



SAFETY MEDICAL PRODUCTS LIMITED
ABN 26 007 817 192

2009
PRELIMINARY FINAL REPORT

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Appendix 4E Commentary on Results

During a period of very difficult market conditions the company has identified and implemented several cost saving measures whilst continuing to investigate opportunities both locally and internationally to grow its market penetration.

Several changes have taken place during the past twelve months including the relocation of Baratex Pty Ltd (trading as ProControl Systems) to the SafetyMed facility at Salisbury Plain, the sale of subsidiary Bagot Press Pty Ltd's business for \$1.3million and the launch into the retail market of Australia's first range of sterilised Tampons, Pads and Liners under the Pureste brand.

The company's core technology, the Securetouch Retractable Syringe has continued to be used in the National Diabetes Services Scheme (NDSS) being the only safety device participating, as well as being integrated for use by the Royal District Nursing Service (RDNS) throughout Victoria.

The company plan to actively pursue any overseas interest shown in the Securetouch Retractable Syringe Technology.

Safety Medical Products Limited ('**SafetyMed**') (ASX: SFP) advises that sales for the SafetyMed group for the year ended 30 June 2009 increased to \$5.8million up by 22% from the \$4.77million achieved in the prior corresponding period.

The group's loss of \$3.5million is down 20% on the \$4.4million loss for the previous year and includes \$1.4million of intangible asset impairment (from the discontinued Bagot Press business (as a result of the sale) and the continued group operations) and \$0.8million of marketing expenditure for the new range of sterilised feminine hygiene products recently launched.

The loss attributable to equity holders is \$3.16million down by 28% on the \$4.4million loss for the previous year.

Management firmly believes that the cost saving measures, current and new market opportunities as well as the expected turnaround in global market conditions over the next twelve months will provide the necessary platform for the SafetyMed group to consolidate a positive position in the market.

For further information please contact:

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Safety Medical Products Limited
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Company Secretary
Safety Medical Products Limited
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**APPENDIX 4E
PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008**

The following information is given to ASX under listing rule 4.3A.

1. Reporting period

| | |
|----------------|------------------------------|
| Current Period | 12 months ended 30 June 2009 |
| Prior Period | 12 months ended 30 June 2008 |

2. Results for announcement to the market

| Consolidated Group | Item | Change | % | 30 June 2009 |
|--------------------------------------------------------------|-----------------|-------------------------------------------------------------------------------------------------|---------------|---------------------|
| | | \$ | Change | \$ |
| Revenue –excluding interest received (continued operations) | 2.1 up | 614,945 | 41% | to 2,132,626 |
| (Loss) after tax attributable to members | 2.2 down | (1,257,841) | (28%) | to (3,160,205) |
| Net (Loss) attributable to members | 2.3 down | (1,257,841) | (28%) | to (3,160,205) |
| Dividend | 2.4 | The Board is not proposing any dividend for the 2009 or 2008 financial year (refer item 6). | | |
| The record date for determining entitlements to the dividend | 2.5 | N/A | | |
| Explanatory information | 2.6 | For further information refer Commentary on Results which accompanies this announcement. | | |

Overview

The principal activities and operations of the Company during the course of the financial year were:

- the development, manufacture and commercialisation of medical products;
- introduction of Australia's first range of sterilised feminine hygiene products (tampons, pads and liners) under the "Pureste" brand;
- importation and distribution of medical products;
- the provision of industrial control and automation systems, machine vision, robotics and turn-key solutions via subsidiary Baratex Pty Ltd (trading as ProControl Systems); and
- printing and distribution of consumable products for the pharmaceutical industry via subsidiary Bagot Press (business sold 1 July 2009 refer to Note 31).

There were no other significant changes in the nature of the consolidated group's principal activities during the financial year.

This financial report includes the consolidated financial statements and notes to the financial statements of Safety Medical Products Limited and controlled entities ('Consolidated Group' or 'Group'), and the separate financial statements and notes to the financial statements of Safety Medical Products Limited as an individual parent entity ('Parent Entity'). Safety Medical Products Limited is listed on the Australian Stock Exchange ("ASX") and is incorporated and domiciled in Australia.

Operating and financial review

The Income Statement shows a consolidated net loss attributable to members of \$(3,160,205) compared with \$(4,418,046) for the previous corresponding year.

The total loss for the year includes \$751,497 of Pureste Pty Ltd marketing costs and an intangible asset accounting impairment of \$788,000 and \$634,218 in respect of Baratex Pty Ltd and Bagot Press Pty Ltd respectively.

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FOR THE YEAR ENDED 31 DECEMBER 2008

Operating and financial review (continued)

The highlights for the year ended 30 June 2009 are as follows:

- Major new controlled subsidiary in the feminine hygiene sector with the only range of sterilised tampons, pads and liners;
- New product range commenced distribution in early 2009 with \$7 million sales expected in the first year following marketing launch through well over 1,000 major retail outlets;
- \$9.5million financing facility secured via National Australia Bank;
- SecureTouch and Pen Needle Aids to be used throughout Royal District Nursing Service (RDNS) Victoria as well as continued distribution through the National Diabetes Services Scheme (NDSS).

Safety Medical Products Limited's review of operations

In the year to 30 June 2009, Safety Medical Products Limited (SafetyMed) reported revenue of \$118,563 and an operating loss of \$(2,058,264). In the prior year to 30 June 2008, SafetyMed reported revenue of \$10,085 and an operating loss of \$(4,400,455). The increase in revenue is primarily due to the commencement of RDNS sales as well as a significant uptake of the company's unique individually wrapped surgical masks through Bagot Press and other distributors as a result of the Swine Flu Epidemic. These masks available under the SafetyMed brand are available across Australia through Pharmacies.

RDNS Victoria

In November 2008 SafetyMed began supplying the RDNS Victoria with SecureTouch™ Retractable Syringes and the in-house designed Insulin Pen Needle Aid 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.

NDSS

The company continues to supply the NDSS with the Securetouch Retractable Syringe as well as Insulin Pen Needles and standard syringes supplied by Exel in the USA. To date the Securetouch remains as the only safety syringe accepted into this program and truly verifies the technology behind the device.

The company plan to actively pursue any overseas interest shown in the Securetouch Retractable Syringe Technology.

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

In the year to 30 June 2009, ProControl Systems reported revenue of \$1,309,319 and an operating loss of \$(44,558). In the year to 30 June 2008, ProControl Systems reported revenue of \$1,529,599 and an operating loss of \$(85,590). The amount of revenue has decreased as a result of the economic downturns, however steps have been taken that have reduced fixed costs, this includes the relocation of the workshop to Safety Medical Products Limited in Salisbury Plain thereby reducing the group's administration and occupancy costs. Activity has significantly increased over recent weeks pointing to a much more positive outlook for the new financial year as the economy begins to recover.

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FOR THE YEAR ENDED 31 DECEMBER 2008

Operating and financial review (continued)

Bagot Press Pty Ltd's review of discontinued operations

In the year to 30 June 2009, Bagot Press Pty Ltd revenue of \$3,682,277 and an operating loss of \$(338,451) that includes an impairment goodwill of \$634,218 and of the SafetyMed intercompany loan, resulting in a write off amounting to \$362,406. In the prior year to 30 June 2008, Bagot Press Pty Ltd revenue of \$3,259,989 and an operating profit of \$67,999. The business has increased its sales and marketing activities during the period with an additional sales representative in place in Queensland and more active key account management. These activities have delivered additional contracts and increased revenues.

As previously reported, the subsidiary, Bagot Press Pty Ltd sold its trade, fixed and intangible assets on 1 July 2009 for \$1.3 million (Note 31). The company changed its name to 'ACN 100 073 131 Pty Ltd' in July 2009.

Pureste Pty Ltd's review of operations

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

In the period since acquisition to 30 June 2009, Pureste Pty Ltd revenue of \$713,533 and an operating loss of \$(1,042,986) that includes \$751,497 of marketing launch costs

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 under the Pureste brand.

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

Financial Position

The net assets/(liabilities) of the consolidated group have decreased by \$3,679,887 from 30 June 2008 to \$(87,240) in 2009. This decrease has largely resulted from the following factors:

- i. \$1,567,266 of operating losses attributable to members;
- ii. \$1,150,406 impairment of intangible assets and intragroup loans;
- iii. \$338,451 losses from discontinued operations;
- iv. \$713,993 of minority interest losses, offset by
- v. \$223,000 raised from the issue of 2,230,000 shares as part of the Share Purchase Plan;

The consolidated group's working capital position improved significantly on 1 July 2009 subsequent to the \$1.3million cash proceeds on the sale of Bagot Press.

Significant Changes in the State of Affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

- i. \$223,000 was raised from the issue of 2,230,000 shares as part of the Share Purchase Plan

3. Income Statement – see accompanying preliminary financial statements

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PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008

4. Balance Sheet – see accompanying preliminary financial statements

5. Cashflow Statement – see accompanying preliminary financial statements

6. Dividends Paid or Recommended

The Board does not recommend the payment of any dividends for the year ended 30 June 2009 or 30 June 2008.

7. Details of any Dividend or distribution reinvestment plans

N/A

8. Statement of movements in Retained Earnings – see accompanying statement of changes in equity

9. Net tangible assets/(liabilities) per security

| | 30 June 2009 | 30 June 2008 |
|---------------------------------------------------------|---------------------|---------------------|
| Number of securities | 76,300,477 | 74,060,073 |
| Net tangible assets/(liabilities) per security in cents | (0.37) | 1.78 |

10. Details of associates and joint venture entities

N/A

11. Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position

Refer **Commentary on Results** which accompanies this announcement.

12. Foreign entities disclosures

N/A

13. Additional information

| <u>Earnings per Share</u> ⁽¹⁾ | 30 June 2009 | 30 June 2008 |
|------------------------------------------|---------------------|---------------------|
| Basic earning per share in cents | (4.2) | (6.1) |
| Diluted earning per share in cents | (4.2) | (6.1) |

After Balance Date Events

Bagot Press Pty Ltd sold its trade, fixed and intangible assets on 1 July 2009 for \$1.3million. Bagot Press Pty Ltd also changed its name to 'ACN 100 073 131 Pty Ltd' in July 2009.

