

## APPENDIX 4D

### Half-year Report for the period ending 31 December 2010

#### 1. Name of entity

<b>SAFETY MEDICAL PRODUCTS LIMITED</b>
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ABN	Reporting Period	Previous Corresponding Period
26 007 817 192	Half year ended 31 December 2010	Half year ended 31 December 2009

#### 2. Results for Announcement to the Market

Financial Results				\$A
Revenues from ordinary activities ( <i>item 2.1</i> )	Down	65 %	to	15,766
Profit/(Loss) from ordinary activities after tax attributable to members ( <i>item 2.2</i> )	Up	150 %	to	1,533,124
Net (loss) for the period attributable to members ( <i>item 2.3</i> )	Up	150 %	to	1,533,124
Final and interim dividends ( <i>item 2.4</i> )	It is not proposed that either a final or interim dividend be paid .			
Record date for determining entitlements to the dividend ( <i>item 2.5</i> )	N/A			
Brief explanation of any of the figures reported above ( <i>item 2.6</i> ):	The profit for the period includes gains from effectuation of the Deed of Company Arrangement and also on the deconsolidation of subsidiary companies placed into liquidation. Refer attached Interim Financial Report for additional details.			

#### 3. NTA Backing

	Current Period	Previous Corresponding Period
Net tangible assets per ordinary share ( <i>Item 3</i> )	0.45 cents	(3.81) cents

#### 4. Control gained over entities

Details of entities over which control has been gained or lost ( <i>item 4</i> )	At a creditors meeting on 23 July 2010 the creditors voted to place the Company's subsidiaries Baratex Pty Ltd and Pureste Pty Ltd into liquidation. The subsidiaries have been deconsolidated as at that date.
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#### 5. Dividends paid and payable

Details of dividends or distribution payments ( <i>item 5</i> )	No dividends or distributions are payable.
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#### 6. Dividend reinvestment plans

Details of dividend or distribution reinvestment plans ( <i>item 6</i> )	There is no dividend reinvestment program in operation for Safety Medical Products Limited
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## 7. Details of associates

Details of associates and joint venture entities ( <i>item 7</i> )	Safety Medical Products Limited does not have any investments in associate entities or joint venture interests.
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## 8. Foreign entities

Foreign entities to disclose which accounting standards are used in compiling the report ( <i>item 8</i> )	N/A
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## 9. Review Opinion

Details of any audit dispute or qualification ( <i>item 9</i> )
<p>The review opinion is qualified as follows:</p> <p><b>Basis of Qualified Opinion</b> The directors have qualified their declaration for the limitation on preparation of the financial report that is set out in Note 2 to the financial statements.</p> <p><b>Qualified Opinion</b> The opinion is qualified as to the possible effects of the limitation on preparation on the financial report.</p> <p><b>Copy of Note 2 to the Financial Report</b></p> <p><b>Limitation on preparation</b> On 15 April 2010 the Directors of Safety Medical Products Limited ("the Company" or "SafetyMed") at that time appointed McGrathNicol as Administrators of the Company and its subsidiary undertakings.</p> <p>On 13 August 2010 the Company entered into a Deed of Company Arrangement and Reconstruction Deed which provides for existing debts as at the time of appointment of the Administrators to be extinguished and facilitates the Company being recapitalised and reinstated to quotation on the Australian Securities Exchange (ASX).</p> <p>At a creditors meeting on 23 July 2010 the creditors voted to place the Company's subsidiaries Baratex Pty Ltd and Pureste Pty Ltd into liquidation. The subsidiaries have been deconsolidated as at that date.</p> <p>The operations of the Company were controlled by the Administrator up until the date of effectuation of the DOCA being 25 November 2010. Every reasonable effort has been made by the Directors to obtain all financial information for the period from 1 July 2010 to 25 November 2010 of the Company and its controlled entities. However, there may be information that the Directors have not been able to obtain, the impact of which may or may not be material on the financial statements.</p>



# **SAFETY MEDICAL PRODUCTS LIMITED**

**ABN 26 007 817 192**

## **HALF YEAR FINANCIAL REPORT**

### **FOR THE SIX MONTHS ENDED 31 DECEMBER 2010**

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# Safety Medical Products Limited

## Contents

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### Page

3	Directors' report
6	Consolidated statement of comprehensive income
7	Consolidated statement of changes in equity
8	Consolidated statement of financial position
9	Consolidated statement of cash flows
10	Condensed notes to the consolidated financial statements
18	Directors' declaration
19	Independent review report
22	Lead auditor's independence declaration
23	Corporate directory

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# Safety Medical Products Limited

## Directors' Report

### For the six months ended 31 December 2010

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The directors present their report together with the consolidated financial report for the six months ended 31 December 2010 and the review report thereon.

