Safety Medical Products Limited

ABN 26 007 817 192

Appendix 4E

Preliminary final report
Period ended 30 June 2008

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

1.	The reporting period is the financial year ended 30 June 2008 including comparative information for the year ended 30 June 2007				
2.	**"Results for announcement to the Market".**				
2.1	The amount and percentage change up or down from the previous corresponding period of revenue from ordinary activities.	**up by**	**459%**	**to**	**$4,777,000**
2.2	The amount and percentage change up down from the previous corresponding period of profit (loss) from ordinary activities after tax attributable to members.	**down by**	**2.51%**	**to**	**$(1,554,000)**
2.3	The amount and percentage change up or down from the previous corresponding period of net profit (loss) for the period attributable to members.	**down by**	**178%**	**to**	**$(4,229,000)**
2.4	The amount per security and franked amount per security of final and interim dividends.	**nil**			
2.5	The record date for determining entitlements to the dividends (if any).	**not applicable**			
2.6	A brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.	**Please refer to the attached financial report.**			
3.	An income statement together with notes to the statement, prepared in compliance with AASB 101 or the equivalent foreign accounting standard.	**Please refer to the attached financial report.**			
4.	A balance sheet together with notes to the statement.	**Please refer to the attached financial report.**			
5.	A cash flow statement together with notes to the statement.	**Please refer to the attached financial report.**			
6.	Details of individual and total dividends or distributions and dividend or distribution payments.	**No dividends or distributions were made during the period.**			
7.	Details of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan.	**Not applicable**			
8.	A statement of retained earnings showing movements.	**Please refer to the attached financial report.**			

9.	Net tangible assets per security with the comparative figure for the previous corresponding period.	**2007/08 – 1.78c** **2006/07 – 3.47c**
10.	Details of entities over which control has been gained or lost during the period, including the following.	
	Name of the entity.	**Not applicable**
11.	Details of associates and joint venture entities including the following.	**Not applicable**
12.	Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position.	**Please refer to the attached financial report.**
13.	For foreign entities, which set of accounting standards is used in compiling the report (e.g. International Accounting Standards).	**Not applicable**
14.	A commentary on the results for the period.	**Please refer to the attached financial report.**
15.	A statement as to whether the report is based on accounts which have been audited or subject to review, are in the process of being audited or reviewed, or have not yet been audited or reviewed	**This report is based upon accounts that are currently in the process of being audited. The Directors do not anticipate any items arising that would give rise to a dispute or qualification.**

J Riemelmoser
Managing Director 29 August 2008

SAFETY MEDICAL PRODUCTS LIMITED

ABN 26 007 817 192

NOTES TO THE FINANCIAL STATEMENTS

Safety Medical Products Limited and its controlled entities
Income statements
For the year ended 30 June 2008

		Consolidated		Company	
	Note	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Revenue	7	4,777	855	10	3
Cost of sales		(3,494)	(358)	(26)	(2)
Gross profit		1,283	497	(16)	1
Other income	8	38	246	17	244
Research and development expenses		-	(33)	-	(33)
Business development, marketing and intellectual property expenses		(131)	(475)	(107)	(470)
Administrative expenses		(2,744)	(1,751)	(1,451)	(1,012)
Results from operating activities		**(1,554)**	**(1,516)**	**(1,557)**	**(1,270)**
Financial income	10	12	46	12	45
Financial expense	10	(90)	(178)	(37)	(174)
Net Financial expense		(78)	(132)	(25)	(129)
Impairment Loss		(2,644)	-	(2,644)	-
Loss before tax		(4,276)	(1,648)	(4,226)	(1,399)
Income tax (expense)/benefit	12	47	129	-	36
Loss for the year attributable to equity holders of the company		**(4,229)**	**(1,519)**	**(4,226)**	**(1,363)**
Earnings per share for profit attributable to the ordinary equity holders of the company from continuing operations:					
Basic earnings per share (cents)	13	(4.5)	(2.6)		
Diluted earnings per share (cents)	13	(4.5)	(2.6)		

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 2008

Consolidated

2008	Note	Issued Capital $'000	Accumulated losses $'000	Equity compensation reserve $'000	Total equity $'000
Opening balance at 1 July 2007		**9,821**	**(3,353)**	**742**	**7,210**
Total recognised income and expense for the period		**-**	(4,229)	-	(4,229)
Shares Issued	22	882	-	26	908
Transaction costs		(81)	-	-	(81)
Closing balance at 30 June 2008		**10,622**	**(7,582)**	**768**	**3,808**

Amounts are stated net of tax

2007	Note	Issued Capital $'000	Accumulated losses $'000	Equity compensation reserve $'000	Total equity $'000
Opening balance at 1 July 2006		**2,887**	**(1,834)**	**742**	**1,795**
Total recognised income and expense for the period		**-**	(1,519)	-	(1,519)
Shares Issued	22	6,993	-	-	6,993
Transaction costs		(59)	-	-	(59)
Closing balance at 30 June 2007		**9,821**	**(3,353)**	**742**	**7,210**

Amounts are stated net of tax

The statements of changes in equity should be read in conjunction with the 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 2008

