FINANCIAL REPORT

YEAR ENDED 30 JUNE 2023

SAFEROADS HOLDINGS LIMITED

ABN 81 116 668 538

RELEASED 29 September 2023

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CHAIRMAN'S OVERVIEW

Dear Shareholder,

The directors present the attached audited 2023 Financial Report. This report includes two changes to the unaudited Preliminary Financial Report that was lodged on 31 August 2023. These changes are now necessary as a result of the finalisation of our intended approach to address the WorkSafe charges in relation to the workplace fatality in November 2021.

The Group has continued to actively collaborate with our legal team to address the charges brought forward by WorkSafe. Following the advice of our legal team, the directors have now agreed to initiate negotiations with WorkSafe to work towards resolving the matter. In accordance with Australian Accounting Standards AASB 137, the Group is required to recognise a $325,000 provision, which represents our best estimate of a potential fine as well as an extra allowance for some additional uninsured legal fees.

As a result of expensing this workplace fatality provision the Group has breached a covenant ratio for our Term Loan of $1,179,263 and our asset finance contracts of $1,642,939 with the CBA. The bank has been advised of this breach and have not indicated that they require immediate repayment of the loans. In accordance with Australian Accounting Standards, we are required to treat the whole balance of these loans as a current liability and we have therefore reclassified $1,938,082 of the loans from a non current liability to a current liability. Because of the uncertainty created by this bank issue we have also modified the going concern note but we are of the firm view that this bank matter can be resolved and the loan will not be called in.

With the exception of these two matters the final accounts are consistent with the Preliminary Unaudited Financial Report lodged on 31 August 2023.

FINANCIAL OVERVIEW

I am pleased to report underlying EBITDA grew by $249k to $2.145 million. This result was achieved despite increasing our investment in research and development and incurring additional costs in expanding our equipment rental services offering to the Queensland market. After taking up a $325k provision relating to the November 2021 workplace incident, the Group reported a loss after tax of $197k for the year.

Revenue from product sales and services grew $2.3 million, or 18.6% to $14.6 million in FY2023, resulting in a 13.2% improvement in underlying EBITDA.

The expansion of our equipment rental services fleet - *Road Safety Rental* – continued in earnest with $1.17 million in new assets added to the fleet and the opening of a new depot in Queensland. This growth led to an increase in depreciation and amortisation charges of 9.4%.

Finance costs grew by 8.5%, despite reducing debt levels by $0.34 million or 9.8%, due to the increasing interest rate environment. Over 62% of our debt is fixed interest equipment finance loans and will not be impacted by further increases in interest rates.

The table on the following page summarizes the key metrics over the past three financial years:

	Year ending 30 June		
	2021 $'000	2022 $'000	**2023 $'000**
Operating revenue	13,250	12,349	**14,648**
Profit/(Loss) after tax	535	64	**(197)**
Underlying EBITDA (non-IFRS financial measure)*	1,679	1,896	**2,145**
Operating cash flows	1,513	944	**2,378**
Gearing ** (net debt / net debt + equity)	26.7%	29.6%	**25.8%**

** Earnings before interest, tax, depreciation, and amortisation excluding COVID-19 Government support and the provision for the November 2021 workplace incident.*

*** Excluding right-of-use asset lease liabilities.*

Our gearing ratio decreased to 25.8%. We continue to receive support from our primary financier, with the Commonwealth Bank approving an additional $0.62 million in asset finance facilities during the year to enable the expansion of our equipment rental services fleet.

NON-IFRS FINANCIAL MEASURES

The Group uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards. These measures are collectively referred to as "non-IFRS financial measures". Non-IFRS financial measures are intended to supplement the measures calculated in accordance with Australian Accounting Standards and are not a substitute for those measures. Underlying statutory results and measures are intended to provide shareholders additional information to enhance their understanding of the performance of the Group. A reconciliation between Profit/(Loss) after tax to the underlying EBITDA of the Group has been included in the table below.

	Year ending 30 June		
	2021 $'000	2022 $'000	**2023 $'000**
Profit/(Loss) after tax	**535**	**64**	**(197)**
Finance costs	260	281	**305**
Income tax	46	-	**-**
Depreciation and amortisation	1,212	1,565	**1,712**
Provision for workplace incident	-	-	**325**
COVID-19 government support	(375)	(15)	**-**
Underlying EBITDA	**1,679**	**1,896**	**2,145**

OUTLOOK

The expansion of *Road Safety Rental* remains a key strategic objective, with further investment planned to build our NSW and Queensland branches. The benefits of this strategy are well established, with the addition of our own proprietary products to the rental fleet providing a lower investment cost as compared to most of our competitors.

Other factors that ensure the business prospects for the Group remain strong include the following:

- The Federal Government recently recommitting to their 10-year $120 billion infrastructure pipeline.
- Initial orders have been received for our new Rubber T-Lok temporary barrier on the Melbourne North East link project and we anticipate further orders over the next 12 months on other large projects.
- Additional orders from the USA distributor of our HV2™ temporary barrier system, who in conjunction with us, are increasing their marketing efforts for this product.

ACKNOWLEDGMENTS

I would like to acknowledge and thank our staff and management team for their ongoing commitment to the business.

I also sincerely thank all our shareholders for their continued support. Our primary focus continues to be the improvement of the financial performance and sustainability of our Company, and we believe we have the right strategies going forward to achieve this.

Finally, I wish to acknowledge the extensive work of my fellow directors and their diligent and collaborative efforts and ongoing contribution over the past year.

David Ashmore
Chairman of the Board

MANAGING DIRECTOR'S REVIEW OF OPERATIONS AND ACTIVITIES

PERFORMANCE DURING 2022-2023

Excluding the provision for the November 2021 workplace incident, the Company delivered underlying EBITDA growth of $249k for FY2023. This result was achieved through growing product sales and profits while continuing the expansion of our *Road Safety Rental* brand along the east coast of Australia, with the opening of a new depot in Queensland.

AUSTRALIAN PRODUCT SALES

Australian product sales grew by 17.5% compared to the prior period with previous international shipping and supply chain issues attributable to the COVID-19 pandemic largely resolved.

INTERNATIONAL PRODUCT SALES

As anticipated, international activity rebounded as restrictions on travel eased and freight logistics improved post pandemic. We saw increased interest in our HV2™ temporary barrier system in the USA and delivered our first order of 165 units (approximately one kilometre) to North Dakota. We anticipate this to be the first of many orders for the HV2™ temporary barrier system in the USA.

ROAD SAFETY RENTAL

Our *Road Safety Rental* equipment rental offering continues to expand with the establishment of a depot in south east Queensland.

After further investments totalling $1.3 million, the value of our rental fleet assets has grown to approximately $9.6 million (at original purchase price). Additional investment is planned in future years across all three state depots but with a particular focus on scaling up the NSW and Queensland operations to be similar in size to Victoria. The Federal Government recently recommitting to their 10-year $120 billion infrastructure pipeline, and we are well positioned as a specialist solutions provider to benefit from this.

INNOVATION INITIATIVES

Our continued investment in R&D provided a significant milestone for the business during the year with the delivery of the first USA order of our HV2™ temporary barrier system. We also successfully crash tested and received regulatory approvals in Australia for the new Rubber T-Lok temporary barrier. The Rubber T-Lok combines the design of the existing T-Lok temporary barrier with the use of a recycled rubber in the concrete mix.

IN SUMMARY

In another challenging year we are pleased to have delivered underlying EBITDA growth as well as continuing our investment in R&D and the expansion of *Road Safety Rental*.

Finally, I would like to acknowledge the support of all the Saferoads team, who are focused on delivering profitable growth in the coming year.

Darren Hotchkin
Managing Director

DIRECTORS' REPORT

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Saferoads Holdings Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2023.

DIRECTORS

The following persons were directors of Saferoads Holdings Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

David Ashmore	Non-Executive Chairman	Appointed 22 November 2012
Darren Hotchkin	Managing Director	Appointed 21 October 2005
Steven Difabrizio	Non-Executive Director	Appointed 7 September 2021

DIRECTOR PROFILES

David Ashmore (FCA GAICD F.FIN)
Non-Executive Chairman

David Ashmore was appointed to the Board on 22 November 2012. He was appointed Chairman of the Board on 19 August 2013. He is Chairman of the Audit and Risk Committee and a member of the Remuneration/Nomination Committee.