These Financial Statements cover the period from 1 July 2010 to 31 December 2010. On 15 April 2010 the Directors of Safety Medical Products Limited ("the Company" or "SafetyMed") at that time appointed McGrathNicol as Administrators of the Company and its subsidiary undertakings. On 13 August 2010 the Company entered into a Deed of Company Arrangement (DOCA) and Reconstruction Deed which provided for existing debts as at the time of appointment of the Administrators to be extinguished and facilitates the Company being recapitalised and reinstated to quotation on the Australian Securities Exchange (ASX). The DOCA was effectuated on 25 November 2010 and control of the Company reverted to the Directors. The recapitalisation was completed and the Company successfully reinstated to quotation on the ASX on 17 January 2011.

At a creditors meeting on 23 July 2010 the creditors voted to place the Company's subsidiaries Baratex Pty Ltd and Pureste Pty Ltd into liquidation. ACN 100 073 131 (formerly Bagot Press Pty Ltd) has remained dormant since the sale of its trade and assets on 1 July 2009.

The Statement of Comprehensive Income report results including the write-off of several amounts as a result of the effectuation of the Deed of Company Arrangement. The performance for the 6 months is not representative of the anticipated performance of Safety Medical Products Limited and Controlled Entities ("the Group") following completion of the recapitalisation and should not be used as the basis for any decision about the Group or its prospects.

## Officeholders

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

Name	Period of directorship
<b>Non-executive</b>	
Peter Christie (Chairman)	Director, appointed 6 October 2010
Simon Lill	Director, appointed 6 October 2010
Stephen Hewitt-Dutton	Director, appointed 6 October 2010
John Darley (Chairman)	Director and Chairman, resigned 6 October 2010
Joseph Nicholas MB BS MAICD	Director, resigned 6 October 2010
<b>Executive</b>	
John Riemelmoser	Managing Director and Chief Executive Officer resigned 6 October 2010

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# Safety Medical Products Limited

## Directors' Report

### For the six months ended 31 December 2010

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## Review of operations

### Overview

The Consolidated Statement of Comprehensive Income shows a consolidated net profit attributable to members of \$1,533,125 compared with \$(2,541,203) for the previous corresponding period. The current period result includes gains on settlement of creditors under the DOCA of \$812,218 and a gain on deconsolidation of Pureste Pty Ltd and Baratex Pty Ltd of \$1,014,554. The loss for the previous corresponding period includes \$1,534,448 of impairment losses.

### Review of principal business activities

During the period the Company did not operate other than to further the Administration process and commence the recapitalisation.

On 15 April 2010 the Directors appointed Rob Kirman of McGrath Nicol Administrator of the Company and its subsidiaries. As at the date of this report the Administrators had resigned, control of the Company was now with the Directors and the Company has been reinstated to official quotation on the ASX.

At a meeting of the Group's creditors on 23 July 2010, the creditors of each entity approved:

- the execution of a Deed of Company Arrangement ("DOCA") proposed by Trident Capital Pty Ltd and the Company;
- that Pureste Pty Ltd be placed into liquidation as it remained insolvent; and
- that Baratex Pty Ltd be placed into liquidation as it remained insolvent.

The DOCA assists the Administrator to raise funds for the benefit of the creditors by causing SafetyMed to enter into a Reconstruction Deed with Trident Capital, a party experienced in such reconstructions.

A notice of meeting to shareholders was sent to all shareholders on 7 October 2010 and a general meeting held on 8 November 2010. At the general meeting the shareholders approved:

- The consolidation of existing share and options in the Company on a 1 for 5 basis.
- The capital of the Company be reduced by applying a proportion of accumulated losses against share capital which is considered permanently lost.
- The issue of up to 150,000,000 new shares at a price of not less than \$0.005 per share to raise not less than \$750,000 to Trident or its nominees as the Proponent Issue.
- The issue of up to 30,000,000 new shares at a price of not less than \$0.005 per share to directors and/or their associates under the Proponent Issue.
- The issue of between 170,000,000 to 220,000,000 new shares at a price of not less than \$0.01 per share under a Prospectus.
- The issue of new shares to directors and/or their associates under the Prospectus issue are on the same terms and condition as those offered under the Prospectus.