Company

2008	Note	Issued Capital $'000	Accumulated losses $'000	Equity compensation reserve $'000	Total equity $'000
Opening balance at 1 July 2007		**9,821**	**(3,197)**	**742**	**7,366**
Total recognised income and expense for the period		**-**	(4,226)	-	(4,226)
Shares Issued	22	882	-	26	908
Transaction costs		(81)	-	-	(81)
Closing balance at 30 June 2008		**10,622**	**(7,423)**	**768**	**3,967**

Amounts are stated net of tax

2007	Note	Issued Capital $'000	Accumulated losses $'000	Equity compensation reserve $'000	Total equity $'000
Opening balance at 1 July 2006		**2,887**	**(1,834)**	**742**	**1,795**
Total recognised income and expense for the period		**-**	(1,363)	-	(1,363)
Shares Issued	22	6,993	-	-	6,993
Transaction costs		(59)	-	-	(59)
Closing balance at 30 June 2007		**9,821**	**(3,197)**	**742**	**7,366**

Amounts are stated net of tax

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

Safety Medical Products Limited and its controlled entities
Balance sheets
As at 30 June 2008

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
Assets					
Cash and cash equivalents	29	283	476	180	363
Trade and other receivables	14	843	615	54	7
Inventories	15	682	460	376	229
Current tax assets	17	-	90	-	36
Total current assets		**1,808**	**1,641**	**611**	**635**
Non-current assets					
Financial assets	16	-	-	3,290	5,850
Net deferred tax assets	17	81	48	-	-
Property, plant and equipment	18	2,219	1,966	1,303	1,107
Intangible assets	19	2,036	4,680	-	-
Total non-current assets		**4,336**	**6,694**	**4,593**	**6,957**
Total assets	5	**6,144**	**8,335**	**5,204**	**7,592**
Liabilities					
Trade and other payables	20	539	884	100	159
Loans and borrowings	21	910	21	817	-
Employee benefits	24	373	142	135	61
Total current liabilities		**1,822**	**1,047**	**1,052**	**220**
Non-current liabilities					
Loans and borrowings	21	436	14	176	-
Employee benefits	24	78	64	9	6
Total non-current liabilities		**514**	**78**	**185**	**6**
Total liabilities	5	**2,336**	**1,125**	**1,237**	**226**
Net assets		**3,808**	**7,210**	**3,967**	**7,366**
Equity					
Issued capital	22	10,622	9,821	10,622	9,821
Reserves	23	768	742	768	742
Accumulated losses		(7,582)	(3,353)	(7,423)	(3,197)
Total equity attributable to equity holders of the company		**3,808**	**7,210**	**3,967**	**7,366**

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 2008

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
Cash flows from operating activities					
Cash receipts from customers		5,135	955	14	246
Cash paid to suppliers and employees		(7,009)	(2,563)	(1,668)	(1,674)
Cash generated from operations		(1,874)	(1,608)	(1,654)	(1,428)
Interest paid		(81)	(4)	(35)	-
Other receipts		14	-	14	-
Income taxes (paid) / received		91	65	36	104
Net cash from operating activities	30	**(1,850)**	**(1,547)**	**(1,639)**	**(1,324)**
Cash flows from investing activities					
Interest received		12	45	12	44
Dividends received		-	1	-	1
Proceeds from sale of investments		-	75	-	75
Acquisition of other investments		0	(250)		(250)
Intercompany & investment of subsidiaries		-	-	(85)	-
Acquisition of subsidiary, net of cash acquired		-	(1,235)	-	(2,350)
Acquisition of property, plant and equipment	18	(493)	(1,779)	(291)	(976)
Net cash from investing activities		**(481)**	**(3,143)**	**(364)**	**(3,456)**
Cash flows from financing activities					
Proceeds from issue of share capital	22	801	3,434	801	3,434
Proceeds from issue of convertible notes		775	-	775	-
Option Reserve		26	-	26	-
Proceeds from borrowings		4,568	35	218	-
Repayment of borrowings		(4,032)	(12)	-	-
Net cash from financing activities		**2,138**	**3,457**	**1,820**	**3,434**
Net increase/(decrease) in cash and cash equivalents		**(193)**	**(1,233)**	**(183)**	**(1,346)**
Cash and cash equivalents at 1 July		**476**	**1,709**	**363**	**1,709**
Cash and cash equivalents at 30 June	29	**283**	**476**	**180**	**363**

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

1 Reporting entity

Safety Medical Products Limited (the "Company") is a company domiciled in Australia. The consolidated financial statements of the Company for the financial year ended 30 June 2008 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, 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.

The Company is not of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 due to it having less than $10 million in assets, however, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars unless otherwise stated. This approach has been adopted as it is consistent with the previous years financial report, assets are expected to be greater than $10 million in the next financial year and for the ease of readers of the report.

(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 17 – utilisation of tax losses
- Note 24 – measurement of share based payments

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.

(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.

(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.

(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.

3 Significant accounting policies (continued)

(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 2007 or 2006.

(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.

