**Released 28 August 2017**

## SAFEROADS HOLDINGS LIMITED

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**
**YEAR ENDED 30 JUNE 2017**

# *Saferoads returns to profit following business transformation*

**HIGHLIGHTS**

- Revenue from ongoing* product sales and rentals up $2.2 million (or 15.4%)
- International product sales of $467k from USA, Europe, Middle East and New Zealand
- EBITDA of $800k, up 58%
- Profit before tax of $154k, a $311k turnaround from last year's $157k loss
- Solid order book with $2.8 million work in hand (up 21% from the same period last year)
- $1.0 million generated in operating cash flows from strong working capital management.
- Further scheduled bank debt reduction of $504k with core bank debt down to $2.0 million.
- Since year end, we have secured a new deal with our bankers that extends our facilities for three years, provides for significantly less debt reduction and reduced interest rates.

**FINANCIAL HEADLINES**

| 12 months ending | June 2017 $'000 | June 2016 $'000 |
|---|---|---|
| Revenue | **16,936** | 16,269 |
| **EBITDA** | **800** | 504 |
| Depreciation and amortisation | **(459)** | (451) |
| **EBIT** | **341** | 53 |
| Finance costs | **(187)** | (210) |
| **Profit/(loss) before tax** | **154** | (157) |
| Operating cash flows | **1,033** | 1,022 |
| Core bank debt ** | **1,992** | 2,496 |
| Gearing (net debt / net debt + equity) | **20.2%** | 24.4% |

* *excluding Energy Absorbing Bollard sales following termination of license in July 2016*

** *excludes equipment finance leases*

## SAFEROADS HOLDINGS LIMITED

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**
**YEAR ENDED 30 JUNE 2017**

**OUR TRANSFORMATION CONTINUES**

We continue to implement strategies and invest to transform the company further towards acceptable and sustainable shareholder returns

- The successful relocation of our head office to a new purpose-built facility in Pakenham has delivered on each objective of better servicing our growing customer base, improved operational efficiencies, reduced cost and better access to the metropolitan talent pool.
- We continue to consolidate our pursuit of international markets for our patented products with sales to North America, Europe, Middle East and New Zealand over the past 12 months.
- We have successfully launched more new products including the Omni-stop™ Ultra High Security Bollard and the Portable Solar Light Pole.
- Our Ironman™ Hybrid barrier rental business continues to achieve very high fleet utilisation with its focus on medium-sized customers and new products added to provide a more holistic service offering.
- Our Public Lighting Solutions portfolio continues to grow (revenue up 10%), further enhanced by our new solar public lighting offering, including the recent launch of our Portable Solar Light Pole
- We have continued our investment in innovative product R&D with successful tests of a new 100kph Temporary Workzone Crash Barrier ("HV2") and a new High Security Omni-stop™ Bollard.
- These physical crash test outcomes mirrored the results predicted by our sophisticated product performance and simulation software that highlights the value of this unique capability that we have in our industry.

## SAFEROADS HOLDINGS LIMITED

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**
**YEAR ENDED 30 JUNE 2017**

**OUTLOOK**

- Our order growth rate is very solid across most product lines and the current order book is over $2.8 million.
- We will remain focused on innovation and will continue to bring to market products with both domestic and international sales potential. Of particular focus will be the formal MASH testing in the USA of the next generation HV2 Hybrid Crash Barrier that passed our initial crash test in February this year. Also we will continue to develop and progressively crash test our new High Security Pedestrian Safety Bollard.
- The steps we continue to take to improve supply-side costs and terms should enable us to maintain and improve our operating margins and market competitiveness.
- There is encouraging further international interest in our patented products and we will seek more distribution agreements with overseas parties.
- We anticipate another year of increased profit to build on this year's modest positive result.

### Enquiries/Additional Information:

David Ashmore, Chairman
Ph: 03 5945 6600

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**ABOUT SAFEROADS**

Saferoads is an ASX listed company specializing in providing innovative safety solutions. Headquartered in Pakenham, Victoria with representation across Australia, New Zealand and the USA, the company provides state government departments, local councils, road construction companies and equipment hire companies with a broad range of products and services designed to direct, protect, inform and illuminate for the public's safety.

# APPENDIX 4E
# and
# FINANCIAL REPORT

YEAR ENDED 30 JUNE 2017

SAFEROADS HOLDINGS LIMITED

ABN 81 116 668 538

RELEASED 28 August 2017

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# Appendix 4E
## Preliminary Final Report for the year ended 30 June 2017

| Name of entity | ABN Reference |
|---|---|
| **SAFEROADS HOLDINGS LIMITED** | 81 116 668 538 |

**1. Reporting periods**

| Year ended ('current period') | Year ended ('previous corresponding period') |
|---|---|
| **30 June 2017** | 30 June 2016 |

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

| Key information | **Current period** $ | Previous corresponding period $ | % Change increase / (decrease) | Amount ($) increase / (decrease) $ |
|---|---|---|---|---|
| Revenue from ordinary activities | **16,935,692** | 16,268,750 | 4% | 666,942 |
| Profit/(loss) from ordinary activities after tax attributable to members | **118,847** | (116,082) | n/a | 234,929 |
| Net profit/(loss) for the period attributable to members | **118,847** | (116,082) | n/a | 234,929 |

| **Dividends (distributions)** | | | Amount per share | Franked amount per share at 30% tax |
|---|---|---|---|---|
| Final dividend | Record Date<br>Paid | N/A<br>N/A | N/A | N/A |
| Interim dividend | Record Date<br>Payable | N/A<br>N/A | N/A | N/A |

**Supplementary comments**

Commentary in respect of the results is provided in the attached Chairman's Overview and CEO's Review of Operations and Activities.

**3. NTA backing**

| | **Current period** | Previous corresponding period |
|---|---|---|
| Net tangible asset backing per ordinary share (cents) | **12.5 cents** | 12.6 cents |

**4. Dividends**

| | Date paid/payable | Amount per share | Franked amount per share at 30% tax | Amount per share of foreign source dividend | Amount $ |
|---|---|---|---|---|---|
| **Final dividend:** | N/A | N/A | N/A | N/A | N/A |
| **Interim dividend:** | N/A | N/A | N/A | N/A | N/A |

**5. Dividend reinvestment plans**
N/A

**6. Associates and Joint Ventures**
N/A

**7. Foreign entities**
N/A

# CHAIRMAN'S OVERVIEW

Dear Shareholder,

**FINANCIAL OVERVIEW**

On behalf of the Board I am pleased to report a profit before tax for the financial year of $154k, compared with a loss before tax of $157k for the previous financial year. This reflects our ongoing sustainable business transformation and solid organic growth and improvements made across the business. Another key aspect of our recovery is the ongoing development of new products and the establishment of new markets during the year.

Revenue from product sales and rentals was up $1.0 million, or 6.3% to $16.9 million, notwithstanding the loss of sales following the early termination of the third party license agreement for the energy absorbing bollard, as announced in July last year. Whilst there was a minimal reduction on overall margins, in the highly competitive nature of the markets we operate in, our ability to generate sales and the continued focus on cost rationalisation has allowed the Company to generate a modest profit for the financial year.

International sales of $467k were mainly derived on the back of the previous year's work by our CEO, particularly targeting the US market. In addition, we have commenced the new financial year having delivered another order of $325k under our USA distributor agreement for our patented Ironman™ barrier.

Further scheduled debt reductions of $504k for the year saw finance costs reduce 11%, with core bank debt down to $2.0 million at 30 June 2017. In turn, our gearing ratio reduced further to 20.2% at June 2017 from 24.4% as at 30 June 2016.

We again generated over $1.0 million in operating cash flows during the year, maintaining adequate cash reserves to support the working capital needs of the business as well as providing basic funding for our product innovation projects which totalled $447k for the year.

The table below summarizes the key metrics of the transformation over the past three financial years:

| | | Year ending 30 June | |
|---|---|---|---|
| | **2015 $'000** | **2016 $'000** | **2017 $'000** |
| Revenue from product sales, rentals and royalties | 13,761 | 16,269 | **16,936** |
| EBITDA | 814 | 504 | **800** |
| Profit/(loss) before tax | (90) | (157) | **154** |
| Operating cash flows | 98 | 1,022 | **1,033** |
| Core bank debt * | (3,000) | (2,496) | **(1,992)** |
| Gearing (net debt / net debt + equity) | 26.1% | 24.4% | **20.2%** |

** excludes equipment finance leases*

## STRATEGIC OPPORTUNITIES

Having achieved underlying profitability in 2017, our main priority continues to be sustainable growth in sales and profit. Each of our product portfolios have key budget targets in their respective market sectors and a number of initiatives are in play to continue the momentum achieved in the past financial year.

Road infrastructure spending continues to grow, with committed funding for major Australian transport infrastructure projects peaking at up to $17 billion by 2020. The majority of these are on the eastern seaboard where there are major projects that we are already participating in. Our concrete temporary barrier solution in particular continues to be an attractive offering for major road works along the Pacific Highway in northern NSW and southern Queensland.