On 8 November 2010 all of the above resolutions were passed on a show of hands. The record date for the Consolidation of Capital is 16 November 2010 and the shareholder statements were despatched on 23 November 2010

On 12 August 2010, as part of the Deed of Company Arrangement the remaining convertible note holders were issued 2,800,000 shares, at a rate of 400 shares for every one note, in accordance with the convertible notes issue terms.

On 23 November, following completion of the Proponent Issue, the Company made a payment of \$679,197 to the Creditor's Trust to effectuate the DOCA with the Administrators, thereby allowing them to resign as Administrators of the Company.

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# **Safety Medical Products Limited**

## **Directors' Report**

### **For the six months ended 31 December 2010**

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On 25 November 2010 the Company lodged a prospectus with the ASIC to raise up to \$2,200,000 through the issue of up to 220,000,000 fully paid ordinary shares at \$0.01 per share. On 23 December 2010 the Company allotted 173,250,000 shares to applicants who had submitted applications totalling \$1,732,500. The capital raising and reinstatements to quotation on the ASX were completed after period end..

#### **Events subsequent to reporting date**

On 17 January the Company allotted 46,750,000 shares to applicants, taking total applications received under the prospectus capital raising to the maximum subscription under the prospectus of \$2,200,000. On 25 January 2011 the Company's shares were reinstated to official quotation on the ASX.

#### **Lead auditor's independence declaration**

The lead auditor's independence declaration is set out on page 22 and forms part of the directors' report for the six months ended 31 December 2010.

Dated at Perth this 28<sup>th</sup> February 2011

Signed in accordance with a resolution of the directors:



Simon Lill  
Director

# Safety Medical Products Limited

## Statement of Comprehensive Income

### For the half year ended 31 December 2010

		31 Dec 2010	31 Dec 2009
	Note	\$	\$
<i>Continuing operations</i>			
Revenue		15,766	44,537
Cost of sales		(5,755)	(34,425)
<b>Gross profit</b>		<b>10,011</b>	<b>10,112</b>
Other income		806,216	150,065
Business development, marketing and intellectual property expenses		(2,683)	(5,577)
Administrative expenses		(162,610)	(483,564)
<b>Results from operating activities</b>		<b>650,934</b>	<b>(328,964)</b>
Impairment of non-current assets		-	(1,224,117)
Impairment of current assets		-	(310,331)
Assets written-off		(132,142)	-
Gain on deconsolidation of subsidiaries	8	1,014,554	-
Financial income		1,279	337
Financial expense		(1,501)	(85,852)
<b>Profit/(Loss) before tax</b>		<b>1,533,124</b>	<b>(1,948,927)</b>
Income tax (expense)/benefit	9	-	-
Profit/(loss) from discontinued operations	15	-	(1,127,860)
<b>Profit/(Loss) for the half year attributable to equity holders</b>		<b>1,533,124</b>	<b>(3,076,787)</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the half year</b>		<b>1,533,124</b>	<b>(3,076,787)</b>
<b>Attributable to:</b>			
Equity holders of the parent		1,533,124	(2,541,203)
Minority Interest (discontinued operations)		-	(535,584)
		<b>1,533,124</b>	<b>(3,076,787)</b>
<b>Earnings per share for profit attributable to the ordinary equity holders of the company:</b>			
Basic earnings per share (cents)		2.79	(3.32)
Diluted earnings per share (cents)		2.79	(3.32)

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



# Safety Medical Products Limited

## Statement of Changes in Equity

### For the half year ended 31 December 2010

2009	Note	Issued Capital \$	Accumulated losses \$	Equity compensation reserve \$	Minority Interest \$	Total equity \$
Opening balance at 1 July 2009		10,815,657	(10,931,475)	741,871	(713,293)	(87,240)
Total comprehensive income for the period		-	(2,541,203)	-	(535,584)	(3,076,787)
Shares Issued		143,000	-	-	-	143,000
Transaction costs		(3,984)	-	-	-	(3,984)
Closing balance at 31 December 2009		10,954,673	(13,472,678)	741,871	(1,248,877)	(3,025,011)