3 Significant accounting policies (continued)

(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.

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.

3 Significant accounting policies (continued)

(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.

(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.

3 Significant accounting policies (continued)

(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.

(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.

3 Significant accounting policies (continued)

(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 2008, 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.
- AI 12 *Service Concession Arrangements* mandatory for 30 June 2009 Annual Financial Report.
- AI 13 *Customer Loyalty Programs* mandatory for 30 June 2009 Annual Financial Report.

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.

(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.

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

Safety Medical Products	Development, production and commercialisation of a range of medical products, focusing principally on the SecureTouch single use manual retractable safety syringe.
ProControl Systems	The provision of specialist industrial control and automation systems, machine vision, robotics and turn-key solutions for large and small industrial businesses.
Bagot Press	A manufacturer and supplier of specialist printing and general consumables to the pharmaceutical industry.

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

5 Segment reporting (continued)

	Safety Medical Products		ProControl Systems		Bagot Press		Eliminations		Consolidated	
Business segments	**2008 $'000**	**2007 $'000**	**2008 $'000**	**2007 $'000**	**2008 $'000**	**2007 $'000**	**2008 $'000**	**2007 $'000**	**2008 $'000**	**2007 $'000**
External revenues	24	247	1,516	310	3,251	544	-	-	4,791	1,101
Inter-segment revenues	-	-	22	62	9	3	(31)	(65)	-	-
Total segment revenue	24	247	1,538	372	3,260	547	(31)	(65)	4,791	1,101
Segment result	(1,557)	(1,270)	(132)	(296)	136	59	-	(9)	(1,554)	(1,516)
Unallocated expenses									-	-
Results from operating activities									(1,554)	(1,516)
Net financing revenue / (costs)									(78)	(132)
Impairment Loss	(2,744)	-	-	-	-	-	-	-	(2,744)	-
Income tax benefit/(expense)									47	129
Profit for the period									(4,329)	(1,519)
Segment assets	5,104	7,592	471	336	2,613	4,774	(2,144)	(4,367)	6,044	8,335
Unallocated assets										-
Total assets									6,044	8,335
Segment liabilities	1,237	226	686	517	2,503	4,732	(2,090)	(4,350)	2,336	1,125
Unallocated liabilities									-	-
Total liabilities									2,336	1,125
Capital expenditure	291	976	7	83	198	812	(16)	(9)	480	1,862
Depreciation	95	24	16	8	124	19	-	-	235	51

6 Acquisition of subsidiaries

Business combinations

Baratex Pty Ltd (ProControl Systems)
On 9 February 2007 the Company acquired all of the shares in Baratex Pty Ltd, trading as ProControl Systems, for $1,500,000 through the issue of 1,500,000 shares in the Company. The company provides specialist industrial control and automation systems, machine vision, robotics and turn-key solutions for large and small industrial businesses.

The acquisition had the following effect on the consolidated entity's assets and liabilities on acquisition date:

In thousands of AUD

	Note	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
Property, plant and equipment		83	-	83
Intangible assets		30	-	30
Deferred tax assets		37	-	37
Inventory		35	-	35
Trade and other receivables		395	-	395
Cash and cash equivalents		(37)	-	(37)
Loans and borrowings		(44)	-	(44)
Current tax liabilities		(68)	-	(68)
Employee benefits – current		(50)	-	(50)
Employee benefits – non current		(47)	-	(47)
Trade and other payables		(286)	-	(286)
Net identifiable assets and liabilities		48	-	48
Goodwill on acquisition				1,452
Consideration paid, satisfied in shares				1,500
Cash acquired				(37)
Net cash outflow				(37)

6 Acquisition of subsidiaries (continued)

Bagot Press Pty Ltd

On 1 May 2007 the Company acquired all of the shares in Bagot Press Pty Ltd for $6. In addition, the Company loaned Bagot Press Pty Ltd $4,000,000 to acquire the business activities from the previous owners. The $4,000,000 was funded through the issue of 2,500,000 shares in the Company at $0.80 per share and $2,000,000 in cash. The company is a manufacturer and supplier of specialist printing and general consumables to the pharmaceutical industry. In the two months to 30 June 2007 the subsidiary contributed a profit of $42,000.

The acquisition had the following effect on the consolidated entity's assets and liabilities on acquisition date:

In thousands of AUD

	Note	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
Property, plant and equipment		810	-	810
Inventory		206	-	206
Trade and other payables		(214)	-	(214)
Net identifiable assets and liabilities		802	-	802
Goodwill on acquisition				3,198
Consideration paid, satisfied in shares and cash				4,000

Pre-acquisition carrying amounts were determined based upon applicable AASBs immediately before the acquisition. The value of assets and liabilities recognised on acquisition are their estimated fair values (see note 4 for methods used to determine fair values).

The goodwill recognised on the acquisition is attributable mainly to the skills and technical talent of the acquired business' work force and the synergies expected to be achieved from integrating the two companies into the consolidated entity's existing businesses.