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FOR THE YEAR ENDED 31 DECEMBER 2008**

14. Compliance Statement

The financial statements are in the process of being audited and are not likely to be subject to dispute or qualification.

Signed in accordance with a resolution of the Board of Directors of Safety Medical Products Ltd:



**John Darley
Chairman**

Dated this 27th day of August 2009



**John Riemelmoser
Managing Directors**

Dated this 27th day of August 2009

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Safety Medical Products Limited

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2008

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Safety Medical Products Limited and its
controlled entities
Income statements
For the year ended 30 June 2009

| | Note | Consolidated | | Company | |
|-----------------------------------------------------------------------------------------------------------------------------|------|--------------------|--------------------|--------------------|--------------------|
| | | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| Revenue | 7 | 2,132,626 | 1,517,681 | 118,563 | 10,085 |
| Cost of sales | | (2,066,161) | (1,461,001) | (91,181) | (25,926) |
| Gross profit | | 66,465 | 56,680 | 27,382 | (15,841) |
| Other income | 8 | 189,226 | 2,220 | 379,922 | 17,160 |
| Research & development expenses | | - | - | - | - |
| Business development, marketing & intellectual property expenses | | (860,218) | (108,335) | (51,273) | (107,254) |
| Administrative expenses | | (1,637,576) | (1,613,960) | (1,178,545) | (1,424,614) |
| Results from operating activities | | (2,242,103) | (1,663,395) | (822,514) | (1,530,549) |
| Financial income | 10 | 4,029 | 11,943 | 37,898 | 11,943 |
| Financial expense | 10 | (211,970) | (52,090) | (147,031) | (37,351) |
| Net Financial expense | | (207,941) | (40,147) | (109,133) | (25,408) |
| Impairment Loss | 20 | (1,150,406) | (2,844,498) | (1,150,406) | (2,844,498) |
| Loss before tax | | (3,600,450) | (4,548,040) | (2,082,053) | (4,400,455) |
| Income tax (expense)/benefit | 12 | 64,703 | 61,995 | 23,789 | - |
| Loss after tax from continuing operations | | (3,535,747) | (4,486,045) | (2,058,264) | (4,400,455) |
| Profit/(loss) from discontinued operations | 31 | (338,451) | 67,999 | - | - |
| Loss for the year | | (3,874,198) | (4,418,046) | (2,058,264) | (4,400,455) |
| Attributable to: | | | | | |
| Equity holders of parent | | (3,160,205) | (4,418,046) | (2,058,264) | (4,400,455) |
| Minority Interest | | (713,993) | - | - | - |
| | | (3,874,198) | (4,418,046) | (2,058,264) | (4,400,455) |
| Earnings per share for profit attributable to the ordinary equity holders of the company from continuing operations: | | | | | |
| Basic earnings per share (cents) | 13 | (4.2) | (6.1) | | |
| Diluted earnings per share (cents) | 13 | (4.2) | (6.1) | | |

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
Statements of changes in equity
For the financial year ended 30 June 2009

Consolidated

| 2009 | Note | Issued Capital \$ | Accumulated losses \$ | Equity compensa- tion reserve \$ | Minority Interest \$ | Total equity \$ |
|--------------------------------------------------------|-------------|----------------------------------|--------------------------------------|-----------------------------------------------------|-------------------------------------|--------------------------------|
| Opening balance at 1 July 2008 | | 10,622,046 | (7,771,270) | 741,871 | - | 3,592,647 |
| Acquisition of subsidiary undertaking | | - | - | - | 700 | 700 |
| Total recognised income & expense for the period | | - | (3,160,205) | - | (713,993) | (3,874,198) |
| Shares Issued | 23 | 225,082 | - | - | - | 225,082 |
| Transaction costs | | (31,471) | - | - | - | (31,471) |
| Closing balance at 30 June 2009 | | 10,815,657 | (10,931,475) | 741,871 | (713,293) | (87,240) |

Amounts are stated net of tax

| 2008 | Note | Issued Capital \$ | Accumulated losses \$ | Equity compensa- tion reserve \$ | Minority Interest \$ | Total equity \$ |
|----------------------------------------------------------|-------------|----------------------------------|--------------------------------------|-----------------------------------------------------|-------------------------------------|--------------------------------|
| Opening balance at 1 July 2007 | | 9,821,163 | (3,353,224) | 741,871 | - | 7,209,810 |
| Total recognised income and expense for the period | | - | (4,418,046) | - | - | (4,418,046) |
| Shares Issued | 23 | 881,842 | - | - | - | 881,842 |
| Transaction costs | | (80,959) | - | - | - | (80,959) |
| Closing balance at 30 June 2008 | | 10,622,046 | (7,771,270) | 741,871 | - | 3,592,647 |

Amounts are stated net of tax

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

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Safety Medical Products Limited and its
controlled entities
Statements of changes in equity
For the financial year ended 30 June 2009

Company

| 2009 | Note | Issued Capital \$ | Accumulated losses \$ | Equity compensation reserve \$ | Total equity \$ |
|-------------------------------------------------------|-------------|----------------------------------|--------------------------------------|---------------------------------------------------|--------------------------------|
| Opening balance at 1 July 2008 | | 10,622,046 | (7,596,983) | 741,871 | 3,766,934 |
| Total recognised income and expense for the period | | - | (2,058,264) | - | (2,058,264) |
| Shares Issued | 23 | 225,082 | - | - | 225,082 |
| Transaction costs | | (31,471) | - | - | (31,471) |
| Closing balance at 30 June 2009 | | 10,815,657 | (9,655,247) | 741,871 | 1,902,281 |

Amounts are stated net of tax

| 2008 | Note | Issued Capital \$ | Accumulated losses \$ | Equity compensation reserve \$ | Total equity \$ |
|-------------------------------------------------------|-------------|----------------------------------|--------------------------------------|---------------------------------------------------|--------------------------------|
| Opening balance at 1 July 2007 | | 9,821,163 | (3,196,428) | 741,871 | 7,366,606 |
| Total recognised income and expense for the period | | - | (4,400,555) | - | (4,400,555) |
| Shares Issued | 23 | 881,842 | - | - | 881,842 |
| Transaction costs | | (80,959) | - | - | (80,959) |
| Closing balance at 30 June 2008 | | 10,622,046 | (7,596,983) | 741,871 | 3,766,934 |

Amounts are stated net of tax

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

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Safety Medical Products Limited and its
controlled entities
Balance sheets
As at 30 June 2009

| | Note | Consolidated | | Company | |
|-----------------------------------------------------------------|------|------------------|------------------|------------------|------------------|
| | | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| Assets | | | | | |
| Cash and cash equivalents | 29 | 209,051 | 282,963 | 11,284 | 179,979 |
| Trade and other receivables | 14 | 1,171,259 | 836,037 | 888,537 | 54,278 |
| Inventories | 15 | 934,802 | 681,704 | 336,773 | 376,319 |
| Non-current assets held for sale and discontinued operations | 16 | 1,022,757 | - | - | - |
| Current tax assets | 18 | - | - | - | - |
| Total current assets | | 3,337,869 | 1,800,704 | 1,236,594 | 610,576 |
| Non-current assets | | | | | |
| Financial assets | 17 | - | - | 1,855,950 | 3,090,006 |
| Net deferred tax assets | 18 | 76,549 | 76,481 | - | - |
| Property, plant and equipment | 19 | 1,222,729 | 2,218,925 | 1,205,887 | 1,303,333 |
| Intangible assets | 20 | 194,000 | 1,835,738 | - | - |
| Total non-current assets | | 1,493,278 | 4,131,144 | 3,061,837 | 4,393,339 |
| Total assets | 5 | 4,831,147 | 5,931,848 | 4,298,431 | 5,003,915 |
| Liabilities | | | | | |
| Trade and other payables | 21 | 653,931 | 542,504 | 141,542 | 100,118 |
| Loans and borrowings | 22 | 2,073,683 | 910,183 | 340,381 | 817,010 |
| Employee benefits | 25 | 489,333 | 372,677 | 292,132 | 135,301 |
| Total current liabilities | | 3,216,947 | 1,825,364 | 774,055 | 1,052,429 |
| Non-current liabilities | | | | | |
| Loans and borrowings | 22 | 1,607,383 | 435,606 | 1,607,383 | 175,552 |
| Employee benefits | 25 | 94,057 | 78,231 | 14,712 | 9,000 |
| Total non-current liabilities | | 1,701,440 | 513,837 | 1,622,095 | 184,552 |
| Total liabilities | 5 | 4,918,387 | 2,339,201 | 2,396,150 | 1,236,981 |
| Net assets | 5 | (87,240) | 3,592,647 | 1,902,281 | 3,766,934 |
| Equity | | | | | |
| Issued capital | 23 | 10,815,657 | 10,622,046 | 10,815,657 | 10,622,046 |
| Reserves | 24 | 741,871 | 741,871 | 741,871 | 741,871 |
| Accumulated losses | | (10,931,475) | (7,771,270) | (9,655,247) | (7,596,983) |
| Equity attributable to equity holders of the company | | 626,053 | 3,592,647 | 1,902,281 | 3,766,934 |
| Equity attributable to minority interest | | (713,293) | - | - | - |
| Total equity | | (87,240) | 3,592,647 | 1,902,281 | 3,766,934 |