Another area of focus for us is pedestrian safety, particularly given the events around the world recently with incidents involving vehicles deliberately driven into urban precincts designated predominantly for pedestrians and causing mass death and injury.

We have developed our new High Security Pedestrian Safety Bollard and are looking at other solutions to assist those charged with protecting people in these areas to at least minimize the likelihood of these situations occurring, and doing this in such a way that it doesn't decrease the ambience of the urban area designed to be people-friendly.

We continue to be pleased with the growth of our Public Lighting business, particularly our addition of off-grid (solar) lighting solutions. We retain a strong market share in the Victorian urban and residential street lighting space and have a number of initiatives underway to exploit our unique offerings in solar lighting as well.

As a result of our CEO, Mr Darren Hotchkin's continued efforts on international markets, we secured further orders under our international distribution agreement which realised sales of $325k in the past year, with a further $325k order delivered at the start of the 2018 financial year. In addition, we have secured new relationships in Belgium for our flexible signage and the USA for our bollards and traffic calming products.

We will remain focused on innovation and will continue to bring to market products with both domestic and international sales potential. Of particular focus will be the formal MASH testing in the USA of the next generation Hybrid temporary barrier system ("HV2") that passed our initial crash test in February this year. In addition, we will continue to develop and progressively crash test our new High Security Pedestrian Safety Bollard.

Since year end, we have secured a significantly enhanced facility with our financier, Commonwealth Bank, for a new term of three years, which will allow us to continue to invest in new innovations as well as have the working capital facilities needed to manage the organic growth of the business. We appreciate the support the bank has provided us over the past few years of serious business transformation and are pleased at the continued confidence the bank is showing in the direction and advances the Company is now taking.

## ACKNOWLEDGMENTS

It has been another busy year for the Company, one that has finally produced a bottom line profit. This is down to the ongoing efforts and dedication of our loyal staff who continue to find ways to provide innovative and value-added solutions for our customers.

Finally, I sincerely thank all our shareholders for their ongoing patience and continued support. Our primary focus continues to be the substantial improvement in the financial performance and sustainability of your Company and I hope you can see that we are making steady progress towards this outcome.

**David Ashmore**
**Chairman of the Board**

# CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS AND ACTIVITIES

## PERFORMANCE DURING 2016-2017

I am very pleased to report that the Company has achieved a net profit before tax for the past financial year.

The Company generated annual operating revenues of $16.9 million (FY2016: $16.3 million) and a net profit before tax of $154k (FY2016: $157k loss). This was achieved on the back of continued organic growth across all sectors of our business and the first significant International sales, particularly in the USA.

During the year we rationalised our domestic business into two (customer centric) streams – Traffic Solutions and Public Lighting Solutions. This was to enable greater focus on the core customer bases of the two portfolios and it is pleasing that we derived top line growth through this initiative, even allowing for the loss of the third party license agreement for the energy absorbing bollard in July 2016.

Our Traffic Solutions portfolio reported annual ongoing revenue growth of 20%.

This was on the back of solid growth in our posts and rubber traffic calming product range with significant orders fulfilling various requirements for Melbourne's Monash Freeway upgrade and Sydney's upgrade of roads around the new Northern Beaches Hospital, to name two high profile projects.

Last year's introduction and initial trials of the temporary portable rumble strip product – *Roadquake*™ – have led to widespread industry interest and growing acceptance, particularly in regional areas, of this unique workzone safety product.

We continued to secure significant contracts for our exclusively licensed concrete barrier solution, the *T-LOK*™ barrier during the financial year, with additional sections of the Pacific Highway upgrade in northern NSW as well as major projects in Melbourne including Metro Tunnel, Webb Dock and Victoria Harbour. Our barriers were also selected to safeguard the 57,000 fans who attended the 2016 Rally Australia event at Coffs Harbour in November last year.

The introduction of our new *Zone Essential* variable messaging sign ("VMS") trailer in the latter part of the financial year led to us winning a tender for the Sydney Olympic Park Authority. The customer selected our solution on the basis of its high quality build, its superior cloud-based communication software, and its excellent value for money. We have also continued to rollout our proprietary VMS web-based management platform – *Zone2* to existing and new customers nationwide.

Our Ironman™ Hybrid barrier rental offering grew 73% over the year with increased demand for our specialised knowledge in flexible deployments and expertise in required traffic layouts providing a fully outsourced barrier solution for our customers, whose primary focus is to construct a roadway. We have broadened our offering recently by including our new *Zone Essential* VMS to our equipment rental fleet and we will look at other products to allow us to become a more holistic provider of workzone solutions to our customers who value our expertise in determining and implementing their workzone safety obligations.

Our Public Lighting solutions portfolio reported annual revenue growth of 10%.

This was on the back of established customer relationships and solid demand for our urban street lighting solutions, maintaining our leading market share in the Victorian residential development space.

In addition, we have successfully introduced some solar public lighting solutions, targeted initially at the local government market, to provide more flexible options in facilitating safer public spaces in areas that are not easily accessible and/or in a more environmentally friendly and cost effective way. This is definitely a targeted growth area for us as annual revenues for our solar lighting offering trebled year on year, albeit coming off an initial low base.

Internationally, we generated $467k in revenue from overseas sources, including our initial order from our USA distributor of Ironman™ barriers. We have also secured our first overseas customer for our flexible signage (in Europe) and we continue to sell our Traffic products into New Zealand.

We have had great success during the year with regards to our innovative product research and development as a result of our previous investment in a sophisticated product performance and simulation software program, which enabled us to achieve a successful crash test of our next generation HV2 Hybrid workzone barrier in its first impact, with the actual results closely aligned to the simulation models we had run. This has demonstrated the advantage of this software tool in reducing the time and in particular, the significant costs associated in running a physical crash test.

We also launched a portable off-grid solar light solution in the past year. We have seen significant initial demand for this product, which provides for temporary deployment of an energy-efficient light, ideal for night works, public events and night-time security at a fraction of the cost to maintain and power alternate solutions.

In response to global concerns associated with vehicles being used to cause mass death and injury in urban precincts, we have developed a new High Security Pedestrian Safety Bollard. Whilst various authorities have deployed interim pedestrian protection systems we believe that with our extensive knowledge and understanding of how various barriers perform under a multitude of vehicle impact scenarios, we are best-placed to assist authorities in providing permanent long-term solutions to at least minimize the impact of these horrendous acts.

## LOOKING AHEAD

We enter our 25th year of operation in a strong position, further enhanced with the recent confirmation from our financier to extend our banking facilities for a further three years on better terms and conditions. We are now able to pursue our growth strategies without any concerns around our debt funding.

We anticipate another year of improved profitability, taking advantage of the projected growth in committed Australian construction sector projects, particularly along the eastern seaboard.

We will keep building on the achievements made to date on both the domestic and international front and I believe we have the broad product range, in-depth industry knowledge and expertise to continue to seek business opportunities in assisting our customers in providing solutions to their various road and public safety needs.

Finally, I would like to acknowledge the support of all the Saferoads Team, who have worked tirelessly to achieve a positive result for FY2017. We are all focussed on driving sustainable growth and profit improvement for the foreseeable future.

**Darren Hotchkin**
**Chief Executive Officer**

# DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2017.

## DIRECTORS

| | | |
|---|---|---|
| David Ashmore | Non-Executive Chairman | Appointed 22 November 2012 |
| Darren Hotchkin | Executive Director (CEO) | Appointed 21 October 2005 |
| David Cleland | Non-Executive Director | Appointed 1 December 2010 |

## DIRECTOR PROFILES

**David Ashmore** (Age 65) (FCA GAICD F.FIN)
**Non-Executive Director**
**(Appointed Non-Executive Chairman 19 August 2013)**

David Ashmore was appointed to the Board on 22 November 2012 and was re-elected at the November 2013 and October 2015 AGM's. He was appointed Chairman of the Board on 19 August 2013. He is a member of the Remuneration Committee (appointed Chairman of this Committee on 19 August 2013) and the Audit and Risk Committee (as Chairman up to 19 August 2013).

David is a career Chartered Accountant with 40 years of professional public practice experience focused on audit, finance, due diligence, risk and governance advisory. David has worked with many dynamic private and public companies where his experience has assisted them understanding their underlying financial position, their financial management issues and business growth challenges. Those challenges typically included the development of sustainable executive management structures and business value building initiatives. He also has significant experience with the identification and management of financial and business risks and the development of structured business decision making protocols.

David has considerable experience in a leadership and a chairman role through his work on numerous Audit Committee appointments and as a Senior Partner, Board Member and Practice Leader. He is a Fellow of the Institute Chartered Accountants in Australia, a Graduate member of the Australian Institute of Company Directors and a Fellow of the Financial Services Institute of Australia.

Directorships of other listed companies during the preceding three years: Respiri Limited (2014-2016).

