SAFEROADS HOLDINGS LIMITED

ABN 81 116 668 538
PRELIMINARY FINAL REPORT

FOR THE FINANCIAL YEAR ENDED

30 JUNE 2012

RELEASED
31 August 2012

Appendix 4E
Preliminary Final Report

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 2012	30 June 2011

2. Results for announcement to the market

Key information	Current period $	Previous corresponding period $	% Change increase / (decrease)	Amount ($) increase / (decrease) $
Revenues from ordinary activities	35,384,612	45,682,498	-23%	(10,297,886)
Profit/(loss) from ordinary activities after tax attributable to members	(8,929,629)	747,672	n/a	(9,677,301)
Net profit/(loss) for the period attributable to members	(8,929,629)	747,672	n/a	(9,677,301)

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 Chairman's Overview and Review of Operations, which forms part of the Preliminary Final report for the year ended 30 June 2012.

3. NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary share (cents)	29.3 cents	43.3 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

SAFEROADS HOLDINGS LIMITED

CHAIRMAN'S OVERVIEW AND REVIEW OF OPERATIONS

The 2012 financial year has been an exceedingly challenging one for Saferoads. The Company recorded its first full year consolidated net loss after tax of $8,929,629 compared with a net profit of $747,672 for the previous financial year. Total sales for the year were $35,384,612 compared with $45,682,498 for the previous year, a decrease of 23%, which was consistent with the updated guidance provided to the ASX on 26 April 2012. The after tax result however has been impacted by the inability to bring to account a significant proportion of the tax effect of the accounting loss in accordance with the relevant Accounting Standard. Regardless, the Company will not be in a tax paying position for the foreseeable future as it will be utilising both booked and unbooked tax losses, subject to certain legislative criteria.

Gross profit for the period was 37.1% lower than that of the prior year primarily due to a number of project cost over-runs in civil infrastructure projects and the proportion of lower profit margin products and services in the sales mix. In addition, a review of the carrying value of the Company's inventories has led to a write-down of $1,095,982 at balance date. Excluding this adjustment, gross profit was down 30.4%.

All product lines and services experienced reductions in sales volume as a result of reduced activity in the road construction industry as State and local governments face the challenge of reduced federal budget allocations. The exception was our new Ironman barrier rental offering which continued solid utilisation during its first full year of operation, with customers taking a more flexible approach to their temporary barrier needs through hire rather than purchase. Whilst there were pockets of resistance to this downturn, overall it was a disappointing year with tighter competition for fewer works opportunities. Our Civil services offering has continued to be affected by poor weather conditions, particularly on the eastern seaboard, which has led to delays in contracted works.

Further, the full year result includes a number of non-cash write downs totalling $6,404,617 which related primarily to goodwill, capitalised development costs and the abovementioned inventories.

A reconciliation of underlying performance to that reported in the Preliminary Final Report is as follows:

Loss before income tax for the period	$(9,306,017)
Impairment of goodwill	$ 4,967,561
Inventories write down to recoverable amount	$ 1,095,982
Write down of product development costs	$ 341,074
Underlying loss before income tax for the period	**$(2,901,400)**

The loss of value in these assets is regrettable but we are determined to eliminate operational losses, focus management attention on the performing parts of our business and invest our capital for a better return.

A number of initiatives have been undertaken in the past six months to restructure the business including a review of the Company's cost base to better align itself to its market and customer needs, and to allow it to target new market opportunities.

The most significant change has been the reappointment of Mr Darren Hotchkin as Chief Executive Officer. Mr Hotchkin is the founder of the company and was Managing Director up to February 2011. He has agreed to step back in to lead the transition of the Company through his in-depth knowledge of the Company's products and services specifically, and the overall road safety industry generally. In addition, a new senior management team is in place to assist in this transition and a number of new initiatives have been implemented to win profitable sales and rebuild a sustainable earnings base.

This has included a detailed review of the Company's existing systems and processes to improve customer service and decision-making and gain efficiencies. Further, we have been reviewing our various business segments and determining those that are core to the Saferoads business model going forward. The Company has identified its Traffic Signals product portfolio as available for sale and, at the date of this report, we are in discussions with potential buyers.

In addition, the Company has secured the sale and leaseback of its head office site in Drouin, Victoria.

These transactions will free up capital to reduce debt and restructure our balance sheet to allow us to focus on core business activities and opportunities.

