

**ASX Announcement****Polartechnics Limited (ASX Code: PLT)****27 February 2009****Results for Announcement to the Market**

Dear Sir,

Please find attached the Company's Half-Year Results under ASX Listing Rule 4.2A for the half-year ended 31 December 2008.

Yours faithfully,



Mr Robert Hunter  
Chairman  
Polartechnics Limited  
T: 61 2 8586 5333

[www.polartechnics.com](http://www.polartechnics.com)**About Polartechnics Limited:**

Polartechnics Limited (ASX: PLT) is an Australian medical device company specialising in products for the detection of cancer and Sexually Transmitted Infections. Polartechnics has recently developed an STI self-sampling device for the detection of Sexually Transmitted Infections for both males and females. Polartechnics is developing CerviScreen™ a HPV screening device. Polartechnics has developed and manufactures TruScreen™, a real-time point of care cervical cancer screening device. TruScreen is CE accredited and is used commercially in Asia, Middle East and Eastern Europe. Polartechnics also markets MediScan™, a real-time medical record system, for merging visual and text data and SolarScan™, a cancer-screening device for melanoma detection.

**POLARTECHNICS LIMITED**  
**ACN 003 148 427**

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

**AND**

**HALF-YEAR INFORMATION GIVEN TO ASX UNDER LISTING RULE 4.2A**

**FOR THE PERIOD ENDED 31 DECEMBER 2008**

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**POLARTECHNICS LIMITED**  
**ACN 003 148 427**

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

**HALF-YEAR ENDED 31 DECEMBER 2008**

**1. Details of the reporting period and the previous corresponding period**

Contained herein is the Half-Year Report for Polartechnics Limited Consolidated Entity ("Polartechnics") for the half-year ended 31 December 2008. Comparative information is for the half-year ended 31 December 2007, or as at 30 June 2008.

The Consolidated Entity is composed of Polartechnics as the Chief Entity and its subsidiaries, which are wholly-owned.

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

	<b>Dec 2008</b>	<b>Dec 2007</b>	<b>%</b>
	<b>\$</b>	<b>\$</b>	<b>Change</b>
2.1 Revenue from ordinary activities	916,608	598,493	53.2
2.2 Profit (loss) from ordinary activities after tax attributable to members	(4,427,124)	(4,928,527)	10.2
2.3 Net profit (loss) attributable to members	(4,427,124)	(4,928,527)	10.2
2.4 There are no dividends proposed or payable.			
2.5 There are no dividends proposed or payable.			
2.6 No additional explanation of the above is required.			

**3. Net tangible assets per security**

	<b>Dec 2008</b>	<b>Jun 2008</b>	<b>Dec 2007</b>
Net tangible assets per ordinary share	0.52 cents	2.29 cents	5.63 cents

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

Not Applicable

**5. Details of individual and total dividends or distributions and dividend or distribution payments**

Not Applicable

**6. Details of any dividend or distribution reinvestment plans in operation**

Not Applicable

**7. Details of associates and joint venture entities**

Not Applicable

**8. For foreign entities, which set of accounting standards were used in compiling the report**

Not Applicable

**9. Accounts subject to audit dispute or qualification**

Not Applicable

**DIRECTORS' REPORT**

**HALF-YEAR ENDED 31 DECEMBER 2008**

The directors submit their report with respect to the consolidated entity constituted by the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

**Directors**

The names of the directors in office during the half-year and up to the date of this report are as follows:

R K Hunter (Non-executive Chairman)  
B R Dillon (Chief Executive Officer and Managing Director)  
N F Hacker (Non-executive Director)

**Review of operations**

The net amount of the loss of Polartechonics for the half-year ended 31 December 2008 after provision for income tax was \$4,427,124 (2007: \$4,928,527).

Product sales for the half-year ended 31 December 2008 were \$778,908 compared with \$465,048 for half-year ended 31 December 2007.

Polartechonics has continued its focus on the commercialisation of TruScreen. TruScreen sales have grown in 2008 with the sale of the cervical cancer screening units predominantly into China and India. This reflects the continued but controlled build up of screening units in the key Asian markets pending the increase in production capacity of TruScreen consumables.

