, to Lenstec, Inc was completed 13 October 2008. The terms of the sale agreement, as advised to the ASX on 29 September 2008, provided for Lenstec, Inc to pay the sum of US\$1.0 million in cash at closing and to issue US\$1.0 million of Lenstec, Inc common stock to AOS. In addition to this consideration, if Lenstec, Inc is successful in achieving an accommodating label for the Tetraflex™ with the US FDA and a Medicaid reimbursement, AOS will receive a further US\$2.0 million consideration in the form of additional Lenstec, Inc shares.

As a result of the above transactions and impairments, the loss before income tax for the period to 31 December 2008 was \$18.5 million (2007 - \$14 million). In both periods, the major component of the loss is the result of asset impairments and non cash amortisation.

+ See chapter 19 for defined terms.

Consolidated Income Statement for the year ended 31 December 2008

	Notes	12 Months ending 31 Dec 2008 \$	12 Months ending 31 Dec 2007 \$
Revenue	2	1,023,362	2,543,416
Other income	3	-	688,063
Employee benefits expense		(187,708)	(475,701)
Consulting and professional services		(464,884)	(1,019,519)
Depreciation		(2,331)	(130,415)
Amortisation		(699,956)	(701,037)
Finance costs		-	(364,820)
Impairment of goodwill		(489,238)	(325,106)
Impairment of intellectual property		(14,541,027)	(22,950,406)
Reversal of impairment losses		-	8,131,652
Impairment of investments		(2,451,685)	-
Patent costs		(114,286)	(475,300)
Regulatory related consulting services		-	(180,145)
Research and development		(99,527)	(117,202)
Royalties paid		-	(548,244)
Statutory and compliance		(129,884)	(162,140)
Travel		(109,441)	(210,050)
Other expenses	4	(272,634)	(225,764)
Loss before income tax		(18,539,239)	(16,522,718)
Income tax benefit		-	2,548,596
Loss for the period		(18,539,239)	(13,974,122)
Basic earnings per share (cents per share)	16	(3.6)	(5.5)
Diluted earnings per share (cents per share)	16	(3.6)	(5.5)

The above preliminary consolidated income statement should be read in conjunction with the accompanying notes

+ See chapter 19 for defined terms.

Advanced Ocular Systems Limited
Appendix 4E
Preliminary final report

Consolidated Balance Sheet as at 31 December 2008

	Notes	31 Dec 2008 \$	31 Dec 2007 \$
Current Assets			
Cash and cash equivalents	5	1,783,965	1,685,523
Receivables	6	2,216,651	297,802
Total Current Assets		4,000,616	1,983,325
Non-Current Assets			
Property, plant and equipment	7	-	2,330
Intangible assets	8	1,347,779	18,353,299
Available for sale financial assets	9	-	951,683
Other financial assets	10	300,000	1,582,503
Total Non-Current Assets		1,647,779	20,889,815
Total Assets		5,648,395	22,873,140
Current Liabilities			
Payables	11	96,347	1,213,722
Deferred revenue		-	19,705
Total Current Liabilities		96,347	1,233,427
Non-Current Liabilities			
Deferred revenue		-	287,363
Total Non-Current Liabilities		-	287,363
Total Liabilities		-	1,520,790
Net Assets		5,552,048	21,352,350
Equity			
Contributed equity	12	75,440,877	73,446,395
Reserves	13	(1,222,671)	(1,967,126)
Accumulated losses	14	(68,666,158)	(50,126,919)
Total Equity		5,552,048	21,352,350

The above preliminary consolidated balance sheet should be read in conjunction with the accompanying notes

+ See chapter 19 for defined terms.

Consolidated statement of changes in equity for the year ended 31 December 2008

	Notes	12 months ended 31 Dec-08 \$	12 months ended 31 Dec-07 \$
Total equity at the beginning of the financial year		21,352,350	28,741,225
Exchange differences on translation of foreign operations		313,417	(534,617)
Loss for the period and total recognised income and expense for the period		(18,539,239)	(13,974,122)
		(18,225,822)	(14,508,739)
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity, net of transaction costs	12	2,646,039	4,538,847
Conversion to shares of convertible notes		-	2,876,176
Issue to directors		-	112,415
Issue to consultants		-	180,000
Issue to Simon Carroll		-	25,000
Costs of equity		(220,519)	(445,405)
Convertible notes	13	-	(167,169)
		2,425,520	7,119,864
Total equity at the end of the financial year		5,552,048	21,352,350
Total recognised income and expense for the period attributable to:			
Members of the parent entity		(18,539,239)	(13,974,122)