As reported in the December 2011 half-year results and as a result of the net loss recorded in the year, the Company was in breach of one of its reporting covenants with its banker. The relevant accounting standard requires all core debt to be classified as a current liability at balance date, despite the fact that the Company has not defaulted on any payments or disclosures to the bank. The Company continues to work closely with its bankers in relation to debt and bank covenants and some of the asset realisation measures mentioned above will go about reducing core debt levels.

The directors do not propose a final dividend be declared as a result of the net loss recorded for the year and the need to conserve cash in the face of continuing uncertain times.

Looking ahead, the business is now better structured and resourced operationally to rebuild key customer relationships and continues to look at ways to better promote its proprietary products in the road safety sector. Whilst FY2012 has been a major disappointment, on balance the directors and management believe that, with the abovementioned initiatives being taken, and a determined focus on margin improvement, accountability for outcomes and improved governance, the current financial year will see an improved financial performance.

Finally, I would like to acknowledge our staff, who have worked tirelessly in what has been a difficult transitional year for the business and I look forward to their support in taking the business forward into its next successful phase.

GBertuch

Gary Bertuch

Director
Drouin
31/08/2012

SAFEROADS HOLDINGS LIMITED
Condensed Comprehensive Income Statement
FOR THE YEAR ENDED 30 JUNE 2012

	Notes	CONSOLIDATED 2012 $	2011 $
Revenue	3	**35,384,612**	45,682,498
Cost of sales		**(25,178,652)**	(29,437,918)
Gross profit		**10,205,960**	16,244,580
Other income	3	**106,814**	48,550
Employee benefits		**(7,208,855)**	(8,307,117)
Depreciation and amortisation		**(853,406)**	(857,112)
Finance costs		**(754,845)**	(646,007)
Impairment of goodwill	3	**(4,967,561)**	-
Other expenses		**(5,834,124)**	(5,463,437)
Profit/(loss) before tax		**(9,306,017)**	1,019,457
Income tax benefit/(expense)		**376,388**	(271,785)
Net profit/(loss) for the period		**(8,929,629)**	747,672
Net profit/(loss) attributable to members of parent		**(8,929,629)**	747,672
Other Comprehensive Income			
Exchange differences on translation of foreign operation		**(28,633)**	(20,545)
Total comprehensive income for the period		**(8,958,262)**	**727,127**
Total comprehensive income attributable to members of the parent		**(8,958,262)**	**727,127**
Earnings per share (cents per share)			
- basic for profit/(loss) for the financial year (cents)		**(34.3)**	2.9
- diluted for profit/(loss) for the financial year (cents)		**(34.3)**	2.9
- 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 30 JUNE 2012

	Notes	CONSOLIDATED 2012 $	2011 $
ASSETS			
Current Assets			
Cash and cash equivalents		**681,944**	954,174
Trade and other receivables		**6,704,517**	8,958,683
Income tax receivable		**53,482**	-
Inventories		**6,626,131**	10,664,349
Prepayments		**667,210**	478,110
		14,733,284	21,055,316
Assets classified as held for sale	10	**1,023,617**	-
Total Current Assets		**15,756,901**	21,055,316
Non-current Assets			
Property, plant and equipment		**4,682,481**	6,047,331
Intangible assets and goodwill		**567,745**	5,880,328
Deferred tax assets	1(f)	**358,812**	-
Total Non-current Assets		**5,609,038**	11,927,659
TOTAL ASSETS		**21,365,939**	32,982,975
LIABILITIES			
Current Liabilities			
Trade and other payables		**3,869,600**	6,230,839
Current tax liabilities		**-**	114,100
Interest-bearing loans and borrowings due within 12 months		**1,384,246**	1,380,473
Provisions		**517,587**	480,088
		5,771,433	8,205,500
Borrowings classified as current	9	**7,200,000**	-
Total Current Liabilities		**12,971,433**	8,205,500
Non-current Liabilities			
Deferred tax liabilities		**-**	24,845
Interest-bearing loans and borrowings	9	**170,531**	7,534,287
Provisions		**37,125**	73,231
Total Non-current Liabilities		**207,656**	7,632,363
TOTAL LIABILITIES		**13,179,089**	15,837,863
NET ASSETS		**8,186,850**	17,145,112
EQUITY			
Contributed equity	5	**4,130,708**	4,130,708
Reserves		**(79,603)**	(50,970)
Retained earnings		**4,135,745**	13,065,374
TOTAL EQUITY		**8,186,850**	17,145,112

The accompanying notes form part of these financial statements

SAFEROADS HOLDINGS LIMITED
Condensed Statement of Changes in Equity
FOR THE YEAR ENDED 30 JUNE 2012