David is a career Chartered Accountant with 40 years of professional public practice experience focused on audit, finance, due diligence, risk and governance advisory.

He is a Fellow of the Institute of Chartered Accountants in Australia, a Graduate member of the Australian Institute of Company Directors and a Fellow of the Financial Services Institute of Australia.

David has not served as a Director of any other listed companies during the preceding three years.

Darren Hotchkin
Managing Director

Darren Hotchkin was appointed to the Board on 21 October 2005 as Managing Director. On 7 February 2011 he stepped aside as Managing Director but remained on the Board as a Non-Executive Director. He was re-appointed as Managing Director on 10 April 2012.

Darren is the founder of Saferoads. He has a background in the automotive industry where he owned and operated several businesses. In 1992, he founded the company now trading as our wholly owned subsidiary, Saferoads Pty Ltd, to commercialise his invention of a rubber guidepost, manufactured from recycled car tyres.

As Managing Director, Darren's key contribution to the business is in the strategic development of the Company's product range and manufacturing processes as well as in business development. He continues to be active in Research and Development and in seeking to effectively expand the Company's product base through international research of products that have the potential to find a sustainable place in the Australian market. Darren is also an eagerly sought-after international expert speaker on road safety barriers, having presented at various International Road Federation conferences.

Darren has not served as a Director of any other listed companies during the preceding three years.

Steven Difabrizio (MBA) (BEng (Civ)) (MAICD)
Non-Executive Director

Steven Difabrizio was appointed to the Board on 7 September 2021. He is Chairman of the Remuneration/Nomination Committee and a member of the Audit and Risk Committee.

Mr. Difabrizio has over 20 years' experience in industrial rental businesses. Steven commenced his rental industry career in 1998 with Preston Hire. Preston Hire introduced a patented crane loading platform for high rise building construction to the rental market. The business grew to become an industry leader in Victoria and South Australia and in 2015 was sold into the National Preston Hire Group to consolidate the national brand.

Preston Hoists offered vertical hoist access rental solutions for multi-story construction projects. Preston Hoists became the largest supplier of these products in Victoria and South Australia and was subsequently purchased by Coates Hire in 2003.

Steven then turned his focus to another venture, Cassaform, a business that offered construction formwork and propping systems to the industrial building market, with both product sales and rental services. The business grew rapidly with a focus on the Victorian market and was sold in 2019 to an internal business partner.

Steven is a civil engineer, has completed a Masters of Business Administration and is currently a member of the Australian Institute of Company Directors.

Steven has not served as a Director of any other listed companies during the preceding three years.

COMPANY SECRETARY

Aimee Taylor (BComm (Hons) (GCert HR Mgt)

Aimee joined Saferoads in November 2018 and is the Company's Media, Communications and Human Resources Manager. She was appointed Company Secretary on 28 October 2020. Aimee has completed a Bachelor of Media and Communications, majoring in Public Relations, and a Graduate Certificate of Human Resource Management at Deakin University.

INTEREST IN SHARES

As at the date of this report, Directors' interests in the shares of the Company are:

Name	Shares
David Ashmore	1,462,755
Darren Hotchkin	9,765,937
Steven Difabrizio	4,340,549

DIVIDENDS

No dividends have been paid or declared since the start of the period and the directors do not recommend the payment of a dividend in respect of the period.

PRINCIPAL ACTIVITIES

The principal activity of the Group during the year continued to be the sale or rental of road safety products and solutions primarily to end users.

Products and services provided include flexible guideposts and signage; rubber-based traffic calming products including separation kerbing and wheel stops; variable messaging sign boards; permanent and temporary public solar lighting poles; permanent and temporary crash cushions including bollards and safety barriers.

In all its activities, the Group remains focused on providing innovative products and materials that protect the safety of all road users – motorists, road construction workers and pedestrians.

OPERATING AND FINANCIAL REVIEW

Revenue from product sales and services grew 18.6% to $14,648,496 (2022: $12,439,416) due to shipping and supply chain constraints providing less of a sales bottleneck and international sales activity rebounding as restrictions on travel eased post pandemic. This sales growth resulted in a 13.2% improvement in underlying EBITDA to $2,145,281 (2022: 1,895,760). However, the Group reported a loss after tax for the year of $197,407 (2022: $64,289 profit) primarily attributable to the following factors:

- The continued expansion of our equipment rental services fleet - Road Safety Rental – led to an increase in depreciation and amortisation charges of 9.4% to $1,712,609 (2022: $1,565,395).
- The unfavourable interest rate environment resulted in an 8.5% increase in finance charges to $305,079 (2022: $281,076).
- The Group booked a provision of $325,000 relating to the November 2021 workplace fatality.

Debt levels decreased by 9.8%, to $3,165,863 (2022: $3,509,087) largely driven by repayments on the term loan facility. Over 62% of the Group's debt is fixed interest equipment finance loans, which won't be impacted by further interest rate increases.

The gearing ratio decreased to 25.8% (2022: 29.6%). We continue to receive support from our primary financier, with the Commonwealth Bank approving an additional $0.62 million in asset finance facilities during the year to enable the expansion of our equipment rental services fleet.

Road Safety Rental's contribution to net profit is expected to grow in future years with investment planned across all three state depots but with a particular focus on scaling up the NSW and Queensland operations. This investment should ensure the business is well positioned to benefit from the Federal Government's 10-year $120 billion infrastructure pipeline.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year.

SIGNIFICANT EVENTS AFTER REPORTING DATE

Following legal advice received during September 2023, the Directors have resolved to initiate negotiations with WorkSafe regarding the charges relating to the November 2021 workplace fatality.

There has been no other matter or circumstance which has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely developments in the operations of the Group and the expected results of these operations have been set out in the Chairman's Overview and the Managing Director's Review of Operations and Activities.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The company has indemnified the directors and executives of the Group for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the Group against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

INDEMNIFICATION AND INSURANCE OF AUDITOR

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory. In respect of its own activities, the Group is not a major emitter of greenhouse gases and falls well below the reporting thresholds set by the National Greenhouse and Energy Reporting Act 2007.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

OPTIONS

At the date of this report, there were no un-issued shares of the Company under option.

REMUNERATION REPORT (AUDITED)

The Company's remuneration policy is to ensure that the level of remuneration paid to key personnel is market competitive and will help to attract and retain the skills and expertise required. To determine what is a competitive level of remuneration the Company refers to salary information provided by various professional organisations.

KEY MANAGEMENT PERSONNEL

Key Management Personnel ("KMP") is defined by *AASB 124 - Related Party Disclosures*. Only Directors and Executive Management that have the authority and responsibility for planning, directing, and controlling the activities of Saferoads, directly or indirectly and are responsible for the entity's governance are classified as KMP.

The key management personnel of the Group consisted of the following Directors and executives during the year:

David Ashmore	Non-executive Chairman
Darren Hotchkin	Managing Director
Steven Difabrizio	Non-executive Director
Peter Fearns	Chief Financial Officer (resigned 28 February 2023)
Mark Langham	Chief Financial Officer (appointed 27 March 2023)
Trent Loveless	Chief Operating Officer

REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

NON-EXECUTIVE DIRECTORS

Total remuneration for non-executive Directors for 2022-23 was $128,000**.** Their remuneration packages comprised only fixed Directors' fees plus statutory superannuation (where applicable) and were within the limits set out in the Company's constitution. Currently this limit is set at $350,000 per annum and can only be changed at a general meeting.

EXECUTIVE DIRECTOR

Mr Darren Hotchkin, Managing Director, received total remuneration of $355,123, including statutory superannuation. In addition, Mr Hotchkin was eligible for a discretionary bonus based on the Company's financial performance exceeding the targeted profit for FY2023. This did not eventuate.

PERFORMANCE-BASED REMUNERATION

No performance-based remuneration (bonus incentives) was paid or payable to key management personnel, including the Managing Director, for the year (FY2022: NIL). The criteria for discretionary bonuses were the Company's financial performance exceeding the targeted profit for FY2023. This did not eventuate.

A summary of Company performance for the past five financial years is below.

