

# **SAFEROADS HOLDINGS LIMITED**

## **FINANCIAL REPORT**

### **FOR THE HALF-YEAR ENDED**

**31 DECEMBER 2009**

RELEASED  
2 February 2010

**Contact Details:**

Mr Darren Hotchkin  
Managing Director  
Phone 03 5625 6600

## Appendix 4D Half year report

Name of entity	<b>ABN Reference</b>
<b>SAFEROADS HOLDINGS LIMITED</b>	<b>81 116 668 538</b>

### 1. Reporting periods

Half year ended (‘current period’)	Half year ended (‘previous corresponding period’)
<b>31 December 2009</b>	<b>31 December 2008</b>

### 2. Results for announcement to the market

	Current period	Previous corresponding period	% Change increase / (decrease)	Amount (\$) increase / (decrease)
	\$	\$		\$
<b>Key information</b>				
Revenues from ordinary activities	29,631,305	32,451,552	-9%	(2,820,247)
Profit from ordinary activities after tax attributable to members	2,546,789	1,080,110	136%	1,466,679
Net profit (loss) for the period attributable to members	2,546,789	1,080,110	136%	1,466,679
<b>Dividends (distributions)</b>			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
<b>Supplementary comments</b>				
Commentary in respect of the results is provided in the Directors' Report, which forms part of the half-year report ended 31 December 2009.				

### 3. NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary share (\$)	0.46 cents	0.35 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**

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Your directors submit their report for the first half-year ended 31 December 2009.

### **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 (Managing Director)  
Duncan Smith  
Ged Keeghan

### **REVIEW AND RESULTS OF OPERATIONS**

The directors of Saferoads Holdings Limited are pleased to report a first half-year consolidated net profit after tax (NPAT) of \$2,546,789 compared with \$1,080,110 for the previous corresponding period. This represents an increase of 136%. The NPAT compares with the updated guidance of \$2.5m provided to the ASX on 13 January 2010.

Sales for the first-half were \$29,631,305 compared with \$32,451,552 for the corresponding previous period, a decrease of 9%.

The improvement in margins which commenced in the second half of last year has been maintained during the first half of this year. This is attributable to the following factors:

- The full-period impact of the restructure that the Company undertook during the second half of 2008-09.
- Continued tight control on all overhead and discretionary spending.
- Favourable sales product mix.
- The appreciation of the Australian dollar against the US dollar.

Strong focus remained on debt reduction during the first half. Bank Loans (excluding HPs) were reduced by \$2.7m to \$8.3m. In the full year 2008-09 financial accounts long term loans of \$7.1m were re-classified as current loans because at the reporting date the company was in breach of the required Interest Coverage ratio of not less than 4 times. As at 31 December 2009 the company's Interest Coverage ratio was 15.57 times and hence the loans have subsequently been re-classified as long term.

Whilst the performance of the company has improved and debt levels have been reduced, the directors strongly believe that conserving the company's cash continues to be a prudent strategy and hence have decided not to declare an interim dividend. The directors will declare a dividend when the Board is satisfied that dividends can be paid on a sustained ongoing basis. Should the improvement in the company's performance continue through the

second half there is a reasonable expectation that a dividend will be declared at the end of the full 2009-2010 year.

#### **AUDITOR'S INDEPENDENCE DECLARATION**

We have obtained the attached independence declaration from our auditors, WHK Audit (Vic).

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, reading "GBertuch". The signature is written in a cursive, flowing style.