Amounts are stated net of tax

2010	Note	Issued Capital \$	Accumulated losses \$	Equity compensation reserve \$	Minority Interest \$	Total equity \$
Opening balance at 1 July 2010		10,954,673	(14,712,738)	741,871	(1,420,372)	(4,436,566)
Conversion of convertible notes under DOCA	18	700,000	-	-	-	700,000
Reduction of capital as approved at the general meeting		(11,654,673)	11,654,673			-
Total comprehensive income for the period		-	1,533,124	-	-	1,533,124
Shares issued under the Proponent Issue		750,000	-	-	-	750,000
Shares issued under the Prospectus		1,732,500	-	-	-	1,732,500
Transaction costs		(161,892)	-	-	-	(161,892)
Changes owing to deconsolidation of subsidiaries					1,420,372	1,420,372
Closing balance at 31 December 2010		2,320,608	(1,524,941)	741,871	-	1,537,538

Amounts are stated net of tax

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

# Safety Medical Products Limited

## Statement of Financial Position

### As at 31 December 2010

	Note	31 Dec 2010 \$	30 Jun 2010 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,827,973	589,315
Trade and other receivables		4,995	106,307
Inventories	10	-	53,909
Non-current assets held for sale and discontinued operations	11	-	17,063
Current tax assets	9	-	-
<b>Total current assets</b>		<b>1,832,968</b>	<b>766,594</b>
<b>Non-current assets</b>			
Net deferred tax assets	9	-	-
Property, plant and equipment	12	-	66,025
<b>Total non-current assets</b>		<b>-</b>	<b>66,025</b>
<b>Total assets</b>		<b>1,832,968</b>	<b>832,619</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		295,429	1,061,241
Loans and borrowings	13	-	3,525,940
Employee benefits		-	682,004
<b>Total current liabilities</b>		<b>295,429</b>	<b>5,269,185</b>
<b>Total liabilities</b>			<b>5,269,185</b>
<b>Net assets/(liabilities)</b>		<b>1,537,538</b>	<b>(4,436,566)</b>
<b>Equity</b>			
Issued capital		2,320,608	10,954,673
Reserves		741,871	741,871
Accumulated losses		(1,524,941)	(14,712,738)
Parent equity interest		1,537,538	(3,016,194)
Minority interest			(1,420,372)
<b>Total Equity</b>		<b>1,537,538</b>	<b>(4,436,566)</b>

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

# Safety Medical Products Limited

## Statement of cash flows

### For the half year ended 31 December 2010

	Note	31 Dec 2010 \$	31 Dec 2009 \$
<b>Cash flows from operating activities</b>			
Cash receipts from customers		18,159	1,680,226
Cash paid to suppliers and employees		(259,882)	(2,332,755)
Cash generated from operations		(241,723)	(653,529)
Interest paid		(1,501)	(82,795)
<b>Net cash from operating activities</b>		<b>(243,224)</b>	<b>(735,324)</b>
<b>Cash flows from investing activities</b>			
Interest received		1,279	2,378
Proceeds from sale of property, plant and equipment	13	66,025	20,034
Disposal of business	13	-	1,300,000
<b>Net cash from investing activities</b>		<b>67,304</b>	<b>1,322,412</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		2,637,500	139,017
Payments made under DOCA		(973,025)	-
Capital raising costs paid		(161,892)	-
Proceeds from borrowings	14	-	1,090,000
Repayment of borrowings	15	-	(1,173,601)
<b>Net cash from financing activities</b>		<b>1,502,582</b>	<b>55,416</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,326,662</b>	<b>642,504</b>
<b>Cash and cash equivalents at 1 July</b>		<b>501,311</b>	<b>(443,277)</b>
<b>Cash and cash equivalents at 31 December</b>		<b>1,827,973</b>	<b>199,227</b>

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

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# Safety Medical Products Limited

## Condensed notes to the financial statements

### For the half year ended 31 December 2010

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#### 1 Reporting entity

Safety Medical Products Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2010 comprises the Company and its subsidiaries (together referred to as the "Consolidated Entity" or "Group").

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2010 is available upon request from the Company's registered office c/o Trident Management Services Pty Ltd, Level 24, 44 ST George's Terrace, Perth WA 6000.