	2023	2022	2021	2020	2019
EPS (cents)	(0.53)	0.17	1.44	1.43	(0.11)
Net profit/(loss) ($)	(197,407)	64,289	535,173	521,029	(41,586)
Share price ($)	$0.13	$0.14	$0.21	$0.20	$0.22

EMPLOYMENT CONTRACTS

Executive employment agreements have been entered into with the Managing Director, Chief Operating Officer and the Chief Financial Officer as disclosed. These agreements are of a standard form containing provisions of confidentiality and restraint of trade usually required in such agreements. Payments to be made on termination of an executive employment contract have been clearly detailed and are limited to payout of accrued leave entitlements and up to four months' salary as redundancy or termination pay.

REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

30 June 2023

	Short Term					**Long Term**	**Share Based Payment**	**Total**	**Perform -ance Related**
	Salaries & Fees	Non-monetary**	Cash Bonus	Termination Payment	Super-annuation	Long Service Leave	Options		
	$	$	$	$	$	$	$	$	%
Non Executive Directors									
D Ashmore	65,158	-	-	-	6,842	-	-	72,000	-
S. Difabrizio	56,000	-	-	-	-	-	-	56,000	-
Executive Director									
D Hotchkin	300,815	31,123	-	-	23,185	-	-	355,123	-
Executive									
P Fearns #	138,666	-	-	15,734	14,560	-	-	168,960	-
M Langham *	56,539	-	-	-	5,936	12	-	62,487	
T Loveless	218,400	-	-	-	22,932	5,708	-	247,040	-
Total	**835,578**	**31,123**	**-**	**15,734**	**73,455**	**5,720**	**-**	**961,610**	-

 # Mr. Fearns resigned as Chief Financial Officer on 28 February 2023

** Mr. Langham was appointed Chief Financial Officer on 27 March 2023*

*** Non-monetary benefits comprise entirely of motor vehicle fringe benefits*

30 June 2022

	Short Term					Long Term	Share Based Payment	Total	Perform-ance Related
	Salaries & Fees	Non-monetary**	Cash Bonus	Termination Payment	Super-annuation	Long Service Leave	Options		
	$	$	$	$	$	$	$	$	%
Non Executive Directors									
D Ashmore	75,000	-	-	-	7,500	-	-	82,500	-
S. Difabrizio	49,048	-	-	-	-	-	-	49,048	-
H. Wallace	10,124	-	-	-	1,012	-	-	11,136	-
Executive Director									
D Hotchkin	367,200	31,122	-	-	23,568	-	-	421,890	-
Executive									
P Fearns	200,000	-	-	-	20,000	161	-	220,161	-
T Loveless *	70,000	-	-	-	7,000	1,008	-	78,008	-
Total	**771,372**	**31,122**	**-**	**-**	**59,080**	**1,169**	**-**	**862,743**	**-**

** Mr. Loveless was appointed Chief Operating Officer on 1 March 2022*

*** Non-monetary benefits comprise entirely of motor vehicle fringe benefits*

SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

Shares held in Saferoads Holdings Limited:

	Balance at 1 July 2022	Acquired through On-Market trade	Acquired through Dividend Reinvestment Plan	Sold	Other*	Balance at 30 June 2023
Directors						
D Hotchkin	9,765,937	-	-	-	-	9,765,937
D Ashmore	1,462,755	-	-	-	-	1,462,755
S Difabrizio	4,340,549	-	-	-	-	4,340,549
Executive						
P Fearns *	33,000	-	-	-	(33,000)	-
M Langham	-	-	-	-	-	-
T Loveless	-	-	-	-	-	-
Total	**15,602,241**	**-**	**-**	**-**	**-**	**15,569,241**

** Mr Ferns resigned as Chief Financial Officer on 28 February 2023 – quantity represents shareholding at time of resignation.*

All equity transactions with Key Management Personnel have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

During the financial year the Group acquired certain consumable manufacturing materials from an entity related to Mr D. Hotchkin at normal commercial rates aggregating $46,033 (2022: $42,815), with $19,707 included in Trade payables at 30 June 2023 (2022: $13,300).

During the financial year the Group leased premises from an entity related to Mr D. Hotchkin at normal commercial rates aggregating $8,583 (2022: $19,425), with no security deposits paid at 30 June 2023 (2022: $1,667).

During the financial year the Group received design and modelling services from an entity related to Mr D. Hotchkin at normal commercial rates aggregating $147,158 (2022: $38,753), with $12,447 in Trade payables at 30 June 2023 (2022: NIL).

During the financial year an entity related to Mr D. Hotchkin purchased goods at normal commercial rates for $12,682 (2022: NIL), with $13,951 in Trade receivables at 30 June 2023 (2022: NIL).

End of audited Remuneration Report.

DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of committees of Directors) held during the year, and the number of meetings attended by each Director, were as follows:

Names	Directors		Audit & Risk		Remuneration/Nomination	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Mr D Ashmore	5	5	2	2	-	-
Mr D Hotchkin	5	5	-	-	-	-
Mr S Difabrizio	5	5	2	2	-	-

NON-AUDIT SERVICES

During the year, Grant Thornton, the Company's auditors, performed certain other services in addition to their statutory audit duties.

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Risk Committee to ensure they do not impact upon the impartiality and objectivity of the auditor
- The non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards

Details of the amounts paid to the auditors of the Company, Grant Thornton, and its related practices for audit and non-audit services provided during the year are set out in Note 21 to the financial statements.

ROUNDING OF AMOUNTS

Saferoads Holdings Limited is a type of Company that is referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest dollar.

AUDITORS' INDEPENDENCE DECLARATION

The attached independence declaration has been obtained from the Company's auditors, Grant Thornton.

Signed in accordance with a resolution of Directors

David Ashmore

Director

29 September 2023

Grant Thornton Audit Pty Ltd
Level 22 Tower 5
Collins Square
727 Collins Street
Melbourne VIC 3008
GPO Box 4736
Melbourne VIC 3001

T +61 3 8320 2222

Auditor's Independence Declaration

To the Directors of Saferoads Holdings Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Saferoads Holdings Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

T S Jackman
Partner – Audit & Assurance

Melbourne, 29 September 2023

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Saferoads Holdings Limited is responsible for the corporate governance of the Saferoads group. The Board has considered the ASX Corporate Governance Principles and Recommendations ("ASX Governance Principles") and reports on compliance with these Principles.

The Board's objective is to ensure investor confidence in the Company and its operations given its size, stage of development and complexity.

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).

SAFEROADS HOLDINGS LIMITED

ABN 81 116 668 538

FINANCIAL REPORT

FOR THE YEAR ENDED

30 JUNE 2023

Saferoads is an ASX listed company specializing in providing innovative safety solutions. Headquartered in Pakenham, Victoria with representation across Australia, New Zealand and the USA. The company provides state government departments, local councils, road construction companies and equipment hire companies with a broad range of products and services for purchase or hire that are designed to direct, protect, inform and illuminate for the public's safety.

SAFEROADS HOLDINGS LIMITED
Consolidated Statement of Profit or Loss and Other Comprehensive Income
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	CONSOLIDATED 2023 $	2022 $
Revenue			
Revenue from product sales and services	4	**14,648,496**	12,349,416
Other income	4	**232,598**	116,767
Total revenue and other income		**14,881,094**	12,466,183
Raw material, finished goods and logistics		**(7,128,972)**	(5,466,503)
Employee benefits		**(3,805,518)**	(3,506,874)
Fines and penalties		**(325,000)**	-
Insurance		**(215,988)**	(155,253)
Motor vehicle costs		**(170,987)**	(144,448)
Occupancy costs		**(66,240)**	(57,949)
Professional fees		**(218,708)**	(161,934)
Travel and accommodation costs		**(105,680)**	(79,753)
IT & Communications costs		**(132,258)**	(136,237)
Warehouse costs		**(272,214)**	(278,402)
Marketing costs		**(198,318)**	(193,748)
Other expenses		**(420,929)**	(374,322)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**1,820,281**	1,910,760
Depreciation and amortisation	4	**(1,712,609)**	(1,565,395)
Earnings before interest and tax (EBIT)		**107,672**	345,365
Finance costs	4	**(305,079)**	(281,076)
Profit/(loss) before income tax		**(197,407)**	64,289
Income tax benefit/(expense)	5	**-**	-
Net profit/(loss) for the period		**(197,407)**	64,289
Net profit/(loss) attributable to members of the parent		**(197,407)**	64,289
Other comprehensive income		**-**	-
Total comprehensive income/(loss) for the period		**(197,407)**	64,289
Total comprehensive income/(loss) attributable to members of the parent		**(197,407)**	64,289
Earnings per share		**Cents**	Cents
- Basic for profit/(loss) for the full year	6	**(0.53)**	0.17
- Diluted for profit/(loss) for the full year	6	**(0.53)**	0.17
Dividend paid per share (cents)	7	**-**	-

