SAFEROADS HOLDINGS LIMITED

ABN 81 116 668 538
CONSOLIDATED FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2011

RELEASED
29 February 2012

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 2011	31 December 2010

2. Results for announcement to the market

Key information	Current period $	Previous corresponding period $	% Change increase / (decrease)	Amount ($) increase / (decrease) $
Revenues from ordinary activities	19,435,314	23,392,294	-17%	(3,956,980)
Profit/(loss) from ordinary activities after tax attributable to members	(6,366,987)	192,352	n/a	(6,559,339)
Net profit/(loss) for the period attributable to members	(6,366,987)	192,352	n/a	(6,559,339)

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 2011.

3. NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary share ($)	0.39 cents	0.41 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 shown below is currently not in operation.

The dividend reinvestment plan (DRP) commenced on listing with the ASX and is available to eligible shareholders.

6. Associates and Joint Ventures

N/A

7. Foreign entities

N/A

SAFEROADS HOLDINGS LIMITED

Directors' Report

The directors of Saferoads Holdings Limited present their report for the half-year ended 31 December 2011.

DIRECTORS

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

Gary Bertuch (Chairman)
Darren Hotchkin
Duncan Smith
Ged Keeghan
David Cleland (acting Chief Executive Officer from 28 November 2011)

REVIEW AND RESULTS OF OPERATIONS

The directors of Saferoads Holdings Limited report a half-year consolidated net loss after tax of $6,366,987 compared with a net profit of $192,352 for the previous corresponding period. Total sales for the half-year were $19,435,314 compared with $23,392,294 for the previous corresponding period, a decrease of 17%, which was consistent with the updated guidance provided to the ASX on 20 December 2011.

Gross profit for the period was 24% 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 in civil infrastructure projects due to further wet weather conditions experienced along the eastern seaboard. In addition, a review of the carrying value of the Company's inventories has led to a write-down of $727,221 at balance date. Excluding this adjustment, gross profit was down 13.8%.

Further, the half year result includes a number of non-cash write downs of $5,938,136 relating primarily to goodwill, capitalised development costs and inventories. The loss of our investment in these areas 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.

These are not easy decisions to take but we are steadfast in our view that they are prerequisites for reaching improved returns in the future for Saferoads and its shareholders.

A reconciliation of underlying performance to that reported in the financial report is as follows:

Loss before income tax for the period	$(6,955,641)
Impairment of goodwill	$ 4,967,561
Inventories write down to recoverable amount	$ 727,221
Write down of product development costs	$ 243,354
Underlying loss before income tax for the period	**$(1,017,505)**

As a result of the net loss recorded in the period, 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 the Company has not defaulted on any payments or disclosures to the bank.

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

The Company is currently recruiting for a new Chief Executive Officer, with Mr David Cleland, a non-executive director, stepping in as acting Chief Executive Officer in the interim. Founder and non-executive director, Mr Darren Hotchkin, has also been involved with the business recently, helping to reposition the Company for an improved second half. In so doing, a number of initiatives are being undertaken to look at restructuring the business (and to review its cost base) to better align itself to its market and customer needs, and target new market opportunities. This includes reviewing its existing systems and processes to improve customer service and decision-making and gain efficiencies.

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 second half of the 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 period for the business and I look forward to their support in taking the business forward into its next successful phase.

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 2011.

Signed in accordance with a resolution of the directors.

Gary Bertuch

Director
Drouin
29/02/2012

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WHK Audit (Vic)
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AUDITORS INDEPENDENCE DECLARATION

TO THE BOARD OF SAFEROADS HOLDINGS LIMITED

In relation to our review of the financial report of Saferoads Holdings Limited and controlled entities for the half-year ended 31 December 2011, 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)

Rochelle Wrigglesworth

Partner

Date: 29 February 2012

SAFEROADS HOLDINGS LIMITED
Condensed Comprehensive Income Statement
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Notes	CONSOLIDATED December 2011 $	December 2010 $
Revenue	2	19,435,314	23,392,294
Cost of sales		(13,981,672)	(16,216,572)
Gross profit		5,453,642	7,175,722
Other income	2	130,495	131,720
Employee benefits		(3,718,285)	(3,612,208)
Amortisation		(2,766)	(2,529)
Depreciation		(431,404)	(381,967)
Finance costs		(378,254)	(324,522)
Impairment of goodwill	2	(4,967,561)	-
Other expenses		(3,041,508)	(2,707,985)
Profit/(loss) before tax		(6,955,641)	278,231
Income tax benefit/(expense)		588,654	(85,879)
Profit/(loss) after income tax from continuing operations		(6,366,987)	192,352
Net profit/(loss) for the period		(6,366,987)	192,352
Net profit/(loss) attributable to members of parent		(6,366,987)	192,352
Other Comprehensive Income			
Exchange differences on translating foreign controlled entity		(15,519)	(63,574)
Total comprehensive income for the period		(15,519)	(63,574)
Total comprehensive income attributable to members of the parent		(6,382,506)	128,778
Earnings per share (cents per share)			
- basic for profit for the half-year (cents)		(24.5)	0.7
- diluted for profit for the half-year (cents)		(24.5)	0.7
- 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 2011