During the period TruScreen operations involved:

- Reviewing and resolving the TruScreen consumables manufacturing performance that failed to ramp up and stalled the growth of TruScreen sales. Manufacturing procedures in the contracted Chinese production facility were re-validated and production resumed with consistent output performance now established.
- Contracting two large-scale manufacturers in Malaysia and Poland to significantly increase the supply of TruScreen consumables during the second half of the 2009 calendar year.
- Refreshing the credentials for the TruScreen device through publication of product trial results at leading regional gynaecological conferences in Asia and Europe. TruScreen trial results from China and Poland studies reported sensitivity in the 80-85% range which highlights the screening performance increase achievable with TruScreen, when local 'pap test' based procedures perform at less than 50% sensitivity.
- Building the market presence of TruScreen through successful expansion of the distributor relationship in China through contracts with Beijing Unisplendour Junchuang Medical Co Ltd, an established Chinese national medical products distributor; successful completion of TruScreen sales to Indian Hospitals; and increasing the levels of TruScreen regulatory approvals in Korea and Russia.

Polartechonics has also grown its position in the molecular diagnostics markets concentrating on providing a self-sampling solution initially for HPV DNA screening, which acts as an indicator of risk of cervical cancer.

Polartechonics entered into a preferred service relationship with Healthscope Limited utilising Gribbles laboratory for the provision of pathology services in Australia. Polartechonics has also entered a preferred service agreement with Genera Biosystems Limited for access to their HPV DNA molecular diagnostic test. Subsequently Polartechonics has expanded the

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application of its proprietary CerviScreen self-sampling devices for use by men and women to sample for a range of sexually transmissible infections (STI's).

Polartech has contracted for distribution of its self-sampling device into China and more recently the ASEAN market with a focus on Thailand and the Philippines.

Production of the self-sampling device is contracted under license with a large medical consumable manufacturer in Italy, and supply commenced at the beginning of the 2009 calendar year, with significant sales already contracted for the quarter ended 30 June 2009.

Polartech continues to support its MediScan (clinic and theatre database information management system) hospital user base in the United Kingdom and Ireland, and its SolarScan (melanoma detection device) user base in Australia and New Zealand.

As a consequence of the above activities, total operating expenses have been reduced by 3.3% from the same period last year. Reductions in sales and marketing, office services and research and development have helped absorb the increased costs of corporate services associated with corporate governance and statutory reporting; and increased production costs associated with the re-validation and improvement to TruScreen production capacity and the establishment of CerviScreen self-sampling device manufacturing capacity.

	<b>Dec 2008</b>	<b>Dec 2007</b>
	\$	\$
<b>Product sales consisted of:</b>		
TruScreen	504,300	44,111
MediScan	250,349	366,125
SolarScan	24,259	46,344
Skin Treatment Devices	-	8,468
	<b>778,908</b>	<b>465,048</b>

Subsequent to the period end:

- Polartech has re-established the supply of TruScreen consumables and is receiving increased supply month to month from China to support increased sales in TruScreen screening units and finally consumables to meet re-orders from the user base;
- Polartech has established a new revenue source from its contracts for sales of CerviScreen self-samplers into Australia, China and the ASEAN markets, product being supplied by a large-scale manufacturer.

	<b>Dec 2008</b>	<b>Jun 2008</b>
	\$	\$
<b>Losses from continuing operations:</b>		
First half-year (31 December)	4,427,124	4,928,527
Second half-year (30 June)	-	4,059,260
	<b>4,427,124</b>	<b>8,987,787</b>

The future profitability of the consolidated entity is dependent upon the successful commercialisation of either TruScreen and or CerviScreen to generate sufficient income to cover costs of operations.

Further growth in TruScreen sales remains linked primarily to the production performance of third party manufacturing suppliers. Variability in the performance of these suppliers may significantly affect operations in the ensuing period.

Commencement of significant sales in CerviScreen is primarily dependent upon the timely granting of localised regulatory approval for CerviScreen self-sampling device and placement of the product with the relevant distributors' networks of pharmacies for direct sales to consumers. Variability in the performance of these distributors in China and the ASEAN markets may significantly affect operations in the ensuing period.

The Auditor's Independence Declaration is set out on page 18.

