# Safety Medical Products Limited

**ABN 26 007 817 191**

# Appendix 4D

## Half year report
## Period ended 31 December 2008

The following information is given to ASX under listing rule 4.2A.3.

1 The Reporting period is the half year ended 31 December 2008 including comparative information for the half year ended 31 December 2007.

2 ***"Results for announcement to the market".***

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | **Change** | | **31-Dec-08** | | **31-Dec-07** |
| | | **%** | **$** | | **$** | | **$** |
| 2.1 The amount and percentage change up or down from the previous corresponding period of revenue from ordinary activities. | up by | 11 | 257,103 | to | 2,550,678 | from | 2,293,575 |
| 2.2 The amount and percentage change up or down from the previous corresponding period of profit (loss) from ordinary activities after tax attributable to members. | up by | 105 | (836,454) | to | (1,631,929) | from | (795,475) |
| 2.3 The amount and percentage change up or down from the previous corresponding period of net profit (loss) for the period attributable to members. | up by | 100 | (794,041) | to | (1,589,516) | from | (795,475) |
| 2.4 The amount per security and franked amount per security of final and interim dividends or a statement that it is not proposed to pay dividends. | Nil | | | | | | |
| 2.5 The record date for determining entitlements to the dividends (if any). | Not applicable | | | | | | |

2.6 A brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.

**Review of principal business activities**
A review of the significant developments in the operating units of the consolidated entity is detailed below.

***Safety Medical Products Limited's review of operations***

In the six months to 31 December 2008, Safety Medical Products Limited (SafetyMed) reported revenue of $76,389 and an operating loss of $(688,870). In the prior six months to 31 December 2007, SafetyMed reported revenue of $1,983 and an operating loss of $(815,663). The change is primarily due to the commencement of RDNS sales.

2.6 A brief explanation (continued)

RDNS Victoria

In November 2008 SafetyMed began supplying the RDNS Victoria with SecureTouch™ Retractable Syringes and Insulin Pen Needle Aids throughout the 22 centres in Victoria.

The products were chosen because of the ability to provide a much greater level of safety for both employees and patients.

These recent developments along with the continued growth in sales of the Company's products through the National Diabetes Services Scheme and other market opportunities will be a great launching pad for SafetyMed into 2009.

***Baratex Pty Ltd (trading as ProControl Systems) review of operations***

In the six months to 31 December 2008, ProControl Systems reported revenue of $678,903 and an operating loss of $(107,778). In the prior six months to 31 December 2007, ProControl Systems reported revenue of $748,151 and an operating loss of $(29,125). This result has deteriorated as a result of the economic downturns, however steps have been taken to reduce fixed costs, this includes the relocation of the workshop to Safety Medical Products Limited in Salisbury Plains thereby reducing the group's administration and occupancy costs.

***Bagot Press Pty Ltd's review of operations***

In the six months to 31 December 2008, Bagot Press Pty Ltd revenue of $1,808,367 and an operating profit of $106,682. In the prior six months to 31 December 2008, Bagot Press Pty Ltd revenue of $1,582,084 and an operating profit of $82,664. The business has increased its sales and marketing activities during the period with additional sales representative in place and more active key account management. These activities have delivered additional contracts and increased revenues.

As previously reported Bagot Press Pty Ltd moved into a new premises in mid-2007 which has allowed for improvements in manufacturing efficiencies and scope to increase production as further new contracts are won.

***Pureste Pty Ltd's review of operations***

On 9 October 2008 Safety Medical Products Limited acquired a 50% holding in Pureste Pty Ltd.

Safety Medical Products Limited has secured funding totalling $9.5 million to allow for the introduction, nationwide marketing and mass distribution of an exciting fast moving new range of Feminine Hygiene products into the Australian and New Zealand Retail Health Care Markets.

The new range of Feminine Hygiene products was launched nationwide in early 2009 with the marketing campaign commencing in the first quarter of 2009.

In the period since acquisition to 31 December 2008, Pureste Pty Ltd has incurred $115,045 of commercialisation costs resulting in an operating loss of $115,045.

| | | 31-Dec-08 | 31-Dec-07 |
|---|---|---|---|
| 3 | Net tangible assets per security with the comparative figure for the previous corresponding period. | Cents per share | Cents per share |
| | Net tangible assets per security in cents [(1)] | 1.5 | 3.5 |

[(1)] Number of securities amounted to 76,290,073 at 31 December 2008 and 74,060,073 at 31 December 2007

4 Details of entities over which control has been gained or lost during the period, including the following.

| | | |
|---|---|---|
| 4.1 | Name of the entity. | Pureste Pty Ltd |
| 4.2 | The date of the gain of control. | 9-Oct-08 |
| 4.3 | Where material to an understanding of the report – the contribution of such entities to the reporting entity's profit from ordinary activities during the period and the profit or loss of such entities during the whole of the previous corresponding period. | In the period since acquisition to 31 December 2008, Pureste Pty Ltd has incurred $115,045 of commercialisation costs resulting in an operating loss of $115,045. |
| 5 | Details of individual and total dividends or distributions and dividend or distribution payments. The details must include the date on which each dividend or distribution is payable, and (if known) the amount per security of foreign sourced dividend or distribution. | No dividends or distributions were made during the period and none as planned |
| 6 | Details of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan. | Not applicable |
| 7 | Details of associates and joint venture entities including the name of the associate or joint venture entity and details of the reporting entity's percentage holding in each of these entities and – where material to an understanding of the report - aggregate share of profits (losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for each of these disclosures for the previous corresponding period. | Not applicable |