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

Cash flow statements

For the year ended 30 June 2009

| | Note | Consolidated | | Company | |
|-------------------------------------------------------------|------|--------------------|--------------------|--------------------|--------------------|
| | | 2009 \$'000 | 2008 \$'000 | 2009 \$'000 | 2008 \$'000 |
| Cash flows from operating activities | | | | | |
| Cash receipts from customers | | 6,070,608 | 5,134,739 | 268,431 | 14,487 |
| Cash paid to suppliers and employees | | (8,470,243) | (7,000,031) | (1,342,657) | (1,666,378) |
| Cash generated from operations | | (2,399,635) | (1,865,292) | (1,074,226) | (1,651,891) |
| Interest paid | | (212,903) | (89,183) | (138,998) | (37,351) |
| Other receipts | | - | 13,600 | - | 13,600 |
| Income taxes (paid) / received | | 41,284 | 90,917 | 23,789 | 36,000 |
| Net cash from operating activities | 30 | (2,571,254) | (1,849,958) | (1,189,435) | (1,639,642) |
| Cash flows from investing activities | | | | | |
| Interest received | | 9,175 | 11,943 | 37,898 | 11,943 |
| Acquisition of subsidiary, net of cash acquired | | 700 | - | (700) | - |
| Intercompany & investment of subsidiaries | | - | - | (160,160) | (84,504) |
| Acquisition of property, plant and equipment | 19 | (66,551) | (493,614) | (5,111) | (291,153) |
| Proceeds from disposal of property, plant and equipment | 19 | 25,129 | - | - | - |
| Net cash from investing activities | | (31,547) | (481,671) | (128,073) | (363,714) |
| Cash flows from financing activities | | | | | |
| Proceeds from issue of share capital | 23 | 193,611 | 800,883 | 193,611 | 800,883 |
| (Repayment)/Proceeds from issue of convertible notes | | (25,000) | 775,000 | (25,000) | 775,000 |
| Proceeds from borrowings | | 1,838,550 | 562,665 | 1,000,000 | 266,000 |
| Repayment of borrowings | | (130,600) | - | (21,932) | (21,542) |
| Net cash from financing activities | | 1,876,561 | 2,138,548 | 1,146,679 | 1,820,341 |
| Net increase/(decrease) in cash and cash equivalents | | (726,240) | (193,081) | (170,829) | (183,015) |
| Cash and cash equivalents at 1 July | | 282,963 | 476,044 | 179,979 | 362,994 |
| Cash and cash equivalents at 30 June | 29 | (443,277) | 282,963 | 9,150 | 179,979 |

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

Notes to the financial statements

Safety Medical Products Limited 30 June 2009 Preliminary Financial Report

1 Reporting entity

Safety Medical Products Limited (the "Company") is a company domiciled in Australia. The consolidated financial statements of the Company for the financial year ended 30 June 2009 comprise 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.

2 Basis of preparation

(a) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The consolidated financial report of the consolidated entity also complies with the IRFSs and interpretations adopted by the International Accounting Standards Board.

(b) Basis of measurement

The financial report is prepared on the historical cost basis.

(c) Functional and presentation currency

The financial report is presented in Australian dollars which is the Company's functional currency and the functional currency of all subsidiaries.

(d) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 6 – business combinations
- Note 18 – utilisation of tax losses
- Note 25 – measurement of share based payments

(e) Going Concern

The consolidated entity has recorded a Loss attributable to equity holders of \$3,160,205 and this follows a Loss attributable to equity holders of \$4,418,046 in the prior year. Whilst the Current Assets exceed the Current Liabilities, net assets are negative (\$87,240) (prior year positive \$3,592,647). 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 group, improved profitability within the controlled entities and the continued support of the National Australia Bank Ltd. 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.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report and have been applied consistently by all entities in the consolidated entity.

Notes to the financial statements

Safety Medical Products Limited 30 June 2009 Preliminary Financial Report

3 Significant accounting policies (continued)

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial report from the date that control commences until the date that control ceases.

In the Company's financial statements, investments in subsidiaries are carried at cost, less any impairment losses.

(ii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial report.

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

(c) Financial Instruments

Share capital

Ordinary shares

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

Convertible Notes

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through profit and loss. Transactions costs related to instruments classified as at fair value through profit and loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits, associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Notes to the financial statements

Safety Medical Products Limited 30 June 2009 Preliminary Financial Report

3 Significant accounting policies (continued)

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Costs include expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bring the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Subsequent costs

The consolidated entity recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(iii) Depreciation

With the exception of freehold land, depreciation is charged to the income statement using the diminishing value method over the estimated useful lives of each part of an item of property, plant and equipment. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The estimated useful lives in the current and comparative periods are as follows:

- plant and equipment 3 - 13 years
- fixtures and fittings 5 - 9 years
- motor vehicles 5 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

(e) Intangible assets

(i) Goodwill

Goodwill (negative goodwill) arises on the acquisition of subsidiaries, associates or joint ventures. Goodwill represents the excess of the cost of the acquisition over the consolidated entity's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill) it is recognised immediately in the income statement. Goodwill is measured at cost less accumulated impairment losses.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the consolidated entity has sufficient resources to complete development.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

No development costs were capitalised during the year ended 30 June 2009 or 2008.

Notes to the financial statements

Safety Medical Products Limited 30 June 2009 Preliminary Financial Report

3 Significant accounting policies (continued)

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(f) Leased assets

Leases in terms of which the consolidated entity assumes substantially all the risks and benefits of ownership are classified as finance leases.

Other leases are operating leases and the leases are not recognised on the consolidated entity's balance sheet. Lease payments for operating leases are charged as an expense in the period in which they occur.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

(h) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement. Any cumulative losses in respect of an available-for-sale financial asset recognised previously in equity is transferred to the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the income statement. For available-for-sale financial asset that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets

The carrying amounts of the consolidated entity's assets, other than inventories (see accounting policy g), and deferred tax assets (see accounting policy n), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see accounting policy h(i)). For goodwill assets that have indefinite lives, recoverable amount is estimated at each reporting date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets or groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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Notes to the financial statements

Safety Medical Products Limited 30 June 2009 Preliminary Financial Report

3 Significant accounting policies (continued)

(ii) Non-financial assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

(i) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement when they are due.

(ii) Long-term service benefits

The consolidated entity's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the consolidated entity's obligations.

(iii) Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave, that are expected to be settled within 12 months of the reporting date, represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

(iv) Share-based payment transactions

The employee and officer share scheme allows Company employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

(j) Provisions

A provision is recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the consolidated entity has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

Notes to the financial statements

Safety Medical Products Limited 30 June 2009 Preliminary Financial Report

3 Significant accounting policies (continued)

(k) Revenue

(i) Goods sold and services rendered

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

(ii) Government grants

Grants that compensate the consolidated entity for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the consolidated entity for the cost of an asset are recognised in the income statement as other income on a systematic basis over the useful life of the asset.

(l) Lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

(m) Finance income and expense

Finance income comprises interest income on funds invested. Interest income is recognised in the income statement as it accrues, using the effective interest rate method. Finance expenses comprise interest expenses on borrowings. Interest expense is recognised in the income statement as it accrues, using the effective interest rate method.

(n) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Notes to the financial statements

Safety Medical Products Limited 30 June 2009 Preliminary Financial Report

3 Significant accounting policies (continued)

(o) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(p) Earnings per share

The consolidated entity presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding of the effects of all dilutive potential ordinary shares, which comprise share options.

(q) Segment reporting

A segment is a distinguishable component of the consolidated entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(r) New standard and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial adoption. They are available for early adoption at 30 June 2009, but have not been applied in preparing this financial report.

- Revised AASB 3 Business Combinations mandatory for 30 June 2010 Annual Financial Report.
- AASB 8 Operating Segments mandatory for 30 June 2010 Annual Financial Report.
- AASB 101 presentation of Financial Statements mandatory for 30 June 2010 Annual Financial Report.
- AASB 123 Borrowing Costs mandatory for 30 June 2010 Annual Financial Report
- AASB 127 Consolidation and Separate Financial Statements mandatory for 30 June 2010 Annual Financial Report.
- AASB 2008-1 amendment to Australian Accounting Standard -Share-based Payment mandatory for 30 June 2010 Annual Financial Report.
- AASB 2008-2 amendment to Australian Accounting Standard -Puttable Financial Instruments and Obligations Arising on Liquidation mandatory for 30 June 2010 Annual Financial Report.

Notes to the financial statements

Safety Medical Products Limited 30 June 2009 Preliminary Financial Report

3 Significant accounting policies (continued)

(s) New standard and interpretations

The effect of the change in accounting policy as a result of AASB 5 Non Current Assets Held for Sale and Discontinued Operations on the income statement for the year ending 30 June 2008 is shown below:

| | Note | Year ended 30 June 2008 ⁽¹⁾ \$ | Restatement for discontinued operations (Note 31) \$ | Restated year ended 30 June 2008 \$ |
|---------------------------------------------------------------------|------|-------------------------------------------------|------------------------------------------------------------------|----------------------------------------------|
| Revenue | 7 | 4,777,370 | (3,259,689) | 1,517,681 |
| Cost of sales | | (3,494,077) | 2,033,076 | (1,461,001) |
| Gross profit | | 1,283,293 | (1,226,613) | 56,680 |
| Other income | 8 | 38,484 | (36,264) | 2,220 |
| Research & development expenses | | - | - | - |
| Business development, marketing & intellectual property expenses | | (131,147) | 22,812 | (108,335) |
| Administrative expenses | | (2,718,480) | 1,104,520 | (1,613,960) |
| Results from operating activities | | (1,527,850) | (135,545) | (1,663,395) |
| Financial income | 10 | 11,943 | - | 11,943 |
| Financial expense | 10 | (89,183) | 37,093 | (52,090) |
| Net Financial expense | | (77,240) | 37,093 | (40,147) |
| Impairment Loss | 20 | (2,844,498) | - | (2,844,498) |
| Loss before tax | | (4,449,588) | (98,452) | (4,548,040) |
| Income tax (expense)/benefit | 12 | 31,542 | 30,453 | 61,995 |
| Profit/(loss) from discontinued operations | | | 67,999 | 67,999 |
| Loss for the year | | (4,418,046) | - | (4,418,046) |

⁽¹⁾ Income statement as per 30 June 2008 audited financial statements

4 Determination of fair values

A number of the consolidated entity's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based upon the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Notes to the financial statements

Safety Medical Products Limited 30 June 2009 Preliminary Financial Report

4 Determination of fair values (continued)

(i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of items of plant, equipment, fixtures and fittings is based upon the quoted market prices of similar items.