Signed in accordance with a resolution of the directors.



**R K HUNTER**

**27 February 2009**

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**POLARTECHNICS LIMITED**  
**CONDENSED INCOME STATEMENT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	Note	Dec 2008 \$	Consolidated Dec 2007 \$
<b>Revenue from continuing operations</b>		<u>916,608</u>	<u>598,493</u>
Production		(2,239,204)	(1,351,033)
Sales and marketing		(609,595)	(1,352,335)
Corporate services		(1,328,775)	(1,258,436)
Office services		(665,467)	(1,000,180)
Research and development		<u>(500,691)</u>	<u>(565,036)</u>
<b>Loss before income tax</b>		(4,427,124)	(4,928,527)
Income tax expense		<u>-</u>	<u>-</u>
<b>Loss attributable to members of Polartechonics Limited</b>	3	<u>(4,427,124)</u>	<u>(4,928,527)</u>

**Earnings per share for profit from continuing operations attributable to the equity holders of the company:**

Basic earnings per share (cents per share)	(1.85)	(3.84)
The weighted average number of ordinary shares of the consolidated entity outstanding during the half-year used in the calculation of earnings per share.	<u>239,160,505</u>	<u>128,438,811</u>
Diluted earnings per share (cents per share)	(1.85)	(3.84)
The weighted average number of ordinary shares of the consolidated entity outstanding during the half-year used in the calculation of diluted earnings per share.	<u>239,160,505</u>	<u>128,438,811</u>

The options on issue at 31 December 2008 and 31 December 2007 are considered to be anti-dilutive.

The above condensed income statement should be read in conjunction with the accompanying notes.

**POLARTECHNICS LIMITED**  
**CONDENSED BALANCED SHEET**  
**AS AT 31 DECEMBER 2008**

	Note	Dec 2008 \$	Consolidated Jun 2008 \$	Dec 2007 \$
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents		869,340	3,771,983	10,348,879
Trade and other receivables		1,334,232	1,344,185	753,198
Inventories		2,047,663	675,903	1,138,926
<b>Total Current Assets</b>		<u>4,251,235</u>	<u>5,792,071</u>	<u>12,241,003</u>
<b>Non-Current Assets</b>				
Property, plant and equipment		725,311	801,350	741,439
<b>Total Non-Current Assets</b>		<u>725,311</u>	<u>801,350</u>	<u>741,439</u>
<b>Total Assets</b>		<u>4,976,546</u>	<u>6,593,421</u>	<u>12,982,442</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trade and other payables		2,105,321	685,884	2,870,678
Borrowings	4	1,198,814	10,342	-
Employee benefits		251,801	284,693	290,757
Other liabilities		120,594	61,637	84,377
<b>Total Current Liabilities</b>		<u>3,676,530</u>	<u>1,042,556</u>	<u>3,245,812</u>
<b>Non-Current Liabilities</b>				
Borrowings		25,877	31,404	-
Employee Entitlements		24,754	21,953	63,737
<b>Total Non-Current Liabilities</b>		<u>50,631</u>	<u>53,357</u>	<u>63,737</u>
<b>Total Liabilities</b>		<u>3,727,161</u>	<u>1,095,913</u>	<u>3,309,549</u>
<b>Net Assets</b>		<u>1,249,385</u>	<u>5,497,508</u>	<u>9,672,893</u>
<b>EQUITY</b>				
Contributed equity	5	90,656,223	90,592,223	90,677,787
Reserves		84,440	(30,561)	-
Accumulated losses		(89,491,278)	(85,064,154)	(81,004,894)
<b>Total Equity</b>		<u>1,249,385</u>	<u>5,497,508</u>	<u>9,672,893</u>

The above condensed balance sheet should be read in conjunction with the accompanying notes.