**Safety Medical Products Limited**
**ABN 26 007 817 191**
**Appendix 4D**

**Half year report**
**Period ended 31 December 2008**

| | | |
|---|---|---|
| 8 | For foreign entities, which set of accounting standards is used in compiling the report (e.g. International Accounting Standards). | Not applicable |
| 9 | For all entities, if the +accounts are subject to audit dispute or qualification, a description of the dispute or qualification. | Not applicable |

Dated at Adelaide this 25th day of February 2009

John Riemelmoser
Managing Director

# SAFETY MEDICAL PRODUCTS LIMITED

## ABN 26 007 817 192

# 31 DECEMBER 2008

# INTERIM FINANCIAL REPORT

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The directors present their report together with the consolidated financial report for the six months ended 31 December 2008 and the review report thereon.

## Officeholders

The directors of the Company at any time during or since the end of the interim period are:

| Name | Period of directorship |
|---|---|
| **Non-executive** | |
| John Darley (Chairman) | Director and Chairman since 2005 |
| Joseph Nicholas MB BS MAICD | Director since 2005 |
| **Executive** | |
| John Riemelmoser | Managing Director and Chief Executive Officer since 2001 |

The Company Secretary, Mrs Victoria Marie Allinson was appointed on the 30 January 2009. Mrs Allinson is a fellow of the Association of Chartered Certified Accountants and an affiliate of the Chartered Secretaries of Australia. She has extensive commercial and public practice experience including being Chief Accountant for a number of ASX listed companies and as an Audit Manager for Deloitte Touch Tohmatsu. Mrs Allinson has previously been Company Secretary of numerous companies including ASX listed: Centrex Metals Limited, Adelaide Energy Limited and Island Sky Australia Ltd.

The previous Company Secretary, Ms Pia Bentick-Owens resigned on the 30 January 2009. Ms Bentick-Owens was appointed upon the resignation of Mr Bruce Hocking on 30 November 2008.

## Review of operations

### Overview

The Income Statement shows a consolidated net loss attributable to members of $(1,589,516) compared with $(795,475) for the previous corresponding period. The loss for the period includes an impairment of $788,000 in respect of Baratex Pty Ltd.

The highlights for the six months ended 31 December 2008 are as follows:

- Major new controlled subsidiary in the feminine hygiene sector ;
- New product range commenced distribution in early 2009 with $15 million sales expected in the first year following marketing launch;
- $9.5million financing facility secured via National Australia Bank, at the 31 December 2008 $1million of the facility is operational, of which $400,000 has been drawn down; and
- SecureTouch and Pen Needle Aids to be used throughout Royal District Nursing Service (RDNS) Victoria.

### Review of principal business activities

A review of the significant developments in the operating units of the consolidated entity is detailed below.

***Safety Medical Products Limited's review of operations***

In the six months to 31 December 2008, Safety Medical Products Limited (SafetyMed) reported revenue of $76,389 and an operating loss of $(688,870). In the prior six months to 31 December 2007, SafetyMed reported revenue of $1,983 and an operating loss of $(815,663). The change is primarily due to the commencement of RDNS sales.

RDNS Victoria

In November 2008 SafetyMed began supplying the RDNS Victoria with SecureTouch™ Retractable Syringes and Insulin Pen Needle Aids throughout the 22 centres in Victoria.

The products were chosen because of the ability to provide a much greater level of safety for both employees and patients.

These recent developments along with the continued growth in sales of the Company's products through the National Diabetes Services Scheme and other market opportunities will be a great launching pad for SafetyMed into 2009.

***Baratex Pty Ltd (trading as ProControl Systems) review of operations***

In the six months to 31 December 2008, ProControl Systems reported revenue of $678,903 and an operating loss of $(107,778). In the prior six months to 31 December 2007, ProControl Systems reported revenue of $748,151 and an operating loss of $(29,125). This result has deteriorated as a result of the economic downturns, however steps have been taken to reduce fixed costs, and this includes the relocation of the workshop to Safety Medical Products Limited in Salisbury Plains thereby reducing the group's administration and occupancy costs.

***Bagot Press Pty Ltd's review of operations***

In the six months to 31 December 2008, Bagot Press Pty Ltd revenue of $1,808,367 and an operating profit of $106,682. In the prior six months to 31 December 2008, Bagot Press Pty Ltd revenue of $1,582,084 and an operating profit of $82,664. The business has increased its sales and marketing activities during the period with additional sales representative in place and more active key account management. These activities have delivered additional contracts and increased revenues.