(ii) Inventory

The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated cost of completion for sale, and a reasonable profit margin based on the effort required to complete and sell the inventory.

(iii) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

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.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and revenue, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

| | |
|----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Safety Medical Products (SafetyMed) | 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. |
| Pureste Pty Ltd (Pureste) | The promotion and distribution of the only sterilised feminine hygiene products in Australia. |
| Discontinued operations: Bagot Press Pty Ltd (Bagot) | A manufacturer and supplier of specialist printing and general consumables to the pharmaceutical industry. Bagot sold its business and changed its name to 'ACN 100 073 131 Pty Ltd' in July 2009. |

Geographical segments

The consolidated entity operates in only one geographical segment, Australia. As such, information is not presented on the basis of geographical segments.

Notes to the financial statements

Safety Medical Products Limited 30 June 2009 Preliminary Financial Report

5 Segment reporting (continued)

| Business segments | Safety Medical Products | | ProControl Systems | | Pureste | | Eliminations | | Consolidated | |
|-----------------------------------------------------------------------|-------------------------|--------------------|--------------------|------------------|--------------------|------------|----------------|-----------------|--------------------|--------------------|
| | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| External revenues | 115,329 | 10,085 | 1,310,319 | 1,507,596 | 706,978 | - | - | - | 2,132,626 | 1,517,681 |
| Inter-segment revenues | 3,234 | - | - | 22,003 | 6,555 | - | (9,789) | (22,003) | - | - |
| Total segment revenue | 118,563 | 10,085 | 1,310,319 | 1,529,599 | 713,533 | - | (9,789) | (22,003) | 2,132,626 | 1,517,681 |
| Segment result | (822,514) | (1,530,549) | (64,975) | (132,846) | (1,349,675) | - | (4,939) | - | (2,242,103) | (1,663,395) |
| Unallocated expenses | - | - | - | - | - | - | - | - | - | - |
| Results from operating activities | (822,514) | (1,530,549) | (64,975) | (132,846) | (1,349,675) | - | (4,939) | - | (2,242,103) | (1,663,395) |
| Net financing revenue /(costs) | (109,133) | (25,408) | (20,497) | (14,739) | (78,311) | - | - | - | (207,941) | (40,147) |
| Impairment Loss | (1,150,406) | (2,844,498) | - | - | - | - | - | - | (1,150,406) | (2,844,498) |
| Income tax benefit/(expense) | 23,789 | - | 40,914 | 61,995 | - | - | - | - | 64,703 | 61,995 |
| Loss for the period from continuing operations | (2,058,264) | (4,400,455) | (44,558) | (85,590) | (1,427,986) | - | (4,939) | - | (3,535,747) | (4,486,045) |
| Loss for the period from discontinued operations before tax (Note 31) | | | | | | | | | (312,812) | 98,452 |
| Income tax benefit/(expense) from discontinued operation (Note 31) | | | | | | | | | (25,639) | (30,453) |
| Loss for the period from discontinued operations after tax (Note 31) | | | | | | | | | (338,451) | 67,999 |
| Loss for the period | | | | | | | | | (3,874,198) | (4,418,046) |

| Business segments | Safety Medical Products | | ProControl Systems | | Bagot Press | | Pureste | | Eliminations | | Consolidated | |
|--------------------------|-------------------------|------------------|--------------------|----------------|------------------|------------------|------------------|------------|--------------------|-----------------|------------------|------------------|
| | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| Segment assets | 4,298,431 | 2,913,915 | 369,513 | 466,602 | 2,088,230 | 2,613,338 | 638,980 | - | (2,564,007) | (62,007) | 4,831,147 | 5,931,848 |
| Unallocated assets | - | - | - | - | - | - | - | - | - | - | - | - |
| Total assets | 4,298,431 | 2,913,915 | 369,513 | 466,602 | 2,088,230 | 2,613,338 | 638,980 | - | (2,564,007) | (62,007) | 4,831,147 | 5,931,848 |
| Segment liabilities | 2,396,150 | 1,236,981 | 644,283 | 426,812 | 2,316,750 | 683,407 | 2,065,565 | - | (2,504,361) | (7,999) | 4,918,387 | 2,339,201 |
| Unallocated liabilities | - | - | - | - | - | - | - | - | - | - | - | - |
| Total liabilities | 2,396,150 | 1,236,981 | 644,283 | 426,812 | 2,316,750 | 683,407 | 2,065,565 | - | (2,504,361) | (7,999) | 4,918,387 | 2,339,201 |
| Capital expenditure | 5,111 | 291,153 | - | 6,472 | 61,008 | 198,369 | 5,543 | - | (5,111) | (2,380) | 66,551 | 493,614 |
| Depreciation | 102,557 | 94,820 | 11,048 | 16,242 | 120,595 | 128,068 | 375 | - | (172) | - | 234,403 | 239,130 |

Notes to the financial statements

Safety Medical Products Limited 30 June 2009 Preliminary Financial Report

6 Acquisition of subsidiaries

Pureste Pty Ltd

On 9 October 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*.

| | Note | Consolidated | | Company | |
|------------------------------------------------------------|------|--------------|-------------|------------|------------|
| | | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| 7 Revenue | | | | | |
| Sales from continuing operation | | 2,132,626 | 1,517,681 | 118,563 | 10,085 |
| Sales from discontinued operations | 31 | 3,682,277 | 3,259,689 | - | - |
| Sales | | 5,814,903 | 4,777,370 | 118,563 | 10,085 |
| Services | | - | - | - | - |
| Total revenue | | 5,814,903 | 4,777,370 | 118,563 | 10,085 |
| 8 Other income | | | | | |
| <i>Continuing operations</i> | | | | | |
| Government grants | | - | - | - | 14,000 |
| Intragroup costs and management fees | | 189,226 | - | 379,922 | - |
| Other income | | - | 2,220 | - | 3,160 |
| Other income from continuing operation | | 189,226 | 2,220 | 379,922 | 17,160 |
| <i>Discontinued operations</i> | | | | | |
| Government grants | | 12,000 | 14,000 | - | - |
| Other income | | 1,564 | 22,264 | - | - |
| Other income from discontinued operations | 31 | 13,564 | 36,264 | - | - |
| 9 Personnel expenses | | | | | |
| Wages and salaries | | 2,145,502 | 2,314,121 | 431,778 | 562,054 |
| Other associated personnel expenses | | 131,169 | 144,184 | 36,330 | 74,375 |
| Contributions to defined contribution superannuation funds | | 291,922 | 340,730 | 104,163 | 56,006 |
| Increase in liability for annual leave | | (11,505) | 26,628 | 14,664 | - |
| Increase in liability for long service leave | | 17,705 | 39,960 | 4,769 | 3,417 |
| Personnel expenses from discontinued operations | 31 | (827,180) | (1,055,912) | - | - |
| Personnel expenses from continuing operations | | 1,747,613 | 1,809,711 | 591,704 | 695,852 |

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Notes to the financial statements

Safety Medical Products Limited 30 June 2009 Preliminary Financial Report

| | Note | Consolidated | | Company | |
|-----------------------------------------------------------------------------------|------|--------------|------------|------------|------------|
| | | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| 10 Financial income and expense | | | | | |
| <i>Continuing operations</i> | | | | | |
| Interest income on bank deposits | | 4,029 | 11,943 | 3,243 | 11,943 |
| Intragroup interest | | - | - | 34,655 | - |
| Financial income | | 4,029 | 11,943 | 37,898 | 11,943 |
| Interest expense on financial liabilities measured at amortised cost | | (211,970) | (52,090) | (147,031) | (37,351) |
| Financial expense from continuing operations | | (207,941) | (40,147) | (109,133) | (25,408) |
| <i>Discontinued operations</i> | | | | | |
| Interest income on bank deposits | | 5,145 | - | - | - |
| Intragroup interest | | - | - | - | - |
| Financial income | | 5,145 | - | - | - |
| Interest expense on financial liabilities measured at amortised cost | | (35,274) | (37,093) | - | - |
| Financial expense from discontinued operations | 31 | (30,129) | (37,093) | - | - |
| 11 Auditors' remuneration | | | | | |
| <i>Continuing operations</i> | | | | | |
| Audit services: | | | | | |
| Audit and review of the financial reports | | 43,000 | 36,000 | 43,000 | 36,000 |
| | | 43,000 | 36,000 | 43,000 | 36,000 |
| 12 Income tax expense | | | | | |
| Recognised in the income statement | | | | | |
| <i>Continuing operations</i> | | | | | |
| Current tax expense | | | | | |
| Current year expense | | (69,931) | (32,251) | (23,789) | - |
| | | (69,931) | (32,251) | (23,789) | - |
| Deferred tax expense | | | | | |
| Origination and reversal of temporary differences | | 5,228 | (29,744) | - | - |
| Benefit of losses recognised | | - | - | - | - |
| | | 5,228 | (29,744) | - | - |
| Total income tax expense/ (benefit) in income statement from continued operations | | (64,703) | (61,995) | (23,789) | - |