**Darren Hotchkin** (Age 53)
**Executive Director/Chief Executive Officer**

Darren Hotchkin was appointed to the Board on 21 October 2005 as Managing Director. On 7 February 2011 he stepped aside as Managing Director but remained on the Board as a Non-Executive Director and was re-elected at the October 2011 and November 2013 AGM's. He was appointed acting Chief Executive Officer on 10 April 2012 and formal Chief Executive Officer on 30 June 2012.

Darren is the founder of Saferoads. He has a background in the automotive industry where he owned and operated several businesses. In 1992 he founded the company now trading as our wholly-owned subsidiary, Saferoads Pty Ltd, to commercialise his invention of a rubber guide post, manufactured from recycled car tyres.

As Chief Executive Officer, Darren's key contribution to the business is in the strategic development of the Company's product range and manufacturing processes as well as in business development. He continues to be active in Research and Development and in seeking to effectively expand the Company's product base through international research of products which have the potential to find a sustainable place in the Australian market. Darren is also an eagerly sought-after international expert speaker on road safety barriers, having presented at various International Road Federation conferences.

Darren has not served as a Director of any other listed companies during the preceding three years.

**David Cleland** (Age 72) (Dip.ME GAICD FIE (retired))
**Non-Executive Director**

David Cleland was appointed to the Board on 1 December 2010 and was re-elected at the October 2011, November 2014 and October 2016 AGM's. He was appointed acting Chief Executive Officer on 28 November 2011, handing over the role to Darren Hotchkin on 10 April 2012. He is a member of the Audit and Risk Committee (becoming Chairman of this Committee on 19 August 2013) and the Remuneration Committee.

David is a mechanical engineer with extensive experience as Chief Executive Officer of companies manufacturing and distributing industrial products. His career includes manufacturing experience (including lean manufacturing), brand management, product research and development, outsourcing and company mergers and acquisitions. He was formerly an inaugural trust member of the Greater Metropolitan Cemeteries Trust and is a Director of a privately owned company.

David has not served as a Director of any other listed companies during the preceding three years.

## COMPANY SECRETARIES

**Peter Fearns** (CPA, BBus (Acctg)) **(appointed 22 December 2016)**

Peter joined Saferoads in December 2011 as Chief Financial Officer and was appointed Company Secretary on 22 December 2016. He has 20 years' experience managing finance functions in the information technology, infrastructure and professional services sectors, covering both public listed and private companies.

He was Group Financial Controller of former ASX listed UXC Limited. Prior to Saferoads he was Chief Financial Officer of a national privately-owned urban planning and property advisory business.

Peter is a Certified Practising Accountant (CPA) and holds a Bachelor of Business degree majoring in Accounting.

**Sonia Joksimovic (appointed 10 August 2015, resigned 22 December 2016)**

Sonia was Company Secretary of Saferoads from 10 August 2015 to 22 December 2016. Sonia is an experienced Chartered Secretary with over 8 years' experience across listed small caps, unlisted and private companies, specializing in governance and compliance matters.

## INTEREST IN SHARES

As at the date of this report, Directors' interests in the shares of the Company are:

| Name | Shares |
|---|---:|
| David Ashmore | 1,301,807 |
| Darren Hotchkin | 7,522,585 |
| David Cleland | 508,610 |

## DIVIDENDS

No interim or final dividend was paid or declared for the financial year ended 30 June 2017.

No interim or final dividend was declared or paid for the financial year ended 30 June 2016.

## PRINCIPAL ACTIVITIES

The principal activity of the Group continued to be the provision of road safety products and solutions primarily to end users.

Products and services the Company provides includes flexible guide posts and signage; rubber-based traffic calming products including separation kerbing and wheel stops; variable messaging sign boards; decorative and standard street and major road light poles and permanent and temporary public solar lighting poles; permanent and temporary crash cushions including bollards and safety barriers.

In all its activities, the Company remains focused on providing innovative products and materials that protect the safety of all road users – motorists, road construction workers and pedestrians.

## REVIEW AND RESULTS OF OPERATIONS

A review of the operations and activities of the Company during the financial period and the results of these operations is set out in the Chairman's Overview and Chief Executive Officer's Review of Operations and Activities.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the 2016-17 year, there has been no significant change in the Company's state of affairs other than as disclosed in this financial report.

## SIGNIFICANT EVENTS AFTER REPORTING DATE

### Extension and Revision of Banking Facilities

Since the end of the financial year the Company has entered into a revised facility agreement with its financier, Commonwealth Bank of Australia, offering an extended term of three years and significantly more favourable terms and conditions on the back of the improved operational performance and financial position of the Company.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely developments in the operations of the entity and the expected results of these operations have been set out in the Chairman's Overview and the Chief Executive Officer's Review of Operations and Activities.

## INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITORS

During the year, Directors' and Officers' insurance premiums were paid for any person who was a Director and/or Officer of the Company.

The Group has not agreed to indemnify its auditors, Grant Thornton.

## ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory. In respect of its own activities, the Company is not a major emitter of greenhouse gases and falls well below the reporting thresholds set by the National Greenhouse and Energy Reporting Act 2007.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings

## OPTIONS

At the date of this report there were no un-issued shares of the company under option.

# REMUNERATION REPORT

The Company's remuneration policy is to ensure that the level of remuneration paid to key personnel is market competitive and will help to attract and retain the skills and expertise required. To determine what is a competitive level of remuneration the Company refers to salary information provided by various professional organisations.

## REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

### NON-EXECUTIVE DIRECTORS

Total remuneration for non-executive Directors for 2016-17 was $140,125**.** Their remuneration packages comprised only fixed Directors' fees plus statutory superannuation (where applicable) and were within the limits set out in the Company's constitution. Currently this limit is set at $350,000 per annum, and can only be changed at a general meeting.

### EXECUTIVE DIRECTOR

Mr Darren Hotchkin, Chief Executive Officer, received total remuneration of $253,615, including statutory superannuation. This was a reduction from the prior year where a component of his previous year's remuneration covered his secondment to the USA for part of the financial year to establish business opportunities in that market.

### KEY MANAGEMENT PERSONNEL

Key Management Personnel ("KMP") is defined by *AASB 124 - Related Party Disclosures*. Only Directors and Executive Management that have the authority and responsibility for planning, directing and controlling the activities of Saferoads, directly or indirectly and are responsible for the entity's governance are classified as KMP.

### PERFORMANCE-BASED REMUNERATION

There was no performance-based remuneration (bonus incentives) paid or payable to key management personnel for the year.

A summary of Company performance for the past five financial years is below.

| | **2017** | **2016** | **2015** | **2014** | **2013** |
|---|---|---|---|---|---|
| EPS (cents) | 0.3 | (0.3) | (0.2) | (3.6) | (5.3) |
| Net profit/(loss) ($) | 118,847 | (116,082) | (72,228) | (930,978) | (1,388,899) |
| Share price ($) | $0.11 | $0.13 | $0.10 | $0.13 | $0.06 |

### EMPLOYMENT CONTRACTS

Executive employment agreements have been entered into with the Chief Executive Officer and the Chief Financial Officer as disclosed. These agreements are of a standard form containing provisions of confidentiality and restraint of trade usually required in such agreements. Payments to be made on termination of an executive employment contract have been clearly detailed and are limited to payout of accrued leave entitlements and up to three months' salary as redundancy or termination pay.

## REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

**30 June 2017**

| | Short Term | | | | | Long Term | Share Based Payment | Total | Perform -ance Related |
|---|---|---|---|---|---|---|---|---|---|
| | Salaries & Fees | Fringe Benefits | Cash Bonus | Termination Payment | Super-annuation | Long Service Leave | Options | | |
| | $ | $ | $ | $ | $ | $ | $ | $ | % |
| **Non Executive Directors** | | | | | | | | | |
| D Ashmore | 43,516 | - | - | - | 34,859 | - | - | 78,375 | - |
| D Cleland | 61,750 | - | - | - | - | - | - | 61,750 | - |
| **Executive Director** | | | | | | | | | |
| D Hotchkin | 234,000 | - | - | - | 19,615 | - | - | 253,615 | - |
| **Executive *** | | | | | | | | | |
| P Fearns | 162,250 | - | - | - | 28,554 | 2,904 | - | 193,708 | - |
| **Total** | **501,516** | **-** | **-** | **-** | **83,028** | **2,904** | **-** | **587,448** | |

** Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.*

**30 June 2016**

| | Short Term | | | | | Long Term | Share Based Payment | Total | Perform -ance Related |
|---|---|---|---|---|---|---|---|---|---|
| | Salaries & Fees | Fringe Benefits | Cash Bonus | Termination Payment | Super-annuation | Long Service Leave | Options | | |
| | $ | $ | $ | $ | $ | $ | $ | $ | % |
| **Non Executive Directors** | | | | | | | | | |
| D Ashmore | 47,283 | - | - | - | 35,217 | - | - | 82,500 | - |
| D Cleland | 65,000 | - | - | - | - | - | - | 65,000 | - |
| **Executive Director** | | | | | | | | | |
| D Hotchkin | 340,000 | - | - | - | - | - | - | 340,000 | - |
| **Executive *** | | | | | | | | | |
| P Fearns | 170,250 | - | - | - | 20,554 | 3,162 | - | 193,966 | - |
| **Total** | **622,533** | **-** | **-** | **-** | **55,771** | **3,162** | **-** | **681,466** | |

## SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

Shares held in Saferoads Holdings Limited:

| | Balance at 1 July 2016 | Acquired through On-Market trade | Sold | Balance at 30 June 2017 |
|---|---|---|---|---|
| **Directors** | | | | |
| D Hotchkin | 7,479,885 | 42,700 | - | 7,522,585 |
| D Ashmore | 1,256,807 | 45,000 | - | 1,301,807 |
| D Cleland | 508,610 | - | - | 508,610 |
| **Executive** | | | | |
| P Fearns | 33,000 | - | - | 33,000 |
| **Total** | **9,278,302** | **87,700** | **-** | **9,366,002** |

All equity transactions with Key Management Personnel have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

## DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of committees of Directors) held during the year, and the numbers of meeting attended by each Director, were as follows:

| Names | Directors | | Audit & Risk | | Remuneration/Nomination | |
|---|---|---|---|---|---|---|
| | Eligible | Attended | Eligible | Attended | Eligible | Attended |
| Mr D Ashmore | 12 | 12 | 3 | 3 | 1 | 1 |
| Mr D Hotchkin | 12 | 12 | - | - | - | - |
| Mr D Cleland | 12 | 12 | 3 | 3 | 1 | 1 |

## NON-AUDIT SERVICES

During the year, Grant Thornton, the Company's auditors, performed certain other services in addition to their statutory audit duties.

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Risk Committee to ensure they do not impact upon the impartiality and objectivity of the auditor
- the non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditors of the Company, Grant Thornton, and its related practices for audit and non-audit services provided during the year are set out in Note 21 to the financial statements.

## ROUNDING OF AMOUNTS

Saferoads Holdings Limited is a type of Company that is referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest dollar.

## AUDITORS' INDEPENDENCE DECLARATION

The attached independence declaration has been obtained from the Company's auditors, Grant Thornton.

Signed in accordance with a resolution of Directors

**David Ashmore**

**Director**

**28 August 2017**

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# AUDITOR'S INDEPENDENCE DECLARATION
# TO THE DIRECTORS OF SAFEROADS HOLDINGS LIMITED

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Saferoads Holdings Limited for the year ended 30 June 2017, 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 audit; and

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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M A Cunningham
Partner - Audit & Assurance

Melbourne, 28 August 2017

# CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Saferoads Holdings Limited is responsible for the corporate governance of the Saferoads group. The Board has considered the ASX Corporate Governance Principles and Recommendations (“ASX Governance Principles”) and reports on compliance with these Principles.

The Board’s objective is to ensure investor confidence in the Company and its operations given its size, stage of development and complexity.

The Group’s Corporate Governance Statement for the financial year ending 30 June 2017 is dated as at 30 June 2017 and was approved by the Board on 25 July 2017. The Board advises that it complies with the ASX Corporate Governance Principles set out in the Company’s Corporate Governance Statement which is located on the Company’s website (www.saferoads.com.au/investors/corporate-policies).

# SAFEROADS HOLDINGS LIMITED

**ABN 81 116 668 538**

## FINANCIAL REPORT

## FOR THE YEAR ENDED

## 30 JUNE 2017

Saferoads is an ASX listed company specializing in providing innovative safety solutions. Headquartered in Pakenham, Victoria with representation across Australia, New Zealand and the USA, the company provides state government departments, local councils, road construction companies and equipment hire companies with a broad range of products and services designed to direct, protect, inform and illuminate for the public's safety.

# SAFEROADS HOLDINGS LIMITED
## Consolidated Statement of Profit or Loss and Other Comprehensive Income
**FOR THE YEAR ENDED 30 JUNE 2017**

| | Notes | CONSOLIDATED 2017 $ | 2016 $ |
|---|---|---|---|
| **Revenue** | | | |
| Revenue from product sales and rentals | 4 | **16,909,644** | 15,904,666 |
| Product royalty income | 4 | **26,048** | 364,084 |
| | | **16,935,692** | 16,268,750 |
| Cost of direct materials and labour | | **(11,492,588)** | (10,219,077) |
| Movement in inventories | | **183,232** | (103,247) |
| **Gross profit** | | **5,626,336** | 5,946,426 |
| Other income | 4 | **101,697** | 113,359 |
| Employee benefits | | **(3,277,238)** | (3,230,079) |
| Motor vehicle costs | 4 | **(133,654)** | (143,533) |
| Occupancy costs | 4 | **(362,430)** | (352,703) |
| Travel and accommodation costs | 4 | **(182,765)** | (308,140) |
| IT & Communications costs | 4 | **(159,526)** | (155,863) |
| Relocation costs | | **-** | (207,037) |
| Other expenses | | **(812,694)** | (1,158,624) |
| **Earnings before interest, tax, depreciation and amortisation (EBITDA)** | | **799,726** | 503,806 |
| Depreciation, amortisation and impairment | 4 | **(458,894)** | (450,878) |
| **Earnings before interest and tax (EBIT)** | | **340,832** | 52,928 |
| Finance costs | | **(186,757)** | (209,988) |
| **Profit/(loss) before income tax** | | **154,075** | (157,060) |
| Income tax benefit/(expense) | 5 | **(35,228)** | 40,978 |
| **Net profit/(loss) for the period** | | **118,847** | (116,082) |
| **Net profit/(loss) attributable to members of the parent** | | **118,847** | (116,082) |
| Other comprehensive income | | **-** | - |
| Total comprehensive income for the period | | **118,847** | (116,082) |
| **Total comprehensive income attributable to members of the parent** | | **118,847** | (116,082) |
| **Earnings per share** | | **Cents** | Cents |
| - Basic for profit/(loss) for the full year | 6 | **0.33** | (0.32) |
| - Diluted for profit/(loss) for the full year | 6 | **0.33** | (0.32) |
| Dividend paid per share (cents) | 7 | **-** | - |

*The accompanying notes form part of these financial statements*

# SAFEROADS HOLDINGS LIMITED
## Consolidated Statement of Financial Position
**AS AT 30 JUNE 2017**

| | Notes | CONSOLIDATED | |
|---|---|---|---|
| | | 2017 | 2016 |
| | | $ | $ |
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | | **665,915** | 808,395 |
| Trade and other receivables | 9 | **2,917,658** | 3,462,035 |
| Inventories | 10 | **2,833,171** | 2,649,939 |
| Prepayments | | **83,622** | 176,297 |
| **Total Current Assets** | | **6,500,366** | 7,096,666 |
| **Non-current Assets** | | | |
| Plant and equipment | 11 | **3,505,238** | 3,474,070 |
| Intangible assets | 12 | **944,499** | 771,802 |
| Deferred tax assets | 5 | **1,257,312** | 1,292,540 |
| Other non-current assets | | **17,917** | 17,917 |
| **Total Non-current Assets** | | **5,724,966** | 5,556,329 |
| **TOTAL ASSETS** | | **12,225,332** | 12,652,995 |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 13 | **2,567,846** | 2,640,738 |
| Unearned income | | **43,151** | 5,603 |
| Interest-bearing loans and borrowings | 14 | **2,170,434** | 659,333 |
| Provisions | 15 | **411,708** | 387,434 |
| **Total Current Liabilities** | | **5,193,139** | 3,693,108 |
| **Non-current Liabilities** | | | |
| Interest-bearing loans and borrowings | 14 | **203,923** | 2,285,066 |
| Provisions | 15 | **73,748** | 39,146 |
| **Total Non-current Liabilities** | | **277,671** | 2,324,212 |
| **TOTAL LIABILITIES** | | **5,470,810** | 6,017,320 |
| **NET ASSETS** | | **6,754,522** | 6,635,675 |
| **EQUITY** | | | |
| Contributed equity | 16 | **5,353,905** | 5,353,905 |
| Retained earnings | 16 | **1,400,617** | 1,281,770 |
| **TOTAL EQUITY** | | **6,754,522** | 6,635,675 |

*The accompanying notes form part of these financial statements*

# SAFEROADS HOLDINGS LIMITED
## Consolidated Statement of Changes in Equity
**FOR THE YEAR ENDED 30 JUNE 2017**

| | Contributed Equity $ | Retained Earnings $ | Total Equity $ |
|---|---|---|---|
| **CONSOLIDATED** | | | |
| **At 1 July 2015** | 5,353,905 | 1,397,852 | 6,751,757 |
| Net profit/(loss) for the period | - | (116,082) | (116,082) |
| Other comprehensive income for the period | - | - | - |
| **At 30 June 2016** | 5,353,905 | 1,281,770 | 6,635,675 |
| | | | |
| **At 1 July 2016** | **5,353,905** | **1,281,770** | **6,635,675** |
| Net profit/(loss) for the period | **-** | **118,847** | **118,847** |
| Other comprehensive income for the period | **-** | **-** | **-** |
| **At 30 June 2017** | **5,353,905** | **1,400,617** | **6,754,522** |