As previously reported Bagot Press Pty Ltd moved into a new premises in mid-2007 which has allowed for improvements in manufacturing efficiencies and scope to increase production as further new contracts are won.

***Pureste Pty Ltd's review of operations***

On 9 October 2008 Safety Medical Products Limited acquired a 50% holding in Pureste Pty Ltd.

Safety Medical Products Limited has secured funding totalling $9.5 million to allow for the introduction, nationwide marketing and mass distribution of an exciting fast moving new range of Feminine Hygiene products into the Australian and New Zealand Retail Health Care Markets.

The new range of Feminine Hygiene products was launched nationwide in early 2009 with the marketing campaign commencing in the first quarter of 2009.

In the period since acquisition to 31 December 2008, Pureste Pty Ltd has incurred $115,045 of commercialisation costs resulting in an operating loss of $115,045.

### Investments for the future

The consolidated entity invested $58,000 in plant and equipment during the period since 30 June 2008, principally additional printing equipment for Bagot Press.

### Review of financial condition

At 31 December 2008 the consolidated entity held cash reserves of $288,575 compared with $282,963 at 30 June 2008.

Key factors impacting the cash position were:

- Proceeds from sale of Baratex Pty Ltd's equipment $22,856;
- Net operating cash inflow generated by Bagot Press Pty Ltd and Baratex Pty Ltd of $125,670;
- Net proceeds from the issue of shares of $196,510 (net of share issue costs);
- Net proceeds from borrowings of $463,800; offset by
- Expenditure incurred to further develop and commercialise the SecureTouch™ of $469,887;
- Expenditure incurred to commercialise the new hygiene range of $216,163
- Purchase of equipment for Bagot Press Pty Ltd of $58,000 and
- Repayment of borrowings of $87,159.

There were no changes in environmental or other legislative requirements during the period that have significantly impacted the results or operations of the Company.

### Significant changes in the state of affairs

The consolidated entity's net assets decreased by $1,436,799 to $2,155,848 (30 June 2008: $3,593,647) during the six months ended 31 December 2008. The decrease in net assets was principally comprised of:

- impairment of intangible assets $788,000;
- Operating losses of $809,949
- acquisition of printing equipment for Bagot of $58,000;
- increase in provisions for employee benefits of $151,978; and
- net increase in borrowings of $376,641; offset by
- increase in tax assets of $62,217.

Contributed equity increased during the period by $194,430 to $10,816,476 (30 June 2008: $10,622,046) as a result of:

- $223,000 from 2,230,000 shares being issued at $0.10 each with 1,1115,00 free attaching options (exercise price $0.25 and expiring on 31 January 2010) on the 17 July 2008 as part of the Share Purchase Plan; offset by
- Share issue costs amounting to $28,570.

On the 12 January 2008 10,403 shares were issued at $0.20 each on the exercise of 10,403 $0.20 share options (expiring 31 December 2008), the remaining 20,096,747 $0.20 share options expired on 31 December 2008.

## Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 20 and forms part of the directors' report for the six months ended 31 December 2008.

Dated at Adelaide this 25th day of February 2009

Signed in accordance with a resolution of the directors:

| | |
|---|---|
| John Darley | John Riemelmoser |
| Chairman | Managing Director |

# Safety Medical Products Limited and its controlled entities

## Consolidated interim income statement
## For the six months ended 31 December 2008

| | Note | 31 Dec 2008 $ | 31 Dec 2007 $ |
|---|---|---|---|
| *Continuing operations* | | | |
| Revenue | | 2,550,678 | 2,293,575 |
| Cost of sales | | (1,919,969) | (1,600,549) |
| **Gross profit** | | 630,709 | 693,026 |
| Other income | | 4,057 | 11,870 |
| Business development, marketing and intellectual property expenses | | (106,819) | (185,626) |
| Administrative expenses | | (1,337,896) | (1,287,191) |
| **Results from operating activities** | 5 | **(809,949)** | **(767,921)** |
| Impairment of non-current assets | | (788,000) | - |
| Financial income | | 3,044 | 11,826 |
| Financial expense | | (97,641) | (36,179) |
| **Loss before tax** | | (1,692,546) | (792,274) |
| Income tax benefit/(expense) | 6 | 60,617 | (3,201) |
| **Loss for the period** | | **(1,631,929)** | **(795,475)** |
| **Attributable to:** | | | |
| Equity holders of the parent | | (1,589,516) | (795,475) |
| Minority Interest | | (42,413) | - |
| | | **(1,631,929)** | **(795,475)** |
| **Earnings per share for profit attributable to the ordinary equity holders of the company:** | | | |
| Basic earnings per share (cents) | | (2.1) | (1.11) |
| Diluted earnings per share (cents) | | (2.1) | (1.11) |

The income statements are to be read in conjunction with the attached notes to the financial statements.