Notes to the financial statements

Safety Medical Products Limited 30 June 2009 Preliminary Financial Report

| | Note | Consolidated | | Company | |
|--------------------------------------------------------------------------------------|------|--------------|-------------|-------------|-------------|
| | | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| 12 Income tax expense (continued) | | | | | |
| Numerical reconciliation between tax expense and pre-tax net profit | | | | | |
| Profit/(loss) before tax from continuing operations | | (3,600,450) | (4,548,040) | (2,082,053) | (4,400,455) |
| Income tax using the domestic corporation tax rate of 30% | | (1,080,135) | (1,364,412) | (624,616) | (1,320,136) |
| Increase/(decrease) in income tax expense due to: | | | | | |
| Non-allowable capital items | | 595 | - | 595 | - |
| Tax losses carried forward | | 708,496 | 1,322,417 | 278,899 | 1,170,136 |
| Research & Development | | (23,789) | (20,000) | (23,789) | - |
| Goodwill Impairment | | 345,122 | - | 345,122 | 150,000 |
| Entertainment | | 293 | - | - | - |
| Overprovision for prior year | | (15,285) | - | - | - |
| Income tax expense/(benefit) on pre-tax net profit | | (64,703) | (61,995) | (23,789) | - |
| <i>Discontinued operations</i> | | | | | |
| Current tax expense | | | | | |
| Current year expense | | - | 30,453 | - | - |
| | | - | 30,453 | - | - |
| Deferred tax expense | | | | | |
| Origination and reversal of temporary differences | | 25,639 | - | - | - |
| | | 25,639 | - | - | - |
| Total income tax expense/ (benefit) in income statement from discontinued operations | 31 | 25,639 | 30,453 | - | - |
| Numerical reconciliation between tax expense and pre-tax net profit | | | | | |
| Profit/(loss) before tax from discontinued operations | 31 | (312,812) | 98,452 | - | - |
| Income tax using the domestic corporation tax rate of 30% | | (93,844) | 29,535 | - | - |
| Increase/(decrease) in income tax expense due to: | | | | | |
| Non-allowable capital items | | - | 1,798 | - | - |
| Tax losses carried forward | | 37,168 | (152,280) | - | - |
| Goodwill Impairment | | 81,544 | 150,000 | - | - |
| Entertainment | | 771 | 1,400 | - | - |
| Income tax expense/(benefit) on pre-tax net profit | 31 | 25,639 | 30,453 | - | - |

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Notes to the financial statements

Safety Medical Products Limited 30 June 2009 Preliminary Financial Report

| | Note | 2009 No. | 2008 No. |
|------------------------------------------------------------------------|------|--------------------|--------------------|
| 13 Earnings per share | | | |
| Weighted average number of shares | | | |
| Ordinary shares on issue at 1 July | 23 | 74,060,073 | 70,908,872 |
| Effect of shares issued | | 1,366,201 | 2,092,735 |
| Weighted average number of ordinary shares at 30 June | | 75,426,274 | 73,001,607 |
| Effect of share options on issue | | 56,729,921 | 55,520,086 |
| Weighted average number of ordinary shares (diluted) at 30 June | | 132,156,195 | 128,521,693 |

Basic Earnings per share

The calculation of basic earnings per share at 30 June 2009 was based upon the loss attributable to ordinary shareholders of \$3,160,205 (2008: \$4,418,046) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2009 of 75,426,274 (2008: 73,001,607).

Diluted Earnings per share

The calculation of diluted earnings per share at 30 June 2009 was based upon the loss attributable to ordinary shareholders of \$3,160,205 (2008: \$4,418,046) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2009 of 132,156,195 (2008: 128,521,693).

| | Consolidated | | Company | |
|------|--------------|------|---------|------|
| | 2009 | 2008 | 2009 | 2008 |
| Note | \$ | \$ | \$ | \$ |

14 Trade and other receivables

Current

| | | | | |
|-----------------------------------|------------------|----------------|----------------|---------------|
| Trade receivables and prepayments | 1,171,259 | 836,037 | 281,621 | 54,278 |
| Related parties trade receivables | - | - | 606,916 | - |
| | 1,171,259 | 836,037 | 888,537 | 54,278 |

15 Inventories

| | | | | |
|-------------------------------|----------------|----------------|----------------|----------------|
| Raw materials and consumables | 290,884 | 347,435 | 242,907 | 100,597 |
| Work in progress | 94,810 | 58,547 | - | - |
| Finished goods | 549,108 | 275,722 | 93,866 | 275,722 |
| | 934,802 | 681,704 | 336,773 | 376,319 |

16 Non current assets held for sale and discontinued operations

| | | | | |
|--------------------------------------------------------------|----|------------------|---|---|
| Bagot Press operations discontinued on 1 July 2009: | | | | |
| Intangible -goodwill | 20 | 219,520 | - | - |
| Property, plant and equipment | 19 | 803,237 | - | - |
| Non current assets held for sale and discontinued operations | | 1,022,757 | - | - |

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Notes to the financial statements

Safety Medical Products Limited 30 June 2009 Preliminary Financial Report

| | Note | Consolidated | | Company | |
|---------------------------------------|------|--------------|------------|------------|------------|
| | | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| 17 Financial assets | | | | | |
| Non-current financial assets | | | | | |
| Loans & Receivables from subsidiaries | | - | - | 1,643,244 | 2,090,000 |
| Shares in controlled entities | | - | - | 212,706 | 1,000,006 |
| | | - | - | 1,855,950 | 3,090,006 |

During the year shares in controlled entities of \$700 (2008: \$nil) were acquired (refer to note 6 for further details) and \$788,000 (2008: \$500,000) were impaired (refer to note 20 for further details). In addition, the Bagot Press Pty Ltd intragroup loan was impaired by \$362,406 (2008: \$nil) to \$1,407,594 (2008: \$1,820,000).

18 Tax assets and liabilities

Current tax assets and liabilities

The current tax asset for the consolidated entity of \$Nil (2008: \$Nil) and for the Company of \$Nil (2008: \$Nil) represent the amount of income taxes recoverable in respect of prior periods and that arise from the payment of tax in excess of the amounts due to the relevant tax authority.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

| | Note | Consolidated | | Company | |
|----------------------------------|------|--------------|------------|------------|------------|
| | | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| Deductible temporary differences | | - | - | - | - |
| Tax losses | | 4,918,155 | 2,560,000 | 3,489,663 | 2,560,000 |
| | | 4,918,155 | 2,560,000 | 3,489,663 | 2,560,000 |

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable under current tax legislation that future tax profits will be available against which the consolidated entity can utilise the benefits there from.

The unrecognised deferred tax assets relating to tax losses that will be recognised once 'probable' under current tax legislation amounts to \$1,046,899 and \$438,205 for Safety Medical Products Ltd and Pureste Pty Ltd respectively.

Recognised deferred tax assets and liability

Deferred tax assets were recognised for the first time in 2007 and relate only to subsidiaries. No deferred tax liabilities have been recognised. The deferred tax assets of the consolidated entity are attributable to the following items:

| | Assets | |
|---------------------|------------|------------|
| | 2009 \$ | 2008 \$ |
| Consolidated | | |
| Employee benefits | 66,745 | 72,000 |
| Plant and equipment | - | - |
| Other | 9,804 | 4,481 |
| Net tax assets | 76,549 | 76,481 |

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Notes to the financial statements

Safety Medical Products Limited 30 June 2009 Preliminary Financial Report

18 Tax assets and liabilities (continued)

Movement in temporary differences during the year

| | Consolidated | | | |
|-------------------------|----------------------------|-------------------------------|-------------------------------|-----------------------------|
| | Balance 1 July 08 \$ | Recognised in Income \$ | Recognised in Equity \$ | Balance 30 June 09 \$ |
| 2009 | | | | |
| Employee benefits | 72,000 | (5,255) | - | 66,745 |
| Other | 4,481 | 5,323 | - | 9,804 |
| Net deferred tax assets | 76,481 | 68 | - | 76,549 |
| 2008 | | | | |
| Employee benefits | 41,000 | 31,000 | - | 72,000 |
| Plant and equipment | 3,000 | (3,000) | - | - |
| Other | 4,481 | - | - | 4,481 |
| Net deferred tax assets | 48,481 | 28,000 | - | 76,481 |

19 Property, plant and equipment

| | Note | Consolidated | | | Company | | |
|--------------------------------------------------------------------|------|------------------------------|-----------------------------------|------------------|------------------------------|-----------------------------------|------------------|
| | | Plant and equipment \$ | Fixtures and fittings \$ | Total \$ | Plant and equipment \$ | Fixtures and fittings \$ | Total \$ |
| Cost | | | | | | | |
| Balance at 1 July 2007 | | 2,006,263 | 17,048 | 2,023,311 | 1,141,215 | - | 1,141,215 |
| Other acquisitions | | 421,414 | 72,200 | 493,614 | 271,837 | 19,316 | 291,153 |
| Disposals | | - | - | - | - | - | - |
| Balance at 30 June 2008 | | 2,427,677 | 89,248 | 2,516,925 | 1,413,052 | 19,316 | 1,432,368 |
| Balance at 1 July 2008 | | 2,427,677 | 89,248 | 2,516,925 | 1,413,052 | 19,316 | 1,432,368 |
| Other acquisitions | | 58,908 | 7,643 | 66,551 | 5,111 | - | 5,111 |
| Disposals | | (52,923) | (5,850) | (58,773) | - | - | - |
| Non current assets held for sale and discontinued operations | 16 | (900,293) | (66,182) | (966,475) | - | - | - |
| Balance at 30 June 2009 | | 1,533,369 | 24,859 | 1,558,228 | 1,418,163 | 19,316 | 1,437,479 |
| Depreciation and impairment losses | | | | | | | |
| Balance at 1 July 2007 | | 56,530 | 2,340 | 58,870 | 34,215 | - | 34,215 |
| Depreciation charge for the year | | 234,130 | 5,000 | 239,130 | 94,220 | 600 | 94,820 |
| Balance at 30 June 2008 | | 290,660 | 7,340 | 298,000 | 128,435 | 600 | 129,035 |