Gary Bertuch

Director  
Drouin

2 February 2010

**SAFEROADS HOLDINGS LIMITED**  
**Condensed Income Statement**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	Notes	CONSOLIDATED December 2009 \$	December 2008 \$
<b>Revenue</b>	2	29,631,305	32,451,552
Cost of sales		(18,562,991)	(22,263,910)
<b>Gross profit</b>		11,068,314	10,187,642
Other income	2	217,995	38,621
Employee benefits		(4,269,517)	(5,234,079)
Amortisation		(2,529)	(2,529)
Depreciation		(371,965)	(376,590)
Finance costs		(250,134)	(477,867)
Other expenses		(2,931,048)	(2,609,023)
<b>Profit from continuing operations before tax and finance costs</b>		3,461,116	1,526,175
Income tax expense		(914,327)	(446,065)
<b>Profit after tax from continuing operations</b>		2,546,789	1,080,110
<b>Net profit for the period</b>		2,546,789	1,080,110
<b>Net profit attributable to members of parent</b>		2,546,789	1,080,110
Earnings per share (cents per share)			
- basic for profit for the half-year (cents)		9.8	4.2
- diluted for profit for the half-year (cents)		9.8	4.2
- dividends paid per share (cents)		0.0	0.0

**SAFEROADS HOLDINGS LIMITED**  
**Condensed Balance Sheet**  
AS AT 31 DECEMBER 2009

	Notes	CONSOLIDATED	
		December 2009 \$	June 2009 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		879,509	744,262
Trade and other receivables		10,994,772	10,083,478
Income Tax Receivable		-	406
Inventories		9,446,156	11,031,258
Prepayments		311,282	239,312
<b>Total Current Assets</b>		<b>21,631,719</b>	<b>22,098,716</b>
<b>Non-current Assets</b>			
Deferred tax asset		73,988	-
Property, plant and equipment		5,067,951	5,212,634
Intangible assets and goodwill		5,005,241	5,007,719
<b>Total Non-current Assets</b>		<b>10,147,180</b>	<b>10,220,353</b>
<b>TOTAL ASSETS</b>		<b>31,778,899</b>	<b>32,319,069</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		5,226,152	6,254,314
Interest-bearing loans and borrowings	8	1,302,021	11,092,564
Income tax payable		601,976	-
Provisions		486,942	466,816
<b>Total Current Liabilities</b>		<b>7,617,091</b>	<b>17,813,694</b>
<b>Non-current Liabilities</b>			
Deferred tax liabilities		-	45,117
Interest-bearing loans and borrowings	8	7,230,923	25,029
Provisions		77,892	82,963
<b>Total Non-current Liabilities</b>		<b>7,308,815</b>	<b>153,109</b>
<b>TOTAL LIABILITIES</b>		<b>14,925,906</b>	<b>17,966,803</b>
<b>NET ASSETS</b>		<b>16,852,993</b>	<b>14,352,267</b>
<b>EQUITY</b>			
Contributed equity	4	4,130,708	4,130,708
Reserves		(107,052)	(60,989)
Retained earnings		12,829,337	10,282,548
<b>TOTAL EQUITY</b>		<b>16,852,993</b>	<b>14,352,267</b>

**SAFEROADS HOLDINGS LIMITED**  
**Condensed Cash Flow Statement**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	Notes	CONSOLIDATED	
		December 2009	December 2008
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		31,719,269	39,595,434
Payments to suppliers and employees		(27,187,832)	(38,883,214)
Income tax paid		(431,050)	(567,535)
GST paid		(907,421)	(388,286)
Interest paid		(250,134)	(477,867)
<b>Net cash flows from operating activities</b>		<b>2,942,832</b>	<b>(721,468)</b>
<b>Cash flows from investing activities</b>			
Interest received		4,346	25,151
Proceeds from sale of property, plant and equipment		37,727	21,701
Purchase of property, plant and equipment		(265,009)	(738,126)
Acquisition of business		-	(104,453)
<b>Net cash flows used in investing activities</b>		<b>(222,936)</b>	<b>(795,727)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	10,051,956
Repayment of borrowings		(2,584,649)	(5,889,758)
Equity dividends paid		-	(1,300,000)
<b>Net cash flows from financing activities</b>		<b>(2,584,649)</b>	<b>2,862,198</b>
Net increase/(decrease) in cash and cash equivalents		135,247	1,345,003
Cash and cash equivalents at beginning of period		744,262	792,409
<b>Cash and cash equivalents at end of period</b>	<b>7</b>	<b>879,509</b>	<b>2,137,412</b>