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
7 Revenue					
Sales		4,777	855	10	3
Services		-	-	-	-
		4,777	855	10	3
8 Other income					
Government grants		14	244	14	244
Other income		24	2	3	-
		38	246	17	244

		Note	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
9	**Personnel expenses**					
	Wages and salaries		951	1,011	588	515
	Commissions paid		-	23	-	-
	Other associated personnel expenses		144	38	74	15
	Contributions to defined contribution superannuation funds		130	119	56	71
	Increase in liability for annual leave		7	14	(5)	10
	Increase in liability for long service leave		28	18	3	6
			1,260	1,223	716	617
10	**Financial income and expense**					
	Interest Income on bank deposits		12	45	12	44
	Dividend income from held-for-trading financial assets		-	1	-	1
	Financial income		12	46	12	45
	Loss on disposal of held-for-trading financial assets		-	(174)	-	(174)
	Interest expense on financial liabilities measured at amortised cost		90	(4)	37	-
	Financial expense		90	(178)	37	(174)
11	**Auditors' remuneration**					
	Audit services:					
	Audit and review of the financial reports		36	31	36	31
			36	31	36	31

	Note	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
		2008 $'000	2007 $'000	2008 $'000	2007 $'000

12 Income tax expense

Recognised in the income statement

	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
Current tax expense				
Current year expense	31	(118)	-	(36)
	31	(118)	-	(36)
Deferred tax expense				
Origination and reversal of temporary differences	(78)	(11)	-	-
Benefit of losses recognised	-	-	-	-
	(78)	(11)		-
Total income tax expense/(benefit) in income statement	(47)	(129)	-	(36)

Numerical reconciliation between tax expense and pre-tax net profit

	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
Profit before tax	(4,376)	(1,648)	(4,326)	(1,399)
Income tax using the domestic corporation tax rate of 30%	(1,313)	(494)	-	(419)
Increase/(decrease) in income tax expense due to:				
Non-allowable capital items	3	1	-	1
Tax losses carried forward	418	418	-	418
Research & Development	68	(54)	-	(36)
S40-880 write-off regarding legal fees on capital raising		-	-	-
Entertainment	1	-	-	-
Goodwill Impairment	823	-	-	-
Income tax expense/(benefit) on pre-tax net profit	(47)	(129)	-	(36)

13 Earnings per share

	Note	2008 No.	2007 No.
Weighted average number of shares			
Ordinary shares on issue at 1 July	22	70,908,872	54,053,500
Effect of shares issued		24,306,592	3,269,881
Weighted average number of ordinary shares at 30 June		95,215,464	57,323,381
Effect of share options on issue		-	34,037,641
Weighted average number of ordinary shares (diluted) at 30 June		95,215,464	91,361,022

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
14 Trade and other receivables					
Current					
Trade receivables and prepayments		843	615	54	7
		843	615	54	7
15 Inventories					
Raw materials and consumables		-	72	-	-
Work in progress		59	36	-	-
Finished goods		623	352	376	229
		682	460	376	229
16 Financial assets					
Non-current financial assets					
Investments in subsidiaries		-	-	3,290	5,850
		-	-	3,290	5,850

17 Tax assets and liabilities

Current tax assets and liabilities

Unrecognised deferred tax assets

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

		Consolidated		Company	
	Note	**2008 $'000**	**2007 $'000**	**2008 $'000**	**2007 $'000**
Deductible temporary differences		-	-	-	-
Tax losses			1,390		1,390
			1,390		1,390

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 that future tax profits will be available against which the consolidated entity can utilise the benefits therefrom.

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	
	2008 $'000	**2007 $'000**
Consolidated		
Employee benefits	72	41
Plant and equipment	5	3
Other	4	4
Net tax assets	81	48

Movement in temporary differences during the year

	Consolidated			
2008	**Balance 1 July 07 $'000**	**Recognised in Income $'000**	**Recognised in Equity $'000**	**Balance 30 June 08 $'000**
Employee benefits	41	72	-	41
Plant and equipment	3	5	-	3
Other	4	4	-	4
Net deferred tax assets	48	81	-	81

17 Tax assets and liabilities (continued)

2007	Balance 1 July 06 $'000	Recognised in Income $'000	Recognised in Equity $'000	Balance 30 June 07 $'000
Employee benefits	-	41	-	41
Plant and equipment	-	3	-	3
Other	-	4	-	4
Net deferred tax assets	-	48	-	48