The accompanying notes form part of these financial statements

SAFEROADS HOLDINGS LIMITED
Consolidated Statement of Financial Position
AS AT 30 JUNE 2023

	Notes	CONSOLIDATED 2023 $	2022 $
ASSETS			
Current Assets			
Cash and cash equivalents	8	**220,111**	4,219
Trade and other receivables	9	**1,498,671**	1,801,267
Inventories	10	**2,119,887**	2,542,621
Prepayments		**283,867**	170,789
Total Current Assets		**4,122,536**	4,518,896
Non-current Assets			
Property, plant and equipment	11	**8,456,959**	8,300,595
Intangible assets	12	**1,131,861**	1,215,695
Deferred tax assets	5	**1,152,593**	1,152,593
Other non-current assets		**159,501**	182,136
Total Non-current Assets		**10,900,914**	10,851,019
TOTAL ASSETS		**15,023,450**	15,369,915
LIABILITIES			
Current Liabilities			
Trade and other payables	13	**1,080,405**	1,390,327
Contract liabilities		**268,344**	141,791
Interest-bearing loans and borrowings	14	**3,054,459**	1,027,339
Lease liabilities	15	**614,796**	517,946
Provisions	16	**771,051**	395,752
Total Current Liabilities		**5,789,055**	3,473,155
Non-current Liabilities			
Interest-bearing loans and borrowings	14	**111,404**	2,481,748
Lease liabilities	15	**960,529**	1,063,637
Provisions	16	**21,771**	13,277
Total Non-current Liabilities		**1,093,704**	3,558,662
TOTAL LIABILITIES		**6,882,759**	7,031,817
NET ASSETS		**8,140,691**	8,338,098
EQUITY			
Contributed equity	17	**5,593,998**	5,593,998
Retained earnings	17	**2,546,693**	2,744,100
TOTAL EQUITY		**8,140,691**	8,338,098

The accompanying notes form part of these financial statements

SAFEROADS HOLDINGS LIMITED
Consolidated Statement of Changes in Equity
FOR THE YEAR ENDED 30 JUNE 2023

	Contributed Equity $	Retained Earnings $	Total Equity $
CONSOLIDATED			
At 1 July 2021	5,593,998	2,679,811	8,273,809
Net profit/(loss) for the period	-	64,289	64,289
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	64,289	64,289
At 30 June 2022	5,593,998	2,744,100	8,338,098
At 1 July 2022	**5,593,998**	**2,744,100**	**8,338,098**
Net profit/(loss) for the period	**-**	**(197,407)**	**(197,407)**
Other comprehensive income for the period	**-**	**-**	**-**
Total comprehensive income for the period	**-**	**(197,407)**	**(197,407)**
At 30 June 2023	**5,593,998**	**2,546,693**	**8,140,691**

The accompanying notes form part of these financial statements

SAFEROADS HOLDINGS LIMITED
Consolidated Statement of Cash Flows
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	CONSOLIDATED 2023 $	2022 $
Cash flows from operating activities			
Receipts from customers		**16,396,421**	13,295,209
Payments to suppliers and employees		**(14,018,813)**	(12,350,782)
Net cash flows from operating activities	8	**2,377,608**	944,427
Cash flows from investing activities			
Proceeds from sale of hire inventory, plant and equipment		**109,554**	6,241
Purchase of plant and equipment		**(788,204)**	(636,925)
Product development costs	12	**(294,776)**	(130,577)
R&D tax incentive received		**-**	178,932
Net cash flows from investing activities		**(973,426)**	(582,329)
Cash flows from financing activities			
Proceeds from borrowings		**761,464**	206,830
Repayment of loans and borrowings		**(1,104,688)**	(520,237)
Repayment of lease liabilities		**(542,645)**	(509,200)
Interest received	4	**4**	17
Interest paid		**(302,431)**	(281,076)
Net cash flows from financing activities		**(1,188,296)**	(1,103,666)
Net increase/(decrease) in cash and cash equivalents		**215,886**	(741,568)
Cash and cash equivalents at beginning of period		**4,219**	745,787
Effects of exchange rate changes on cash		**6**	-
Cash and cash equivalents at end of period	8	**220,111**	4,219

The accompanying notes form part of these financial statements

1 CORPORATE INFORMATION

Saferoads Holdings Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations of the authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial report has also been prepared on a historical cost basis.

Saferoads Holdings Limited is a for-profit entity for the purposes of preparing the financial statements.

(b) Statement of compliance

The financial report has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

New and revised standards that are effective for these financial statements
The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and interpretations did not have any significant impact on the financial performance or position of the Group.

The financial statements were authorised for issue by the Directors on 29 September 2023. The Directors have the power to amend and reissue the financial statements.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the legal parent entity, Saferoads Holdings Limited and its subsidiaries ('the Group'). The separate financial statements of the parent entity have not been presented within this financial report as permitted by the Corporations Act 2001.

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.

(d) Foreign currency translation

Functional and presentation currency
The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year end exchange rate. Non monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of profit or loss and other comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of profit or loss and other comprehensive income.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less any accumulated depreciation and any impairment in value.

Depreciation is calculated on a diminishing value basis or prime cost method, over the estimated useful life, as denoted below:

Property/leasehold improvements (prime cost - 10% to 50%)
Plant and equipment (diminishing value and prime cost - 5% to 50%)
Motor vehicles (diminishing value 18% to 25%)
Rental equipment (prime cost 5% to 33%)

(f) Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

(g) Impairment of non-financial assets other than goodwill

The Group assesses whether there is any indication that an asset may be impaired when events or changes in circumstances indicate the carrying value may not be recoverable. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(h) Intangible assets

Intangibles

Intangible assets acquired separately are capitalised at cost. Following initial recognition, the cost model is applied to the class of intangible.

The useful lives of these intangible assets are assessed to be either finite (between 1 to 10 years) or indefinite.

Where amortisation is charged on assets with finite lives, this expense is taken to the statement of profit or loss and other comprehensive income through the amortisation line item.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite life intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Research and development costs

Research costs are expensed as incurred.

Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Any expenditure carried forward is amortised over the period of expected future sales from the related project.

The carrying value of each development project is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss and other comprehensive income when the asset is derecognised.

Any Research and Development tax rebates received or receivable are offset against the respective capitalised development costs to the extent to which they relate to the claim. Research and Development tax rebates are recognised when they are considered to be probable and reliably estimated.

(i) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:
- Raw materials: purchase cost on a first-in, first-out basis;
- Finished goods and work-in-progress: cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(j) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

(k) Cash and cash equivalents

Cash in the statement of financial position comprises cash at bank.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdrafts.

(l) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

Interest expense is recognised as it accrues.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the amortisation process.

(m) Leases

For any new contracts entered into, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

• the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
• the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
• the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

(n) Provisions

Provisions are recognised when the Group has a present obligation (legal and constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(o) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax from the proceeds.

(p) Revenue

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

In all transactions, the total price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group's future obligation to transfer goods or services to a customer for which the Group has received consideration from the customer is recognised as a contract liability, and reports these amounts as such in its statement of financial position, until such time as the performance obligations are satisfied. If the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Sales of goods
Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognise revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Revenue from the sale of goods is recognised at the point in time when the performance obligation is satisfied and the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services
The Group rents its equipment to customers and recognises revenue over time based on fixed daily rental rates. Revenue for these transactions is therefore recognised over time based on monthly billing in arrears for rental services provided. In this respect, the Group has a right to the consideration and the amount billed corresponds directly with the value to the customer for the Group's performance completed to date. If a product is returned before month end, revenue is recognised when returned for the period it has been rented. Customers are charged a fee for the deployment to site and the demobilisation of the rental unit. Lease components are recognised separately from performance revenue.

(q) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compare the amount are those that are enacted by the reporting date.

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 future unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting 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 reporting date.

(r) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:
- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from the investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(s) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits expected to be settled wholly within one year have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. All other employee benefit liabilities are measured at the present value of the estimated future cash outflows to be made for those benefits.

(t) Trade and other payables

Trade payables and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(u) Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Judgements

(i) Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates and forward-looking information that is available. The provision for impairment of receivables is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

(ii) Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

(iii) Intangible assets - capitalised development costs

Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Determining whether the recognition requirements for the capitalisation of these development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

(iv) Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised.