**POLARTECHNICS LIMITED**  
**CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	Note	Consolidated	
		Dec 2008 \$	Dec 2007 \$
Total equity at the beginning of the period		<u>5,497,508</u>	<u>1,797,681</u>
<b>Total recognised income (expense) for the period in the income statement:</b>			
Profit (loss) for the period		(4,427,124)	(4,928,527)
<b>Total income (expense) for the period recognised directly in equity:</b>			
Exchange difference on translation of foreign subsidiary		<u>115,001</u>	<u>-</u>
<b>Total recognised income (expense) for the period</b>		<b>(4,312,123)</b>	<b>(4,928,527)</b>
Contributions of equity, net of transaction costs	5	<u>64,000</u>	<u>12,803,739</u>
<b>Total equity at the end of the period</b>		<b><u>1,249,385</u></b>	<b><u>9,672,893</u></b>

The above condensed statement of changes in equity should be read in conjunction with the accompanying notes.

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**POLARTECHNICS LIMITED**  
**CONDENSED CASH FLOW STATEMENT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	<b>Dec 2008</b>	<b>Consolidated</b>	<b>Dec 2007</b>
	<b>\$</b>		<b>\$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers	645,532		241,439
Interest received	68,600		101,393
Payments to suppliers and employees	(4,931,044)		(4,203,199)
Hire purchase interest paid	(1,775)		-
Other receipts	69,100		32,052
<b>Net cash (outflow) inflow from operating activities</b>	<b><u>(4,149,587)</u></b>		<b><u>(3,828,315)</u></b>
<b>Cash flows from investing activities</b>			
Payment for property, plant and equipment	-		(472,804)
<b>Net cash (outflow) inflow from investing activities</b>	<b><u>-</u></b>		<b><u>(472,804)</u></b>
<b>Cash flows from financing activities</b>			
Share issue costs	-		(879,898)
Proceeds from issue of shares	64,000		13,683,637
Proceeds from issue of convertible notes	1,188,000		-
Hire purchase payments	(5,056)		-
<b>Net cash (outflow) inflow from financing activities</b>	<b><u>1,246,944</u></b>		<b><u>12,803,739</u></b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,902,643)</b>		<b>8,502,620</b>
Cash and cash equivalents at the beginning of the half-year	<u>3,771,983</u>		<u>1,846,259</u>
<b>Cash and cash equivalents at the end of the half-year</b>	<b><u>869,340</u></b>		<b><u>10,348,879</u></b>

The above condensed cash flow statement should be read in conjunction with the accompanying notes.

# POLARTECHNICS LIMITED

## NOTES TO AND FORMING PART OF THE ACCOUNTS

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report for the interim half-year reporting period ended 31 December 2008 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by Polartechonics Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies are consistent with those followed in the most recent annual report.

This financial report is prepared in accordance with the going concern concept.

#### **Going Concern**

The directors have prepared the financial statements on a going concern basis, which contemplates the continuity of normal business activities, realisation of assets and settlement of liabilities at the amounts recorded in the financial statements in the normal course of business.

For the reasons described below, there is material uncertainty whether the consolidated entity will continue as a going concern:

- Trading Losses of \$4,427,124 (2007: \$4,928,527) for the consolidated entity.
- Asset values reported at 31 December 2008 including Inventory (\$2,047,663) and Plant & Equipment (\$725,311) are based on the consolidated entity continuing as a going concern.

The consolidated entity participates in the biotechnology sector and is in transition from research and development operations to fully commercialised trading operations.

The ability of the consolidated entity to continue as a going concern is dependent on its ability to obtain sufficient finance to fund the operations, through any, or a combination of, new capital, borrowings or successful commercialisation of its products.

Should the consolidated entity be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial statements.

The financial report does not include adjustments concerning recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

#### 2. SEGMENT INFORMATION

The consolidated entity consists of one business segment providing a group of products related to women's health. In the half-year ended 31 December 2008 it derived the majority of its income from commercialisation of its products and distribution of third party manufactured products. The consolidated entity operated predominantly within Australia, commercialising and marketing its products.