18 Property, plant and equipment

		Consolidated			Company		
$'000	**Note**	**Plant and equipment**	**Fixtures and fittings**	**Total**	**Plant and equipment**	**Fixtures and fittings**	**Total**
Cost							
Balance at 1 July 2006		163	-	163	163	-	163
Acquisitions through business combinations		83	-	83	-	-	-
Other acquisitions		1,762	17	1,779	976	-	976
Balance at 30 June 2007		**2,008**	**17**	**2,025**	**1,139**	**-**	**1,139**
Balance at 1 July 2007		2,008	17	2,025	1,139	-	1,139
Other acquisitions		420	72	492	272	19	291
Disposals		-	-	-	-	-	-
Balance at 30 June 2008		**2,428**	**89**	**2,517**	**1,411**	**19**	**1,430**
Depreciation and impairment losses							
Balance at 1 July 2006		8	-	8	8	-	8
Depreciation charge for the year		49	2	51	24	-	24
Balance at 30 June 2007		**57**	**2**	**59**	**32**	**-**	**32**
Balance at 1 July 2007		57	2	59	32	-	32
Depreciation charge for the year		234	5	239	94	1	95
Balance at 30 June 2008		**291**	**7**	**298**	**126**	**1**	**127**
Carrying amounts							
At 1 July 2006		**155**	**-**	**155**	**155**	**-**	**155**
At 30 June 2007		**1,951**	**15**	**1,966**	**1,107**	**-**	**1,107**
At 1 July 2007		**1,951**	**15**	**1,966**	**1,107**	**-**	**1,107**
At 30 June 2008		**2,137**	**82**	**2,219**	**1,285**	**18**	**1,303**

18 Property, plant and equipment (continued)

$'000	Consolidated Goodwill	Consolidated Patents & trademarks	Consolidated Total	Company Goodwill	Company Patents & trademarks	Company Total
19 Intangible assets						
Cost						
Balance at 1 July 2006	4,680	-	4,680	-	-	-
Acquisitions through business combination	4,680	-	4,680	-	-	-
Balance at 30 June 2007	4,680	-	4,680	-	-	-
Balance at 1 July 2007	4,680	-	4,680	-	-	-
Impairment	(2,644)	-	(2,644)			
Acquisitions through business combination	-	-	-	-	-	-
Balance at 30 June 2008	2,036	-	2,036	-	-	-
Carrying amounts						
At 1 July 2006	-	-	-	-	-	-
At 30 June 2007	4,680	-	4,680	-	-	-
At 1 July 2007	4,680	-	4,680	-	-	-
At 30 June 2008	2,036	-	2,036	-	-	-

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.

Impairment testing for cash-generating units containing goodwill
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 aggregate carrying amounts of goodwill allocated to each unit are as follows:

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
ProControl Systems		1,182	1,482	-	-
Bagot Press		854	3,198	-	-
		2,036	4,680	-	-

Impairment testing for ProControl Systems was based on fair value less costs to sell resulting in a $300,000 impairment loss. Impairment testing for Bagot Press was based on 'value in use' discounted at 13% resulting in a $2,344,497.91 impairment loss.

20 Trade and other payables

	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
Trade payables and accrued expenses	539	884	100	159
	539	884	100	159

		Note	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
21	**Loans and borrowings**					
	Current					
	Convertible Notes		775	-	775	-
	Loans - Other		73	-	-	-
	Hire purchase agreements		62	21	42	-
			910	21	817	-
	Non-current					
	Loans – Other		260	-	-	-
	Hire purchase agreements		176	14	176	-
	Total loans and borrowings		436	14	176	-

Convertible Notes

Proceeds from issue of convertible notes	775	-	775	-
Transaction costs	-	-	-	-
Net proceeds	775	-	775	-
Classified as equity	-	-	-	-
Accreted interest	-	-	-	-
Carrying amount of liability at 30 June	775	-	775	-

On the 4th 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 will mature one year from the issue date. The notes issued were 3,000 and 2,000 to the directors Mr John Riemelmoser and Mr John Darley respectively.

The notes are convertible into 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 the 30 June 2008 that rate was 7.8 % (2007: nil%).

Financing facilities

The consolidated entity has access to the following lines of credit:

Total facilities available:				
Credit card facility	33	33	10	10
Convertible notes	775	-	775	-
Hire purchase agreements	239	35	218	-
Bank overdraft	40	40	-	-
	1,087	108	1,003	10
Facilities utilised at balance date:				
Credit card facility	24	8	3	8
Convertible notes	775		775	
Hire purchase agreements	239	35	218	-
Bank overdraft	-	48	-	-
		91	8	8
Facilities not utilised at balance date:				
Credit card facility	9	25	7	2
Bank overdraft	40	(8)	-	-
	49	17	7	2

The credit card facility utilised at balance date for both 2008 and 2007 were included within trade payables.

22 Share capital

	Note	Company 2008 $'000	Company 2007 $'000
Issued and paid-up capital			
74,060,072 (2007: 70,908,872) ordinary shares fully paid		10,703	9,821
Ordinary shares			
Balance at the beginning of year		9,821	2,887
Shares issued:			
26 September 2007 – 6,244 shares issued at $0.20 following the exercise of options		1	
25 October 2007 – 1,948,833 shares issued at $0.28 pursuant to non-renounceable rights issue		546	-
29 October 2007 – 4757,143 shares issued at $0.28 pursuant to non-renounceable rights issue placement of shortfall		128	-
9 November 2007 – 475,000 shares issued at $0.28 pursuant to non-renounceable rights issue placement of shortfall		133	-
29 November 2007 – 117,000 shares issued at $0.28 pursuant to non-renounceable rights issue placement of shortfall		33	-
18 December 2007 – 147,000 shares issued at $0.28 pursuant to non-renounceable rights issue placement of shortfall		41	-
16 February 2007 – 1,500,000 shares issued at $1.00 as consideration for purchase of Baratex Pty Ltd		-	1,500
27 February 2007 – 1,360,500 shares issued at $0.20 following the exercise of options		-	272
28 April 2007 – 1,692,496 shares issued at $0.745 pursuant to the Share Purchase Plan		-	1,261
1 May 2007 – 2,500,000 shares issued at $0.80 as consideration for the purchase of Bagot Press Pty Ltd		-	2,000
3 May 2007 – 9,802,376 shares issued at $0.20 following the exercise of options		-	1,960
Costs incurred in issuing shares		(51)	(59)
Balance at end of year		10,652	9,821

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.