(v) Impairment of non-financial assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including whether the net assets of the Group exceed its market capitalisation at reporting date. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss. The Group specifically considers the potential impairment of non-financial assets, largely represented by:

- Property, plant and equipment
- Capitalised development costs
- Right of use assets

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(vi) Provision for the workplace fatality

The provision for the workplace fatality assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account legal advice, historical outcomes of comparable cases, and applying probability-weighted and simple average techniques to quantify the best estimate for the provision's amount. The provision for the workplace fatality is calculated based on the information available at the time of preparation. The actual fines and additional legal fees associated with charges brought by WorkSafe may be higher or lower.

(vii) Going concern

The financial statements have been prepared on the basis that the Group is a going concern, which assumes that the Group will continue normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group has a term loan of $1,179,263 and asset finance loans of $1,642,939 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 2.5 times multiple of the adjusted EBITDA. Because of the recent expensing of the workplace fatality provision, as detailed in note 16 to these accounts, that measure has increased from a compliant position to 2.8 times that now constitutes a breach of the loan agreement. Accordingly, and pursuant to accounting standards, all of the CBA loans have now been classified as a current liability resulting in the Group disclosing current liabilities in excess of current assets by $1,666,519. The Group has now relodged its 30 June 2023 covenant certification and 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.

Should the bank require us to rectify this breach in order for us to continue to retain their support with this loan the directors have multiple options available to them to deal with that situation including renegotiating some of the loan conditions or a modest capital injection. The directors have reasonable grounds to believe that this adverse situation can be satisfactorily resolved with its bankers to retain its current level of their financial support and maintain our normal business operations as a going concern.

Until this covenant breach is rectified there does however exist a material going concern uncertainty in that the Group may not be able to continue normal business operations and realise its assets and settle its liabilities at the values noted in the Statement of Financial Position.

(x) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all the attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to cash subsidies are recognised in the profit or loss as other income. Where the cost has previously been capitalised, the income is offset against the relevant asset.

3 SEGMENT INFORMATION

The Group's chief operating decision maker (Managing Director) reviews financial information on a consolidated basis and makes strategic decisions based on this consolidated information.

The Group operates predominantly in Australia.

During 2023, $1,559,930 or 10.6% of the Group's revenues were generated from a single customer (2022: $1,321,479 or 10.7% from a single customer)

4 REVENUES AND EXPENSES

Specific Items

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

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

	CONSOLIDATED	
	2023	**2022**
	$	**$**
(i) Revenue		
Revenue from product sales - point in time	**9,667,448**	7,495,668
Revenue from provision of services - over time	**4,981,048**	4,853,748
	14,648,496	12,349,416
(ii) Other income		
Net gain/(loss) on sale of assets	**(2,614)**	2,598
Net profit/(loss) on termination of lease	**14,756**	-
Interest	**4**	17
R&D tax rebate	**205,911**	88,400
Government grant	**-**	15,000
Net foreign exchange gains/(losses)	**8,194**	2,498
Other	**6,347**	8,254
	232,598	116,767
	14,881,094	12,466,183
(iii) Expenses		
Depreciation and amortisation		
- Property, plant & equipment	**1,056,211**	922,016
- Right-of-use assets	**458,939**	422,491
- Intangible assets	**197,459**	220,888
	1,712,609	1,565,395
Impairment of plant and equipment	**-**	-
Finance costs		
- Bank borrowings	**110,915**	77,164
- Leasing arrangements	**194,164**	203,912
	305,079	281,076
Bad debts written off	**-**	-
Provision for expected credit losses	**8,873**	-

5 INCOME TAX

		CONSOLIDATED	
		2023	**2022**
(a)	***Income tax (expense)/ benefit***	**$**	**$**
	Numerical reconciliation of income tax benefit and tax at the statutory rate		
	Profit before income tax expense	**127,592**	64,289
	Tax at the statutory tax rate of 25.00% (Previous year 25.00%)	**31,898**	16,072
	Tax effect amounts which are not (deductible) / taxable in calculating taxable income:		
	Temporary differences	**(11,216)**	-
	Non-deductible expenses	**25**	34
	Effect of R&D Rebate @ 43.5% of eligible expenses	**56,839**	-
	R&D tax incentive income - non assessable	**(51,478)**	-
	Recognition of prior year unbooked tax losses	**(26,068)**	(16,106)
		-	**-**
(b)	**Deferred income tax at 30 June relates to the following:**		
	Deferred tax assets attributable to unused tax losses carried forward	**1,545,694**	1,652,345
	Net deferred tax assets/(liabilities) attributable to temporary differences	**(245,256)**	-
	Tax losses not brought to account	**(147,845)**	(499,752)
		1,152,593	**1,152,593**
(c)	**Deferred tax assets not brought to account at reporting date**		
	Operating losses	**147,845**	499,752
	Capital losses	**458,037**	458,037

As at 30 June 2023, the Group has carry forward tax losses with a tax effect of $1,545,694, measured at the corporate tax rate of 25%. Carry forward tax losses with a tax effect of $1,152,593 (2022: $1,152,593) have been brought to account as a net deferred tax asset. Carry forward tax losses with a tax effect of $147,845 relating to a prior year have not been brought to account.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The Group has realised capital losses with a gross amount of $1,832,149 that is available for offset against any future taxable capital gains.

6 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit/(loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit/(loss) attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options).

The following reflects the income and share data used in the total operation's basic and diluted earnings per share computations:

	CONSOLIDATED 2023 $	2022 $
Net profit/(loss) attributable to equity holders from continuing operations	**(197,407)**	64,289
Net profit/(loss) attributable to equity holders of the parent	**(197,407)**	64,289
Net profit/(loss) attributable to ordinary shareholders for diluted earnings per share	**(197,407)**	64,289
Weighted average number of ordinary shares for basic earnings per share	**37,461,783**	37,461,783
Adjusted weighted average number of ordinary shares for diluted earnings per share	**37,461,783**	37,461,783
	Cents	Cents
- Basic for profit/(loss) for the full year	**(0.53)**	0.17
- Diluted for profit/(loss) for the full year	**(0.53)**	0.17

For the purpose of calculating earnings and dividends per share, it is the ordinary shares of the legal parent that is used, being the proportionate weighting of the 37,461,783 (2022: 37,461,783) shares on issue.

7 DIVIDENDS PAID AND PROPOSED

	CONSOLIDATED 2023 $	2022 $
Equity dividends on ordinary shares:		
Interim franked dividend paid for 2023: 0.0 cents (2022: 0.0 cents)	**-**	-
Dividends proposed and not recognised as a liability:		
Final franked dividend for 2023: 0.0 cents (2022: 0.0 cents)	**-**	-
Franking Credit Balance:		
The amount of franking credits available for future reporting periods after the payment of income tax payable and the impact of dividends proposed.	**3,316,423**	3,476,246

8 NOTES TO THE STATEMENT OF CASH FLOWS

	CONSOLIDATED	
	2023	**2022**
	$	**$**
Reconciliation of cash		
For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 30 June:		
Cash at bank and on hand	**220,111**	4,219
Reconciliation from the net profit/(loss) after tax to the net cash flows from operations		
Profit/(loss) after tax for the year	**(197,407)**	64,289
Adjustments for:		
Depreciation and amortisation	**1,712,609**	1,565,395
Net (profit)/loss on disposal of plant and equipment	**2,614**	(2,598)
Net (profit)/loss on termination of lease	**(14,756)**	-
Movement in slow moving stock provision	**23,748**	-
Movement in expected credit loss provision	**8,873**	-
Effects of exchange rate changes on cash	**(6)**	-
Interest received	**(4)**	(17)
Interest paid	**302,431**	281,076
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	**474,874**	(285,492)
(Increase)/decrease in inventories	**(45,349)**	(225,588)
(Increase)/decrease in other assets	**(90,443)**	61,007
(Decrease)/increase in trade and other payables	**(309,922)**	(692,670)
(Decrease)/increase in contract liabilities	**126,553**	127,812
(Decrease)/increase in provisions	**383,793**	51,213
Net cash from operating activities	**2,377,608**	944,427

9 TRADE AND OTHER RECEIVABLES (CURRENT)

	CONSOLIDATED	
	2023	**2022**
	$	**$**
Trade receivables	**1,084,303**	1,817,297
Other receivables	**439,271**	-
Less: Allowance for expected credit losses	**(24,903)**	(16,030)
	1,498,671	1,801,267
Ageing of trade receivables (net of allowance for expected credit losses)		
1 - 30 days	**576,177**	1,031,001
31 - 60 days	**453,693**	734,076
61 - 90 days	**19,165**	22,267
91 days and over	**10,366**	13,923
	1,059,400	1,801,267

Trade receivables are non-interest bearing.