# Safety Medical Products Limited and its controlled entities
## Consolidated interim statement of changes in equity
## For the six months ended 31 December 2008

| 2008 | Note | Issued Capital<br>$ | Accumulated losses<br>$ | Equity compensation reserve<br>$ | Minority Interest<br>$ | Total equity<br>$ |
|---|---|---|---|---|---|---|
| Opening balance at 1 July 2008 | | **10,622,046** | **(7,771,270)** | **741,871** | **-** | **3,592,647** |
| Acquisition of subsidiary undertaking | 11 | - | - | - | 700 | 700 |
| Total recognised income and expense for the period | | - | (1,589,516) | - | (42,413) | (1,631,929) |
| Shares Issued | | 223,000 | - | - | - | 223,000 |
| Transaction costs | | (28,570) | - | - | - | (28,570) |
| Closing balance at 31 December 2008 | | **10,816,476** | **(9,360,786)** | **741,871** | **(41,713)** | **2,155,848** |

Amounts are stated net of tax

| 2007 | Note | Issued Capital<br>$'000 | Accumulated losses<br>$'000 | Equity compensation reserve<br>$'000 | Minority Interest<br>$ | Total equity<br>$'000 |
|---|---|---|---|---|---|---|
| Opening balance at 1 July 2007 | | **9,821,174** | **(3,352,882)** | **741,871** | **-** | **7,210,163** |
| Total recognised income and expense for the period | | - | (795,475) | - | - | (795,475) |
| Equity settled share based payments | 10 | - | - | 26,334 | - | 26,334 |
| Shares Issued | | 881,837 | - | - | - | 881,837 |
| Transaction costs | | (51,429) | - | - | - | (51,429) |
| Closing balance at 31 December 2007 | | **10,651,582** | **(4,148,357)** | **768,205** | **-** | **7,271,430** |

Amounts are stated net of tax

The statements of changes on equity should be read in conjunction with the attached notes to the financial statements.

# Safety Medical Products Limited and its controlled entities
## Consolidated interim balance sheet
## As at 31 December 2008

| | Note | 31 Dec 2008 $ | 30 Jun 2008 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 288,575 | 282,963 |
| Trade and other receivables | | 786,599 | 836,039 |
| Inventories | | 783,400 | 681,704 |
| Current tax assets | 6 | - | - |
| **Total current assets** | | **1,858,574** | **1,800,706** |
| **Non-current assets** | | | |
| Net deferred tax assets | 6 | 144,310 | 76,481 |
| Property, plant and equipment | 7 | 2,138,644 | 2,218,925 |
| Intangible assets | 8 | 1,047,736 | 1,835,736 |
| **Total non-current assets** | | **3,330,690** | **4,131,142** |
| **Total assets** | | **5,189,264** | **5,931,848** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | 708,100 | 542,504 |
| Loans and borrowings | 9 | 904,887 | 910,183 |
| Employee benefits | | 481,702 | 372,677 |
| **Total current liabilities** | | **2,094,689** | **1,825,364** |
| **Non-current liabilities** | | | |
| Loans and borrowings | 9 | 817,543 | 435,606 |
| Employee benefits | | 121,184 | 78,231 |
| **Total non-current liabilities** | | **938,727** | **513,837** |
| **Total liabilities** | | **3,033,416** | **2,339,201** |
| **Net assets** | | **2,155,848** | **3,592,647** |
| **Equity** | | | |
| Issued capital | | 10,816,476 | 10,622,046 |
| Reserves | 10 | 741,871 | 741,871 |
| Accumulated losses | | (9,360,786) | (7,771,270) |
| Parent equity interest | | 2,197,561 | 3,592,647 |
| Minority interest | | (41,713) | - |
| **Total equity** | | **2,155,848** | **3,592,647** |

The balance sheets are to be read in conjunction with the attached notes to the financial statements.

# Safety Medical Products Limited and its controlled entities
## Consolidated interim cash flow statement
## For the six months ended 31 December 2008

| | Note | 31 Dec 2008 $ | 31 Dec 2007 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts from customers | | 2,837,074 | 2,240,730 |
| Cash paid to suppliers and employees | | (3,316,049) | (3,095,586) |
| Cash generated from operations | | (478,975) | (854,856) |
| Interest paid | | (86,914) | (35,809) |
| Income taxes received | | 30,695 | 79,901 |
| **Net cash from operating activities** | | **(535,194)** | **(810,764)** |
| | | | |
| **Cash flows from investing activities** | | | |
| Interest received | | 3,044 | 11,618 |
| Proceeds from sale of property, plant and equipment | 7 | 22,856 | - |
| Acquisition of subsidiary, net of cash acquired | 11 | 700 | (214,041) |
| Acquisition of property, plant and equipment | 7 | (58,945) | (252,733) |
| **Net cash from investing activities** | | **(32,345)** | **(455,156)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of share capital | | 196,510 | 829,769 |
| Proceeds from borrowings | 9 | 463,800 | 965,828 |
| Repayment of borrowings | 9 | (87,159) | (425,649) |
| **Net cash from financing activities** | | **573,151** | **1,369,948** |
| | | | |
| **Net increase in cash and cash equivalents** | | **5,612** | **104,028** |
| **Cash and cash equivalents at 1 July** | | **282,963** | **475,922** |
| **Cash and cash equivalents at 31 December** | | **288,575** | **579,950** |

The cash flow statements are to be read in conjunction with the attached notes to the financial statements.