*The accompanying notes form part of these financial statements*

# SAFEROADS HOLDINGS LIMITED
## Consolidated Statement of Cash Flows
**FOR THE YEAR ENDED 30 JUNE 2017**

| | Notes | CONSOLIDATED 2017 $ | 2016 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | **19,265,263** | 17,969,712 |
| Payments to suppliers and employees | | **(18,047,629)** | (16,743,096) |
| | | **1,217,634** | 1,226,616 |
| Interest received | | **3,219** | 6,911 |
| Interest paid | | **(187,950)** | (211,125) |
| **Net cash flows from operating activities** | 8 | **1,032,903** | 1,022,402 |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of plant and equipment | | **25,546** | 35,288 |
| Purchase of plant and equipment | | **(321,046)** | (316,088) |
| Product development costs | | **(447,035)** | (263,752) |
| R&D tax rebate received | | **237,405** | 220,624 |
| **Net cash flows from investing activities** | | **(505,130)** | (323,928) |
| **Cash flows from financing activities** | | | |
| Repayment of borrowings | | **(670,253)** | (610,263) |
| **Net cash flows from financing activities** | | **(670,253)** | (610,263) |
| Net increase/(decrease) in cash and cash equivalents | | **(142,480)** | 88,211 |
| Cash and cash equivalents at beginning of period | | **808,395** | 720,184 |
| **Cash and cash equivalents at end of period** | 8 | **665,915** | 808,395 |

*The accompanying notes form part of these financial statements*

## 1 CORPORATE INFORMATION

Saferoads Holdings Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX).

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The financial report is a general purpose financial report which is prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations of the authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial report has also been prepared on a historical cost basis.

Saferoads Holdings Limited is a for-profit entity for the purposes of preparing the financial statements.

### (b) Statement of compliance

The financial report has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

***New and revised standards that are effective for these financial statements***
A number of new and revised standards were effective for annual reporting periods beginning on or after 1 July 2016. There was no material impact on the Group of these new and revised standards.

***Accounting standards issued but not yet effective and not been adopted early by the Group***
Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

*AASB 9 Financial Instruments* replaces *AASB 139 Financial Instruments: Recognition and Measurement* and is effective from 1 January 2018. It introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

*AASB 15 Revenue from Contracts with Customers* replaces *AASB 118 Revenue, AASB 111 Construction Contracts* and some revenue-related Interpretations and is effective from 1 January 2018. The new standard:

- establishes a new revenue recognition model
- changes the basis for deciding whether revenue is to be recognised over time or at a point in time
- provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- expands and improves disclosures about revenue

The entity is yet to undertake a detailed assessment of the impact of *AASB 15*. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

*AASB 16 Leases* replaces *AASB 117 Leases* and some lease-related Interpretations and requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases. It provides new guidance on the application of the definition of lease and on sale and lease back accounting, largely retains the existing lessor accounting requirements in AASB 117 and requires new and different disclosures about leases.

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the likely impact on the first time adoption of the Standard for the year ending 30 June 2020 will be:

- a significant increase in lease assets and financial liabilities recognised on the balance sheet
- there will be a reduction in the reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities
- EBIT in the statement of profit or loss and other comprehensive income will be higher as the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in operating expenses
- operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities

The financial statements were authorised for issue by the Directors on 28 August 2017. The Directors have the power to amend and reissue the financial statements.

**(c) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the legal parent entity, Saferoads Holdings Limited and its subsidiaries ('the Group'). The separate financial statements of the parent entity have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Saferoads Holdings Limited has control.

**(d) Foreign currency translation**

**Functional and presentation currency**

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

**Transactions and balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year end exchange rate. Non monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of profit or loss and other comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of profit or loss and other comprehensive income.

**Group companies**

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on the translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of profit or loss and other comprehensive income in the period in which the operation is disposed.

### (e) Property, plant and equipment

Property, plant and equipment are stated at cost less any accumulated depreciation and any impairment in value.

Depreciation is calculated on a diminishing value basis over the estimated useful life, except for rental barrier assets which are depreciated using the prime cost method.

Plant and equipment - 5% to 50%

### (f) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

### (g) Impairment of non-financial assets other than goodwill

The Group assesses whether there is any indication that an asset may be impaired when events or changes in circumstances indicate the carrying value may not be recoverable. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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.

### (h) Goodwill and intangible assets

*Goodwill*

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated :

- represents the lowest level within the group at which the goodwill is monitored for internal management purposes, and
- is not larger than a segment based on either the group's primary or the group's secondary reporting format determined in accordance with *AASB 8 Operating Segments.*

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of the cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

*Intangibles*

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible.

The useful lives of these intangible assets are assessed to be either finite or indefinite.

Where amortisation is charged on assets with finite lives, this expense is taken to the statement of profit or loss and other comprehensive income through the amortisation line item.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite life intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

*Research and development costs*

Research costs are expensed as incurred.

Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Any expenditure carried forward is amortised over the period of expected future sales from the related project.

The carrying value of each development project is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss and other comprehensive income when the asset is derecognised.

Any Research and Development tax rebates received or receivable are offset against the respective capitalised development costs to the extent to which they relate to the claim.

**(i) Inventories**

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:
- Raw materials: purchase cost on a first-in, first-out basis;
- Finished goods and work-in-progress: cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

**(j) Trade and other receivables**

Trade receivables, which generally have 30-60 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectable amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

**(k) Cash and cash equivalents**

Cash in the statement of financial position comprises cash at bank and on hand.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**(l) Assets classified as held for sale**

Assets are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset to be classified as held for sale it must be available for immediate sale in its present condition and its sale must be highly probable.

**(m) Interest-bearing loans and borrowings**

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

Interest expense is recognised as it accrues.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the amortisation process.

**(n) Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and benefits of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at fair value, or, if lower, at an amount equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly against income. Finance leased assets are amortised over the estimated useful life of the asset.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

**(o) Provisions**

Provisions are recognised when the Group has a present obligation (legal and constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money 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, where appropriate, the risks specific to the liability.

**(p) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax from the proceeds.

**(q) Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

*Sale of goods*
Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer, or where the customer has explicitly requested that the goods be held on their behalf.

*Rental income*
The Group also earns rental income from operating leases of certain plant and equipment. Rental income is recognised on a straight-line basis over the term of the lease.

*Product royalties*
Revenue is recognised when the Group's right to receive the royalty is established.

*Interest*
Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

**(r) Income Tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compare the amount are those that are enacted by the reporting date.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward or unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and future unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets are measured at the tax rates that are expected to apply to the year when the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

**(s) Other taxes**

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.
Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from the investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**(t) Employee benefits**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits expected to be settled wholly within one year have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. All other employee benefit liabilities are measured at the present value of the estimated future cash outflows to be made for those benefits.

**(u) Trade and other payables**

Trade payables and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

**(v) Derivative Financial Instruments**

The group may use derivative financial instruments such as forward currency contracts to hedge risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value at the date on which the derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of profit or loss and other comprehensive income for the year.

**(w) Critical Accounting Estimates and Judgements**

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

**Key Judgements**

**(i) Provision for Impairment of Receivables**

Collectability of Trade Receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

### (x) Going Concern

The consolidated entity generated an operating profit after tax of $118,847 for the financial year ended 30 June 2017.

The Company reduced core debt by $504,000 in the financial year and was in compliance with the repayment plan with its financier, Commonwealth Bank of Australia. In addition, the Company also met its single financial covenant for the financial year ended 30 June 2017. The Company has met all its obligations under the present facility agreement.

At the date of this report, the Company has entered into a revised facility agreement with its financier, offering an extended term of three years and significantly more favourable terms and conditions on the back of the improved operational performance and financial position of the Company.

The Company's ongoing financial turnaround in 2017 resulted from continuing to manage the performance of the business, including maintaining margins and operating cash flows and controlling overheads.

The Company should continue to secure further profitable sales contracts for its emerging products in existing and new markets and continue to meet the minimum debt repayment plan set by the financier.

At the date of this report and having considered the above factors, the continuance of its banking relationship and the fact the Company continues to improve its operating earnings base, the directors are confident that the consolidated entity is able to continue as a going concern. Accordingly, the accounts have been prepared on this basis.

## 3 SEGMENT INFORMATION

The Group's chief operating decision maker (Chief Executive Officer) reviews financial information on a consolidated basis and makes strategic decisions based on this consolidated information.

The Group operates predominantly in Australia.

During 2017, $3,589,484 or 21% (2016: $3,531,985 or 22%) of the Group’s revenues depended on a single customer.