Movement in allowance for expected credit losses		
Balance at the beginning of financial year	**16,030**	16,030
Amounts written off	**-**	-
Additional allowance for expected credit losses recognised/(released)	**8,873**	**-**
	24,903	16,030

10 INVENTORIES

	CONSOLIDATED 2023 $	2022 $
Stock on hand	**2,174,386**	2,573,372
Less: Allowance for slow moving or obsolete stock	**(54,499)**	(30,751)
	2,119,887	2,542,621

During the year, the Group recognised a $23,748 expense relating to the write-down of inventories (2022: NIL).

11 PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED 2023 $	2022 $
Property, plant & equipment at cost	**14,905,113**	13,567,305
Less accumulated depreciation	**(6,448,154)**	(5,266,710)
Total plant & equipment	**8,456,959**	8,300,595

Movements in Carrying Amounts	Property/ Leasehold improvements $	Plant & equipment $	Motor vehicles $	Rental equipment $	Total $
Balance at 1 July 2021	1,436,719	598,939	284,247	5,794,126	8,114,031
Additions	61,945	149,500	50,025	951,120	1,212,590
Depreciation expense	(396,504)	(140,426)	(79,244)	(728,333)	(1,344,507)
Disposals	-	(9,021)	-	(15,587)	(24,608)
Assets transferred from inventories	-	-	-	343,089	343,089
Impairment	-	-	-	-	-
Carrying amount at 30 June 2022	1,102,160	598,992	255,028	6,344,415	8,300,595
Balance at 1 July 2022	**1,102,160**	**598,992**	**255,028**	**6,344,415**	**8,300,595**
Additions	**419,748**	**277,930**	**57,909**	**728,772**	**1,484,359**
Depreciation expense	**(446,352)**	**(171,939)**	**(59,179)**	**(837,680)**	**(1,515,150)**
Disposals	**(145,012)**	**(238)**	**-**	**(111,930)**	**(257,180)**
Assets transferred from inventories	**-**	**-**	**-**	**444,335**	**444,335**
Impairment	**-**	**-**	**-**	**-**	**-**
Carrying amount at 30 June 2023	**930,544**	**704,745**	**253,758**	**6,567,912**	**8,456,959**

Included in Property, plant and equipment are right-of-use assets as follows:

2022	Net carrying amount b/f $	Additions $	Disposals $	Depreciation $	Net carrying amount $
Property	1,337,421	26,383	-	(370,340)	993,464
Equipment under finance lease	496,033	-	-	(52,151)	443,882
Total right-of-use assets	1,833,454	26,383	-	(422,491)	1,437,346

2023	Net carrying amount b/f $	Additions $	Disposals $	Depreciation $	Net carrying amount $
Property	**993,464**	**376,860**	**(145,012)**	**(400,269)**	**825,043**
Equipment under finance lease	**443,882**	**319,295**	**-**	**(58,669)**	**704,508**
Total right-of-use assets	**1,437,346**	**696,155**	**(145,012)**	**(458,938)**	**1,529,550**

Refer to note 15 for further information on Right-of-use asset leases.

12 INTANGIBLE ASSETS

	CONSOLIDATED 2023 $	CONSOLIDATED 2022 $
Product development costs	**1,972,955**	1,865,119
Less accumulated amortisation	**(1,070,060)**	(907,126)
	902,895	957,993
Website development costs	**56,427**	56,427
Less accumulated amortisation	**(56,427)**	(56,019)
	-	408
Patents and product approvals	**359,656**	353,867
Less accumulated amortisation	**(130,690)**	(96,573)
	228,966	257,294
	1,131,861	1,215,695

Movement in carrying amounts	**Website dev't costs $**	**Patents/ Product approvals $**	**Product dev't costs $**	**Total $**
Balance at 1 July 2021	6,413	276,176	1,113,949	1,396,538
Capitalisation of costs	-	18,482	112,095	130,577
R&D tax rebate allocation	-	-	(90,532)	(90,532)
Amortisation expense	(6,005)	(37,364)	(177,519)	(220,888)
Carrying amount at 30 June 2022	408	257,294	957,993	1,215,695
Balance at 1 July 2022	**408**	**257,294**	**957,993**	**1,215,695**
Capitalisation of costs	**-**	**5,789**	**288,987**	**294,776**
R&D tax rebate allocation	**-**	**-**	**(181,151)**	**(181,151)**
Amortisation expense	**(408)**	**(34,117)**	**(162,934)**	**(197,459)**
Carrying amount at 30 June 2023	**-**	**228,966**	**902,895**	**1,131,861**

Patents/product approvals predominantly relate to various applications for new products that have yet to be commercialised. Once the related asset is in use, then the relevant patent/product approval will be amortised over its expected useful life.

At the reporting date, the net assets of the Group exceed its market capitalisation and impairment testing was performed. The Group's intangible assets are not capable of generating cash flows independently but form part of a larger cash generating unit (CGU) with various sales and support departments, and other assets. For impairment testing purposes, the carrying amount of intangible assets are compared to the recoverable amount of the Group's single CGU. The recoverable amount of the CGU has been determined by a value-in-use calculation using a discounted cash flow model, based on a 5 year projection period approved by management, together with a terminal value. Key assumptions to which the recoverable amount of the CGU is most sensitive are listed in the table below.

Item	Assumption	Rationale
Revenue Growth Rates	10% p.a annual average growth	The Groups's strategy is expected to continue to increase both the scale of the rentals business and generate additional international revenues
Expenditure Growth Rates	5% p.a annual average growth	The business has existing capacity to deliver increased revenues without adding significant costs. Managements estimate also takes into account the prevailing interest rate and efforts to contain costs.
Years forecasted	5 years	5 years as per recommended length of time per AASB136
Tax Rate	25%	Base rate entity company tax rate
Working Capital	17% of revenues	Average working capital required
Discount Rate	10% pre-tax	Management's estimate of the Groups's weighted average cost of capital, the risk free rate and the volatility of the share price relative to market movements

Sensitivity

As disclosed in note 2, the directors have made judgements and estimates in respect of impairment testing. Should these judgements and estimates not occur, the resulting carrying amount of the intangible assets may decrease. The sensitivities are as follows: (a) Revenue and cost of sales growth would need to decrease to 7.2% for the CGU before intangible assets would need to be impaired, with all other assumptions remaining constant. (b) The discount rate for the CGU would be required to increase by at least 7.5% before intangible assets would need to be impaired, with all other assumptions remaining constant.

The directors believe that other reasonable changes in the key assumptions on which the recoverable amount of the Groups's intangible assets is based on would not cause the CGU's carrying amount to exceed its recoverable amount.

13 TRADE AND OTHER PAYABLES (CURRENT)

	CONSOLIDATED 2023 $	2022 $
Trade payables	**803,347**	1,148,063
Accrued expenses	**245,256**	193,970
GST payable	**31,802**	48,294
	1,080,405	1,390,327

Payables are non-interest bearing and are normally settled between 30 and 60-day terms.

14 INTEREST-BEARING LOANS AND BORROWINGS

	CONSOLIDATED 2023 $	2022 $
Current		
Bank loans	**1,179,263**	170,579
Borrowings for asset finance	**1,875,196**	856,759
	3,054,459	1,027,338
Non-current		
Bank loans	**-**	1,176,429
Borrowings for asset finance	**111,404**	1,305,319
	111,404	2,481,748

Financing facilities available At reporting date, the Group had the following financing facilities provided by the Commonwealth Bank available:	CONSOLIDATED 2023 $	2022 $
Total facilities:		
- term loan	**1,183,128**	1,347,008
- asset finance	**2,000,000**	2,000,000
- overdraft	**500,000**	1,000,000
- bank charge card	**75,000**	75,000
	3,758,128	4,422,008
Facilities used at reporting date		
- term loan	**1,179,263**	1,347,008
- asset finance	**1,642,939**	1,675,184
- overdraft	**-**	-
- bank charge card	**9,830**	61,000
	2,832,032	3,083,192
Facilities unused at reporting date		
- term loan	**3,865**	-
- asset finance	**357,061**	324,816
- overdraft	**500,000**	1,000,000
- bank charge card	**65,170**	14,000
	922,231	1,338,816

The bank facilities are secured by a registered charge over certain assets and undertakings, and also a registered charge over the assets and undertakings of Saferoads Holdings Ltd.