23 Reserves

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
Equity compensation reserve		768	742	768	742
		768	742	768	742

		Note	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
24	**Employee benefits**					
	Current					
	Salaries and wages accrued		78	15	58	-
	Superannuation accrued		73	41	39	30
	Other Payroll Liabilities		84	-	6	-
	Liability for long service leave		25	-	1	-
	Liability for annual leave		113	86	31	31
			373	142	135	61
	Non-current					
	Liability for long service leave		78	64	9	6
	Total employee benefits		78	206	9	67

a) **Movement in employee benefits**

In thousands of AUD	Salaries and wages accrued	Super accrued	Liability for annual leave	Liability for long service leave	Total
Consolidated					
Balance at 1 July 2006	-	-	20	-	20
Acquired in business combination	-	-	50	47	97
Provisions made during the period	15	41	16	17	89
Balance at 30 June 2007	15	41	86	64	206
Balance at 1 July 2007	15	41	86	64	206
Acquired in business combination	-	-	-	-	-
Provisions made during the period	63	32	19	(39)	75
Balance at 30 June 2008	78	73	105	25	281
Company					
Balance at 1 July 2006	-	-	20	-	20
Provisions made during the period	-	30	11	6	47
Balance at 30 June 2007	-	30	31	6	67
Balance at 1 July 2007	-	30	31	6	67
Provisions made during the period	58	9	-	(5)	62
Balance at 30 June 2008	58	39	31	1	129

24 Employee benefits (continued)

c) **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. No options were issued during the year ended 30 June 2008 or 30 June 2007.

Options were issued to key management personnel during the year ended 30 June 2008 as a result of the bonus option scheme implemented by the Company. These options were issued to key management personnel on the same basis as options issued to all other shareholders and not as a result of their employment with the Company. As such, the issue has not been treated as a share based payment.

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

	2008		2007	
	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	3,500,000	0.20
Granted	-	-	-	-
Exercised	-	0.20	(1,000,000)	0.20
Outstanding at 30 June	2,500,000	0.20	2,500,000	0.20
Exercisable at 30 June	2,500,000	0.20	2,500,000	0.20

The market value of shares under these options at 30 June 2008 was $0.55 (2007: $0.55).

The expiry date of the options detailed above is 31 December 2008.

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.

Employee expenses

The value of options issued to key management personnel during the year ended 30 June 2008 was treated as a transaction cost as part of the initial public offering of the Company, and as such has been recorded directly in equity.

25 Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the Company's and the consolidated entity's business.

(a) Foreign currency risk

The consolidated entity is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the AUD. The currencies giving rise to this risk is primarily U.S. Dollars. Given that the consolidated entity is currently developing the business activities that give rise to these risks, the risks involved are currently minimal and as such no hedging arrangements are currently in place.

(b) Credit risk exposures

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The consolidated entity does not require collateral in respect of financial assets.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(c) Net fair values of financial assets and liabilities

Valuation approach

The methods used in determining fair values of financial instruments are disclosed in note 4.

The carrying amounts and net fair values of financial assets and liabilities as at the reporting date are as follows:

	2008		2007	
	Carrying amount $'000	**Net fair value $'000**	**Carrying amount $'000**	**Net fair value $'000**
Financial assets				
Cash assets	283	283	476	476
Receivables	836	836	615	615
Financial liabilities				
Payables	524	524	884	884
Loans and borrowings	1,346	1,346	35	35

25 Financial Instruments (continued)

(d) Interest rate risk

The consolidated entity's exposure to interest rate risk and the effective interest rate for classes of financial assets and financial liabilities is set out below:

	Note	Effective interest rate	Floating interest rate $'000	1 year or less $'000	1 to 5 years $'000	more than 5 years $'000	Non-Interest Bearing $'000	Total $'000
2008								
Financial assets								
Cash assets	29	5%	283	-	-	-	-	283
Trade and other Receivables	14	-	-	-	-	-	836	836
			283	-	-	-	836	283
Financial liabilities								
Trade and other payables	20	-	-	-	-	-	524	524
Loans and borrowings	21	10.4%	-	910	436	-	-	1,346
			-	910	436	-	524	1,870
2007								
Financial assets								
Cash assets	29	5%	476	-	-	-	-	476
Trade and other Receivables	14	-	-	-	-	-	615	615
			476	-	-	-	615	1,091
Financial liabilities								
Trade and other payables	20	-	-	-	-	-	884	884
Loans and borrowings	21	8.2%	-	21	14	-	-	35
			-	21	14	-	884	919

		Note	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 20067$' 000
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		151	174	24	57
	One year or later and no later than five years		561	554	12	37
			712	728	36	94

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.