### 1 Reporting entity

Safety Medical Products Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2008 comprises the Company and its subsidiaries (together referred to as the "consolidated entity"). The consolidated entity primarily is involved in the development, manufacture and commercialisation of medical products, feminine hygiene products, printing and distribution of products for the pharmaceutical industry and the provision of industrial control and automation systems, machine vision, robotics and turn-key solutions.

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2008 is available upon request from the Company's registered office at 25 Fenden Road, Salisbury Plains SA 5109 or at www.safetymed.com.au.

### 2 Statement of Compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2008.

The consolidated interim financial report was approved by the Board of Directors on 25$^{th}$ February 2009.

### 3 Significant accounting policies

The accounting policies applied by the consolidated entity in the consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2008.

### 4 Estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the consolidated entities accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2008.

### 5 Segment reporting

Segment information is presented in respect of the consolidated entity's business segments. Business segments are based on the consolidated entity's management and internal reporting structure. Inter-segment pricing is determined on an arm's length basis.

**Business segments**
The consolidated entity comprises the following main business segments, based on the Company's management reporting system:

| | |
|---|---|
| Safety Medical Products (Safteymed) | Development, production and commercialisation of a range of medical products, focusing principally on the SecureTouch™ single use manual retractable safety syringe. |
| Baratex Pty Ltd (ProControl) | The provision of specialist industrial control and automation systems, machine vision, robotics and turn-key solutions for large and small industrial businesses. |
| Bagot Press Pty Ltd (Bagot) | A manufacturer and supplier of specialist printing and general consumables to the pharmaceutical industry. |
| Pureste Pty Ltd (Pureste) | The promotion and distribution of feminine hygiene products. |

| Business Segment (continuing operations) | External revenues | Inter-segment revenues | Total segment revenues | Segment results |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **31 December 2008** | | | | |
| Company: | | | | - |
| Safetymed | 76,389 | - | 76,389 | (688,870) |
| ProContol | 670,612 | 8,291 | 678,903 | (107,778) |
| Bagot Press | 1,803,677 | 4,690 | 1,808,367 | 106,682 |
| Pureste | - | - | - | (115,045) |
| Eliminations | - | (12,981) | (12,981) | (4,938) |
| Consolidated | 2,550,678 | - | 2,550,678 | (809,949) |
| Unallocated expenses | | | | - |
| Results from operating activities | | | | (809,949) |
| **31 December 2007** | | | | |
| Company: | | | | - |
| Safetymed | 1,983 | - | 1,983 | (815,663) |
| ProContol | 715,164 | 32,987 | 748,151 | (29,125) |
| Bagot Press | 1,576,428 | 5,656 | 1,582,084 | 82,664 |
| Eliminations | - | (38,643) | (38,643) | (5,797) |
| Consolidated | 2,293,575 | - | 2,293,575 | (767,921) |
| Unallocated expenses | | | | - |
| Results from operating activities | | | | (767,921) |

### 5 Segment reporting (continued)

The following is an analysis of the consolidated entity's assets by business segment:

| **Business Segment (continuing operations)** | **31 Dec 2008** | **30 Jun 2008** |
|---|---|---|
| Company: | **$** | **$** |
| Safetymed | 1,944,647 | 2,879,909 |
| ProContol | 312,472 | 436,600 |
| Bagot Press | 2,712,890 | 2,615,339 |
| Pureste | 219,255 | - |
| Unallocated eliminations | - | - |
| Consolidated | 5,189,264 | 5,931,848 |
| Unallocated expenses | - | - |
| Total assets | 5,189,264 | 5,931,848 |

### 6 Income tax expense

The consolidated entity reported tax benefit of $60,617 for the six months ended 31 December 2008 (for the year ended 30 June 2008: $31,541 tax benefit; for the six months ended 31 December 2007: $3,201 tax expense), as a result of reporting a loss before tax of $1,692,546. The tax benefit reported for the period was mainly attributable to the following factors:

- The consolidated entity's wholly owned subsidiary company, Baratex Pty Ltd and newly acquired Pureste Pty Ltd, reported a combined loss before tax of $241,678 and accounted for the $87,685 tax benefit. The benefit is offset by Bagot Press Pty Ltd tax expense of $27,069 (based on profits before tax of $87,925) resulting in a tax benefit of $60,617 reported by the Group.

- The parent entity, Safety Medical Products Limited, reported a loss before tax of $1,533,855, however the potential tax benefit associated with this loss has not been recognised.

### 7 Property, plant and equipment

**Acquisition and disposal**

During the six months ended 31 December 2008 the consolidated entity acquired assets with a cost of $58,945 and disposed of assets with a cost of $28,499 for proceeds of $22,856. The disposal proceeds include $17,050 which was used to directly repay the motor vehicle hire purchase balances in full.

In the prior six months ended 31 December 2007 the consolidated entity acquired assets with a cost of $252,733.

**Capital commitments**

As at 1 December 2008 there are no capital commitments.