## 4 REVENUES AND EXPENSES

### (a) Specific Items

Profit/(loss) before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the entity:

| | CONSOLIDATED | |
|---|---|---|
| | **2017** | **2016** |
| | **$** | **$** |
| **(i) Revenue** | | |
| Revenue from product sales and rentals | **16,909,644** | 15,904,666 |
| Product royalty income | **26,048** | 364,084 |
| | **16,935,692** | 16,268,750 |
| **(ii) Other income** | | |
| R&D tax rebate | **58,861** | 121,863 |
| Net gain/(loss) on sale of assets | **(9,030)** | (21,976) |
| Interest | **3,219** | 6,911 |
| Government grant | **18,355** | - |
| Other | **30,292** | 6,561 |
| | **101,697** | 113,359 |
| | **17,037,389** | 16,382,109 |
| **(iii) Expenses** | | |
| Depreciation and amortisation | | |
| - Plant & equipment | **355,513** | 312,149 |
| - Intangible assets | **103,381** | 86,159 |
| Impairment of plant & equipment | **-** | 52,570 |
| | **458,894** | 450,878 |
| Relocation costs | **-** | 207,037 |
| Bad debts written off | **-** | 92 |
| Provision for doubtful debts / (provision writeback) | **30,000** | (3,835) |
| Motor vehicle costs | **133,654** | 143,533 |
| Occupancy costs | **362,430** | 352,703 |
| Travel and accommodation costs | **182,765** | 308,140 |
| IT & Communications costs | **159,526** | 155,863 |

## 5 INCOME TAX

Major components of income tax expense for the year ended 30 June 2017 are:

| | CONSOLIDATED | |
|---|---|---|
| | 2017 $ | 2016 $ |
| **Statement of Profit or Loss and Other Comprehensive income** | | |
| Current income tax charge | **35,228** | (40,978) |
| Income tax expense/(benefit) reported in statement of profit or loss and other comprehensive income | **35,228** | (40,978) |
| A reconciliation of income tax expense applicable to accounting profit/(loss) before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows: | | |
| Accounting profit/(loss) before income tax | **154,075** | (157,060) |
| At the statutory income tax rate of 30% | **46,223** | (47,118) |
| Non-deductible expenses | **2,979** | 6,140 |
| Effect of change in income tax rates on deferred tax assets | **107,711** | - |
| Recognition of prior year unbooked tax losses | **(121,685)** | - |
| | **35,228** | (40,978) |

| | Statement of Financial Position | | Statement of Profit or Loss and Other Comprehensive Income | |
|---|---|---|---|---|
| | 2017 $ | 2016 $ | 2017 $ | 2016 $ |
| **Deferred income tax** | | | | |
| Deferred income tax at 30 June relates to the following: | | | | |
| CONSOLIDATED | | | | |
| *Deferred income tax asset/(liability)* | | | | |
| Employee entitlements | **133,149** | 122,291 | **(10,858)** | (33,300) |
| Research & Development Costs | **(245,855)** | (210,525) | **35,330** | 8,769 |
| Other | **45,722** | 5,683 | **(40,039)** | 159,768 |
| Effect of change in income tax rates on deferred tax assets | **107,711** | - | **(107,711)** | - |
| Deferred tax assets relating to temporary differences not brought to account | **(40,727)** | 82,551 | **1,593** | (135,237) |
| Carry forward tax losses brought to account | **1,257,312** | 1,292,540 | **121,685** | **-** |
| Gross deferred income tax (liability)/asset | **1,257,312** | 1,292,540 | | |
| Deferred income tax charge | | | **-** | - |

As as 30 June 2017, the consolidated entity has carry forward tax losses with a tax effect of $2,108,296, measured at the new corporate tax rate of 27.5%. Carry forward tax losses with a tax effect of $1,257,312 have been brought to account as a deferred tax asset. Carry forward tax losses with a tax effect of $850,984 have not been brought to account.

The consolidated entity has realised capital losses with a gross amount of $1,832,149 that is available for offset against any future taxable capital gains.

## 6 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit/(loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit/(loss) attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options).

The following reflects the income and share data used in the total operation's basic and diluted earnings per share computations:

| | CONSOLIDATED | |
|---|---|---|
| | **2017** | **2016** |
| | **$** | **$** |
| Net profit/(loss) attributable to equity holders from continuing operations | **118,847** | (116,082) |
| Net profit/(loss) attributable to equity holders of the parent | **118,847** | (116,082) |
| Net profit/(loss) attributable to ordinary shareholders for diluted earnings per share | **118,847** | (116,082) |
| Weighted average number of ordinary shares for basic earnings | **36,400,000** | 36,400,000 |
| Adjusted weighted average number of ordinary shares for diluted earnings per share | **36,400,000** | 36,400,000 |
| | **Cents** | Cents |
| - Basic for profit/(loss) for the full year | **0.33** | (0.32) |
| - Diluted for profit/(loss) for the full year | **0.33** | (0.32) |

For the purpose of calculating earnings and dividends per share, it is the ordinary shares of the legal parent that is used, being the proportionate weighting of the 36,400,000 shares on issue.

## 7 DIVIDENDS PAID AND PROPOSED

| | CONSOLIDATED | |
|---|---|---|
| | **2017** | **2016** |
| | **$** | **$** |
| **Equity dividends on ordinary shares:** | | |
| Interim franked dividend for 2017: 0.0 cents (2016: 0.0 cents) | **-** | - |
| Dividends proposed and not recognised as a liability: | | |
| Final franked dividend for 2017: 0.0 cents (2016: 0.0 cents) | **-** | - |
| **Franking Credit Balance:** The amount of franking credits available for future reporting periods after the payment of income tax payable and the impact of dividends proposed. | **5,391,050** | 5,391,050 |

## 8 NOTES TO THE STATEMENT OF CASH FLOWS

| | CONSOLIDATED | |
|---|---|---|
| | **2017** | **2016** |
| | **$** | **$** |
| **Reconciliation of cash** | | |
| For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 30 June: | | |
| Cash at bank and on hand | **665,915** | 808,395 |
| **Reconciliation from the net profit/(loss) after tax to the net cash flows from operations** | | |
| Profit/(loss) after tax for the year | **118,847** | (116,082) |
| Adjustments for: | | |
| Depreciation and amortisation | **458,894** | 398,308 |
| Impairment of plant and equipment | **-** | 52,570 |
| Net (profit)/loss on disposal of plant and equipment | **9,030** | 21,976 |
| Changes in assets and liabilities | | |
| (Increase)/decrease in trade and other receivables | **544,377** | 97,724 |
| (Increase)/decrease in inventories | **(183,232)** | 103,247 |
| (Increase)/decrease in other assets | **92,675** | 2,938 |
| Decrease/(increase) in deferred tax asset | **35,228** | (40,978) |
| (Decrease)/increase in trade and other payables | **(139,340)** | 386,314 |
| (Decrease)/increase in unearned income | **37,548** | (13,559) |
| (Decrease)/increase in provisions | **58,876** | 129,944 |
| **Net cash from operating activities** | **1,032,903** | 1,022,402 |

**Non-cash financing and investing activities**

During the year, the Group acquired property, plant and equipment with an aggregate value of $120,211 (2016: $448,040) by means of finance leases.

## 9 TRADE AND OTHER RECEIVABLES (CURRENT)

| | | |
|---|---|---|
| Trade receivables | **2,711,191** | 3,191,402 |
| Other receivables | **236,467** | 270,633 |
| Provision for impairment | **(30,000)** | - |
| | **2,917,658** | 3,462,035 |
| **Ageing of trade receivables not impaired** | | |
| 1 - 30 days | **1,964,361** | 1,886,760 |
| 31 - 60 days | **716,830** | 1,154,916 |
| 61 - 90 days | **-** | 147,226 |
| 91 days and over | **-** | 2,500 |
| | **2,681,191** | 3,191,402 |

Trade receivables are non-interest bearing. Amounts over 60 days are deemed overdue.

| | | |
|---|---|---|
| **Movement in provision for impairment** | | |
| Balance at the beginning of financial year | **-** | 3,835 |
| Amounts written off | **-** | **-** |
| Additional impairment provision recognised/(released) | **30,000** | (3,835) |
| | **30,000** | - |

| | CONSOLIDATED | |
|---|---|---|
| | **2017** | **2016** |
| | **$** | **$** |
| **10 INVENTORIES** | | |
| Stock on hand | **2,833,171** | 2,649,939 |

## 11 PLANT AND EQUIPMENT

| | CONSOLIDATED 2017 $ | 2016 $ |
|---|---|---|
| Plant & equipment at cost | **6,143,851** | 5,860,065 |
| Less accumulated depreciation | **(2,638,613)** | (2,385,995) |
| Total plant & equipment | **3,505,238** | 3,474,070 |

**Movements in Carrying Amounts**

Movement in the carrying amounts of plant and equipment between the beginning and the end of the financial year.

| **Plant & equipment** | CONSOLIDATED 2017 $ | 2016 $ |
|---|---|---|
| Balance at beginning of year | **3,474,070** | 3,131,925 |
| Additions | **441,257** | 850,129 |
| Depreciation expense | **(355,513)** | (312,149) |
| Impairment | **-** | (52,570) |
| Disposals | **(54,576)** | (143,265) |
| **Carrying amount at 30 June** | **3,505,238** | 3,474,070 |