#### 2 Limitation on preparation

On 15 April 2010 the Directors of Safety Medical Products Limited ("the Company" or "SafetyMed") at that time appointed McGrathNicol as Administrators of the Company and its subsidiary undertakings.

On 13 August 2010 the Company entered into a Deed of Company Arrangement and Reconstruction Deed which provides for existing debts as at the time of appointment of the Administrators to be extinguished and facilitates the Company being recapitalised and reinstated to quotation on the Australian Securities Exchange (ASX).

At a creditors meeting on 23 July 2010 the creditors voted to place the Company's subsidiaries Baratex Pty Ltd and Pureste Pty Ltd into liquidation. The subsidiaries have been deconsolidated as at that date.

The operations of the Company were controlled by the Administrator up until the date of effectuation of the DOCA being 25 November 2010. Every reasonable effort has been made by the Directors to obtain all financial information for the period from 1 July 2010 to 25 November 2010 of the Company and its controlled entities. However, there may be information that the Directors have not been able to obtain, the impact of which may or may not be material on the financial statements.

#### 3 Going concern

The accompanying financial statements have been prepared on a going concern basis.

There has 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.

#### 4 Statement of Compliance

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

The interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report for the year ended 30 June 2010.

The interim financial report was approved by the Board of Directors on 28th February 2011.

# Safety Medical Products Limited

## Condensed notes to the financial statements

### For the half year ended 31 December 2010

#### 5 Significant accounting policies

The accounting policies applied by the consolidated entity in the consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2010.

#### 6 Estimates

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

In preparing this consolidated interim financial report, the significant judgements made by management in applying the consolidated entities accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2010.

#### 7 Operating segment

The Company has adopted AASB 8 *Operating Segments* which requires operating segments to be identified on the basis of internal reports about components of the company that are reviewed by the chief operating decision maker (deemed to be the Board of Directors) in order to allocate resources to the segment and assess its performance. The chief operating decision maker of the Company reviews internal reports prepared as financial statements and strategic decisions of the company are determined upon analysis of these internal reports. During the period, the company operated predominantly in one business and geographical segment being the medical devices sector in Australia. Accordingly, under the 'management approach' outlined only one operating segment has been identified and no further disclosure is required in the notes to the financial statements

##### Business segments

During the comparative period, the consolidated entity comprises the following main business segments, based on the Company's management reporting system:

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.
<b>Discontinued operations</b>	
ACN 100 073 131 Pty Ltd ( <i>formerly</i> Bagot Press Pty Ltd) (Bagot)	Dormant; previously operated as a manufacturer and supplier of specialist printing and general consumables to the pharmaceutical industry.
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 feminine hygiene products.

# Safety Medical Products Limited

## Condensed notes to the financial statements

### For the half year ended 31 December 2010

#### 8 Disposal of Pureste Pty Ltd and Baratex Pty Ltd

At a creditors' meeting on 23 July 2010 the creditors voted to place the Company's subsidiaries Baratex Pty Ltd and Pureste Pty Ltd into liquidation. The companies and their assets are now under the control of the liquidator and no longer under the control of Safety Medical Products Limited. Accordingly they no longer satisfy the criteria for consolidation into the consolidated entity from that date and have been treated as disposed at that date. There was no activity by the subsidiary companies between 1 July 2010 and the date of disposal.

	Pureste	Baratex
	\$	\$
<b>Book value of assets disposed</b>		
<b>Current assets:</b>		
Cash	-	81,314
Trade and other receivables	33,950	63,246
Other assets	-	17,063
Inventory at 1 July 2010	45,754	2,400
<b>Total Assets</b>	79,704	164,023
<b>Current Liabilities</b>		
Trade and other payables	275,551	382,308
Loans and borrowings	1,719,500	-
Employee benefits	3,469	297,824
<b>Total Liabilities</b>	1,998,520	680,132
<b>Net assets/(deficiency)</b>	(1,918,816)	(516,109)
<b>Total Net Assets/(Deficiency) Disposed</b>		
Pureste Pty Ltd		(1,918,816)
Baratex Pty Ltd		(516,109)
		<u>(2,434,925)</u>
<b>Details of Disposal of Subsidiaries</b>		
Total Net Assets/(Deficiency)		(2,434,925)
Minority interest		1,420,371
		<u>1,014,554</u>
Net deficiency disposed, net of minority interest		1,014,554
Gain on deconsolidation of subsidiaries		<u>1,014,554</u>

# Safety Medical Products Limited

## Condensed notes to the financial statements

### For the half year ended 31 December 2010

#### 9 Income tax expense

The consolidated entity reported tax expense of \$nil for the six months ended 31 December 2010 (for the year ended 30 June 2010: \$nil; for the six months ended 31 December 2009: \$nil tax benefit), as a result of reporting a profit before tax of \$1,533.125. The tax expense reported for the period was attributable to continuing operations of the parent.