The term loan facility had a variable interest rate of 7.75% at 30 June 2023 (30 June 2022: 4.50%). The term loan facility matures in December 2024.

The weighted average interest rate of borrowings for asset finance was 5.52% at 30 June 2023.

After recognising a $325,000 provision for estimated fines and additional legal fees associated with the November 2021 workplace fatality, the Group was in breach of its facility covenants with the Commonwealth Bank at 30 June 2023. As a consequence $995,428 of the term loan and $942,654 of the borrowings for asset finance have now been reclassified as current. The covenant breach has not been rectified nor the terms of the loan renegotiated before the financial statements were authorised for issue.

15 LEASE LIABILITIES

	CONSOLIDATED 2023 $	2022 $
Current		
Right-of-use asset leases	**614,796**	517,947
	614,796	517,947
Non-current		
Right-of-use asset leases	**960,529**	1,063,637
	960,529	1,063,637

Hire purchase liabilities are secured by a charge over the related non-financial assets.

Lease payments not recognised as a liability
The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	2023 $	2022 $
Short-term leases	**28,271**	19,425
Leases of low value assets	**7,926**	7,926
	36,197	27,351

The Group leases its head office and warehouse facility and other warehouse sites with terms ranging from 'month to month' to 10 years.

There are no material make good obligations with leases, individually or in the aggregate.

The Group has leases for the main warehouse and related facilities, an office and production building, equipment rental assets, motor vehicles, production equipment and office equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 11).

Refer to note 18 for further information on financial instruments.

16 PROVISIONS

	CONSOLIDATED 2023 $	2022 $
Current		
Employee benefits	**446,051**	395,752
Workplace fatality	**325,000**	-
	771,051	395,752
Non-Current		
Employee benefits	**21,771**	13,277
	21,771	13,277

Movements in provisions
Movements in the employee benefits and workplace fatality provisions during the current financial year are set out below:

	2023 $	2022 $
Employee benefits		
Carrying amount at the start of the year	**409,029**	357,816
Additional provisions recognised	**58,793**	51,213
	467,822	409,029
Workplace fatality		
Carrying amount at the start of the year	**-**	-
Additional provisions recognised	**325,000**	-
	325,000	-

16 PROVISIONS (continued)

Workplace Fatality Provision

The Group is actively collaborating with our legal team to address charges brought forward by WorkSafe, based on a brief of evidence presented by them. Following the advice of our legal team, the Directors have resolved to initiate negotiations with WorkSafe to work towards resolving the matter.

In accordance with AASB 137, the Group has recognised a provision for estimated fines and additional legal fees associated with charges brought by WorkSafe. This provision is based on a legal obligation stemming from the ongoing matter.

Significant uncertainty remains about the quantum and timing of any fine, however in determining the provision amount, the Directors have:

- Consulted with legal advisors
- Examined historical outcomes of comparable cases
- Applied probability-weighted and simple average techniques to quantify the best estimate for the provision's amount.

Due to regulatory changes, insurance coverage for these fines is not permissible, which is reflected in our provision estimate.

The provision includes the Directors best estimate of uninsured legal fees which may be incurred in addition to the fine, this amount is likely to be immaterial based on the existing insurance coverage.

While the actual financial penalty levied might differ from the provisioned amount, the Directors hold the opinion that a material variance is not probable.

The provision will be reassessed at each reporting date to reflect current best estimates.

17 EQUITY

	CONSOLIDATED	
Contributed Equity	**2023 $**	**2022 $**
Ordinary shares		
Balance at beginning of period	**5,593,998**	5,593,998
Issued and fully paid	**5,593,998**	5,593,998
Movements in ordinary shares on issue (legal parent)	**No. of shares**	
Balance at beginning of the period	**37,461,783**	37,461,783
Shares issued under Dividend Reinvestment Plan	**-**	-
At 30 June 2023	**37,461,783**	37,461,783

Ordinary shares carry one vote per share, either in person or by proxy, at a meeting of the Company, and carry the rights to dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

There is no current on-market buy-back of ordinary shares.

Retained Earnings

	CONSOLIDATED	
	2023 $	**2022 $**
Movements in retained earnings are as follows:		
Balance at beginning of period	**2,744,100**	2,679,811
Net profit for the year	**(197,407)**	64,289
Less: Dividend paid (refer note 7)	**-**	-
Balance at 30 June 2023	**2,546,693**	2,744,100

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise a term loan, lease liabilities, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations.

The totals for each category of financial instruments are as follows:

	CONSOLIDATED	
	2023	**2022**
	$	**$**
Financial Assets		
- Cash and cash equivalents	**220,111**	4,219
- Trade and other receivables	**1,498,671**	1,801,267
Total Financial Assets	**1,718,782**	1,805,486
Financial Liabilities		
- Financial liabilities at amortised cost	**5,576,337**	6,287,027
Total Financial Liabilities	**5,576,337**	6,287,027

The Group has various financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

It is, and has been throughout the period under review, the Group's policy that no trading in financial derivatives shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

The Group also monitors the market price risk arising from all financial instruments.

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations.

The Group's exposure to interest rate risk, which is the risk that the Financial Instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Interest Rate	Non Interest Bearing	Variable Interest Rate	Fixed Interest Rate Maturing			Total
				Within 1 year	2 to 5 years	Later than 5 years	
2023	**%**	**$**	**$**	**$**	**$**	**$**	**$**
Financial Assets							
- Cash	**N/A**	**220,111**	**-**	**-**	**-**	**-**	**220,111**
- Receivables	**N/A**	**1,498,671**	**-**	**-**	**-**	**-**	**1,498,671**
Total Financial Assets		**1,718,782**	**-**	**-**	**-**	**-**	**1,718,782**
Financial Liabilities							
- Payables	**N/A**	**835,148**	**-**	**-**	**-**	**-**	**835,148**
- Bank loans	**6.53%**	**-**	**1,179,263**	**-**	**-**	**-**	**1,179,263**
- Asset finance borrowings	**5.52%**	**-**	**-**	**1,875,196**	**111,404**	**-**	**1,986,600**
- Lease liabilities	**5.33%**	**-**	**-**	**614,796**	**960,529**	**-**	**1,575,325**
Total Financial Liabilities		**835,148**	**1,179,263**	**2,489,992**	**1,071,933**	**-**	**5,576,337**
2022	**%**	**$**	**$**	**$**	**$**	**$**	**$**
Financial Assets							
- Cash	N/A	4,219	-	-	-	-	4,219
- Receivables	N/A	1,801,267	-	-	-	-	1,801,267
Total Financial Assets		1,805,486	-	-	-	-	1,805,486
Financial Liabilities							
- Payables	N/A	1,196,357	-	-	-	-	1,196,357
- Bank loans	3.80%	-	1,347,008	-	-	-	1,347,008
- Asset finance borrowings	5.77%	-	-	856,759	1,305,319	-	2,162,078
- Lease liabilities	5.78%	-	-	517,947	1,063,637	-	1,581,584
Total Financial Liabilities		1,196,357	1,347,008	1,374,706	2,368,956	-	6,287,027

(b) Credit risk

The Group trades only with recognised, credit worthy third parties.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and pre-agreed credit limits.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is managed closely.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date recognised as financial assets is the carrying amount, net of any provisions for doubtful debts which is $24,903 at 30 June 2023 (2022: $16,030), as disclosed in the statement of financial position and notes to the financial statements. The Group holds no collateral or security in relation to financial assets.

As at reporting date, the amount of financial assets past due, but not impaired, is $29,530 (2022: $36,190).

The Group does not have any material unmanaged credit risk to any single debtor or group of debtors under financial instruments entered into by the Group.

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of current working capital, bank loans, and lease liabilities.