## 12 INTANGIBLE ASSETS

| | CONSOLIDATED 2017 $ | 2016 $ |
|---|---|---|
| Licence agreements at cost | **-** | 73,677 |
| Less accumulated amortisation | **-** | (73,677) |
| | **-** | - |
| Product development costs | **1,210,594** | 989,446 |
| Less accumulated amortisation | **(391,077)** | (287,695) |
| | **819,517** | 701,751 |
| Patents and product approvals | **124,982** | 70,051 |
| | **944,499** | 771,802 |

| **Movement in carrying amounts** | Licence Agreement $ | Patents/ Product approvals $ | Product Devt Costs $ | Total $ |
|---|---|---|---|---|
| Balance at 1 July 2015 | 8,855 | - | 672,519 | 681,374 |
| Capitalisation of costs | - | 70,051 | 193,701 | 263,752 |
| R&D tax rebate allocation | - | - | (87,165) | (87,165) |
| Amortisation expense | (8,855) | - | (77,304) | (86,159) |
| **Carrying amount at 30 June 2016** | - | 70,051 | 701,751 | 771,802 |
| Balance at 1 July 2016 | **-** | **70,051** | **701,751** | **771,802** |
| Capitalisation of costs | **-** | **54,931** | **392,104** | **447,035** |
| R&D tax rebate allocation | **-** | **-** | **(170,957)** | **(170,957)** |
| Amortisation expense | **-** | **-** | **(103,381)** | **(103,381)** |
| **Carrying amount at 30 June 2017** | **-** | **124,982** | **819,517** | **944,499** |

Patents/product approvals predominantly relate to various applications for new products that have yet to be commercialised and so have not been amortised as they have indefinite future benefit to the Group. Once the related asset is in use, then the relevant patent/product approval will be amortised over its expected useful life.

## 13 TRADE AND OTHER PAYABLES (CURRENT)

| | CONSOLIDATED | |
|---|---|---|
| | **2017 $** | **2016 $** |
| Trade payables | **2,314,768** | 2,337,295 |
| Accrued expenses | **182,585** | 266,902 |
| GST payable | **70,493** | 36,541 |
| | **2,567,846** | 2,640,738 |

Payables are non-interest bearing and are normally settled between 30 and 60-day terms.

## 14 INTEREST-BEARING LOANS AND BORROWINGS

| | CONSOLIDATED | |
|---|---|---|
| | **2017 $** | **2016 $** |
| **Current** | | |
| Hire purchase | **178,434** | 155,333 |
| Bank loans | **1,992,000** | 504,000 |
| | **2,170,434** | 659,333 |
| **Non-current** | | |
| Hire purchase | **203,923** | 293,066 |
| Bank loans | **-** | 1,992,000 |
| | **203,923** | 2,285,066 |

The Group was in compliance with its reporting covenants at 30 June 2017 and is subject to a scheduled debt repayment plan. The current facility expires within 12 months therefore, in accordance with Australian Accounting Standard AASB 101, the Company's term loan has been classified as current as at balance date.

Since the end of the financial year the Company has entered into a revised facility agreement with its financier, Commonwealth Bank of Australia, offering an extended term of three years and significantly more favourable terms and conditions on the back of the improved operational performance and financial position of the Company.

Hire purchase liabilities are secured by a charge over the financial assets.

| **Financing facilities available** | CONSOLIDATED | |
|---|---|---|
| At reporting date, the following financing facilities had been negotiated and were available: | **2017 $** | **2016 $** |
| Total facilities: | | |
| - bank bills | **1,992,000** | 2,496,000 |
| - bank charge card | **75,000** | 75,000 |
| Facilities used at reporting date | | |
| - bank bills | **1,992,000** | 2,496,000 |
| - bank charge card | **65,500** | 72,000 |
| Facilities unused at reporting date | | |
| - bank charge card | **9,500** | 3,000 |

The bank facilities are secured by a registered charge over the whole of its assets and undertakings, and also a registered charge over the assets and undertakings of Saferoads Holdings Ltd.

Saferoads Pty Ltd is required to provide the Commonwealth Bank with half yearly financial statements.

## 15 PROVISIONS

| | CONSOLIDATED | |
|---|---|---|
| | **2017 $** | **2016 $** |
| **Current** | | |
| Employee benefits | **411,708** | 387,434 |
| **Non-Current** | | |
| Employee benefits | **32,123** | 20,203 |
| Deferred rent liability | **41,625** | 18,943 |
| | **73,748** | 39,146 |

## 16 EQUITY

| | CONSOLIDATED | |
|---|---|---|
| **Contributed Equity** | **2017 $** | **2016 $** |
| ***Ordinary shares*** | | |
| Balance at beginning of period | **5,353,905** | 5,353,905 |
| Issued and fully paid | **5,353,905** | 5,353,905 |

| ***Movements in ordinary shares on issue (legal parent)*** | **No. of shares** | |
|---|---|---|
| Balance at beginning of the period | **36,400,000** | 36,400,000 |
| **At 30 June** | **36,400,000** | 36,400,000 |

Ordinary shares carry one vote per share, either in person or by proxy, at a meeting of the Company, and carry the rights to dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

There is no current on-market buy-back of ordinary shares.

**Retained Earnings**

| | CONSOLIDATED | |
|---|---|---|
| | **2017 $** | **2016 $** |
| Movements in retained earnings are as follows: | | |
| Balance at beginning of period | **1,281,770** | 1,397,852 |
| Net profit/(loss) for the year | **118,847** | (116,082) |
| **Balance at 30 June** | **1,400,617** | 1,281,770 |

## 17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise commercial bills, hire purchase contracts, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations.

The totals for each category of financial instruments are as follows:

| | CONSOLIDATED | |
|---|---|---|
| | **2017 $** | **2016 $** |
| **Financial Assets** | | |
| - Cash and cash equivalents | **665,915** | 808,395 |
| - Loans and receivables | **2,917,658** | 3,462,035 |
| **Total Financial Assets** | **3,583,573** | 4,270,430 |
| **Financial Liabilities** | | |
| - Financial liabilities at amortised cost | **4,942,203** | 5,585,137 |
| **Total Financial Liabilities** | **4,942,203** | 5,585,137 |

The Group has various financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

It is, and has been throughout the period under review, the Group's policy that no trading in financial derivatives shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

The Group also monitors the market price risk arising from all financial instruments.

**(a) Interest rate risk**

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations.

The company's exposure to interest rate risk, which is the risk that the Financial Instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

| | Weighted Average Interest Rate | Non Interest Bearing | Variable Interest Rate | Fixed Interest Rate Maturing | | Total |
|---|---|---|---|---|---|---|
| | | | | Within 1 year | 1 to 5 years | |
| **2017** | **%** | **$** | **$** | **$** | **$** | **$** |
| **Financial Assets** | | | | | | |
| - Cash | **1.35%** | **-** | **665,915** | **-** | **-** | **665,915** |
| - Receivables | **N/A** | **2,917,658** | **-** | **-** | **-** | **2,917,658** |
| **Total Financial Assets** | | **2,917,658** | **665,915** | **-** | **-** | **3,583,573** |
| **Financial Liabilities** | | | | | | |
| - Payables | **N/A** | **2,567,846** | **-** | **-** | **-** | **2,567,846** |
| - Bank borrowings | **6.15%** | **-** | **1,992,000** | **-** | **-** | **1,992,000** |
| - Hire purchase | **7.25%** | **-** | **-** | **178,434** | **203,923** | **382,357** |
| **Total Financial Liabilities** | | **2,567,846** | **1,992,000** | **178,434** | **203,923** | **4,942,203** |
| **2016** | **%** | **$** | **$** | **$** | **$** | **$** |
| **Financial Assets** | | | | | | |
| - Cash | 1.36% | - | 808,395 | - | - | 808,395 |
| - Receivables | N/A | 3,462,035 | - | - | - | 3,462,035 |
| **Total Financial Assets** | | 3,462,035 | 808,395 | - | - | 4,270,430 |
| **Financial Liabilities** | | | | | | |
| - Payables | N/A | 2,640,738 | - | - | - | 2,640,738 |
| - Bank borrowings | 6.52% | - | 2,496,000 | - | - | 2,496,000 |
| - Hire purchase | 7.42% | - | - | 155,333 | 293,066 | 448,399 |
| **Total Financial Liabilities** | | 2,640,738 | 2,496,000 | 155,333 | 293,066 | 5,585,137 |

**(b) Credit risk**

The Group trades only with recognised, credit worthy third parties.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and pre-agreed credit limits.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date recognised as financial assets is the carrying amount, net of any provisions for doubtful debts which is $30,000 at 30 June 2017 (2016: nil), as disclosed in the statement of financial position and notes to the financial statements. The company holds no collateral or security in relation to financial assets.

As at reporting date, the amount of financial assets past due, but not impaired, is $27,609 (2016: $149,726).

The Group does not have any material credit risk to any single debtor or group of debtors under financial instruments entered into by the company.

**(c) Liquidity risk**

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of current working capital, bank loans, and hire purchase contracts.