#### 10 Inventory

##### SafetyMed inventory

On 13 August 2010 the Company entered into a Deed of Company Arrangement and Reconstruction Deed which provided for existing debts as at the time of appointment of the Administrators to be extinguished and facilitates the Company being recapitalised and reinstated to quotation on the Australian Securities Exchange (ASX). As part of the arrangement the inventory has been sold during the period. The inventory was valued at net realisable value of \$73,478 at 30 June 2010.

##### Other inventory

At a creditors meeting on 23 July 2010 the creditors voted to place the Company's subsidiaries Baratex Pty Ltd and Pureste Pty Ltd into liquidation. As part of the liquidation process all inventory relating to these subsidiaries has been sold or scrapped during the period. The inventory was valued at net realisable value of \$25,837 at 30 June 2010 (refer to note 12 for further details).

#### 11 Non-current assets held for sale and discontinued operations

	31 Dec 2010 \$	30 Jun 2010 \$
Intangible -goodwill	-	-
Inventory, property, plant and equipment	-	17,603
Non-current assets held for sale and discontinued operations	-	17,603

#### 12 Property, plant and equipment

##### Acquisition and disposal

During the six months ended 31 December 2010 the Company acquired no assets and disposed of assets with a cost of \$1,384,208 for proceeds of \$66,025. The balance of property plant and equipment had been impaired in prior periods such that the book value of the assets sold was \$69,250.

During the six months ended 31 December 2009 the consolidated entity acquired no assets and disposed of assets with a cost of \$26,906 for proceeds of \$20,034. In addition, on 1 July 2009 A.C.N 100 073 121 Pty Ltd (previously Bagot Press Pty Ltd) sold its' trade, inventory, property, plant and equipment for \$1,300,000 (refer to note 16 for further details).

# Safety Medical Products Limited

## Condensed notes to the financial statements

### For the half year ended 31 December 2010

#### SafetyMed property, plant and equipment

On 13 August 2010 the Company entered into a Deed of Company Arrangement and Reconstruction Deed which provided for existing debts as at the time of appointment of the Administrators to be extinguished and facilitates the Company being recapitalised and reinstated to quotation on the Australian Securities Exchange (ASX). As part of the arrangement certain property, plant and equipment was sold during the period. The property, plant and equipment had been impaired by \$1,011,411 at 31 December 2009.

#### Other property, plant and equipment

At a creditors meeting on 23 July 2010 the creditors voted to place the Company's subsidiaries Baratex Pty Ltd and Pureste Pty Ltd into liquidation. As part of the liquidation process all property, plant and equipment relating to these subsidiaries has been sold or scrapped during the period. The assets concerned were already adequately depreciated therefore no impairment was required at 31 December 2009.

#### Capital commitments

As at 31 December 2010 and 31 December 2009 there are no capital commitments.

### 13 Loans and borrowings

The following loans and borrowings (non-current and current) were issued and repaid during the six months ended 31 December 2009:

	Currency	Interest rate		Face value	Carrying amount	Year of Maturity
		Nominal	Effective			
				\$	\$	
<b>Balance at 1 July 2009</b>					<b>3,681,066</b>	
Bank overdraft movement					(248,384)	
<b>New issues</b>						
Loan <sup>1</sup>	AUD	8.88%	8.88%	-	-	2010
Documentary letter of credit <sup>2</sup>		-	-	(774,751)	(774,751)	
Trade finance loan <sup>2</sup>	AUD	9.99%	9.99%	1,090,000	1,090,000	2010
<b>Repayments</b>						
Equipment loan <sup>3</sup>	AUD	9.99%	-	(48,304)	(48,304)	-
Equipment loan <sup>4</sup>	AUD	8.54%	-	(260,054)	(260,054)	-
Equipment loan <sup>5</sup>	AUD	8.99%	-	(22,459)	(22,459)	-
Insurance funding loan	AUD	8.21%	-	16,971	16,971	-
Convertible Notes	AUD	9.05%	-	(50,000)	(50,000)	-
<b>Balance at 31 December 2009</b>					<b>3,384,085</b>	
<b>Balance at 1 July 2010</b>					<b>3,525,940</b>	
Bank overdraft movements					(6,690)	
<b>Amounts extinguished by the Deed of Company Arrangement</b>						
Convertible Notes – Converted				(700,000)	(700,000)	
Bank overdrafts	AUD	8.88%	-	(516,616)	(516,616)	
Loans – National Australia Bank Ltd	AUD	9.99%	-	(1,027,787)	(1,027,787)	-
Documentary letters of credit	AUD	8.54%	-	(1,115,203)	(1,115,203)	-
Hire purchase agreements	AUD	8.21%	-	(159,644)	(159,644)	-
<b>Balance at 31 December 2010</b>					<b>-</b>	



# Safety Medical Products Limited

## Condensed notes to the financial statements

### For the half year ended 31 December 2010

#### 14 Share based payments

There have been no options granted as compensation during the six month to 31 December 2010 or 31 December 2009.

#### 15 Discontinued operations

At a creditors meeting on 23 July 2010 the creditors voted to place the Company's subsidiaries Baratex Pty Ltd and Pureste Pty Ltd into liquidation. ACN 100 073 131 (formerly Bagot Press Pty Ltd) has remained dormant since the sale of its trade and assets.

On the 1 July 2009 the trade, inventory, property plant and equipment of A.C.N 100 073 121 Pty Ltd (formerly 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.

The results have been disclosed as discontinued operations and the non-current assets being discontinued have been shown as current assets held for sale or discontinued operations.

	31 Dec 2010 \$	31 Dec 2009 \$
Revenue	-	831,703
Cost of sales	-	(662,676)
<b>Gross profit</b>	-	169,027
Other income	-	6,096
Business development, marketing & intellectual property expenses	-	(201,125)
Administrative expenses	-	(536,392)
<b>Results from operating activities</b>	-	<b>(562,394)</b>
Impairment of non-current assets	-	(76,549)
Impairment of current assets	-	(395,627)
Financial income	-	2,041
Financial expense	-	(95,331)
<b>Loss before tax</b>	-	-
Income tax (expense)/benefit	-	-
<b>Profit/ (loss) from discontinued operations</b>	-	<b>(1,127,860)</b>

# Safety Medical Products Limited

## Condensed notes to the financial statements

### For the half year ended 31 December 2010

#### 15 Discontinued operations (continued)

The major classes of assets and liabilities comprising the businesses classified as held for sale at 31 December 2009 are as follows:

	31 Dec 2009 \$
<b>Book value of assets held for sale</b>	
Cash	1,014
Trade debtors and other debtors	241,299
Property, plant and equipment at 31 December 2008	25,837
Inventory at 31 December 2008	58,598
Intangibles –goodwill (prior to impairment)	-
<b>Book value of liabilities held for sale</b>	
Bank overdraft	(409,344)
Trade creditors and other creditors	(405,998)
Trade finance loan	(1,090,000)
Intercompany loan –SafetyMed	(1,335,535)
<b>Net Assets Held for Sale and Discontinued Operations</b>	<b>(2,914,129)</b>

#### 16 Related parties

##### Transactions with key management personnel

In the six months ended 31 December 2009 key management personnel received compensation in the form of short-term employee benefits and post-employment benefits.

##### Compensation

Key management personnel received compensation in the form of short-term employee benefits, post-employment benefits and share-based payments.

At 31 December 2010 and 30 June 2010 the directors held the following convertible notes. During the period the convertible notes were converted to shares in accordance with the terms of the DOCA.

Director	Number held at 31 Dec 2010	Number held at 30 Jun 2010
Mr John Darley and related parties	-	2,000
Mr John Riemelmoser and related parties	-	3,000
	-	5,000

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# Safety Medical Products Limited

## Condensed notes to the financial statements

### For the half year ended 31 December 2010

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#### 16 Related parties (continued)

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 are due to mature on 31 July 2010.