In the prior half year the consolidated entity entered into an agreement to acquire packaging equipment to the value of $265,517, inclusive of GST. At 31 December 2007 the equipment had been delivered and installed although an amount of $186,072 was still to be paid following final commissioning. The final payment was made in the period ended 30 June 2008.

## 8 Intangible assets

Intangible assets are recognised as a result of the acquisition of Baratex Pty Ltd (trading as ProControl Systems) and Bagot Press Pty Ltd. Impairment losses have been recognised at the 31 December 2008 and 30 June 2008.

**Impairment testing for cash-generating units containing goodwill**

Goodwill has an infinite life and therefore is considered for impairment testing on a yearly basis. For the six months ending 31 December 2008 impairment testing was conducted in relation to the goodwill recognised for the acquisition in Bagot Press Pty Ltd (“Bagot”) and Baratex Pty Ltd (“ProControl Systems”).

ProControl Systems

The impairment testing of ProControl Systems was based upon the value-in-use method which involved forecasting cash flows for the next 5 years discounted by 13%. This resulted in goodwill being written down by $788,000 (30 June 2008: $500,000) to $194,000. For the purpose of impairment testing, goodwill is allocated to the consolidated entity’s operating divisions which represent the lowest level within which the goodwill is monitored for internal management purposes. The purchase of PrControl Systems included a goodwill value of $1,482,000. The net cash flow for 2008 was below forecasts; this led to impairment testing that resulted in an impairment loss. When calculating value-in-use, consideration was given to the current economic climate, cost savings in reduction of employment costs, reduction in rent and once off relocation costs.

Bagot Press

The impairment testing of Bagot Press was based upon the value-in-use method which involved forecasting cash flows for the next 5 years discounted by 13%. This resulted in the goodwill being written down by $nil (30 June 2008: $2,344,000) to $853,736. For the purpose of impairment testing, goodwill is allocated to the consolidated entity’s operating divisions which represent the lowest level within which the goodwill is monitored for internal management purposes. The purchase of Bagot Press included a goodwill value of $3,198,000. When calculating value-in-use, consideration was given to the current economic climate, cost savings in reduction of employment costs due to new equipment plus a growth rate of 4%.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

| | **31 Dec 2008 $** | **30 Jun 2008 $** |
|---|---|---|
| ProControl Systems | 194,000 | 982,000 |
| Bagot Press | 853,736 | 853,736 |
| | 1,047,736 | 1,835,736 |

### 9 Loans and borrowings

The following loans and borrowings (non-current and current) were issued and repaid during the six months ended 31 December 2008:

| | Currency | Interest rate Nominal | Interest rate Effective | Face value | Carrying amount | Year of Maturity |
|---|---|---|---|---|---|---|
| | | | | $ | $ | |
| **Balance at 1 July 2008** | | | | | **1,345,789** | |
| **New issues** | | | | | | |
| Loan | AUD | 8.88% | 8.88% | 400,000 | 400,000 | 2012 |
| Equipment loan[1] | AUD | 9.99% | 9.99% | 63,800 | 63,800 | 2013 |
| **Repayments** | | | | | | |
| Loan | AUD | 8.88% | - | - | - | - |
| Equipment loan[1] | AUD | 9.99% | - | (10,701) | (10,701) | - |
| Equipment loan[2] | AUD | 8.54% | - | (35,699) | (35,699) | - |
| Equipment loan[3] | AUD | 8.99% | - | (20,534) | (20,534) | - |
| Hire purchase agreements | AUD | 8.21% | - | (20,225) | (20,225) | - |
| **Balance at 31 December 2008** | | | | | **1,722,430** | |
| | | | | | | |
| **Balance at 1 July 2007** | | | | | **35,032** | |
| **New issues** | | | | | | |
| Equipment loan[2] | AUD | 8.54% | 8.54% | 400,000 | 400,000 | 2012 |
| Equipment loan[3] | AUD | 8.99% | 8.99% | 265,817 | 265,817 | 2012 |
| Related party loan (note 12) | AUD | 7.72% | 7.72% | 500,000 | 500,000 | n/a |
| **Repayments** | | | | | | |
| Hire purchase agreements | AUD | 8.21% | - | (8,273) | (8,273) | - |
| Equipment loan[2] | AUD | 8.54% | - | (32,787) | (32,787) | - |
| Equipment loan[3] | AUD | 8.99% | - | (4,989) | (4,989) | - |
| Related party loan (note 12) | AUD | 7.72% | - | (500,000) | (500,000) | - |
| **Balance at 31 December 2007** | | | | | **654,800** | |

#### Loan

On 16 December 2008 Safety Medical Products Limited entered into an agreement with National Australia Bank to provide a loan finance facility of $1,000,000 that expires on 31 October 2009, of which $400,000 has been drawn down. The final drawn down date on the facility is the 10 March 2009. The loan is for a term of one year on an interest only repayment basis and this then converts into a principal and interest repayment basis for a further three years.

