

SAFEROADS HOLDINGS LIMITED

FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

RELEASED
11 February 2011

Appendix 4D Half year report

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

1. Reporting periods

| | |
|---------------------------------------|--|
| Half year ended (‘current period’) | Half year ended (‘previous corresponding period’) |
| 31 December 2010 | 31 December 2009 |

2. Results for announcement to the market

| | Current period | Previous corresponding period | % Change increase / (decrease) | Amount (\$) increase / (decrease) |
|---|---------------------|-------------------------------|--------------------------------|-------------------------------------|
| | \$ | \$ | | \$ |
| Key information | | | | |
| Revenues from ordinary activities | 23,392,294 | 29,631,305 | -21% | (6,239,011) |
| Profit from ordinary activities after tax attributable to members | 192,352 | 2,546,789 | -92% | (2,354,437) |
| Net profit (loss) for the period attributable to members | 192,352 | 2,546,789 | -92% | (2,354,437) |
| Dividends (distributions) | | | Amount per share | Franked amount per share at 30% tax |
| Final dividend | Record Date Paid | N/A N/A | N/A | N/A |
| Interim dividend | Record Date Payable | N/A N/A | N/A | N/A |
| Supplementary comments | | | | |
| Commentary in respect of the results is provided in the Directors' Report, which forms part of the half-year report ended 31 December 2010. | | | | |

3. NTA backing

| | Current period | Previous corresponding period |
|--|----------------|-------------------------------|
| Net tangible asset backing per ordinary share (\$) | 0.41 cents | 0.46 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

The dividend reinvestment plan which commenced on listing with the ASX is currently not in operation.

6. Associates and Joint Ventures

N/A

7. Foreign entities

N/A



SAFEROADS HOLDINGS LIMITED

Directors' Report

Your directors submit their report for the first half-year ended 31 December 2010.

DIRECTORS

The names of the Company's directors in office during the half-year and until the date of this report are as below.

Gary Bertuch (Chairman)
Darren Hotchkin
Duncan Smith
Ged Keeghan
David Cleland (commenced 1 December 2010)

REVIEW AND RESULTS OF OPERATIONS

The directors of Saferoads Holdings Limited report a first half-year consolidated net profit after tax (NPAT) of \$192,352, compared with \$2,546,789. Total sales for the first half-year were \$23,392,294 compared with \$29,631,305 for the corresponding previous period, a decrease of 21%. Both the reported NPAT and sales figures compare with the updated guidance figures provided to the ASX on 1 December 2010.

Gross profit margin for the period was 35% lower than that of the prior corresponding period primarily due to the proportion of lower profit margin products and services in the sales mix, and delays to civil infrastructure projects due to the exceptional wet weather conditions experienced along the eastern seaboard.

The difficult trading conditions experienced in the second half of 2009-10 and the resulting contraction in sales and profit continued into the first half of this financial year. The exceptional wet weather conditions have coincided with a ten year low in road construction activity and hence the reduced spending has led to surplus capacity in the road safety industry creating increased competition across the range of the Company's product portfolio.

The Company's start-up Rentals division is achieving growth with product deployments in place in most states. The Company sees this division as a strong medium-term growth area.

In spite of reduced sales and NPAT, debt levels as at 31 December 2010 had not increased from 30 June 2010. The directors have again regrettably decided not to declare an interim dividend on the basis that it is important for the Company to conserve cash in the face of continuing uncertain times.

The Company has announced the appointment of Mr Wayne Kibbis as Chief Executive Officer effective 7 February 2011. Founder, and retiring Managing Director, Mr Darren Hotchkin, will remain on the Board as a non-executive director.

There are mixed signals in the short term economic times ahead for the road construction and safety industry. The recent floods have created delays to certain federal road infrastructure projects but have also created immediate opportunities for Saferoads as the eastern states rebuild damaged road and highway systems.

On balance the directors are optimistic that the second half-year will see an improved financial performance.



AUDITOR'S INDEPENDENCE DECLARATION

We have obtained the attached independence declaration from our auditors WHK Audit (Vic) in accordance with S307c of the Corporations Act 2001 for the half year ended 31 December 2010.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'G. Bertuch', is positioned above the printed name.

