



Released 21 February 2018

SAFEROADS HOLDINGS LIMITED

RESULTS FOR ANNOUNCEMENT TO THE MARKET HALF-YEAR ENDED 31 DECEMBER 2017

Highlights for the half

- Profit before tax of \$174k compared with \$48k loss in previous corresponding period
- EBITDA up by 73% to \$488k, from \$282k in previous corresponding period
- New bank facility on back of improved profit performance
- Successful R&D program with a further \$394k invested for the continued development and testing of two key products, part funded by an R&D grant contribution of \$282k
- Strong orders from major rental industry customers for delivery in Q3 representing a clear sign of confidence in our superior quality products

FINANCIAL HEADLINES

\$'000	Six months ending		
	Dec 2017	Dec 2016	Variance %
Revenue	8,092	8,291	-2%
EBITDA	488	282	+73%
Depreciation and amortisation	241	228	+6%
EBIT	247	54	+357%
Finance costs	73	102	-28%
Profit/(loss) before tax	174	(48)	n/a
Gearing (net debt / net debt + equity)	19.0%	22.4%	

Enquiries/Additional Information:

David Ashmore, Chairman
Ph: 03 5945 6600

ABOUT SAFEROADS

Saferoads is an ASX listed company (ASX: SRH) specialising 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, civil construction and equipment hire companies with a broad range of products and services designed to direct, protect, inform and illuminate for the public's safety.

Appendix 4D
Half year report

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

1. Reporting periods

Half year ended (‘current period’)	Half year ended (‘previous corresponding period’)
31 December 2017	31 December 2016

2. Results for announcement to the market

	Current period	Previous corresponding period	% Change increase / (decrease)	Amount (\$) increase / (decrease)
Key information	\$	\$		\$
Revenues from continuing activities	8,091,617	8,291,388	-2%	(199,771)
Profit/(loss) from continuing activities after tax attributable to members	149,879	(48,820)	n/a	198,699
Net profit/(loss) for the period attributable to members	149,879	(48,820)	n/a	198,699
Dividends (distributions)			Amount per share	Franked amount per share at 30% tax
Final dividend	Record Date Paid	N/A N/A	N/A	N/A
Interim dividend	Record Date Payable	N/A N/A	N/A	N/A
Supplementary comments				
Commentary in respect of the results is provided in the Directors' Report, which forms part of the half-year report ended 31 December 2017.				

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3. NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary share (\$)	\$0.13	\$0.12

4. Dividends

	Date paid/payable	Amount per share	Franked amount per share at 30% tax	Amount per share of foreign source dividend	Amount \$
Final dividend:	N/A	N/A	N/A	N/A	N/A
Interim dividend:	N/A	N/A	N/A	N/A	N/A

5. Dividend reinvestment plans

N/A

6. Associates and Joint Ventures

N/A

7. Foreign entities

N/A

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SAFEROADS HOLDINGS LIMITED

Directors' Report

The directors of Saferoads Holdings Limited present their report for the half-year ended 31 December 2017.

DIRECTORS

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

David Ashmore (Non-Executive Chairman)

Darren Hotchkin (Chief Executive Officer)

David Cleland (Non-Executive)

REVIEW OF OPERATIONS

The directors are pleased to report a half-year consolidated Profit before tax of \$173,643 compared with a Loss before tax of \$47,907 for the previous corresponding period ("pcp"), a turnaround of \$221,550.

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) of \$488,319 (up 73% on pcp), was underpinned by improved margins of our existing product lines, particularly our Public Lighting portfolio, continued strict cost control, as well as the contribution from our second major overseas order for our Ironman™ temporary barriers in USA.

Key points for the half year include;

- Our Public Lighting portfolio continued its double digit revenue growth (up 22% on pcp) and improved margin on the back of strong demand for our residential lighting solutions in Victoria. Additionally, our new solar lighting offering grew 319% on pcp as we continue to provide customers with flexible solar public lighting solutions that are innovative, reliable and affordable.
- Internationally, we had our second order under the distributor agreement for our patented Ironman™ barrier in the USA. We also had additional sales of our flexible signage products into Belgium, further orders for our traffic calming products into New Zealand and an initial portable solar lighting sale to a major equipment hire company in New Zealand.
- The introduction of our new Omni-Stop™ Ultra Security bollard allowed us to maintain volumes in this product portfolio.
- Temporary barrier sales were lower than the pcp, in particular our licensed T-LOK™ concrete barriers, where we had experienced significant demand along the East coast, in particular the Pacific Highway upgrade project in FY2017 however, demand did improve towards the end of the half with major project opportunities in Tasmania.