The loan is secured by a fixed and floating charge over the assets of Safety Medical Products Limited and Bagot Press Pty Ltd and Pureste Pty Ltd have also provided a guarantee and indemnity of $1,002,000 (includes $2,000 relating to credit card facility that has not been drawn down), supported by a fixed and floating charge for the assets of Bagot Press Pty Ltd.

#### Equipment loan[1]

In July 2008 Bagot Press Pty Ltd entered into an agreement with National Australia Bank to provide an asset finance facility of $63,800, which has been drawn down in full. The loan is for a term of five years.

## 9 Loans and borrowings (continued)

**Equipment loan[2]**

On 16 July 2007 Bagot Press Pty Ltd entered into an agreement with National Australia Bank to provide an asset finance facility of $480,000 of which $400,000 has been drawn down. The loan is for a term of five years.

**Equipment loan[3]**

On 20 December 2007 Safety Medical Products Limited entered into an agreement with National Australia Bank to provide an asset finance facility of $265,817, which has been drawn down entirely. The loan is for a term of five years.

**Pureste Pty Ltd Facilities**

On 13 February 2009 Pureste Pty Ltd entered into an agreement with National Australia Bank to provide a $500,000 overdraft facility (expiry date: 31 May 2009), $2,000,000 Documentary letter of credit (terms: 90 days) and $2,000 credit card facility. In addition, the facilities will be increased on 1 June 2009 to include a $6,000,000 trade finance facility. At 31 December 2008 the company has not used any of this facility.

The total facilities of $8,502,000 are secured by a guarantee and indemnity provided by Safety Medical Products Limited, Managing Director Mr John Riemelmoser and Pureste Pty Ltd's minority interest shareholders.

## 10 Share based payments

There have been no options granted as compensation during the six month to 31 December 2008.

The Company has previously established a share option program to provide incentives and to assist in attracting and retention of key employees. The terms and conditions of the share option program are disclosed in the consolidated financial report as at and for the year ended 30 June 2008. In November 2007 a further grant on similar terms was made to employees of Bagot Press Pty Ltd and Baratex Pty Ltd (trading as ProControl Systems), both wholly owned subsidiaries of Safety Medical Products Limited. The terms and conditions of the grant made during the six months ended 31 December 2007 are as follows:

| Grant date | Number of instruments | Contractual life of option |
|---|---|---|
| 27 November 2007 | 313,500 | 3.1 years |

Fair value of share options and assumptions for options granted in the six months ended 31 December 2007 are as follows:

| | |
|---|---|
| Fair value at grant date | $0.084 |
| Share price | $0.285 |
| Exercise price | $0.50 |
| Expected volatility | 60.5% |
| Option life | 3.1 years |
| Expected dividends | 0% |
| Risk-free interest rate (based upon government bonds) | 5.84% |

The basis of measuring fair value is consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2008.

## 11 Acquisition of subsidiaries

During the six months ended 31 December 2008 the consolidated entity purchased 50% of a newly incorporated subsidiary, Pureste Pty Ltd. The incorporation date was 9 October 2008. Pureste Pty Ltd has no assets or liabilities on incorporation other than the $1,400 cash payments for equity.

The consolidated entity purchased 50% of the equity for $700 and has appointed Mr J Riemelmoser as the sole director and is thereby deemed to control the entity under AASB 127 *Consolidated and Separate Financial Statements.*

In the prior half year the consolidated entity made a payment of $214,041 for stamp duty associated with the acquisition of Bagot Press Pty Ltd. The acquisition date was 1 May 2007. The payment was provided for at the time of acquisition and was treated as an investment in subsidiaries.

## 12 Related parties

**Transactions with key management personnel**

In the six months ended 31 December 2008 key management personnel received compensation in the form of short-term employee benefits and post-employment benefits.

Compensation
Key management personnel received compensation in the form of short-term employee benefits, post-employment benefits and share-based payments (see note 10).

Unsecured loan

During the period the following loans were made by directors to the company:

| | 31 Dec 2008 $ | 30 June 2008 $ |
|---|---|---|
| Mr J Riemelmoser | - | 200,000 |
| Mr J Darley | - | 300,000 |
| Directors loans (Note 9) | - | 500,000 |

Interest paid to Mr John Riemelmoser and Mr John Darley during the six months year ended 31 December 2008 $nil (year ended 30 June 2008: $2,400 and $12,264 respectively). The average interest rate paid to Mr John Riemelmoser throughout the period of the loan was nil (30 June 2008: 9%). The average interest rate paid to Mr John Darley throughout the period of the loan was nil (30 June 2008: 8.37% and 31 December 2007: 7.72%). The interest rate paid was consistent with the rate paid by Mr Darley's to the financial institution from whom he obtained the funds. No other costs or charges were incurred.

At 31 December 2008 and 30 June 2008 both unsecured loans from directors were repaid by cash or convertible notes.

## 12 Related parties (continued)

Convertible notes

On 4 June 2008 convertible notes were issued at a face value of $100 per note with a moving interest rate of 500 basis Points above the 90-Day Bill Rate and can be converted into ordinary shares at a rate of 400 shares for every one note, an effective price of $0.25c per share. The notes are convertible on 4 June 2009 at the option of the holder. $200,000 of loans owed to both Mr John Darley and Mr John Riemelmoser at the time of the convertible note issue was exchanged for convertible notes at this date.