Maturity analysis of financial liabilities:

	Within 1 Year	1 to 5 Years	Over 5 Years	Total
	$	$	$	$
2023				
- Payables	**835,148**	**-**	**-**	**835,148**
- Bank loans	**1,179,263**	**-**	**-**	**1,179,263**
- Borrowings for asset finance	**1,875,196**	**111,404**	**-**	**1,986,600**
- Lease liabilities	**614,796**	**960,529**	**-**	**1,575,325**
Total Financial Liabilities	**4,504,404**	**1,071,933**	**-**	**5,576,337**

	Within 1 Year	1 to 5 Years	Over 5 Years	Total
	$	$	$	$
2022				
- Payables	1,196,357	-	-	1,196,357
- Bank loans	170,579	1,176,429	-	1,347,008
- Borrowings for asset finance	856,759	1,305,319	-	2,162,078
- Lease liabilities	517,947	1,063,637	-	1,581,584
Total Financial Liabilities	2,741,642	3,545,385	-	6,287,027

(d) Fair Values

The carrying amount of financial assets and liabilities recorded in the financial statements represents their respective fair values, determined in accordance with the accounting policies disclosed in Note 2 to the financial statements.

(e) Foreign Exchange Risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

(f) Sensitivity Analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates on borrowings and exchange rates on purchases. The table indicates the impact on how profit and equity values reported at reporting date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables. The following sensitivities are based on market experience over the last 12 months.

	CONSOLIDATED	
	Profit/(loss)	**Equity**
Year Ended 30 June 2023	**$**	**$**
+/-2% in interest rates	+/-23,585	+/-23,585
+/-5c in AUD / USD	+/-174,816	+/-174,816
Year Ended 30 June 2022	$	$
+/-2% in interest rates	+/-26,940	+/-26,940
+/-5c in AUD / USD	+/-143,560	+/-143,560

19 SUBSIDIARIES

The consolidated financial statements include the financial statements of Saferoads Holdings Limited and the subsidiaries listed in the following table.

Name	Country of incorporation	% equity interest 2023	2022
Saferoads Pty Ltd	Australia	**100%**	100%

20 RELATED PARTIES

Transactions with Key Management Personnel
During the financial year the Group acquired certain consumable manufacturing materials from an entity related to Mr D. Hotchkin at normal commercial rates aggregating $46,033 (2022: $42,815), with $19,707 included in Trade payables at 30 June 2023 (2022: $13,300).

During the financial year the Group leased premises from an entity related to Mr D. Hotchkin at normal commercial rates aggregating $8,583 (2022: $19,425), with no security deposits paid at 30 June 2023 (2022: $1,667).

During the financial year the Group received design and modelling services from an entity related to Mr D. Hotchkin at normal commercial rates aggregating $147,158 (2022: $38,753), with $12,447 in Trade payables at 30 June 2023 (2022: NIL).

During the financial year an entity related to Mr D. Hotchkin purchased goods at normal commercial rates for $12,682 (2022: NIL), with $13,951 in Trade receivables at 30 June 2023 (2022: NIL).

21 AUDITORS' REMUNERATION

	2023 $	2022 $
Amounts received or due and receivable by:		
- Grant Thornton, for the audit of the financial report	**95,275**	76,000
- Other services (R&D tax rebate): Grant Thornton	**55,305**	20,000

22 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of Management Personnel

(i) Directors

David Ashmore	Non-Executive Chairman
Darren Hotchkin	Managing Director
Steven Difabrizio	Non-Executive

(ii) Executives

Peter Fearns	Chief Financial Officer *(resigned 28 February 2023)*
Mark Langham	Chief Financial Officer *(appointed 27 March 2023)*
Trent Loveless	Chief Operating Officer

(b) Compensation of Key Management Personnel
Details of the nature and amount of each element of the remuneration of Key Management Personnel ("KMP") are disclosed in the Remuneration Report section of the Directors' Report.

	2023 $	2022 $
Compensation of Key Management Personnel by category:		
- Short-term employee benefits	**882,435**	802,494
- Post-employment benefits	**73,455**	59,080
- Long-term employee benefits	**5,720**	1,169
	961,610	862,743

23 PARENT ENTITY DISCLOSURES

	2023 $	2022 $
Current assets	**-**	-
Total assets	**5,600,022**	5,600,022
Current liabilities	**-**	-
Total liabilities	**-**	-
Net assets	**5,600,022**	5,600,022
Issued capital	**5,593,998**	5,593,998
Retained earnings	**6,024**	6,024
Profit/(loss) of the parent entity	**-**	-
Total comprehensive income of the parent entity	**-**	-
Guarantees entered into by the parent entity in relation to debts of its subsidiaries	**576,051**	486,894

24 CONTINGENT ASSETS AND LIABILITIES

There are no contingent liabilities as at 30 June 2023 (2022: regulatory penalties relating to November 2021 workplace fatality).

There are no contingent assets as at 30 June 2023 (2022: NIL).

25 SUBSEQUENT EVENTS

Following legal advice received during September 2023, the Directors have resolved to initiate negotiations with WorkSafe regarding the charges relating to the November 2021 workplace fatality.

There has been no matter or circumstance which has arisen since 30 June 2023 that has significantly affected or may significantly affect the operations of the Group or the results of those operations or the state of affairs of the Group.

DIRECTORS' DECLARATION

In the opinion of the Directors of Saferoads Holdings Limited and its controlled entities:

(a) the financial statements and notes of the consolidated entity and the remuneration disclosures that are contained in the Remuneration Report that forms part of the Directors' Report are in accordance with the *Corporations Act 2001* (Cth), including:

   i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the year ended that date; and

   ii) complying with Accounting Standards and *Corporations Regulations 2001*.

(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;

(c) The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as reported in Note 2.

This declaration has been made after receiving the declarations required to be made to the Directors by the Managing Director and the Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* (Cth).

Signed in accordance with a resolution of the Directors.

On behalf of the Board.

David Ashmore

Director

29 September 2023

Grant Thornton Audit Pty Ltd
Level 22 Tower 5
Collins Square
727 Collins Street
Melbourne VIC 3008
GPO Box 4736
Melbourne VIC 3001

T +61 3 8320 2222

Independent Auditor's Report

To the Members of Saferoads Holdings Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Saferoads Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which indicates that the Group has current liabilities in excess of current assets by $1,666,519. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Revenue from product sales and services – Note 4	
The total revenues from product sales and services earned by Saferoads Holdings Limited was $14,648,496 as at 30 June 2023. The Group derives revenue through the sale of goods and the rendering of services which are performed under a combination of individual agreements and contractual arrangements. Under AASB 15 *Revenue from Contracts with Customers,* revenue may be recognised at a point in time or over time, as performance obligations are satisfied. This is a key audit matter due to the volume of associated transactions, the level of management judgement applied due to the complexity of assessing the revenue recognition point in the contracts.	Our procedures included, amongst others: • Documenting the design and effectiveness of internal controls relating to revenue streams; • Assessing revenue recognition policies to ensure compliance with AASB 15; • Selecting and testing a sample of revenue recognised during the year to supporting documentation to verify occurrence in accordance with AASB 15; • Evaluating sales transactions around reporting date to assess whether revenue is recognised in the correct period; and • Assessing the adequacy of related disclosures in the financial statements.
Intangible assets – Note 12	
Capitalised product development costs, in respect to databases and software, had a net carrying value of $1,131,861 on 30 June 2023. AASB 136 - *Impairment of Assets* require an entity to assess at the end of each reporting period whether there are any indicators of impairment and, if any such indicators exist, assess the recoverable amount of the assets. This area is a key audit matter due to the significant level of management estimation and judgement in determining the key inputs and assumptions used in the impairment assessments.	Our procedures included, amongst others: • Assessing the determination of cash generating units (CGUs) to be assessed for impairment for appropriateness; • Engaging our auditor's valuation expert to independently evaluate the methodology to ensure compliance with AASB 136, and the reasonableness of the discount rate used in determining recoverable amount; • Reviewing forecast cash flows against historical trends and actual performance to date, and considered management explanations; • Performing sensitivity analysis on key assumptions in order to understand the potential impact of changes to the key assumptions; and • Assessing the adequacy of related disclosures in the financial statements.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

The Directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with *Australian Accounting Standards and the Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdfThis description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 5 to 8 of the Directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Saferoads Holdings Limited, for the year ended 30 June 2023 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton Audit Pty Ltd
Chartered Accountants

T S Jackman
Partner – Audit & Assurance

Melbourne, 29 September 2023