CONSOLIDATED	Contributed Equity $	Reserves	Retained Earnings $	Total Equity $
At 1 July 2010	4,130,708	(30,425)	12,317,702	16,417,985
Comprehensive income for the period	-	(20,545)	747,672	727,127
At 30 June 2011	4,130,708	(50,970)	13,065,374	17,145,112
At 1 July 2011	**4,130,708**	**(50,970)**	**13,065,374**	**17,145,112**
Comprehensive income for the period	**-**	**(28,633)**	**(8,929,629)**	**(8,958,262)**
At 30 June 2012	**4,130,708**	**(79,603)**	**4,135,745**	**8,186,850**

The accompanying notes form part of these financial statements

SAFEROADS HOLDINGS LIMITED
Condensed Statement of Cash Flows
FOR THE YEAR ENDED 30 JUNE 2012

	Notes	CONSOLIDATED 2012 $	2011 $
Cash flows from operating activities			
Receipts from customers		**41,367,115**	43,352,430
Payments to suppliers and employees		**(40,166,306)**	(42,285,072)
		1,200,809	1,067,358
Interest received		**13,582**	18,435
Interest paid		**(759,051)**	(646,007)
Income taxes paid		**(174,851)**	(143,468)
Net cash flows from operating activities	8	**280,489**	296,318
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**30,768**	230,240
Purchase of property, plant and equipment		**(261,834)**	(2,911,652)
Product development costs		**(60,869)**	(214,184)
Net cash flows used in investing activities		**(291,935)**	(2,895,596)
Cash flows from financing activities			
Proceeds from borrowings		**131,364**	1,781,785
Repayment of borrowings		**(392,518)**	(236,332)
Net cash flows from financing activities		**(261,154)**	1,545,453
Net increase/(decrease) in cash and cash equivalents		**(272,600)**	(1,053,825)
Cash and cash equivalents at beginning of period		**954,174**	2,007,999
Effects of exchange rate changes on cash		**370**	-
Cash and cash equivalents at end of period	8	**681,944**	954,174

The accompanying notes form part of these financial statements

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

The Appendix 4E preliminary final has been prepared in accordance with Australian Stock Exchange listing rules and the recognition and measurement criteria of Accounting Standards and Interpretations. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ("IFRS").

(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 Appendix 4E has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets.

(c) Going concern

The consolidated entity has incurred an operating loss before tax of $9,306,017 for the financial year ended 30 June 2012 and was in breach of one of its reporting covenants with its financier as at 30 June 2012.

Consequently, the financier has considered the current financial and operating position together with management's forward projections for the next 12 months. The financier has reserved its rights in relation to the facilities and has not waived or altered those rights. They have agreed to forebear on acting on the default subject to additional terms and conditions, including the provision of debt reduction.

The Board acknowledges these matters give rise to a material uncertainty over the consolidated entity's ability to continue as a going concern.

The ability of the consolidated entity to continue as a going concern is dependent on its ability to:

- continue to manage the performance of the business, including increasing operating cash flows and reducing overheads
- derive sufficient revenue from its existing operations
- secure further profitable sales contracts
- meet the additional conditions of forebearance set by the financier, in relation to the default, including debt reduction

At the date of this report and having considered the above factors, the continuance of its banking relationship and the fact the Company maintains a share of the road safety market, the directors are confident that the consolidated entity will be able to continue as a going concern.

In the unlikely event that the above factors do not eventuate then the going concern basis may not be appropriate and as a result that the consolidated entity may have to realise assets and discharge its liabilities other than in the ordinary course of business and at amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

(d) Significant Accounting Policies

The accounting policies and methods of computation adopted in the preparation of the Appendix 4E are consistent with those adopted and disclosed in the company's 2011 annual financial report for the financial year ended 30 June 2011.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) 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.

(f) Deferred tax asset

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 the carry-forward of unused tax assets and unused tax losses can be utilised except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

The carrying amount of deferred income tax assets is reviewed at each statement of financial position 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 balance date.

2 INFORMATION ON AUDIT

This full year report is based on accounts which are in the process of being audited.