**SAFEROADS HOLDINGS LIMITED**  
**Condensed Statement of Changes in Equity**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

<b>CONSOLIDATED</b>	<b>Contributed Equity \$</b>	<b>Reserves</b>	<b>Retained Earnings \$</b>	<b>Total Equity \$</b>
<b>At 1 July 2008</b>	4,198,708	-	10,145,467	14,344,175
Profit for the period	-	-	1,080,110	1,080,110
Share based payments expense	51,500	-	-	51,500
Foreign Currency Translation Reserve	-	(12,105)	-	(12,105)
Equity dividends	-	-	(1,300,000)	(1,300,000)
<b>At 31 December 2008</b>	<b>4,250,208</b>	<b>(12,105)</b>	<b>9,925,577</b>	<b>14,163,680</b>
<b>At 1 July 2009</b>	4,130,708	(60,989)	10,282,548	14,352,267
Profit for the period	-	-	2,546,789	2,546,789
Foreign Currency Translation Reserve	-	(46,063)	-	(46,063)
Equity dividends	-	-	-	-
<b>At 31 December 2009</b>	<b>4,130,708</b>	<b>(107,052)</b>	<b>12,829,337</b>	<b>16,852,993</b>

**SAFEROADS HOLDINGS LIMITED**  
**Notes to the Financial Statements**  
**FOR THE HALF YEAR-ENDED 31 DECEMBER 2009**

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**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 cannot be expected to 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.

The half-year financial report should be read in conjunction with the annual Financial Report of Saferoads Holdings Limited as at 30 June 2009.

It is recommended that the half-year financial report be considered together with any public announcements made by Saferoads Holdings Limited and its controlled entities during the half-year ended 31 December 2009 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" and other mandatory professional reporting requirements.

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 as used in the annual financial statements for the year ended 30 June 2009.

**(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 2009**

**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:

	<b>CONSOLIDATED</b>	
	<b>December 2009</b>	<b>December 2008</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>		
Sale of goods	29,631,305	32,451,552
	<u>29,631,305</u>	<u>32,451,552</u>
<b>Other income</b>		
Interest	4,346	25,151
Other	213,649	13,470
	<u>217,995</u>	<u>38,621</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 2009 (0.0 cents) (2008 : 5.0 cents)

-	1,300,000
-	<u>1,300,000</u>

Dividends proposed and not recognised as a liability:

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

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**4 ISSUED CAPITAL**

	<b>December 2009</b>	<b>June 2009</b>
	<b>\$</b>	<b>\$</b>
<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 2009**

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**7 ADDITIONAL INFORMATION**

**Reconciliation of Cash**

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

	<b>CONSOLIDATED</b>	
	<b>December</b>	<b>December</b>
	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and in hand	879,509	2,137,412

**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. At the reporting date of 5 February 2010 for the 6 months ended 31 December 2009, the company will be in compliance with each of its ratios, therefore in accordance with Accounting Standard AASB 101, the company's long term loans have been classified as current and non-current according to those amounts due within 12 months and those due after 12 months.

At the previous reporting date of 5 August 2009 for the 6 months ended 30 June 2009, 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 were re-classified as current for that reporting period.

## Directors' Declaration

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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 2009 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

2 February 2010

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Saferoads Holdings Limited

### *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 2009, 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 2009 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 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 2009 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)



Justin Brook  
Partner

Date: 2 February 2010  
Place: Warragul

**Auditors Independence Declaration to the Board of Saferoads Holdings Limited**

[www.whk.com.au](http://www.whk.com.au)

WHK Audit (Vic)  
ABN 27 621 602 883

In relation to our review of the financial report of Saferoads Holdings Limited and controlled entities for the half-year ended 31 December 2009, 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.

A handwritten signature in black ink that reads "WHK Audit (Vic)".

WHK Audit (Vic)

A handwritten signature in black ink that appears to be "JB".

Justin Brook  
Partner

Date: 2 February 2010