POLARTECHNICS LIMITED

NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Consolidated	
	Dec 2008	Dec 2007
	\$	\$
<b>3. (LOSS) FOR THE HALF-YEAR</b>		
Included in operating (loss) are the following items:		
<b>(a) Revenue</b>		
Sales	778,908	465,048
Interest received	68,600	101,393
Other	69,100	32,052
	<u>916,608</u>	<u>598,493</u>
<b>(b) Expense</b>		
Depreciation of property, plant and equipment and leasehold improvements	76,040	75,939
Loss on disposal of plant and equipment	-	51,680
Make-good of previous premises	-	150,000
Cost of goods sold	802,786	596,497
Personnel costs	2,114,400	2,236,079
Hire purchase expenses	6,831	-
Rental expense relating to operating leases	323,765	417,117

	Consolidated		
	Dec 2008	Jun 2008	Dec 2007
	\$	\$	\$
<b>4. BORROWINGS - CURRENT</b>			
Convertible notes	1,188,000	-	-
Hire purchase	10,814	10,342	-
	<u>1,198,814</u>	<u>10,342</u>	<u>-</u>

On 30 December 2008 the company borrowed \$1,188,000 by way of a placement of convertible notes to investors. These notes are at 8% per annum interest, and are secured by way of a fixed and floating charge over all the present and future assets of the company.

The convertible notes are convertible at the option of the note holder on or before 24 December 2009, at \$0.07 per share. If not converted by 24 December 2009 the notes are repayable on 31 December 2009. The convertible notes provide no rights to dividends until converted.

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POLARTECHNICS LIMITED

NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

5. EQUITY SECURITIES ISSUED

	Dec 2008 \$	Consolidated Jun 2008 \$	Dec 2007 \$
<b>(a) Issued capital</b>			
Ordinary shares, fully paid	90,656,223	90,592,223	84,220,587
Pre-IPO convertible notes	-	-	6,457,200
	<u>90,656,223</u>	<u>90,592,223</u>	<u>90,677,787</u>

	Dec 2008 No.	Consolidated Jun 2008 No.	Dec 2007 No.
<b>(b) Issued capital</b>			
Ordinary shares, fully paid	241,119,796	240,446,110	171,801,889
Pre-IPO convertible notes	-	-	6,457,200
	<u>241,119,796</u>	<u>240,446,110</u>	<u>178,259,089</u>

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

	Dec 2008 No.	Consolidated Dec 2007 No.	Dec 2008 \$	Dec 2007 \$
<b>(c) Movements in issued capital</b>				
<b>Ordinary shares</b>				
Balance at beginning of period	240,446,110	120,357,623	90,592,223	71,416,848
Rights issue (i)	-	12,742,096	-	5,096,838
Rights issue shortfall (i)	-	11,379,428	-	4,551,771
Placement (ii)	-	10,000,000	-	4,000,000
Exercise of options (iii)	673,686	270,110	64,000	35,028
Conversion of convertible notes - Dec07 (iv)	-	17,052,632	-	-
Equity issue costs	-	-	-	(879,898)
Balance at end of period	<u>241,119,796</u>	<u>171,801,889</u>	<u>90,656,223</u>	<u>84,220,587</u>
<b>Convertible notes</b>				
Balance at beginning of period	-	8,077,200	-	8,077,200
Issue (conversion) of convertible notes	-	(1,620,000)	-	(1,620,000)
Balance at end of period (iv)	<u>-</u>	<u>6,457,200</u>	<u>-</u>	<u>6,457,200</u>

**POLARTECHNICS LIMITED**

**NOTES TO AND FORMING PART OF THE ACCOUNTS**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

**(i) Rights issue**

On 27 September 2007 the Company invited shareholders to subscribe to a rights issue of 24,121,524 ordinary shares at an issue price of 40 cents per share on the basis of 1 share for every 5 shares held. The issue was underwritten.

**(ii) Placement**

On 27 September 2007 the Company announced a placement offer of up to 10,000,000 shares at 40 cents each, to raise a maximum of \$4,000,000. The placement was fully subscribed.

**(iii) Conversion of options**

Details of options issued, exercised and lapsed are set out in Note 5(d) below.

**(iv) Convertible notes**

Pursuant to resolutions at the Company's 2006 Annual General Meeting, a total of 8,077,200 Pre-IPO Convertible Notes were issued during February and March 2007 at an issue price of \$1.00 each. The notes were converted during the year ended 30 June 2008.

On conversion, each Note automatically converted into ordinary shares in the capital of the Company at an issue price equal to \$0.095 per share and also entitled the holder to 1 option for every 2 shares acquired.

Other Convertible notes were issued as set out in Note 4.