At 31 December 2008 and 30 June 2008 the directors held the following convertible notes:

| Director | Held at 31 Dec 2008 | Held at 30 Jun 2008 |
|---|---|---|
| Mr J Mr John Darley and related parties | 2,000 | 2,000 |
| Mr John Riemelmoser and related parties | 3,000 | 3,000 |
| | 5,000 | 5,000 |

Interest payable on the convertible notes during the six months ended 31 December 2008 was $12,006 and $18,090 (year ended 30 June 2008: $2,813 and $4,219) to Mr John Darley and Mr John Riemelmoser respectively.

**Non-key management personnel disclosures**

**Subsidiaries**

Loans are made by the Company to wholly owned subsidiaries for working capital and capital purchases. The loans outstanding between the Company and its subsidiaries have no fixed date of repayment and are non-interest bearing. At 31 December 2008, such loans to subsidiaries totalled $2,291,383 (31 December 2007: $4,434,000).

## 13 Going Concern

The consolidated entity has recorded an operating loss of $809,949 and this follows a similar Operating Loss in the prior half year. The current liabilities also exceed the current assets. Notwithstanding this, the directors believe the going concern basis of accounting is appropriate due to anticipated growth in sales of the core products of the parent entity and its new controlled entity, Pureste, and improved profitability within the controlled entities. However, if forecast sales and profitability are not achieved, the group may be unable to continue as a going concern. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

## Directors declaration

In the opinion of the directors of Safety Medical Products Limited (the Company):

a) the financial statements and notes set out on pages 7 to 18, are in accordance with the Corporations Act 2001, including:

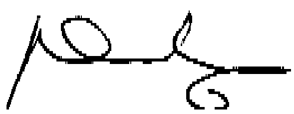
   (i) giving a true and fair view of the financial position of the Company and the consolidated entity as at 31 December 2008 and of its performance for the six month period ended on that date; and

   (ii) complying with Accounting Standards AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Adelaide this 25th day of February 2009.

This declaration is signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*:



John Darley
Chairman

John Riemelmoser
Managing Director

Bentleys
Thinking ahead

**AUDITOR'S INDEPENDENCE DECLARATION**

**TO THE DIRECTORS OF**

**SAFETY MEDICAL PRODUCTS LIMITED AND CONTROLLED ENTITIES**

As lead auditor for the review of Safety Medical Products Limited for the half-year ended 31 December 2008, I declare that, to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review, and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Safety Medical Products Limited and the entities it controlled during the period.

Bentleys

**BENTLEYS (SA) Partnership**

**D J FRANCIS**
**PARTNER**

Dated at Adelaide this 25th day of February, 2009.

Bentleys
Thinking ahead

**Bentleys (SA) Partnership**
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## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF SAFETY MEDICAL PRODUCTS LIMITED AND ITS CONTROLLED ENTITIES

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Safety Medical Products Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and the cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Safety Medical Products Limited Group (the consolidated entity). The consolidated entity comprises both Safety Medical Products Limited (the company) and the entities it controlled during that half-year.

*Directors' Responsibility for the Half Year Financial Report*

The company's directors are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.* As the auditor of Safety Medical Products Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Bentleys
Thinking ahead

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

*Independence*

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Safety Medical Products Limited is not in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Significant Uncertainty Regarding Going Concern

Without qualifying our conclusion, we draw attention to Note 13 in the financial report which reports that the consolidated entity incurred an operating loss of $809,949 for the period ended 31 December 2008, and the current liabilities exceed current assets.

The ability of the consolidated entity to continue as a going concern is dependent on further growth in sales of the core products, the success of the launch of the new feminine hygiene product, and or further significant capital raisings.

These factors, along with other matters as set out in Note 13 indicate the existence of a material uncertainty, which may cast significant doubt about the consolidated entity's ability to continue as a going concern.

Bentleys

BENTLEYS (SA) Partnership

D J FRANCIS
Partner

Dated at Adelaide this 25th day of February, 2009.

## Offices and officers

**Directors**

Mr John Darley
Dr Joseph Nicholas
Mr John Riemelmoser

**Company Secretary**

Mrs Victoria Allinson

**Principal registered office**

Safety Medical Products Limited

25 Fenden Road

Salisbury Plains SA 5109

Telephone (08) 8285 5226

www.safetymed.com.au

**Principal place of business**

Safety Medical Products Limited

25 Fenden Road

Salisbury Plain SA 5109

Telephone (08) 8285 5226

**Location of Share Registry**

Registries Limited

Level 7

207 Kent Street

Sydney NSW 2000

Telephone: 02 9290 9600

**Stock Exchange**

The Company is listed on the Australian Stock Exchange. The Home Exchange is Adelaide.

The Company is also listed on the Berlin-Bremen Stock Exchange (OTC).

**Other Information**

Safety Medical Products Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.