On 4 June 2009 SafetyMed 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 Darley and Mr John Riemelmoser held 2,000 and 3,000 notes respectively since 4 June 2008 until conversion on 12 August 2010. On 12 August 2010 the 5,000 convertible notes were converted into 2,000,000 ordinary shares at a rate of 400 shares for every one note held.

Interest was calculated on a daily basis and is based on the 90 days bank bill swap reference rate plus a margin of 500 basis points per annum. At 30 June 2010 that rate was 9.3%. There were no convertible notes outstanding at 31 December 2010.

Interest payable on the convertible notes during the six months ended 31 December 2009 was \$8,489 and \$12,734 (half year ended 31 December 2008: \$12,006 and \$18,090; year ended 30 June 2009: \$20,837 and \$30,525) to Mr John Darley and Mr John Riemelmoser respectively.

#### Non-key management personnel disclosures

##### Subsidiaries

Loans were made by the Company to wholly owned subsidiaries for working capital and capital purchases. The loans outstanding between the Company and its subsidiaries had no fixed date of repayment and were non-interest bearing. At 31 December 2010, such loans to subsidiaries totalled \$nil (31 December 2009: \$1,582,472). During the period, intercompany balances totalling \$1,311,646 were written off (30 June 2009: \$245,937 relating to Bagot Press was written off).

#### 17 Contingent liabilities

As at 31 December 2010, the consolidated entity is not aware of any other contingent assets or liabilities that should be disclosed in accordance with AASB 137.

#### 18 Events subsequent to reporting date

On 17 January the Company allotted 46,750,000 shares to applicants, taking total applications received under the prospectus capital raising to the maximum subscription under the prospectus of \$2,200,000. On 25 January 2011 the Company's shares were reinstated to official quotation on the ASX.

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# Safety Medical Products Limited

## 31 December 2010 interim financial statements

### Directors declaration

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Except for the effect if any of the limitations on the preparation of the financial report discussed in note 2, the Directors of the Company declare that:

- a) the financial statements and notes set out on pages 6 to 17, are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the Company and the consolidated entity as at 31 December 2010 and of its performance for the six month period ended on that date; and
  - (ii) complying with Accounting Standards AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Perth this 28th day of February 2011.

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



Simon Lill  
Director

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

### **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Safety Medical Products Limited, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and the cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Safety Medical Products Limited Group (the consolidated entity). The consolidated entity comprises both Safety Medical Products Limited (the company) and the entities it controlled during that half-year.

#### *Directors' Responsibility for the Half Year Financial Report*

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

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Safety Medical Products Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

#### **Chartered Accountants**

A member of Bentleys, an association of independent accounting firms in Australia.  
The member firms of the Bentleys association are affiliated only and not in partnership.

Liability limited by a scheme approved under Professional Standards Legislation.

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

*Independence*

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

*Basis for Qualified Opinion*

The directors have qualified their declaration for the limitation on preparation of the financial report that is set out in Note 2 to the financial statements.

*Qualified Opinion*

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

- a) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- b) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

BENTLEYS (SA) Partnership

D J FRANCIS  
Partner

Dated at Adelaide this 28<sup>th</sup> day of February, 2011.

**Bentleys (SA) Partnership**  
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**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

**TO THE DIRECTORS OF**

**SAFETY MEDICAL PRODUCTS LIMITED AND CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2010 there have been:

- I. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review, and
- II. no contraventions of any applicable code of professional conduct in relation to the review.

*Bentleys*

**BENTLEYS (SA) Partnership**

*D J Francis*

**D J FRANCIS  
PARTNER**

Dated at Adelaide this 28<sup>th</sup> day of February, 2011.

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# Safety Medical Products Limited and its controlled entities

## Corporate Directory

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### Offices and officers

#### Directors

Peter Christie  
Simon Lill  
Stephen Hewitt-Dutton

#### Company Secretary

Stephen Hewitt-Dutton

#### Principal registered office

Safety Medical Products Limited  
c/o Trident Management Services Pty Ltd  
Level 24  
44 ST George's Terrace  
Perth, WA 6000

#### Principal place of business

Safety Medical Products Limited  
Level 24  
44 ST George's Terrace  
Perth, WA 6000

#### 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 Securities Exchange (currently suspended from quotation).  
The Home Exchange is Adelaide.

#### Other Information

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