Gary Bertuch

Director

Drouin

11/02/2011

SAFEROADS HOLDINGS LIMITED
Condensed Comprehensive Income Statement
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

| | Notes | CONSOLIDATED December 2010 \$ | December 2009 \$ |
|---|-------|--|------------------------|
| Revenue | 2 | 23,392,294 | 29,631,305 |
| Cost of sales | | (16,216,572) | (18,562,991) |
| Gross profit | | <u>7,175,722</u> | <u>11,068,314</u> |
| Other income | 2 | 131,720 | 217,995 |
| Employee benefits | | (3,612,208) | (4,269,517) |
| Amortisation | | (2,529) | (2,529) |
| Depreciation | | (381,967) | (371,965) |
| Finance costs | | (324,522) | (250,134) |
| Other expenses | | (2,707,985) | (2,931,048) |
| Profit before tax | | <u>278,231</u> | <u>3,461,116</u> |
| Income tax expense | | (85,879) | (914,327) |
| Profit after income tax from continuing operations | | <u>192,352</u> | <u>2,546,789</u> |
| Net profit for the period | | <u>192,352</u> | <u>2,546,789</u> |
| Net profit attributable to members of parent | | <u>192,352</u> | <u>2,546,789</u> |
| Other Comprehensive Income | | | |
| Exchange differences on translating foreign controlled entities | | (63,574) | (46,063) |
| Total comprehensive income for the period | | <u>(63,574)</u> | <u>(46,063)</u> |
| Total comprehensive income attributable to members of the parent | | <u>128,778</u> | <u>2,500,726</u> |
| Earnings per share (cents per share) | | | |
| - basic for profit for the half-year (cents) | | 0.7 | 9.8 |
| - diluted for profit for the half-year (cents) | | 0.7 | 9.8 |
| - dividends paid per share (cents) | | 0.0 | 0.0 |

The accompanying notes form part of these financial statements

SAFEROADS HOLDINGS LIMITED
Condensed Statement of Financial Position
AS AT 31 DECEMBER 2010

| | Notes | CONSOLIDATED | |
|---------------------------------------|-------|------------------------|--------------------|
| | | December 2010 \$ | June 2010 \$ |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | | 1,377,077 | 2,007,999 |
| Trade and other receivables | | 7,177,479 | 6,437,760 |
| Inventories | | 8,717,979 | 9,436,973 |
| Prepayments | | 710,265 | 466,019 |
| Total Current Assets | | <u>17,982,801</u> | <u>18,348,751</u> |
| Non-current Assets | | | |
| Deferred tax asset | | 22,542 | 31,947 |
| Property, plant and equipment | | 6,082,278 | 4,303,756 |
| Intangible assets and goodwill | | 5,842,967 | 5,746,159 |
| Total Non-current Assets | | <u>11,947,787</u> | <u>10,081,862</u> |
| TOTAL ASSETS | | <u>29,930,588</u> | <u>28,430,613</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | | 4,910,697 | 3,986,367 |
| Current tax liabilities | | 29,604 | 42,575 |
| Interest-bearing loans and borrowings | 8 | 7,384,563 | 115,743 |
| Provisions | | 534,305 | 533,210 |
| Total Current Liabilities | | <u>12,859,169</u> | <u>4,677,895</u> |
| Non-current Liabilities | | | |
| Deferred tax liabilities | | - | - |
| Interest-bearing loans and borrowings | 8 | 425,057 | 7,253,564 |
| Provisions | | 99,598 | 81,169 |
| Total Non-current Liabilities | | <u>524,655</u> | <u>7,334,733</u> |
| TOTAL LIABILITIES | | <u>13,383,824</u> | <u>12,012,628</u> |
| NET ASSETS | | <u>16,546,763</u> | <u>16,417,985</u> |
| EQUITY | | | |
| Contributed equity | 4 | 4,130,708 | 4,130,708 |
| Reserves | | (93,999) | (30,425) |
| Retained earnings | | 12,510,054 | 12,317,702 |
| TOTAL EQUITY | | <u>16,546,763</u> | <u>16,417,985</u> |