Notes to the financial statements

Safety Medical Products Limited 30 June 2009 Preliminary Financial Report

19 Property, plant and equipment (continued)

| | Note | Consolidated | | | Company | | |
|--------------------------------------------------------------|------|---------------------|-----------------------|------------------|---------------------|-----------------------|------------------|
| | | Plant and equipment | Fixtures and fittings | Total | Plant and equipment | Fixtures and fittings | Total |
| | | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2008 | | 290,660 | 7,340 | 298,000 | 128,435 | 600 | 129,035 |
| Depreciation charge for the year | | 220,666 | 13,737 | 234,403 | 98,909 | 3,648 | 102,557 |
| Depreciation on disposals for the year | | (28,438) | (5,228) | (33,666) | - | - | - |
| Non current Assets Held for Sale and Discontinued Operations | 16 | (152,012) | (11,226) | (163,238) | - | - | - |
| Balance at 30 June 2009 | | 330,876 | 4,623 | 335,499 | 227,344 | 4,248 | 231,592 |
| Total carrying amounts | | | | | | | |
| At 1 July 2007 | | 1,949,733 | 14,708 | 1,964,441 | 1,107,000 | - | 1,107,000 |
| At 30 June 2008 | | 2,137,017 | 81,908 | 2,218,925 | 1,284,617 | 18,716 | 1,303,333 |
| At 1 July 2008 | | 2,137,017 | 81,908 | 2,218,925 | 1,284,617 | 18,716 | 1,303,333 |
| At 30 June 2009 | | 1,202,493 | 20,236 | 1,222,729 | 1,190,819 | 15,068 | 1,205,887 |

| | Note | Consolidated | | | Company | | |
|--------------------------------------------------------------|------|------------------|----------------------|------------------|----------|----------------------|----------|
| | | Goodwill | Patents & trademarks | Total | Goodwill | Patents & trademarks | Total |
| | | \$ | \$ | \$ | \$ | \$ | \$ |
| 20 Intangible assets | | | | | | | |
| Cost | | | | | | | |
| Balance at 1 July 2007 | | 4,680,236 | - | 4,680,236 | - | - | - |
| Impairment | | (2,844,498) | - | (2,844,498) | - | - | - |
| Acquisitions through business combination | | - | - | - | - | - | - |
| Balance at 30 June 2008 | | 1,835,738 | - | 1,835,738 | - | - | - |
| Balance at 1 July 2008 | | 1,835,738 | - | 1,835,738 | - | - | - |
| Impairment | | (1,422,218) | - | (1,422,218) | - | - | - |
| Non current assets held for sale and discontinued operations | 16 | (219,520) | - | (219,520) | - | - | - |
| Acquisitions through business combination | | - | - | - | - | - | - |
| Balance at 30 June 2009 | | 194,000 | - | 194,000 | - | - | - |

Notes to the financial statements

Safety Medical Products Limited 30 June 2009 Preliminary Financial Report

| | Note | Consolidated | | | Company | | |
|-----------------------------------------|------|--------------|----------------------|-----------|----------|----------------------|-------|
| | | Goodwill | Patents & trademarks | Total | Goodwill | Patents & trademarks | Total |
| | | \$ | \$ | \$ | \$ | \$ | \$ |
| 20 Intangible assets (continued) | | | | | | | |
| Carrying amounts | | | | | | | |
| At 1 July 2007 | | 4,680,236 | - | 4,680,236 | - | - | - |
| At 30 June 2008 | | 1,836,738 | - | 1,836,738 | - | - | - |
| At 1 July 2008 | | 1,836,738 | - | 1,836,738 | - | - | - |
| At 30 June 2009 | | 194,000 | - | 194,000 | - | - | - |

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.

| | Note | Consolidated | | Company | |
|-----------------------------------------------------------|------|------------------|------------------|------------------|------------------|
| | | 2009 | 2008 | 2009 | 2008 |
| | | \$ | \$ | \$ | \$ |
| Impairment loss recognised in the Income Statement | | | | | |
| Impairment of Baratex Pty Ltd's goodwill | | 788,000 | 500,000 | - | - |
| Impairment of Bagot Press Pty Ltd | 31 | - | 2,344,498 | - | - |
| Impairment of investment in shares in controlled entities | 16 | - | - | 788,000 | 500,000 |
| Impairment of intragroup loan from controlled entities | 16 | 362,406 | - | 362,406 | 2,344,498 |
| | | <u>1,150,406</u> | <u>2,844,498</u> | <u>1,150,406</u> | <u>2,844,498</u> |

Intangible assets are recognised as a result of the acquisition of Baratex Pty Ltd ("ProControl") and Bagot Press Pty Ltd ("Bagot Press"). Impairment losses have been recognised as required.

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 year ending 30 June 2009 and 30 June 2008 impairment testing was conducted in relation to the goodwill recognised for the acquisition in Bagot Press Pty Ltd and Baratex Pty Ltd (trading as 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 8%. The discount rate is based on the 90 days bank bill swap reference rate plus a margin of 500 basis points per annum; at 30 June 2009 that rate was 8.3% (3.3% plus 500 basis points) (2008: 12.8%). 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 ProControl Systems included a goodwill value of \$1,482,000. The net cash flow for 2009 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.

In the prior year ProControl System's goodwill was impaired to \$982,000 being its expected recoverable amount less cost of sales. This amount was expected recoverable amounts if the business was sold.

Notes to the financial statements

Safety Medical Products Limited 30 June 2009 Preliminary Financial Report

20 Intangible assets (continued)

Bagot Press

The impairment was based on the agreed sales price for Bagot Press's business. The sale of the following assets was completed on the 1 July 2009 for a consideration of \$1,300,000.

| | Note | \$ |
|-----------------------------------------------------|------|------------------|
| Consideration | | 1,300,000 |
| Less: Property, plant and equipment at 30 June 2009 | 16 | (803,239) |
| Less: Inventory at 30 June 2009 | 15 | <u>(277,241)</u> |
| Intangibles –goodwill at 30 June 2008 | | 219,520 |
| Intangibles –goodwill at 1 July 2008 | | <u>(853,738)</u> |
| Impairment of goodwill at 30 June 2009 | 31 | <u>(634,218)</u> |

In the prior year 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:

| | Note | Consolidated | | Company | |
|---------------------------------------------------------------------------------------------------|------|----------------|------------------|------------|------------|
| | | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| ProControl Systems | | 194,000 | 982,000 | - | - |
| Bagot Press | | 219,520 | 853,738 | - | - |
| | | 413,520 | 1,835,738 | - | - |
| Less current assets held for sale and discontinued operations -Bagot Press intangible asset | 16 | (219,520) | - | - | - |
| Non-current intangible asset | | <u>194,000</u> | <u>1,835,738</u> | <u>-</u> | <u>-</u> |

21 Trade and other payables

Trade payables and accrued expenses

| | | | |
|----------------|----------------|----------------|----------------|
| 653,931 | 542,504 | 142,542 | 100,118 |
| <u>653,931</u> | <u>542,504</u> | <u>142,542</u> | <u>100,118</u> |

Notes to the financial statements

Safety Medical Products Limited 30 June 2009 Preliminary Financial Report

| | Note | Consolidated | | Company | |
|------------------------------------------|------|------------------|------------------|------------------|----------------|
| | | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| 22 Loans and borrowings | | | | | |
| Current | | | | | |
| Convertible Notes | | 50,000 | 775,000 | 50,000 | 775,000 |
| Bank overdrafts | 29 | 652,328 | - | 2,134 | - |
| Loans – National Australia Bank Ltd | | 222,222 | 72,947 | 222,222 | - |
| Documentary letters of credit | | 774,751 | - | - | - |
| Insurance funding loan | | 20,078 | - | 20,078 | - |
| Hire purchase agreements | | 354,304 | 62,236 | 45,947 | 42,010 |
| | | <u>2,073,683</u> | <u>910,183</u> | <u>340,381</u> | <u>817,010</u> |
| Non-current | | | | | |
| Convertible Notes | | 700,000 | - | 700,000 | - |
| Loans – National Australia Bank Ltd | | 777,778 | 260,054 | 777,778 | - |
| Hire purchase agreements | | 129,605 | 175,552 | 129,605 | 175,552 |
| | | <u>1,607,383</u> | <u>435,606</u> | <u>1,607,383</u> | <u>175,552</u> |
| Total loans and borrowings | | <u>3,681,066</u> | <u>1,345,789</u> | <u>1,947,764</u> | <u>992,562</u> |
| Convertible Notes | | | | | |
| Carrying amount of liability at 1 July | | 782,395 | - | 782,395 | - |
| Proceeds from issue of convertible notes | | - | 775,000 | - | 775,000 |
| Transaction costs | | - | - | - | - |
| Net proceeds | | - | 775,000 | - | 775,000 |
| Repayments | | (25,000) | - | (25,000) | - |
| Classified as equity | | - | - | - | - |
| Net accrued interest | | 36,935 | 7,395 | 36,935 | 7,395 |
| Carrying amount of liability at 30 June | | <u>794,330</u> | <u>782,395</u> | <u>794,330</u> | <u>782,395</u> |

On 4 June 2008 7,750 convertible notes were issued for \$775,000. The notes issued were approved at a general meeting on the 18 April 2008. The notes were issued at a cost of \$100 per note and were due to mature one year from the issue date. On 4 June 2009 announced that 7,000 noteholders had agreed to extend the maturity date to 31 July 2010. In June 2009 250 notes, \$25,000 being \$100 per note were repaid in full. In July 2009 a further 500 notes, \$50,000 being \$100 per note was repaid in full.

Directors, Mr John Riemelmoser and Mr John Darley hold 3,000 and 2,000 notes respectively since 4 June 2008.

At 30 June 2009 the notes are convertible into 3,000,000 (2008: 3,100,000) ordinary shares on 4 June 2009 at the option of the holder which is at a rate of 400 shares for every one note. Unconverted notes become repayable on demand.

Interest accrues daily and is based on the 90 days bank bill swap reference rate plus a margin of 500 basis points per annum. At 30 June 2009 that rate was 8.3% (3.3% plus 500 basis points) (2008: 12.8%).