3 REVENUES AND EXPENSES

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

	CONSOLIDATED	
	2012	2011
	$	$
Revenue		
Sale of goods	**35,384,612**	45,682,498
	35,384,612	45,682,498
Other income		
Interest	**13,582**	18,435
Profit (loss) on sale of plant & equipment	**(11,180)**	(160,740)
Other	**104,412**	190,855
	106,814	48,550
Expenses		
Impairment of goodwill	**4,967,561**	-
Writedown of inventories to net realisable value	**1,095,982**	-
Writedown of product development costs	**341,074**	-

4 DIVIDENDS PAID AND PROPOSED

	2012	2011
Equity dividends on ordinary shares:	$	$
Dividends paid during financial year:		
Interim dividend for the financial year ended 30 June 2012 (0.0 cents) (2011 : 0.0 cents)	**-**	-
	-	-
Dividends proposed and not recognised as a liability:		
Final dividend for financial year ended 30 June 2012 (0.0 cents) (2011: 0.0 cents)	**-**	-

5 ISSUED CAPITAL

	2012	2011
	$	$
Ordinary shares		
Issued and fully paid	**4,130,708**	4,130,708
	4,130,708	4,130,708

6 SEGMENT REPORTING

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

7 CONTINGENT ASSETS AND LIABILITIES

A subsidiary has given guarantees pursuant to performance of various projects and security for leased premises to third parties in the normal course of business. Where there is a likelihood of a claim and a reliable estimate of an amount can be made, provision has been raised elsewhere in the financial report.

8 ADDITIONAL INFORMATION

Reconciliation of Cash

For the purposes of the Condensed Statement of Cash Flows, cash and cash equivalents comprise the following at 30 June:

	CONSOLIDATED	
	2012 $	2011 $
Cash at bank and on hand	**681,944**	954,174

Reconciliation of profit/(loss) for the year to net cash flows from operating activities

	2012 $	2011 $
Profit/(loss) after tax for the year	**(8,929,629)**	747,672
Depreciation and amortisation	**853,406**	857,112
Impairment of goodwill	**4,967,561**	-
Impairment of plant and equipment	**49,907**	-
Product development costs writedown	**341,074**	-
(Profit)/loss on disposal of property, plant & equipment	**11,180**	160,740
Changes in assets and liabilities		
(Increase)/decrease in trade receivables	**2,254,166**	(2,520,923)
(Increase)/decrease in inventories	**3,760,841**	(1,227,376)
(Increase)/decrease in other assets	**(141,411)**	(12,091)
(Increase)/decrease in deferred tax asset	**(358,812)**	31,947
(Decrease)/increase in deferred tax liability	**(24,845)**	24,845
(Decrease)/increase in trade and other payables	**(2,390,242)**	2,223,927
(Decrease)/increase in provisions	**1,393**	(61,060)
(Decrease)/increase in current tax liabilities	**(114,100)**	71,525
Net cash from operating activities	**280,489**	296,318

9 BORROWINGS CLASSIFIED AS CURRENT

The Group's borrowing facilities are provided by Commonwealth Bank of Australia ("CBA") under an agreement dated 30 August 2011. As a result of the reduction in earnings for the financial year ended 30 June 2012, the Group breached one of its reporting covenants with the CBA as at 30 June 2012, however, as at 30 June 2012 and as at the date of this report, the Group has not defaulted on any payments or disclosures under this agreement. Nonetheless, Australian Accounting Standard AASB 101 - Presentation of Financial Statements, requires that the non-current portion of these borrowings be classified as a current liability for this reporting period.

At the previous reporting date of 29 August 2011 for the financial year ended 30 June 2011, the Group was in compliance with its required reporting covenants, therefore in accordance with Australian Accounting Standard AASB 101, the company's long term loans were classified as current and non-current according to those amounts due within 12 months and those due after 12 months.

10 ASSETS CLASSIFIED AS HELD FOR SALE

During the financial year the directors identified certain non-current assets as available for sale. These included Land and Buildings and certain Plant and Equipment associated with one product segment (disposal group). As required by AASB 5 - Non-current Assets held for Sale and Discontinued Operations, these assets have been reclassified as a current asset - Assets classified as held for sale, at 30 June 2012.

At the date of this report, the Company has executed a contract for the sale and leaseback of the Land and Buildings (refer note 11).

11 SIGNIFICANT EVENTS AFTER BALANCE DATE

On 2 July 2012, the Company entered into a new borrowing facilities agreement with Commonwealth Bank of Australia. In so doing, the Company's overdraft facility was cancelled and the Company is subject to a number of revised financial and non-financial covenants.

On 28 August 2012, the Company executed a contract for the sale and leaseback of its Drouin, Victoria head office site for consideration of $1.5 million. Settlement is due on 28 September 2012.