



5 April 2024

Ms Riley Jackson
Adviser, Listings Compliance (Melbourne)
ASX Limited

Reference: 90913

Dear Riley,

In response to your correspondence (dated 22nd March, 2024) regarding the half-year report of Saferoads Holdings Limited (Saferoads or the "Company"), please find the following:

1. Is SRH able to confirm that in the Directors' opinion the Half-Year Report:

- (a) comply with the relevant Accounting Standards; and**
(b) give a true and fair view of SRH's financial performance and position?

Saferoads confirms that in the Directors' opinion the Half-Year Report complies with the relevant Accounting Standards, and gives a true and fair view of Saferoads financial performance and position. This opinion is shared by the auditor in the Independent Auditor's Review Report contained in the Half-Year Report.

2. Please explain the basis for and the factors considered by the Directors to satisfy themselves that the assessment of the carrying value of SRH's intangible assets is correct.

The Directors satisfied themselves that the assessment of the carrying value of Saferoads intangible assets is correct by undertaking a formal estimate of the recoverable amount in accordance with AASB 136 Impairment of Assets. The recoverable amount is the greater of fair value less costs to sell and value in use. As the intangible assets have been allocated to a Cash Generating Unit (CGU) the impairment assessment involved comparing the carrying amount of the CGU, including the carrying value of the intangible assets, with the recoverable amount of the CGU.

The Directors prepared three separate value in use calculations (Optimistic, Most Likely, and Pessimistic and weighted at 20%, 30%, and 50% respectively which weights the assessment towards the pessimistic) to determine the recoverable amount of the CGU and applied significant judgement in finding that the recoverable amount of the CGU (post impairment of the portable Omni Bollard system) was greater than the carrying value of the CGU.

Given value in use calculations incorporate a number of key assumptions the Directors applied significant judgement and estimates in considering that the assessment of the carrying value of the intangible assets is correct.

3. In relation to the Half-Year Report, did the Board receive a statement, as described in clause 2.14.3 of SRH's Corporate Governance Charter, that in the opinion of the CFO and Managing Director, SRH's risk management and internal compliance and control system is operating efficiently and effectively in all material respects?

Yes, in relation to the Half-Year Report, the Board received a statement, as described in clause 2.14.3 of Saferoads Corporate Governance Charter, that in the opinion of the CEO and CFO, the risk management and



internal compliance and control systems of the company and consolidated entity are operating efficiently and effectively in all material respects to the extent they relate to financial reporting.

4. If the answer to question 3 is 'no', why did the Board not receive the statement?

Not applicable.

5. What enquiries did the Board make of management to satisfy itself that the financial records of SRH have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of SRH?

Management papers on key accounting matters and disclosures including valuation models supporting the carrying value of intangible assets were provided to the Audit and Risk Committee and in turn the Board.

6. Commenting specifically on the qualified opinion, does the board consider that SRH has a sound system of risk management and internal control which is operating effectively?

Yes, Saferoads has a sound system of risk management and internal control, which is operating effectively and is appropriate for an entity of Saferoads size and nature. No material issues were noted in the Independent Auditor's Review Findings Report.

The qualified opinion was issued due to a scope limitation in relation to an inability to obtain sufficient appropriate evidence to support the Directors impairment assessment of intangible assets and is in no way related to Saferoads system of risk management and internal control.

7. Given the qualified opinion relates to the Auditor's inability to obtain sufficient information to verify the carrying values of SRH's intangible assets, please explain how the directors satisfied themselves that the carrying values are appropriate and adhere to the current Australian Accounting Standards. In answering this question, reference should be made to the underlying assumptions used by the directors in coming to this conclusion, as well as any independent valuations and the validity of the assumptions upon which these valuations are based.

Refer to response to question 2.

8. Given the qualified opinion relates to the auditor's inability to obtain sufficient information to support the carrying values of the SRH's intangible assets, please explain why the auditor has been unable to obtain sufficient information to verify the carrying values of SRH's intangible assets.

Saferoads provided the auditor with all information requested in support of the carrying value of its intangible assets. The auditor's inability related to obtaining sufficient appropriate independent evidence to support the assumptions within the impairment model supporting the carrying value of the intangible assets.

9. Does SRH consider the Breach Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities?

No, Saferoads does not currently consider the breach information to be information that a reasonable person would expect to have a material effect on the price or value of its securities.