Notes to the financial statements

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22 Loans and borrowings (continued)

| | Note | Consolidated | | Company | |
|-----------------------------------------------------------------------------|------|-------------------|------------------|------------------|------------------|
| | | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| Financing facilities | | | | | |
| <i>The consolidated entity has access to the following lines of credit:</i> | | | | | |
| Total facilities available: | | | | | |
| Credit card facility | | 35,000 | 33,000 | 10,000 | 10,000 |
| Convertible notes | | 750,000 | 775,000 | 750,000 | 775,000 |
| Bank Loans | | 1,000,000 | 333,001 | 1,000,000 | - |
| Trade finance facility | | 6,000,000 | - | - | - |
| Documentary letters of credit | | 2,000,000 | - | - | - |
| Insurance funding loan | | 20,078 | - | 20,078 | - |
| Hire purchase agreements | | 483,909 | 237,788 | 175,552 | 217,562 |
| Bank overdraft | | 500,000 | 40,000 | - | - |
| | | <u>10,788,987</u> | <u>1,418,789</u> | <u>1,955,630</u> | <u>1,002,562</u> |
| Facilities utilised at balance date: | | | | | |
| Credit card facility | | 26,318 | 23,554 | 1,528 | 2,914 |
| Convertible notes | | 750,000 | 775,000 | 750,000 | 775,000 |
| Bank Loans | | 1,000,000 | 333,001 | 1,000,000 | - |
| Trade finance facility | | - | - | - | - |
| Documentary letters of credit | | 774,751 | - | - | - |
| Insurance funding loan | | 20,078 | - | 20,078 | - |
| Hire purchase agreements | | 483,909 | 237,788 | 175,552 | 217,562 |
| Bank overdraft | | 500,000 | - | - | - |
| | | <u>3,555,056</u> | <u>1,369,343</u> | <u>1,947,158</u> | <u>995,476</u> |
| Facilities not utilised at balance date: | | | | | |
| Credit card facility | | 8,682 | 9,446 | 8,472 | 7,086 |
| Trade finance facility | | 6,000,000 | - | - | - |
| Documentary letters of credit | | 1,225,249 | - | - | - |
| Bank overdraft | | - | 40,000 | - | - |
| | | <u>7,233,931</u> | <u>49,446</u> | <u>8,472</u> | <u>7,086</u> |

The credit card facility utilised at balance date for both 2009 and 2008 were included within trade payables.

Safety Medical Product Limited's Loan

On 16 December 2008 Safety Medical Products Limited entered into an agreement with National Australia Bank Ltd to provide a loan finance facility of \$1,000,000. 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.

On 1 July 2009 Bagot Press business was sold for \$1,300,000, the National Australia Bank Ltd agreed that the security over the disposed Bagot Press assets be replaced with a \$500,000 three month term deposit. The term deposit will be released on maturity subject to Pureste sales targets being achieved.

Notes to the financial statements

Safety Medical Products Limited 30 June 2009 Preliminary Financial Report

22 Loans and borrowings (continued)

Bagot Press Pty Ltd's equipment loans

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.

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.

At the 30 June 2009 \$308,358 (2008: \$72,947) was payable within one year and \$nil (2008: \$260,054) is payable in greater than one year. The loans were repaid in full in July 2009 following the sale of the business on 1 July 2009.

Safety Medical Product Limited's equipment loan

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.

At the 30 June 2009 \$45,946 (2008: \$42,010) was payable within one year and \$129,605 (2008: \$175,552) is payable in greater than one year.

Pureste Pty Ltd's facilities

On 13 February 2009 Pureste Pty Ltd entered into an agreement with National Australia Bank to provide a \$500,000 overdraft facility (expires once trade finance facility activated), \$2,000,000 Documentary letter of credit (terms: 90 days) and \$2,000 credit card facility. In addition, the facilities were 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 the trade finance 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.

| | Company | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|
| Note | 2009 \$ | 2008 \$ |
| 23 Share capital | | |
| Issued and paid-up capital | | |
| 76,300,477 (2008: 74,060,073) ordinary shares fully paid | 10,815,657 | 10,622,046 |
| Ordinary shares | | |
| Balance at the beginning of year | 10,622,046 | 9,821,163 |
| Shares issued in prior year: | | |
| 12 January 2009 – 10,403 shares issued at \$0.20 following the exercise of options | 2,081 | - |
| 17 July 2008 – 2,230,000 shares being issued at \$0.10 each with 1,115,00 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 | 223,000 | - |
| 5 May 2009 – 1 share issued at \$1.00 following the exercise of options | 1 | - |

Notes to the financial statements

Safety Medical Products Limited 30 June 2009 Preliminary Financial Report

23 Share capital (continued)

Shares issued in prior year:

| | | |
|---------------------------------------------------------------------------------------------------------------------|----------|----------|
| 18 June 2008 – 1 share issued at \$1.00 following the exercise of options | - | 1 |
| 26 September 2007 – 6,244 shares issued at \$0.20 following the exercise of options | - | 1,249 |
| 25 October 2007 – 1,948,833 shares issued at \$0.28 pursuant to non-renounceable rights issue | - | 545,673 |
| 29 October 2007 – 457,143 shares issued at \$0.28 pursuant to non-renounceable rights issue placement of shortfall | - | 128,000 |
| 9 November 2007 – 475,000 shares issued at \$0.28 pursuant to non-renounceable rights issue placement of shortfall | - | 133,000 |
| 29 November 2007 – 117,000 shares issued at \$0.28 pursuant to non-renounceable rights issue placement of shortfall | - | 32,760 |
| 18 December 2007 – 147,000 shares issued at \$0.28 pursuant to non-renounceable rights issue placement of shortfall | - | 41,160 |
| Costs incurred in issuing shares | (31,471) | (80,960) |

| | | |
|------------------------|------------|------------|
| Balance at end of year | 10,815,657 | 10,622,046 |
|------------------------|------------|------------|

Terms and conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

No dividends were paid or proposed during the current or prior financial years.

| | Consolidated | | Company | |
|-----------------------------|--------------|---------|---------|---------|
| | 2009 | 2008 | 2009 | 2008 |
| Note | \$ | \$ | \$ | \$ |
| 24 Reserves | | | | |
| Equity compensation reserve | 742,871 | 742,871 | 742,871 | 742,871 |
| | 742,871 | 742,871 | 742,871 | 742,871 |

The option reserve records items recognised as expense on valuation of share options issued to directors, executives and advisory board members in connection with the capital raising during the year ended 30 June 2006.

Notes to the financial statements

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| | Note | Consolidated | | Company | |
|----------------------------------|------|----------------|----------------|----------------|----------------|
| | | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| 25 Employee benefits | | | | | |
| Current | | | | | |
| Salaries and wages accrued | | 173,631 | 77,732 | 173,631 | 58,598 |
| Superannuation accrued | | 65,896 | 72,990 | 57,899 | 39,139 |
| Other Payroll Liabilities | | 121,381 | 83,904 | 14,600 | 5,283 |
| Liability for long service leave | | 27,357 | 25,478 | - | 943 |
| Liability for annual leave | | 101,068 | 112,573 | 46,002 | 31,338 |
| | | <u>489,333</u> | <u>372,677</u> | <u>292,132</u> | <u>135,301</u> |
| Non-current | | | | | |
| Liability for long service leave | | 94,057 | 78,231 | 14,712 | 9,000 |
| Total employee benefits | | <u>583,390</u> | <u>450,908</u> | <u>306,844</u> | <u>144,301</u> |

(a) Movement in employee benefits

| | Salaries and wages accrued \$ | Super accrued \$ | Liability for annual leave \$ | Liability for long service leave \$ | Other Payroll Liabilities \$ | Total \$ |
|-----------------------------------------|----------------------------------------|------------------------|----------------------------------------|-------------------------------------------------|---------------------------------------|----------------|
| Consolidated | | | | | | |
| Balance at 1 July 2007 | 14,532 | 41,446 | 85,945 | 63,749 | - | 205,672 |
| Provisions made during the period | 63,200 | 31,544 | 26,628 | 39,960 | 83,904 | 245,236 |
| Balance at 30 June 2008 | <u>77,732</u> | <u>72,990</u> | <u>112,573</u> | <u>103,709</u> | <u>83,904</u> | <u>450,908</u> |
| Balance at 1 July 2008 | 77,732 | 72,990 | 112,573 | 103,709 | 83,904 | 450,908 |
| Provisions made(paid) during the period | 95,899 | (7,094) | (11,505) | 17,705 | 37,477 | 132,482 |
| Balance at 30 June 2009 | <u>173,631</u> | <u>65,896</u> | <u>101,068</u> | <u>121,414</u> | <u>121,381</u> | <u>583,390</u> |
| Company | | | | | | |
| Balance at 1 July 2007 | - | 30,451 | 31,338 | 6,526 | - | 68,315 |
| Provisions made during the period | 58,598 | 8,688 | - | 3,417 | 5,283 | 75,986 |
| Balance at 30 June 2008 | <u>58,598</u> | <u>39,139</u> | <u>31,338</u> | <u>9,943</u> | <u>5,283</u> | <u>144,301</u> |
| Balance at 1 July 2008 | 58,598 | 39,139 | 31,338 | 9,943 | 5,283 | 144,301 |
| Provisions made during the period | 115,033 | 18,760 | 14,664 | 4,769 | 9,317 | 162,543 |
| Balance at 30 June 2009 | <u>173,631</u> | <u>57,899</u> | <u>46,002</u> | <u>14,712</u> | <u>14,600</u> | <u>306,844</u> |

Notes to the financial statements

Safety Medical Products Limited 30 June 2009 Preliminary Financial Report

25 Employee benefits (continued)

(b) Share based payments

i) Share option schemes

The Company has previously issued options to provide incentives and to assist in attracting and retention of key employees. All options issued under this scheme expired on 31 December 2008.