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POLARTECHNICS LIMITED

NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

(d) Options

Set out below are summaries of options issued by the Company:

Grant Date	Note	Expiry date	Exercise Price	Balance at start of period	Granted during the period	Exercised during the period	Lapsed during the period	Balance at end of period	Vested & exercisable at end of period
			\$	No.	No.	No.	No.	No.	No.
<b>Year to 30Jun 2007</b>									
25 Oct 2005		31 Dec 2006	0.20	8,928,688	-	(21,875)	(8,906,813)	-	-
29 Nov 2006		29 Nov 2007	0.12	-	250,000	-	-	250,000	250,000
7 Dec 2006		28 Dec 2007	0.25	-	21,875	-	-	21,875	21,875
29 Nov 2006	(i)	16 Nov 2010	0.08	-	2,500,000	-	-	2,500,000	-
17 Jan 2007	(ii)	17 Jan 2011	0.095	-	1,200,000	-	-	1,200,000	-
				<b>8,928,688</b>	<b>3,971,875</b>	<b>(21,875)</b>	<b>(8,906,813)</b>	<b>3,971,875</b>	<b>271,875</b>
<b>Year to 30Jun 2008</b>									
29 Nov 2006		29 Nov 2007	0.12	250,000	-	(250,000)	-	-	-
7 Dec 2006		28 Dec 2007	0.25	21,875	-	(20,110)	(1,765)	-	-
29 Nov 2006	(i)	16 Nov 2010	0.08	2,500,000	-	-	-	2,500,000	-
17 Jan 2007	(ii)	17 Jan 2011	0.095	1,200,000	-	-	(494,000)	706,000	-
28 Dec 2007	(iii)	28 Dec 2009	0.095	-	8,526,316	-	-	8,526,316	8,526,316
28 Feb 2008	(iv)	28 Feb 2010	0.095	-	33,985,299	(673,686)	-	33,311,613	33,311,613
				<b>3,971,875</b>	<b>42,511,615</b>	<b>(943,796)</b>	<b>(495,765)</b>	<b>45,043,929</b>	<b>41,837,929</b>
<b>Half-year to 31Dec 2008</b>									
29 Nov 2006	(i)	16 Nov 2010	0.08	2,500,000	-	-	-	2,500,000	2,500,000
17 Jan 2007	(ii)	17 Jan 2011	0.095	706,000	-	-	(129,000)	577,000	-
28 Dec 2007	(iii)	28 Dec 2009	0.095	8,526,316	-	-	-	8,526,316	8,526,316
28 Feb 2008	(iv)	28 Feb 2010	0.095	33,311,613	-	(673,686)	-	32,637,927	32,637,927
26 Nov 2008	(v)	26 Nov 2012	0.115	-	1,250,000	-	-	1,250,000	-
				<b>45,043,929</b>	<b>1,250,000</b>	<b>(673,686)</b>	<b>(129,000)</b>	<b>45,491,243</b>	<b>43,664,243</b>

The terms of options to subscribe for fully paid ordinary shares as at 31 December 2008 were:

	Number
(i) Options issued to the Managing Director exercisable at \$0.08 - Vested 29 Nov 2008, expiring 16 Nov 2010	2,500,000
(ii) Options issued to employees exercisable at \$0.095 (ESOP No1) - Vesting 17 Jan 2009, expiring 17 Jan 2011	577,000
(iii) Options arising from the conversion of convertible notes issued to Directors exercisable at \$0.095 - Vested 28 Dec 2007, expiring 28 Dec 2009	8,526,316
(iv) Options arising from the conversion of convertible notes exercisable at \$0.095 - Vested 28 Feb 2008, expiring 28 Feb 2010	32,637,927
(v) Options issued to employees exercisable at \$0.115 (ESOP No2) - Vesting 26 Nov 2010, expiring 26 Nov 2012	1,250,000
<b>Total Options on issue</b>	<b>45,491,243</b>

**POLARTECHNICS LIMITED**

**NOTES TO AND FORMING PART OF THE ACCOUNTS**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

**(e) Shares issued during the year**

The funds of all issues were used for general working capital purposes, particularly product enhancement, new market entry and commercialisation of operations.

**(f) Capital risk management**

The consolidated entities objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns to shareholders, and maintain an optimal capital structure to reduce costs.