10. If the answer to question 9 is 'no' please advise the basis for the view.

Saferoads initial breach of the Lending Ratio covenant occurred on 26 September 2023, during the finalisation of the 2023 annual report, following the Directors decision on that day to recognise a provision for estimated fines and legal fees relating to the November 2021 workplace fatality. This breach was reported to the Bank on



26 September 2023 and Saferoads was provided verbal advice on the same day that the Bank would not take any immediate action but would reserve its rights relating to the breach. Accordingly, the breach was first notified to the market on 29 September by way of notes in the 2023 annual report.

The covenant breach is ongoing and on 29 February 2024 a further covenant breach was reported in Note 1 to the consolidated financial statements contained in the Half-Year Report. Had Saferoads been in compliance with the covenant at 31 December 2023 the Directors would have provided a market update to that effect. Saferoads does not consider the breach information to be information that a reasonable person would expect to have a material effect on the price or value of its securities given the bank had on 26 September 2023 confirmed it would not take any immediate action but would reserve its rights relating to the breach. Directors have had numerous discussions with the bank and their position regarding the breach currently remains unchanged.

11. When did SRH first become aware of the Breach Information?

Refer to response to question 10.

12. If SRH first became aware of the Breach Information before 29 February 2024, did SRH make any announcement prior to 29 February 2024 which disclosed the Breach Information? If so, please provide details. If not, please explain why the Breach Information was not released to the market at an earlier time, commenting specifically on when you believe SRH was obliged to release the Breach Information under Listing Rules 3.1 and 3.1A and what steps SRH took to ensure that the Breach Information was released promptly and without delay.

Saferoads first became aware of the breach on 26 September 2023 and disclosed the breach information in its 2023 annual report lodged with the ASX on 29 September 2023, one week prior to receiving official notification of the breach from the Bank on 6 October 2023.

13. Please provide an update on the loan facility covenant breach and discussions with SRH's bankers in respect of the loan facility covenant breach.

The Bank has decided not to exercise its rights relating to the breach following our notifications to them on the 26 September 2023 and 29 February 2024. However, the bank reserves the right to exercise its rights in the future relating to the breach.

A formal letter of variation to amend the covenant testing and reporting from half yearly to quarterly was issued by the bank to Saferoads and accepted by us on 4 April 2024.

14. Please confirm if the intangible asset carrying value of the portable Omni Bollard system was reduced to nil the consolidated financial statements contained in the Half-Year Report.

Saferoads confirms the intangible asset carrying value of the portable OmniStop Bollard system was reduced to nil the consolidated financial statements contained in the Half-Year Report.

15. It would appear to ASX that SRH has failed to comply with the corporate governance disclosure requirements in Listing Rules 4.7.3, 4.7.4 and 4.10.3. In accordance with Listing Rule 18.8, ASX requires SRH to rectify its non-compliance with Listing Rules 4.7.3, 4.7.4 and 4.10.3 by providing to ASX for release on MAP a corporate governance statement and a completed Appendix 4G for the year ended 30 June 2023.

Saferoads failed to lodge its Appendix 4G by the required date. This was an oversight and we have changed our procedures to ensure it will not occur again. The corporate governance statement and Appendix 4G were released to the market on 28 March 2024.



16. Please confirm that SRH is complying with the Listing Rules and, in particular, Listing Rule 3.1.

Saferoads confirms that it is complying with the Listing Rules and in particular, Listing Rule 3.1.

17. Please confirm that SRH's responses to the questions above have been authorized and approved under its published continuous disclosure policy or otherwise by its board or an officer of SRH with delegated authority from the board to respond to ASX on disclosure matters.

Saferoads confirms that the responses given above have been authorized and prepared under its continuous disclosure policy by its Board.

Kind Regards,

A handwritten signature in black ink, appearing to be "Aimee Taylor".