Unissued ordinary shares of the Company under option, that have been issued to key management personnel in previous years in connection with their employment with the Company are:

| | 2009 | | 2008 | |
|------------------------------------------|-------------------|------------------------------------|-------------------|------------------------------------|
| | Number of options | Weighted average exercise price \$ | Number of options | Weighted average exercise price \$ |
| Outstanding at the beginning of the year | 2,500,000 | 0.20 | 2,500,000 | 0.20 |
| Lapsed | (2,500,000) | 0.20 | - | - |
| Granted | - | - | - | - |
| Exercised | - | - | - | 0.20 |
| Outstanding at 30 June | - | - | 2,500,000 | 0.20 |
| Exercisable at 30 June | - | - | 2,500,000 | 0.20 |

The market value of shares under these options at 30 June 2008 was \$0.09.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted, based on the Black-Scholes option-pricing model. The model uses the expected volatility based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

All share options vest at grant date and were granted for nil consideration.

| | Consolidated | | Company | |
|--|--------------|------------|------------|------------|
| | Note | 2009 \$ | 2008 \$ | 2009 \$ |

26 Operating Leases

Non-cancellable operating lease expense commitments

Future operating lease commitments not provided for in the financial statements and payable:

| | | | | |
|------------------------------------------------|--------|---------|--------|--------|
| With one year | 30,862 | 150,853 | 30,862 | 24,573 |
| One year or later and no later than five years | 4,077 | 421,428 | 4,077 | 12,230 |
| | 34,939 | 572,281 | 34,939 | 36,803 |

The consolidated entity leases property and equipment under operating leases.

The leases provide the consolidated entity with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on operating criteria.

Notes to the financial statements

Safety Medical Products Limited 30 June 2009 Preliminary Financial Report

| | Note | Consolidated | | Company | |
|------------------------------------------------|------|----------------|---------------|----------------------------------------------------|-------------|
| | | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| 27 Capital and other commitments | | | | | |
| Capital expenditure commitments | | | | | |
| Plant and equipment | | | | | |
| Contracted but not provided for and payable: | | | | | |
| Inventory | | | | | |
| Within one year | | 334,685 | - | - | - |
| Plant and equipment | | | | | |
| Within one year | | - | 10,700 | - | - |
| One year or later and no later than five years | | - | 68,593 | - | - |
| | | <u>334,685</u> | <u>79,293</u> | <u>-</u> | <u>-</u> |
| | | | | Ordinary Share Consolidated Entity Interest | |
| | | | | 2009 | 2008 |
| | | | | % | % |

28 Consolidated entities

Particulars in relation to consolidated entities

Parent entity

Safety Medical Products Limited

Controlled Entities

Baratex Pty Ltd

100% 100%

Bagot Press Pty Ltd

100% 100%

Pureste Pty Ltd

50% -

As detailed in Note 6, 50% of Pureste Pty Ltd was acquired on the company's incorporation date, 9 October 2008. Baratex Pty Ltd, operating as ProControl Systems, was acquired on 9 February 2007 and Bagot Press Pty Ltd was acquired on 1 May 2007. On 1 July 2009 Bagot Press Pty Ltd's trade, inventory, fixed assets and intangible assets were sold.

Baratex Pty Ltd, Bagot Press Pty Ltd and Pureste Pty Ltd are all incorporated in Australia.

| | Note | Consolidated | | Company | |
|-------------------------------------|------|------------------|----------------|--------------|----------------|
| | | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| 29 Cash and cash equivalents | | | | | |
| Bank balances | | 209,051 | 282,963 | 11,284 | 179,979 |
| Bank overdrafts | 22 | (652,328) | - | (2,134) | - |
| | | <u>(443,277)</u> | <u>282,963</u> | <u>9,150</u> | <u>179,979</u> |

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Notes to the financial statements

Safety Medical Products Limited 30 June 2009 Preliminary Financial Report

| | Note | Consolidated | | Company | |
|----------------------------------------------------------------------------------|------|--------------------|--------------------|--------------------|--------------------|
| | | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| 30 Reconciliation of cash flows from operating activities | | | | | |
| (a) Cash flows from operating activities | | | | | |
| Profit / (loss) for the period | | (3,874,198) | (4,418,046) | (2,058,264) | (4,400,455) |
| <i>Adjustments for:</i> | | | | | |
| <i>Depreciation</i> | 19 | 234,403 | 239,130 | 102,557 | 94,820 |
| <i>Loss on disposal of available for sale financial assets</i> | | 8,008 | - | - | - |
| <i>Interest Income</i> | 10 | (9,175) | (11,943) | (37,898) | (11,943) |
| <i>Impairment Loss continued operations</i> | 20 | 788,000 | 2,844,498 | 788,000 | 2,844,498 |
| <i>Impairment Loss discontinued operations</i> | 31 | 634,218 | - | - | - |
| Operating profit before changes in working capital and provisions | | (2,218,744) | (1,346,361) | (1,205,605) | (1,473,080) |
| Change in assets and liabilities, net of the effects from disposal of businesses | | | | | |
| <i>(Increase)/decrease in inventories</i> | | (251,448) | (221,704) | 39,546 | (96,141) |
| <i>(Increase)/decrease in trade and other receivables</i> | | (335,220) | (220,839) | (227,344) | (47,278) |
| <i>(Increase)/decrease in tax assets and deferred tax assets</i> | | 2,221 | 36,719 | - | (41,562) |
| <i>Increase/(decrease) in trade and other payables</i> | | 99,455 | (343,209) | 39,425 | (57,567) |
| <i>Increase/(decrease) in provisions for employee benefits</i> | | 132,482 | 245,436 | 164,543 | 75,986 |
| | | (352,510) | (503,597) | 16,170 | (166,562) |
| Net cash from operating activities | | (2,571,254) | (1,849,958) | (1,189,435) | (1,639,642) |

(b) Business disposed

On the 1 July 2009 the trade, inventory, property plant and equipment of Bagot Press Pty Ltd were sold; these assets have been shown as current assets held for sale or discontinued operations.

Book value of assets sold

Current assets:

| | | | | | |
|---------------------------|----|---------|---|---|---|
| Inventory at 30 June 2009 | 15 | 277,241 | - | - | - |
|---------------------------|----|---------|---|---|---|

Non current assets:

| | | | | | |
|-------------------------------|----|---------|---|---|---|
| Property, plant and equipment | 16 | 803,239 | - | - | - |
|-------------------------------|----|---------|---|---|---|

| | | | | | |
|-----------------------|----|---------|---|---|---|
| Intangibles –goodwill | 16 | 219,520 | - | - | - |
|-----------------------|----|---------|---|---|---|

| | | | | | |
|----------------------------|--|-----------|---|---|---|
| Total assets held for sale | | 1,300,000 | - | - | - |
|----------------------------|--|-----------|---|---|---|

| | | | | | |
|------------------------------------|----|-------------|---|---|---|
| Cash consideration due 1 July 2009 | 31 | (1,300,000) | - | - | - |
|------------------------------------|----|-------------|---|---|---|

| | | | | | |
|----------------------------------------------|--|----------|----------|----------|----------|
| Profit/(loss) in 1 July 2009 disposal | | - | - | - | - |
|----------------------------------------------|--|----------|----------|----------|----------|

Net cash inflow on disposal

Bagot Press Pty Ltd's business was sold on 1 July 2009 therefore there were no cash inflow in the year ended 30 June 2009 (2008: \$nil).

Notes to the financial statements

Safety Medical Products Limited 30 June 2009 Preliminary Financial Report

31 Discontinued operations

On the 1 July 2009 the trade, inventory, property plant and equipment of Bagot Press Pty Ltd were sold for cash consideration of \$1,300,000. The results have been disclosed as discontinued operations and the assets being sold have been shown as current assets held for sale or discontinued operations.

| | Note | 2009 \$ | 2008 \$ |
|------------------------------------------------------------------|------|------------------|------------------|
| Revenue | 7 | 3,682,277 | 3,259,989 |
| Cost of sales | | (2,462,566) | (2,033,076) |
| Gross profit | | 1,219,711 | 1,226,613 |
| Other income | 8 | 13,564 | 36,264 |
| Research & development expenses | | - | - |
| Business development, marketing & intellectual property expenses | | (11,435) | (22,812) |
| Administrative expenses | | (1,232,711) | (1,104,520) |
| Results from operating activities | | (10,871) | 135,545 |
| Financial income | 10 | 5,145 | - |
| Financial expense | 10 | (35,274) | (37,093) |
| Net Financial expense | | (30,129) | (37,093) |
| Impairment Loss on goodwill | 20 | (634,218) | - |
| Intragroup loan written off | 20 | 362,406 | - |
| Loss before tax | | (312,812) | 98,452 |
| Income tax (expense)/benefit | 12 | (25,639) | (30,453) |
| Profit/(loss) from discontinued operations | | (338,451) | 67,999 |

The major classes of assets and liabilities comprising the businesses classified as held for sale at 30 June 2009 are as follows:

Book value of assets held for sale

| | | | |
|-----------------------------------------------------------------------------------|----|------------------|----------|
| Property, plant and equipment at 30 June 2009 | 16 | 803,239 | - |
| Inventory at 30 June 2009 | 15 | 277,241 | - |
| Intangibles –goodwill (prior to impairment) | 16 | 219,520 | - |
| Inventory and Non current Assets Held for Sale and Discontinued Operations | | 1,300,000 | - |

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Notes to the financial statements

Safety Medical Products Limited 30 June 2009 Preliminary Financial Report

31 Discontinued operations (continued)

| | Note | 2009 \$ | 2008 \$ |
|----------------------------------------------|------|----------------|------------------|
| Cashflow from discontinued operations | | | |
| Net cash from operating activities | | 617,324 | 2,105,042 |
| Net cash from investing activities | | (465,996) | (198,369) |
| Net cash from financing activities | | (24,644) | (1,801,354) |
| Net cashflow | | <u>126,684</u> | <u>(105,319)</u> |

32 Dividends

No dividends were paid or proposed in the current or prior financial years.

32 Events subsequent to reporting date

Bagot Press Pty Ltd sold its trade, fixed and intangible assets on 1 July 2009 for \$1,300,000, of which \$500,000 will be held in a three month term deposit under the requirements of National Australia Bank Limited facility. Bagot Press Pty Ltd also changed its name to 'ACN 100 073 131 Pty Ltd' in July 2009.

In July 2009, 500 convertible notes, \$50,000 being \$100 per note was repaid in full.

There has not been no other matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Company and the consolidated entity, the results of those operations, or the state of affairs of the Company and the consolidated entity in future financial years.

Offices and officers

Company Secretary

Mrs Victoria Allinson

Principal registered office

Safety Medical Products Limited

25 Fenden Road

Salisbury Plain 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.