27	**Capital and other commitments**					
	Capital expenditure commitments					
	Plant and equipment					
	Contracted but not provided for and payable:					
	With one year		58	110	-	-
	One year or later and no later than five years		-	-	-	-
			58	110	-	-

As at 30 June 2006, the consolidated entity was committed under the Alliance Agreement with Exelint International Co to a capital contribution of US$500,000 in respect of capital works and tooling. This expenditure was undertaken during the year ended 30 June 2007. As at 30 June 2007 the consolidated entity had made commitments to purchase capital equipment within Bagot Press Pty Ltd.

28 Consolidated entities

Particulars in relation to consolidated entities	Ordinary Share Consolidated Entity Interest 2008 %	Ordinary Share Consolidated Entity Interest 2007 %
Parent entity		
Safety Medical Products Limited		
Controlled Entities		
Baratex Pty Ltd	100%	100%
Bagot Press Pty Ltd	100%	100%

As detailed in Note 6, Baratex Pty Ltd, operating as ProControl Systems, was acquired on 9 February 2007 and Bagot Press Pty Ltd was acquired on 1 May 2007.

Baratex Pty Ltd and Bagot Press Pty Ltd are both incorporated in Australia.

	Note	2008 $'000	2007 $'000	2008 $'000	2007 $'000

29 Cash and cash equivalents

		2008 $'000	2007 $'000	2008 $'000	2007 $'000
Bank balances		283	524	180	363
Bank overdrafts		-	(48)	-	-
		283	476	180	363

30 Reconciliation of cash flows from operating activities

	Note	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Cash flows from operating activities					
Profit for the period		(1,554)	(1,519)	(1,557)	(1,363)
Adjustments for:					
Depreciation	18	239	51	95	24
Loss on disposal of available for sale financial assets		-	174	-	174
Income tax expense	12	(56)	(129)	-	(36)
Interest Paid		81	-	37	-
Interest Income	10	-	(46)	(12)	(45)
Operating profit before changes in working capital and provisions		**(1,818)**	**(1,469)**	**(1,437)**	**(1,246)**
Change in assets and liabilities					
(Increase)/decrease in inventories		(222)	(382)	(209)	(187)
(Increase)/decrease in trade and other receivables		218	(226)	(47)	21
(Increase)/decrease in other current assets		64	-	36	-
Increase/(decrease) in trade and other payables		(355)	417	(59)	(33)
Increase/(decrease) in provisions for employee benefits		241	48	77	17
		(56)	(143)	(202)	(182)
Income tax (paid)/refunded		91	65	-	104
Net cash from operating activities		**(1,850)**	**(1,547)**	**(1,639)**	**(1,324)**

31 Related parties

The following were key management personnel of the consolidated entity during the entire reporting period, unless otherwise indicated.

Non-executive directors
Dr Joseph Nicholas

Executive directors
Mr John Darley (Chairman)

Mr John Riemelmoser (Managing Director and CEO)

Executives
Mr Bruce Hocking (Company Secretary)
Mr Robert Doley (General Manager ProControl Systems – commenced 9 February 2007)
Mr Trevor Sharpe (General Manager Bagot Press – commenced 1 May 2007)

Key management personnel compensation

The key management personnel compensation included in ‘personnel expenses’ (note 9) are as follows:

	Consolidated		Company	
	2008 $	2007 $	2008 $	2007 $
Short-term employee benefits	616,097	795,000	494,787	717,000
Post-employment benefits	159,605	69,000	81,661	62,000
Share-based payments	-	-	-	-
	775,702	864,000	576,448	779,000

Individual directors and executives compensation disclosures

Information regarding individual directors and executives’ compensation and some equity instruments disclosures as permitted by the Corporations Regulations 2M.3.03 and 2M.6.04 is provided in the Remuneration Report section of the Directors’ report on pages 10 to 16.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors’ interests existing at year end.

Other key management personnel transactions

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm’s length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

31 Related parties (continued)

Key management personnel	Transaction	Note	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Mr Anthony Mitchell (November 2007 – February 2008)	Consultancy		30,645	-	30,645	-

i) Amounts paid to Mr Anthony Mitchell during the year for Consultancy work performed. No amount remain outstanding.