Aimee Taylor
Company Secretary



22 March 2024

Reference: 90913

Ms Aimee Joy Taylor
Company Secretary
Saferoads Holdings Limited
22 Commercial Drive
Pakenham Victoria 3810

By Email: aimee.taylor@saferoads.com.au

Dear Ms Taylor

Saferoads Holdings Limited ('SRH'): Half-year report (reviewed financial report) - Query

ASX refers to the following:

- A. SRH's Appendix 4D and half-year report for the half-year ended 31 December 2023 released on the ASX Market Announcements Platform ('MAP') on 29 February 2024 ('Half-Year Report').
- B. The following statement in Note 1 to the consolidated financial statements contained in the Half-Year Report (the 'Breach Information'):

The Group has a term loan of \$1,090,614 and asset finance loans of \$1,524,978 at balance date that are subject to terms contained in the facility agreements with our long term bankers. One of those terms is that all borrowings of the Group cannot exceed a 3.0 times multiple of the adjusted EBITDA. That measure was 4.3 times at 31 December 2023 which constitutes a breach of the loan agreement. Accordingly, and pursuant to accounting standards, all of the CBA loans have been classified as a current liability. The Group will continue discussions with its bankers on this matter. The bank has the ability to call the debt under the facility agreement as a result of the covenant breach, they have not done so at this time.

- C. The following statement in Note 6 to the consolidated financial statements contained in the Half-Year Report:

During the half, the Group did not receive any revenue from its portable Omni bollard system. Although the portable Omni bollard system including new access gates has been successfully crash tested and is in the process of being relaunched to market, future revenues are uncertain and thus management took a conservative approach and reduced the carrying value of these intangible assets to nil.

- D. The Independent Auditor's Report attached to the Half-Year Report ('Auditor's Report'), which contains a qualified opinion supported by the following basis for qualified opinion:

"Included within Note 6 of the half year financial report, the Group has reported intangible assets amounting to \$1,012,572. We have been unable to obtain sufficient appropriate evidence to support the carrying value of these assets under AASB 138 Intangible Assets and AASB 136 Impairment of Assets at 31 December 2023. Accordingly, we are not in a position to and do not express a conclusion on the intangible assets balance at 31 December 2023. As this balance enters into the determination of financial performance and cash flows, we were unable to determine the effect of such adjustments, if any, as might have been determined to be necessary had this limitation in scope not existed."

- E. SRH's 2023 Annual Report released on MAP on 23 October 2023, which contains the following statement:

The Group's Corporate Governance Statement for the financial year ending 30 June 2023 is dated as at 30 June 2023 and was approved by the Board on 29 September 2023. 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-governance.

F. The corporate governance page of SRH's website contains a document titled 'Corporate Governance Statement FY22' for the reporting period ended 30 June 2022. The corporate governance page of SRH's website does not contain a corporate governance statement for the year ended 30 June 2023.

G. Clause 2.14.3 of SRH's Corporate Governance Charter published on the corporate governance page of SRH's website which states:

The Managing Director and Chief Financial Officer must each provide a statement to the Board with the half yearly and annual financial report to the effect that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

H. Listing Rule 4.7.3 which states that an entity must give ASX a copy of a completed Appendix 4G at the same time as the entity gives its annual report to ASX under rule 4.7.1 or 4.7.2 (as the case may be).

I. Listing Rule 4.7.4 which states that if an entity's corporate governance statement is not included in its annual report, a copy of its corporate governance statement current as at the effective date specified in that statement for the purposes of rule 4.10.3.

J. Listing Rule 4.10.3 which states that an entity must include in its annual report either a corporate governance statement that meets the requirements of the rule or the URL of the page on its website where a corporate governance statement that meets the requirements of the rule is located. The rule requires the corporate governance statement to disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period.

K. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.

L. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:

"an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity" and section 4.4 in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B "When does an entity become aware of information."

M. Section 4.4 in *Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B* titled "When does an entity become aware of information?"

N. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure as follows.

"3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:

3.1A.1 One or more of the following 5 situations applies:

- *It would be a breach of a law to disclose the information;*
- *The information concerns an incomplete proposal or negotiation;*
- *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- *The information is generated for the internal management purposes of the entity; or*
- *The information is a trade secret; and*

3.1A.2 *The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*

3.1A.3 *A reasonable person would not expect the information to be disclosed.”*

O. Listing Rule 19.11A which states:

19.11A If a listing rule requires an entity to give ASX +accounts, the following rules apply.