- We have introduced our proprietary *Zone Essential* variable messaging sign (VMS) trailer to our Ironman™ Hybrid temporary barrier rental business providing a more holistic workzone equipment rental offering to our select customers in Victoria.
- We secured an improved banking facility (extended to September 2020) on the back of improved profit performance and a well structured balance sheet, following years of repair. This new bank facility has been our aim as it now allows us greater flexibility with enhanced borrowing terms and interest rates
- No dividend has been declared as the company still requires funds for current and future research and development projects and organic growth however, as the company's performance continues to improve the directors are mindful of providing shareholders with sustainable dividends.

We have invested a further \$394,535 into product Research and Development (R&D) which has been partly funded by the Australian government's R&D cash rebate (\$281,630) received during the half.

As reported in our ASX announcement dated 1 February 2018, we had successful crash test results in the USA in January of our new HV2 steel/concrete barrier system, which now allows us to seek regulatory approval in both the USA and Australia to commence commercialisation of this world-first unanchored steel/concrete barrier system tested to TL4 level.

Providing enhanced protection to pedestrians is becoming an increasing challenge for relevant authorities both here in Australia as well as around the world. Accordingly, we have also been working on improving the stopping capacity of our Omni-Stop™ bollard range, with successful crash testing to the US standard, ASTM 3016-14. We continue to look for ways to provide improved non-invasive public safety solutions with this product range. Our portable public space solar light pole and light tower products have also generated great interest with both local government and equipment hire companies.

Looking ahead, we have started the new calendar year with over \$4.3 million in secured work in hand (up from \$2.2 million for the same time last year). This includes our first significant sale of our Ironman™ Hybrid temporary barrier system in Australia and a significant order for a number of portable solar light towers for an equipment rental company. Our financier, CBA, has provided us a temporary extension to our overdraft facility to assist in delivering this latter project.

Both of these major wins reflect the solid efforts our staff and management have taken in repositioning our business to be a major player in the road and public safety sectors. We are projecting a strong second half and with continued growth across our product lines both domestically and overseas, FY2018 shapes to be a further improvement on the previous financial year.



AUDITOR'S INDEPENDENCE DECLARATION

We have obtained the attached independence declaration from our auditors, Grant Thornton, in accordance with S307c of the Corporations Act 2001 for the half year ended 31 December 2017.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'David Ashmore', is written over a thin horizontal line.

David Ashmore

Director

21 February 2018

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Collins Square, Tower 1
727 Collins Street
Docklands Victoria 3008

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

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 review of Saferoads Holdings Limited for the half-year ended 31 December 2017. 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 review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Michael Climpson
Partner

Melbourne, 21 February 2018

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SAFEROADS HOLDINGS LIMITED

ABN 81 116 668 538

CONSOLIDATED FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2017

SAFEROADS HOLDINGS LIMITED

Statement of Profit or Loss and Other Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Notes	CONSOLIDATED	
		December 2017 \$	December 2016 \$
Revenue	2		
Revenue from product sales and rentals		8,091,617	8,291,388
Costs of direct materials and labour		(5,902,464)	(5,484,850)
Movement in inventories		651,402	(51,590)
Gross profit		2,840,555	2,754,948
Other income	2	75,876	76,724
Employee benefits		(1,704,350)	(1,404,441)
Occupancy costs		(169,380)	(200,804)
Travel and accommodation costs		(62,652)	(87,893)
IT & communications costs		(71,209)	(81,482)
Motor vehicle costs		(57,538)	(36,140)
Other expenses		(362,983)	(739,078)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		488,319	281,834
Depreciation and amortisation		(241,236)	(227,673)
Earnings before interest and tax (EBIT)		247,083	54,161
Finance costs		(73,440)	(102,068)
Profit/(loss) before income tax		173,643	(47,907)
Income tax expense		(23,764)	(913)
Profit/(loss) after income tax from continuing operations		149,879	(48,820)
Net profit/(loss) for the period		149,879	(48,820)
Net profit/(loss) attributable to members of parent		149,879	(48,820)
Total other comprehensive income for the period		-	-
Total comprehensive income attributable to members of the parent		149,879	(48,820)
Earnings per share (cents per share)			
- basic for profit/(loss) for the half-year (cents)		0.4	(0.1)
- diluted for profit/(loss) for the half-year (cents)		0.4	(0.1)
- dividends paid per share (cents)		0.0	0.0