The accompanying notes form part of these financial statements

SAFEROADS HOLDINGS LIMITED
Condensed Statement of Cash Flows
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

| | Notes | CONSOLIDATED | |
|--|-------|-------------------------|------------------------|
| | | December 2010 \$ | December 2009 \$ |
| Cash flows from operating activities | | | |
| Receipts from customers | | 24,957,357 | 31,719,269 |
| Payments to suppliers and employees | | (22,877,320) | (27,187,832) |
| Income tax paid | | (89,445) | (431,050) |
| GST paid | | (353,019) | (907,421) |
| Interest paid | | (324,522) | (250,134) |
| Net cash flows from operating activities | | <u>1,313,051</u> | <u>2,942,832</u> |
| Cash flows from investing activities | | | |
| Interest received | | 7,976 | 4,346 |
| Proceeds from sale of property, plant and equipment | | 177,619 | 37,727 |
| Purchase of property, plant and equipment | | (2,470,596) | (265,009) |
| Product development costs | | (99,286) | - |
| Net cash flows used in investing activities | | <u>(2,384,287)</u> | <u>(222,936)</u> |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 581,064 | - |
| Repayment of borrowings | | (140,750) | (2,584,649) |
| Equity dividends paid | | - | - |
| Net cash flows from financing activities | | <u>440,314</u> | <u>(2,584,649)</u> |
| Net increase/(decrease) in cash and cash equivalents | | (630,922) | 135,247 |
| Cash and cash equivalents at beginning of period | | 2,007,999 | 744,262 |
| Cash and cash equivalents at end of period | 7 | <u><u>1,377,077</u></u> | <u><u>879,509</u></u> |

The accompanying notes form part of these financial statements

SAFEROADS HOLDINGS LIMITED
Condensed Statement of Changes in Equity
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

| CONSOLIDATED | Contributed Equity \$ | Reserves | Retained Earnings \$ | Total Equity \$ |
|-------------------------------------|--------------------------------------|------------------|-------------------------------------|----------------------------|
| At 1 July 2009 | 4,130,708 | (60,989) | 10,282,267 | |
| Comprehensive income for the period | - | (46,063) | 2,546,789 | 2,500,726 |
| Equity dividends | - | - | - | - |
| At 31 December 2009 | <u>4,130,708</u> | <u>(107,052)</u> | <u>12,829,337</u> | <u>16,852,993</u> |
| | | | | |
| At 1 July 2010 | 4,130,708 | (30,425) | 12,317,088 | |
| Comprehensive income for the period | - | (63,574) | 192,352 | 128,778 |
| Equity dividends | - | - | - | - |
| At 31 December 2010 | <u>4,130,708</u> | <u>(93,999)</u> | <u>12,510,054</u> | <u>16,546,763</u> |

The accompanying notes form part of these financial statements

SAFEROADS HOLDINGS LIMITED
Notes to the Financial Statements
FOR THE HALF YEAR-ENDED 31 DECEMBER 2010

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of the half-year financial report

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore does not provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. It is therefore recommended that the half year financial report should be read in conjunction with the annual Financial Report of Saferoads Holdings Limited as at 30 June 2010, together with any public announcements made by Saferoads Holdings Limited and its controlled entities during the half year ended 31 December 2010 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(b) Basis of Preparation

The consolidated financial statements comprise the financial statements of the legal parent entity, Saferoads Holdings Limited and its subsidiaries ('the Group').

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting". Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The half-year financial report has been prepared on a historical cost basis.

For the purposes of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(c) Significant Accounting Policies

The half-year consolidated financial statements have been prepared using the same accounting policies and methods of computation as used in the annual financial statements for the year ended 30 June 2010.

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Saferoads Holdings Limited and its subsidiaries ('the Group').

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.