Directors Loan

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

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Mr J Riemelmoser	200,000	-	200,000	-
Mr J Darley	300,000	-	300,000	-
Directors loans (Note 21)	500,000	-	500,000	-

31 Related parties (continued)

Options over equity instruments

The movement during the reporting period in the number of options over ordinary shares in Safety Medical Products Limited held, directly, indirectly or beneficially, by each key management personnel, including their related parties, is as follows:

	Held at 1 July 2007	Granted as remuneration	Other net changes [1]	Exercised	Lapsed	Held at 30 June 2008	Vested and exercisable at 30 June 2008
Directors							
Mr John Darley and related parties	1,305,068	-	-	-	-	1,305,068	1,305,068
Mr John Riemelmoser and related parties	12,546,947	-	-	-	-	12,546,947	12,546,947
Dr Joseph Nicholas	1,325,000	-	-	-	-	1,325,000	1,325,000
Executives							
Mr B Hocking	1,173,750	-	-	-	-	1,173,750	1,173,750
Mr Robert Doley and related parties	1,225,000	-	-	-	-	1,225,000	1,225,000
Mr Trevor Sharpe	-	-	18,000	-	-	18,000	18,000

	Held at 1 July 2006	Granted as remuneration	Other net changes [2]	Exercised	Lapsed	Held at 30 June 2007	Vested and exercisable at 30 June 2007
Directors							
Mr John Darley and related parties	1,030,000	-	305,068	(30,000)	-	1,305,068	1,305,068
Mr John Riemelmoser and related parties	6,115,000	-	6,536,947	(105,000)	-	12,546,947	12,546,947
Dr Joseph Nicholas	1,025,000	-	300,000	-	-	1,325,000	1,325,000
Mr Marcus Boland and related parties (ceased 27 June 2007) [1]	4,197,500	-	4,337,706	(200,000)	-	8,335,206	8,335,206
		-		-			
Executives		-		-			
Mr B Hocking	1,500,000	-	673,750	(1,000,000)	-	1,173,750	1,173,750
Mr Robert Doley and related parties	-	-	1,475,000	(250,000)	-	1,225,000	1,225,000
Mr Trevor Sharpe	-	-	-	-	-	-	-

Options vested by key management personnel were not exercisable at 30 June 2007 or 2008.

1) Options issued under an employee share entitlement which occurred on 27 November 2007. Options are exercisable at $0.50 per option, before 31 December 2010. Unexercisable will lapse if the participant resigns their employment with the Company or any of its subsidiaries.
2) Options issued under a bonus issue which occurred on 26 April 2007. All shareholders were issued one free option for every two shares held.

31 Related parties (continued)

Movement in shares

The movement during the reporting period in the number of ordinary shares of Safety Medical Products Limited held, directly, indirectly or beneficially, by each key management personnel, including their related parties is as follows:

	Held at 1 July 2007	Granted as remuneration	Received on exercise of options	Other net changes (1)	Held at 30 June 2008
Directors					
Mr John Darley and related parties	610,133	-	-	-	610,133
Mr John Riemelmoser and related parties	13,073,892	-	-	-	13,073,892
Dr Joseph Nicholas	600,000	-	-	-	600,000
Executives					
Mr B Hocking	1,347,500	-	-	-	1,347,500
Mr Robert Doley and related parties	2,450,000	-	-	-	2,450,000
Mr Trevor Sharpe	-	-	-	-	-

	Held at 1 July 2006	Granted as remuneration	Received on exercise of options	Other net changes (1)	Held at 30 June 2007
Directors					
Mr John Darley and related parties	560,000	-	30,000	20,133	610,133
Mr John Riemelmoser and related parties	12,155,470	-	105,000	813,422	13,073,892
Dr Joseph Nicholas	550,000	-	-	50,000	600,000
Mr Marcus Boland and related parties (ceased 27 June 2007) (2)	8,285,000	-	200,000	(151,500)	8,333,500
Executives					
Mr B Hocking	512,500	-	1,000,000	(165,000)	1,347,500
Mr Robert Doley and related parties	-	-	250,000	2,200,000	2,450,000
Mr Trevor Sharpe	-	-	-	-	-

1) Mr R Doley received 1,500,000 shares in the Company as consideration for the sale of Baratex Pty Ltd, trading as ProControl Systems, to the Company.

31 Related parties (continued)

Movement in convertible notes
The movement during the reporting period in the number of convertible notes of Safety Medical Products Limited held, directly, indirectly or beneficially, by each key management personnel, including their related parties is as follows:

	Held at 1 July 2007	Granted as remuneration	Received on exercise of options	Other net changes [1]	Held at 30 June 2008
Directors					
Mr John Darley and related parties	-	-	-	2,000	2,000
Mr John Riemelmoser and related parties	-	-	-	3,000	3,000
Dr Joseph Nicholas	-	-	-	-	-
Executives					
Mr B Hocking	-	-	-	-	-
Mr Robert Doley and related parties	-	-	-	-	-
Mr Trevor Sharpe	-	-	-	-	-

(1) During the year convertible notes were issued at a face value of $100 per note with a moving interest rate of 500 basis Points above the 90-Day Bill Rate and can be converted into ordinary shares at a rate of 400 per share, an effective price of $0.25c per share.

Subsidiaries
Loans were made by the Company to wholly owned subsidiaries for working capital and capital purchases during last financial year. The loans outstanding between the Company and its subsidiaries have no fixed date of repayment and are non-interest bearing. As at 30 June 2008 the loan has been impaired to 1.82 million due to devaluation of the business operations in Bagot Press.

Other related parties
Key management persons related parties
For details of these transactions refer to key management personnel related disclosures.

32 Dividends

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

33 Events subsequent to reporting date

There has not been any 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.