	Notes	CONSOLIDATED December 2011 $	June 2011 $
ASSETS			
Current Assets			
Cash and cash equivalents		624,963	954,174
Trade and other receivables		7,339,317	8,958,683
Income tax receivable		117,355	-
Inventories		8,924,920	10,664,349
Prepayments		674,339	478,110
Total Current Assets		17,680,894	21,055,316
Non-current Assets			
Property, plant and equipment		5,907,138	6,047,331
Intangible assets and goodwill		663,404	5,880,328
Deferred tax assets		610,492	-
Total Non-current Assets		7,181,034	11,927,659
TOTAL ASSETS		24,861,928	32,982,975
LIABILITIES			
Current Liabilities			
Trade and other payables		4,772,422	6,230,839
Current tax liabilities		-	114,100
Interest-bearing loans and borrowings due within 12 months		1,406,915	1,380,473
Provisions		355,441	480,088
		6,534,778	8,205,500
Borrowings classified as current	8	7,200,000	-
Total Current Liabilities		13,734,778	8,205,500
Non-current Liabilities			
Deferred tax liabilities		-	24,845
Interest-bearing loans and borrowings	8	337,072	7,534,287
Provisions		27,472	73,231
Total Non-current Liabilities		364,544	7,632,363
TOTAL LIABILITIES		14,099,322	15,837,863
NET ASSETS		10,762,606	17,145,112
EQUITY			
Contributed equity	4	4,130,708	4,130,708
Reserves		(66,489)	(50,970)
Retained earnings		6,698,387	13,065,374
TOTAL EQUITY		10,762,606	17,145,112

The accompanying notes form part of these financial statements

SAFEROADS HOLDINGS LIMITED
Condensed Statement of Cash Flows
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Notes	CONSOLIDATED December 2011 $	December 2010 $
Cash flows from operating activities			
Receipts from customers		23,827,010	24,957,357
Payments to suppliers and employees		(23,131,611)	(23,230,339)
		695,399	1,727,018
Interest received		8,455	7,976
Interest paid		(392,594)	(324,522)
Income taxes paid		(278,138)	(89,445)
Net cash flows from operating activities		33,122	1,321,027
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		30,768	177,619
Purchase of property, plant and equipment		(287,337)	(2,470,596)
Product development costs		(30,859)	(99,286)
Net cash flows used in investing activities		(287,428)	(2,392,263)
Cash flows from financing activities			
Proceeds from borrowings		131,364	581,064
Repayment of borrowings		(203,308)	(140,750)
Net cash flows from financing activities		(71,944)	440,314
Net increase/(decrease) in cash and cash equivalents		(326,250)	(630,922)
Cash and cash equivalents at beginning of period		954,174	2,007,999
Effects of exchange rate changes on cash		(2,961)	-
Cash and cash equivalents at end of period	7	624,963	1,377,077

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 2011

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	-	(63,574)	192,352	128,778
At 31 December 2010	4,130,708	(93,999)	12,510,054	16,546,763
At 1 July 2011	4,130,708	(50,970)	13,065,374	17,145,112
Comprehensive income for the period	-	(15,519)	(6,366,987)	(6,382,506)
At 31 December 2011	4,130,708	(66,489)	6,698,387	10,762,606

Deferred tax assets

The accompanying notes form part of these financial statements

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 2011, together with any public announcements made by Saferoads Holdings Limited and its controlled entities during the half-year ended 31 December 2011 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) Going concern

The consolidated entity has incurred an operating loss before tax of $6,955,641 for the half-year ended 31 December 2011 and was in breach of one of its reporting covenants with its financier as at 31 December 2011.

Consequently, the financier has considered the current financial and operating position together with management's forward projections for the next six 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 an acceptable debt reduction proposal.

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 an acceptable debt reduction proposal

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 with a strong order book, 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 half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2011 and the corresponding interim reporting period.

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 remporary 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 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	
	December 2011 $	December 2010 $
Revenue		
Sale of goods	19,435,314	23,392,294
	19,435,314	23,392,294
Other income		
Interest	8,455	7,976
Other	122,040	123,744
	130,495	131,720
Expenses		
Impairment of goodwill	4,967,561	-
Writedown of inventories to net realisable value	727,221	-
Writedown of product development costs	243,354	-

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 2011 (0.0 cents) (2010 : 0.0 cents)	-	-
	-	-
Dividends proposed and not recognised as a liability:		
Interim franked divided for financial year 30 June 2012 (0.0 cents) (2011: 0.0 cents)	-	-

4 ISSUED CAPITAL

	December 2011 $	June 2011 $
Ordinary shares		
Issued and fully paid	4,130,708	4,130,708
	4,130,708	4,130,708

5 SEGMENT REPORTING

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

6 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.

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 2011 $	December 2010 $
Cash at bank and in hand	624,963	1,377,077

8 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 six months ended 31 December 2011, the Group breached one of its reporting covenants with the CBA as at 31 December 2011, however, as at 31 December 2011 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 6 months 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.

9 EVENTS AFTER THE END OF THE INTERIM PERIOD

Other than the matters raised in note 1(c) above, no other significant event has occurred after the end of the interim period.

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 2011 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

29 February 2012

INDEPENDENT AUDITOR'S REVIEW REPORT

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WHK Audit (Vic)
ABN 27 621 602 883

To the members of Saferoads Holdings Limited and controlled entities

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Saferoads Holdings Limited and controlled entities (the consolidated entity), which comprises the condensed statement of financial position as at 31 December 2011, and the condensed comprehensive income statement, condensed statement of changes in equity and condensed statement of cash flows 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* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 2011 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.

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 the consolidated entity 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 2011 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.

Emphasis of matter on significant uncertainty - Going Concern

Without qualification to the conclusion expressed above, attention is drawn to the following matter. As indicated at Note 1(c), there is significant uncertainty whether the company will be able to continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. Notwithstanding the current year's operating losses incurred, the financial report has been prepared on a going concern basis.

WHK Audit (Vic)

WHK Audit (Vic)

Rochelle Wrigglesworth
Partner
Date: 29 February 2012
Place: Sale