SAFEROADS HOLDINGS LIMITED
Notes to the Financial Statements
FOR THE HALF YEAR-ENDED 31 DECEMBER 2010

2 REVENUES AND EXPENSES

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

| | CONSOLIDATED | |
|---------------------|--------------------------|--------------------------|
| | December 2010 | December 2009 |
| | \$ | \$ |
| Revenue | | |
| Sale of goods | 23,392,294 | 29,631,305 |
| | <u>23,392,294</u> | <u>29,631,305</u> |
| Other income | | |
| Interest | 7,976 | 4,346 |
| Other | 123,744 | 213,649 |
| | <u>131,720</u> | <u>217,995</u> |

3 DIVIDENDS PAID AND PROPOSED

Equity dividends on ordinary shares:

Dividends paid during the half year:

Final franked dividend for the financial year 30 June 2010 (0.0 cents) (2009 : 0.0 cents)

| | |
|----------|----------|
| - | - |
| <u>-</u> | <u>-</u> |

Dividends proposed and not recognised as a liability:

Interim franked dividend for financial year 30 June 2011 (0.0 cents) (2010: 0.0 cents)

| | |
|----------|----------|
| - | - |
| <u>-</u> | <u>-</u> |

4 ISSUED CAPITAL

| | December 2010 | June 2010 |
|------------------------|--------------------------|----------------------|
| | \$ | \$ |
| <i>Ordinary shares</i> | | |
| Issued and fully paid | 4,130,708 | 4,130,708 |
| | <u>4,130,708</u> | <u>4,130,708</u> |

5 SEGMENT REPORTING

The Group predominately operates in the road safety products market in Australia.

6 CONTINGENT ASSETS AND LIABILITIES

There are no material contingent liabilities or contingent assets.

SAFEROADS HOLDINGS LIMITED
Notes to the Financial Statements
FOR THE HALF YEAR-ENDED 31 DECEMBER 2010

7 ADDITIONAL INFORMATION

Reconciliation of Cash

For the purposes of the Condensed Statement of Cash Flows, cash and cash equivalents comprise the following at 31 December:

| | CONSOLIDATED | |
|--------------------------|---------------------|-----------------|
| | December | December |
| | 2010 | 2009 |
| | \$ | \$ |
| Cash at bank and in hand | <u>1,377,077</u> | <u>879,509</u> |

8 INTEREST-BEARING LOANS AND BORROWINGS

Saferoads Pty Ltd is required to report to the Commonwealth Bank at the end of each 6 monthly period regarding its compliance with Financial Covenants for the preceeding 12 months. At the reporting date of 5 February 2011 for the 12 months ended 31 December 2010, the company was in breach of the required Interest Coverage Ratio, therefore in accordance with Accounting Standard AASB 101, the company's long term loans have been re-classified as current.

At the previous reporting date of 5 August 2010 for the 12 months ended 30 June 2010, the company was in compliance with the required Interest Coverage Ratio, therefore in accordance with Accounting Standard AASB 101, the company's long term loans were classified as non-current in accordance with the amounts being due after 12 months.

Directors' Declaration

In accordance with a resolution of the directors of Saferoads Holdings Limited, I state that:

In the opinion of the directors:


(a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) give a true and fair view of the financial position as at 31 December 2010 and the performance for the half-year ended on that date of the consolidated entity; and

(ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Gary Bertuch

Director
Drouin

11 February 2011

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Saferoads Holdings Limited

www.whk.com.au

WHK Audit (Vic)
ABN 27 621 602 883

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Saferoads Holdings Limited and controlled entities, which comprises the condensed balance sheet as at 31 December 2010, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a summary of significant accounting policies other explanatory notes and the directors declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

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

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditors Independence Declaration, a copy of which is included in the Directors' Report.

www.whk.com.au


WHK Audit (Vic)
ABN 27 621 602 883

Conclusion

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

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

WHK Audit (Vic)
WHK Audit (Vic)


Rochelle Wrigglesworth
Partner
Date: 11 February 2011
Place: Sale

AUDITORS INDEPENDENCE DECLARATION TO THE BOARD OF SAFEROADS HOLDINGS LIMITED

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In relation to our review of the financial report of Saferoads Holdings Limited and controlled entities for the half-year ended 31 December 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

WHK Audit (Vic)
WHK Audit (Vic)

Rwigg
Rochelle Wrigglesworth
Partner

Date: 11 February 2011