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

Consolidated Cash Flows Statement for the year ended 31 December 2008

	Notes	12 months ending 31-Dec 2008 \$	12 months ending 31-Dec 2007 \$
		Inflows/(Outflows)	
Cash flows from operating activities			
Receipts from customers		351,955	834,838
Payments to suppliers and employees		(1,005,514)	(3,057,259)
Interest received		161,496	38,986
Interest paid		-	(352,309)
Government grants received		(7,978)	96,179
R & D Tax offset received		-	261,254
Net cash used in operating activities		<u>(500,041)</u>	<u>(2,178,311)</u>
Cash flows from investing activities			
Sale of assets		-	45,000
Other financial assets		(217,500)	(1,582,500)
Sale of intellectual property		1,584,434	1,297,065
Payments for intellectual property		(118,326)	(677,200)
Net cash used in investing activities		<u>1,248,608</u>	<u>(917,635)</u>
Cash flows from financing activities			
Proceeds from issue of shares		1,496,038	5,691,846
Costs of share issues		(329,606)	(396,533)
Redemption of convertible notes		-	(1,023,824)
Proceeds from loan payments		183,443	102,634
Loans advanced		(2,000,000)	-
Repayment of borrowings		-	(104,616)
Net cash provided by financing activities		<u>(650,125)</u>	<u>4,269,507</u>
Net decrease in cash and cash equivalents		98,442	1,173,561
Cash and cash equivalents at the beginning of the period		<u>1,685,523</u>	<u>511,962</u>
Cash and cash equivalents at the end of the period	5	<u>1,783,965</u>	<u>1,685,523</u>

The above preliminary consolidated cash flow statement should be read in conjunction with the accompanying notes

+ See chapter 19 for defined terms.

Notes to the Preliminary consolidated financial statements

1. Statement of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied, unless otherwise stated. These preliminary consolidated financial statements relate to the consolidated entity comprising Advanced Ocular Systems Limited ("company" or "parent entity") and its controlled entities. Advanced Ocular Systems Limited is a listed public company, incorporated and domiciled in Australia.

(a) Basis of preparation

These preliminary consolidated financial statements have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

This report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the period ended 31 December 2007 and any public announcements made by the Company during the reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Historical cost convention

These financial statements have been prepared under the historical cost convention, and do not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair value of the consideration given in exchange for assets.

+ See chapter 19 for defined terms.

Notes to the Preliminary consolidated financial statements

	12 months ending 31-Dec 2008 \$	12 months ending 31-Dec 2007 \$
Note 2: Revenue		
Sales revenue		
— License fees	307,068	2,143,169
— Royalties	474,051	133,202
Other revenue		
— Interest received	162,564	40,529
— Sale of intellectual property	79,678	225,000
— Other	-	1,516
	1,023,361	2,543,416
Note 3: Other Income		
— Foreign exchange gains	-	-
— Forgiveness of loan	-	540,333
— Government grants	-	147,730
	-	688,063
Note 4: Expenses		
Loss before income tax includes the following specific expenses:		
Rental expense relating to operating leases	-	135,972
	-	135,972
NOTE 5: Cash assets – Cash and cash equivalents		
Deposits at call	1,783,965	1,685,523
	1,783,965	1,685,523
NOTE 6: Receivables		
Other receivables	194,886	297,802
Prepayments	21,765	-
Loan receivable (IFS Loan)	2,000,000	-
	2,216,651	297,802

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Advanced Ocular Systems Limited
Appendix 4E
Preliminary final report

NOTE 7: Property, plant and equipment

	12 months ending 31-Dec 2008 \$	12 months ending 31-Dec 2007 \$
Fixtures and equipment		
At cost	261,486	261,486
Less: Accumulated depreciation	(261,486)	(259,156)
	-	2,330

Note 8: Intangible assets

Goodwill, licences and patents	1,347,779	18,353,299
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Note 9: Non-current assets – Available for sale financial assets

Other unlisted securities – equity securities	-	951,683
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Note 10: Non-current assets – Other financial assets

Property funding	300,000	1,582,503
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NOTE 11: Current liabilities – Payables

Trade creditors		
Other creditors and accruals	96,348	63,722
Share subscriptions received*	-	1,150,000
	96,348	1,213,722

* Subsequently converted to equity on 28 Feb 2008

+ See chapter 19 for defined terms.