In order to maintain or adjust the capital structure the consolidated entity may issue new shares, or obtain debt financing.

The Board monitors capital on the basis of available reserves and cash flow requirements.

**6. NON-CASH FINANCING AND INVESTMENT ACTIVITIES**

There were no material non-cash financing or investing activities during the half-year.

**7. OTHER INFORMATION**

In the ordinary course of business the company has committed to purchases of inventories consisting of finished goods and components from trade suppliers. At 31 December 2008 the company had total commitments to trade suppliers, net of deposits, of \$1,514,540 which are expected to become payable during the year ending 30 June 2009 upon receipt of the goods. These goods are expected to be realised as sales in the ordinary course of business.

**8. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

- (a) On 23 February 2009 the company launched a Share Purchase Plan (SPP) for existing shareholders. The terms of the SPP are as follows;
- (i) Allows existing shareholders to acquire up to \$5,000 in additional capital
  - (ii) \$0.11 per share offer price
  - (iii) 19.94% discount to 5 day trading average of \$0.1374 per share for the period 16 February 2009 to 20 February 2009
  - (iv) Dispatch of offer, date of offer, and opening date: 25 February 2009
  - (v) Closing date: 20 March 2009
  - (vi) Issue and allot shares date: 26 March 2009
  - (vii) Apply to ASX for quotation of shares: 30 March 2009
  - (viii) Maximum aggregate amount that may be raised is \$7,983,552, on the issue of 72,577,743 shares.



**POLARTECHNICS LIMITED**

**NOTES TO AND FORMING PART OF THE ACCOUNTS**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

- (b) On 25 February 2009 the company announced that the placement of \$2,000,000 of ordinary equity to a Chinese company, Beijing Unisplendour Junchuang Medical Co. Ltd. (BUJM), as approved at the 2008 AGM will now not occur. Dialogue continues with BUJM who have indicated they are still interested in investing in the company in the future. The company was advised that Chinese government approval for the investment was not forthcoming due to government policy changes, which encourage domestic rather than international investment. This is a direct result of the global financial crisis and its impact in China.

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**POLARTECHNICS LIMITED**

**DECLARATION BY DIRECTORS**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

The directors declare that, in the opinion of the directors,

- i) the financial statements and notes set out on pages 6 to 16 are in accordance with the *Corporations Act 2001*, including:
  - a) complying with Accounting Standard AASB 134: Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.
- (ii) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors



**R K HUNTER**  
**27 February 2009**

**AUDITOR'S INDEPENDENCE DECLARATION**

**To the Directors of Polartechincs Limited:**

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

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Polartechincs Limited and the entities it controlled during the period.



**D K Swindells**  
Partner

**Sydney**  
**27 February 2009**

**HLB Mann Judd (NSW Partnership) ABN 34 482 821 289**

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## HALF-YEAR REVIEW REPORT

To the members of Polartechnics Limited:

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Polartechnics Limited, as set out on pages 6 to 17, which comprises the condensed balance sheet as at 31 December 2008, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Polartechnics Group ("the consolidated entity"). The consolidated entity comprises Polartechnics Limited ("the company") and the entities it controlled during that half-year.

#### *Directors' Responsibility for the half-year financial report*

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

#### *Auditor's Responsibility*

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

#### **HLB Mann Judd (NSW Partnership) ABN 34 482 821 289**

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### HALF-YEAR REVIEW REPORT (continued)

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

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

#### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Polartech Limited on 27 February 2009, would be in the same terms if provided to the directors as at the time of this auditor's review report.

#### *Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### *Material Uncertainty regarding continuation of Going Concern*

Without qualifying our conclusion expressed above, we draw attention to Note 1 to the half-year financial report which indicates that the consolidated entity incurred losses of \$4,427,124 for the half-year ended 31 December 2008, and as at that date the consolidated entity's net assets were \$1,249,385. These conditions along with other matters set forth in Note 1 indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as going concern.

A handwritten signature in black ink that reads 'HLB Mann Judd'.

HLB MANN JUDD  
(NSW Partnership)  
Chartered Accountants

A handwritten signature in black ink that reads 'D K Swindells'.

D K Swindells  
Partner

Sydney  
27 February 2009