Maturity analysis of financial liabilities:

| | Within 1 Year | 1 to 5 Years | Over 5 Years | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **2017** | | | | |
| - Payables | **2,567,846** | **-** | **-** | **2,567,846** |
| - Bank borrowings | **1,992,000** | **-** | **-** | **1,992,000** |
| - Hire purchase | **178,434** | **203,923** | **-** | **382,357** |
| **Total Financial Liabilities** | **4,738,280** | **203,923** | **-** | **4,942,203** |

| | Within 1 Year | 1 to 5 Years | Over 5 Years | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **2016** | | | | |
| - Payables | 2,640,738 | - | - | 2,640,738 |
| - Bank borrowings | 504,000 | 1,992,000 | - | 2,496,000 |
| - Hire purchase | 155,333 | 293,066 | - | 448,399 |
| **Total Financial Liabilities** | 3,300,071 | 2,285,066 | - | 5,585,137 |

**(d) Fair Values**

The carrying amount of financial assets and liabilities recorded in the financial statements represents their respective fair values, determined in accordance with the accounting policies disclosed in Note 2 to the financial statements.

**(e) Foreign Exchange Risk**

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.
At reporting date, the Group did not hold any financial instruments denominated in foreign currencies other than the Group's functional currency (AUD).

**(f) Sensitivity Analysis**

The following table illustrates sensitivities to the Group's exposures to changes in interest rates on borrowings and exchange rates on purchases. The table indicates the impact on how profit and equity values reported at reporting date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables. The following sensitivities are based on market experience over the last 12 months.

| | **CONSOLIDATED** | |
|---|---|---|
| | **Profit/(loss)** | **Equity** |
| **Year Ended 30 June 2017** | **$** | **$** |
| +/-2% in interest rates | +/-40,000 | +/-40,000 |
| +/-5c in AUD / USD | +/-160,000 | +/-160,000 |
| **Year Ended 30 June 2016** | $ | $ |
| +/-2% in interest rates | +/-50,000 | +/-50,000 |
| +/-5c in AUD / USD | +/-155,000 | +/-155,000 |

## 18 COMMITMENTS AND CONTINGENCIES

| | CONSOLIDATED 2017 $ | 2016 $ |
|---|---|---|
| **Operating Leases - properties** | | |
| Non-cancellable operating leases: | | |
| - less than one year | **242,447** | 263,207 |
| - later than one year but less than five years | **936,505** | 1,177,510 |
| - later than five years | **891,476** | 909,305 |
| | **2,070,428** | 2,350,022 |
| **Operating Leases - equipment** | | |
| Non-cancellable operating leases: | | |
| - less than one year | **4,596** | 11,518 |
| - later than one year but less than five years | **12,639** | 17,235 |
| | **17,235** | 28,753 |
| **Total operating lease commitments** | **2,087,663** | 2,378,776 |
| **Hire Purchases** | | |
| Hire purchase commitments payable: | | |
| - less than one year | **201,148** | 185,799 |
| - later than one year but less than five years | **216,892** | 320,867 |
| | **418,040** | 506,666 |
| Less future finance charges | **(35,683)** | (58,267) |
| Total hire purchase liability | **382,357** | 448,399 |
| Reconciled to: | | |
| Current liability | **178,434** | 155,333 |
| Non-current liability | **203,923** | 293,066 |
| | **382,357** | 448,399 |

The Group leases its head office and warehouse facility and other interstate office sites under non-cancellable operating leases with terms ranging from 1 to 10 years.

The Group leases various warehouse and office equipment under non-cancellable operating leases with terms ranging from 4 to 5 years.

There are no material make good obligations with operating leases.

Hire purchase commitments relate to warehouse fitout, production and rental equipment, IT software and company motor vehicles.

There are no other commitments or contingent liabilities of the Group.

## 19 SUBSIDIARIES

The consolidated financial statements include the financial statements of Saferoads Holdings Limited and the subsidiaries listed in the following table.

| Name | Country of incorporation | % equity interest 2017 | 2016 |
|---|---|---|---|
| Saferoads Pty Ltd | Australia | **100%** | 100% |

## 20 RELATED PARTIES

**Transactions with Key Management Personnel**

During the financial year the Company acquired certain consumable manufacturing materials from an entity related to Mr D. Hotchkin at normal commercial rates aggregating $76,939 (2016: $24,410), with $15,887 included in Trade payables at 30 June 2017 (2016: $2,628).

Mr D. Hotchkin procured certain Public lighting products at normal commercial rates totalling $7,162 during the year.

## 21 AUDITORS' REMUNERATION

| | 2017 $ | 2016 $ |
|---|---|---|
| Amounts received or due and receivable by: | | |
| - Current auditors: Grant Thornton, for the audit of the financial report | **70,000** | 78,500 |
| | | |
| Other services (R&D tax rebate): Grant Thornton | **15,000** | 18,000 |
| Other services (government grant): Grant Thornton | **1,800** | - |

## 22 KEY MANAGEMENT PERSONNEL DISCLOSURES

**(a) Details of Management Personnel**

**(i) Directors**

| | |
|---|---|
| David Ashmore | Non-Executive Chairman |
| Darren Hotchkin | Chief Executive Officer |
| David Cleland | Non-Executive |

**(ii) Executives**

| | |
|---|---|
| Peter Fearns | Chief Financial Officer |

**(b) Compensation of Key Management Personnel**

Details of the nature and amount of each element of the remuneration of Key Management Personnel ("KMP") are disclosed in the Remuneration Report section of the Directors' Report.

| | 2017 $ | 2016 $ |
|---|---|---|
| Compensation of Key Management Personnel by category: | | |
| - Short-term employee benefits | **501,516** | 622,533 |
| - Post-employment benefits | **83,028** | 55,771 |
| - Long-term employee benefits | **2,904** | 3,162 |
| | **587,448** | 681,466 |

## 23 PARENT ENTITY DISCLOSURES

| | 2017 $ | 2016 $ |
|---|---|---|
| Current assets | **-** | - |
| Total assets | **5,359,929** | 5,359,929 |
| Current liabilities | **-** | - |
| Total liabilities | **-** | - |
| Net assets | **5,359,929** | 5,359,929 |
| Issued capital | **5,353,905** | 5,353,905 |
| Retained earnings | **6,024** | 6,024 |
| | | |
| Profit/(loss) of the parent entity | **-** | (21) |
| Total comprehensive income of the parent entity | **-** | (21) |
| | | |
| Guarantees entered into by the parent entity in relation to debts of its subsidiaries | **-** | - |

## 24 SUBSEQUENT EVENTS

**Extension and Revision of Banking Facilities**

Since the end of the financial year the Company has entered into a revised facility agreement with its financier, Commonwealth Bank of Australia, offering an extended term of three years and significantly more favourable terms and conditions on the back of the improved operational performance and financial position of the Company.

# DIRECTORS' DECLARATION

In the opinion of the Directors of Saferoads Holdings Limited and its controlled entities:

(a) the financial statements and notes of the consolidated entity and the remuneration disclosures that are contained in the Remuneration Report that forms part of the Directors' Report are in accordance with the *Corporations Act 2001* (Cth), including:

   i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended that date; and

   ii) complying with Accounting Standards and *Corporations Regulations 2001*.

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

(c) The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as reported in Note 2.

This declaration has been made after receiving the declarations required to be made to the Directors by the Chief Executive Officer and the Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* (Cth).

Signed in accordance with a resolution of the Directors.

On behalf of the Board.

**David Ashmore**

**Director**

**28 August 2017**

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# INDEPENDENT AUDITOR'S REPORT
# TO THE MEMBERS OF SAFEROADS HOLDINGS LIMITED

## Report on the audit of the financial report

### Opinion

We have audited the financial report of Saferoads Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

a Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date; and

b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Intangible Assets**<br>**Note 12** | |
| The Group has material intangible assets which consist of development costs for their various innovative products.<br><br>AASB 138 *Intangible Assets* sets our specific criteria to be met in order to capitalise development costs. AASB 136 *Impairment of Assets* requires that an entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any indication exists, the entity shall estimate the recoverable amount of the asset.<br><br>This area is a key audit matter due to the inherent subjectivity that is involved in the Company making judgements in relation to the capitalisation of their development costs, as well as the evaluation for any impairment indicators. | Our procedures included, amongst others:<br><br>• Enquiring with management to obtain and document an understanding of management's process and controls related to the capitalisation of development costs and assessment of impairment;<br>• Testing significant additions that have been capitalised in the period and assessing compliance with the recognition requirements under AASB 138;<br>• Reviewing management's value in use calculations for each product to critically assess inputs and assumptions applied, including:<br>– Challenging the associated underlying forecast cash flows and comparing key assumptions to historical results and business trends;<br>– Evaluating appropriateness of the discount rate applied; and<br>– Performing sensitivity analysis on the significant inputs and assumptions and comparing to the carrying amount of the product development costs;<br>• Identifying any discontinued products through discussions with management and review of sales results; and<br>• Assessing the adequacy of related disclosures within the financial report. |

## Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Saferoads Holdings Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M A Cunningham
Partner - Audit & Assurance

Melbourne, 28 August 2017