Notes to the Preliminary consolidated financial statements

Note 12: Contributed equity

(a) Issued and paid up capital

	31-December 2008		31-December 2007	
	Number	\$	Number	\$
Issued and paid up capital				
521,540,561 ordinary shares		\$75,440,877		
31 December 2007:				
447,707,227 ordinary shares		\$73,446,395		
	<u>521,540,561</u>	<u>75,440,877</u>	<u>447,707,227</u>	<u>73,446,395</u>

Movements during the period

Ordinary shares	Number	Issue price	\$
Balance at the beginning of the financial year	<u>447,707,227</u>		<u>73,446,395</u>
Shares issued:			
- Share placement	73,833,334	\$0.03	2,215,000
- Costs of share issues	-		(220,518)
	<u>73,833,334</u>		<u>1,994,482</u>
	<u>521,540,561</u>		<u>75,440,877</u>

+ See chapter 19 for defined terms.

Notes to the Preliminary consolidated financial statements

NOTE 13: Reserves

	31 Dec 2008 \$	31 Dec 2007 \$
(a) Reserves		
Non-renounceable rights reserve	535,508	104,470
Share based payments reserve	1,203,086	1,203,086
Foreign currency reserve	(2,961,265)	(3,274,682)
	<u>(1,222,671)</u>	<u>(1,967,126)</u>
Movements:		
Non-renounceable rights reserve		
Balance 1 January	104,470	100,624
Movements	431,038	3,846
Closing balance	<u>535,508</u>	<u>104,470</u>
Share based payments reserve		
Balance 1 January	1,203,086	1,203,086
Options	-	-
Shares	-	-
Closing balance	<u>1,203,086</u>	<u>1,203,086</u>
Foreign currency reserve		
Balance 1 January	(3,274,682)	(2,740,067)
Movements	313,417	(534,615)
Closing balance	<u>(2,961,265)</u>	<u>(3,274,682)</u>
Convertible note reserve		
Balance 1 January	-	167,169
Movements	-	(167,169)
Closing balance	<u>-</u>	<u>-</u>

NOTE 14: Accumulated losses

Accumulated losses at the beginning of the financial year	(50,126,919)	(36,152,797)
Net loss attributable to the members of Advanced Ocular Systems Limited	(18,539,239)	(13,974,122)
Accumulated losses at the end of the financial year	<u>(68,666,158)</u>	<u>(50,126,919)</u>

+ See chapter 19 for defined terms.

Notes to the Preliminary consolidated financial statements

15. Dividends

No dividends were declared or paid during the period

16. Earnings per security (EPS)	Current period	Previous corresponding period
Basic EPS (cents per share)	(3.6)	(5.5)
Diluted EPS (cents per share)	(3.6)	(5.5)

The following reflects the profit or loss and share data used in the calculations of basic and diluted earnings per share:

Earnings used in calculation of basic and diluted earnings per share

31-Dec 2008
\$

31-Dec 2007
\$

(18,539,239) (13,974,122)

Number of ordinary shares

Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share

510,255,995 252,584,332

17. Segment information

GEOGRAPHIC SEGMENTS	AUSTRALIA		U.S.A		Consolidated	
	31-Dec 2008 \$	31-Dec 2007 \$	31-Dec 2008 \$	31-Dec 2007 \$	31-Dec 2008 \$	31-Dec 2007 \$
Segment Revenue	1,023,362	3,124,073	-	107,406	1,023,363	3,231,479
Segment assets	5,648,195	18,886,192	201	3,986,948	5,648,396	22,873,140
Segment result	(15,338,511)	(3,341,033)	(3,200,728)	(10,633,089)	(18,539,239)	(13,974,122)

+ See chapter 19 for defined terms.

18 This report is based on accounts to which one of the following applies.

- | | | | |
|-------------------------------------|--|--------------------------|--|
| <input type="checkbox"/> | The accounts have been audited. | <input type="checkbox"/> | The accounts have been subject to review. |
| <input checked="" type="checkbox"/> | The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The accounts have <i>not</i> yet been audited or reviewed. |



Stuart Usher
CFO & Company Secretary

Date: 27 February 2009

+ See chapter 19 for defined terms.