- (a) If the entity controls an entity within the meaning of section 50AA of the Corporations Act or is the holding company of an entity, required by any law, regulation, rule or accounting standard, or if ASX requires, the +accounts must be consolidated +accounts.*
- (b) The +accounts must be prepared to Australian accounting standards. If the entity is a +foreign entity the +accounts may be prepared to other standards agreed by ASX.*
- (c) If the listing rule requires audited +accounts, the audit must be conducted in accordance with Australian auditing standards by a registered company auditor. If the entity is a +foreign entity, the audit may be conducted in accordance with other standards agreed by ASX and may be conducted by an overseas equivalent of a registered company auditor.*
- (d) If the listing rule requires +accounts to be reviewed, the review must be conducted in accordance with Australian auditing standards. If the entity is a +foreign entity, the review may be conducted in accordance with other standards agreed by ASX. Unless the listing rule says an independent accountant may conduct the review, it must be conducted by a registered company auditor (or, if the entity is a +foreign entity, an overseas equivalent of a registered company auditor).*
- (e) If there is a +directors’ declaration that relates to the +accounts, the +directors’ declaration must be given to ASX with the +accounts.*
- (f) If there is a +directors’ report that relates to the period covered by the +accounts, the +directors’ report must be given to ASX with the +accounts.*

Request for information

In light of the information contained in the Half-Year Report and the Auditor’s Report, and the application of the Listing Rules stated above, please respond to each of the following questions:

1. Is SRH able to confirm that in the Directors’ opinion the Half-Year Report:
 - (a) comply with the relevant Accounting Standards; and
 - (b) give a true and fair view of SRH’s financial performance and position?
2. Please explain the basis for and the factors considered by the Directors to satisfy themselves that the assessment of the carrying value of SRH’s intangible assets is correct.
3. In relation to the Half-Year Report, did the Board receive a statement, as described in clause 2.14.3 of SRH’s Corporate Governance Charter, that in the opinion of the CFO and Managing Director, SRH’s risk management and internal compliance and control system is operating efficiently and effectively in all material respects?
4. If the answer to question 3 is ‘no’, why did the Board not receive the statement?

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5. What enquiries did the Board make of management to satisfy itself that the financial records of SRH have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of SRH?
 6. Commenting specifically on the qualified opinion, does the board consider that SRH has a sound system of risk management and internal control which is operating effectively?
 7. Given the qualified opinion relates to the Auditor's inability to obtain sufficient information to verify the carrying values of SRH's intangible assets, please explain how the directors satisfied themselves that the carrying values are appropriate and adhere to the current Australian Accounting Standards. In answering this question, reference should be made to the underlying assumptions used by the directors in coming to this conclusion, as well as any independent valuations and the validity of the assumptions upon which these valuations are based.
 8. Given the qualified opinion relates to the auditor's inability to obtain sufficient information to support the carrying values of the SRH's intangible assets, please explain why the auditor has been unable to obtain sufficient information to verify the carrying values of SRH's intangible assets.
 9. Does SRH consider the Breach Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
 10. If the answer to question 9 is 'no' please advise the basis for the view.
 11. When did SRH first become aware of the Breach Information?
 12. If SRH first became aware of the Breach Information before 29 February 2024, did SRH make any announcement prior to 29 February 2024 which disclosed the Breach Information? If so, please provide details. If not, please explain why the Breach Information was not released to the market at an earlier time, commenting specifically on when you believe SRH was obliged to release the Breach Information under Listing Rules 3.1 and 3.1A and what steps SRH took to ensure that the Breach Information was released promptly and without delay.
 13. Please provide an update on the loan facility covenant breach and discussions with SRH's bankers in respect of the loan facility covenant breach.
 14. Please confirm if the intangible asset carrying value of the portable Omni Bollard system was reduced to nil the consolidated financial statements contained in the Half-Year Report.
 15. It would appear to ASX that SRH has failed to comply with the corporate governance disclosure requirements in Listing Rules 4.7.3, 4.7.4 and 4.10.3. In accordance with Listing Rule 18.8, ASX requires SRH to rectify its non-compliance with Listing Rules 4.7.3, 4.7.4 and 4.10.3 by providing to ASX for release on MAP a corporate governance statement and a completed Appendix 4G for the year ended 30 June 2023.
 16. Please confirm that SRH is complying with the Listing Rules and, in particular, Listing Rule 3.1.
 17. Please confirm that SRH's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of SRH with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **4:00 PM AEDT Tuesday, 2 April 2024**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, SRH's obligation is to disclose the information

'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require SRH to request a trading halt immediately.

Your response should be sent to me by e-mail at ListingsComplianceMelbourne@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in SRH's securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in SRH's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to SRH's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that SRH's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

ASX reserves the right to release all or any part of this letter, your reply and any other related correspondence between us to the market under Listing Rule 18.7A.

Yours faithfully

ASX Compliance