The accompanying notes form part of these financial statements

SAFEROADS HOLDINGS LIMITED

Statement of Financial Position

AS AT 31 DECEMBER 2017

	Notes	CONSOLIDATED	
		December 2017 \$	June 2017 \$
ASSETS			
Current Assets			
Cash and cash equivalents		684,983	665,915
Trade and other receivables		2,025,487	2,917,658
Inventories		3,484,573	2,833,171
Prepayments		534,376	83,622
Total Current Assets		6,729,419	6,500,366
Non-current Assets			
Property, plant and equipment		3,485,607	3,505,238
Intangible assets		1,094,112	944,499
Deferred tax assets		1,233,548	1,257,312
Other non-current assets		17,931	17,917
Total Non-current Assets		5,831,198	5,724,966
TOTAL ASSETS		12,560,617	12,225,332
LIABILITIES			
Current Liabilities			
Trade and other payables		2,749,613	2,567,846
Unearned income		59,505	43,151
Interest-bearing loans and borrowings		276,669	2,170,434
Provisions		461,140	411,708
Total Current Liabilities		3,546,927	5,193,139
Non-current Liabilities			
Interest-bearing loans and borrowings		2,031,807	203,923
Provisions		77,482	73,748
Total Non-current Liabilities		2,109,289	277,671
TOTAL LIABILITIES		5,656,216	5,470,810
NET ASSETS		6,904,401	6,754,522
EQUITY			
Contributed equity		5,353,905	5,353,905
Retained earnings		1,550,496	1,400,617
TOTAL EQUITY		6,904,401	6,754,522

The accompanying notes form part of these financial statements

SAFEROADS HOLDINGS LIMITED

Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

CONSOLIDATED	Contributed Equity \$	Retained Earnings \$	Total Equity \$
At 1 July 2016	5,353,905	1,281,770	6,635,675
Net profit/(loss) for the period	-	(48,820)	(48,820)
At 31 December 2016	5,353,905	1,232,950	6,586,855
At 1 July 2017	5,353,905	1,400,617	6,754,522
Net profit/(loss) for the period	-	149,879	149,879
At 31 December 2017	5,353,905	1,550,496	6,904,401

The accompanying notes form part of these financial statements

SAFEROADS HOLDINGS LIMITED

Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Notes	CONSOLIDATED	
		December 2017 \$	December 2016 \$
Cash flows from operating activities			
Receipts from customers		9,700,310	10,212,321
Payments to suppliers and employees		(9,269,653)	(9,886,059)
Net cash flows from operating activities	4	430,657	326,262
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		8,979	25,546
Purchase of property, plant and equipment		(29,997)	(32,353)
Product development costs		(394,535)	(120,514)
R&D tax rebate received		281,630	237,405
Net cash flows from investing activities		(133,923)	110,084
Cash flows from financing activities			
Repayment of borrowings		(202,779)	(325,168)
Interest received		473	2,392
Interest paid		(75,360)	(103,171)
Net cash flows from financing activities		(277,666)	(425,947)
Net increase/(decrease) in cash and cash equivalents		19,068	10,399
Cash and cash equivalents at beginning of period		665,915	808,395
Cash and cash equivalents at end of period	4	684,983	818,794

The accompanying notes form part of these financial statements

SAFEROADS HOLDINGS LIMITED

Notes to the Financial Statements

FOR THE HALF YEAR-ENDED 31 DECEMBER 2017

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore does not provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. It is therefore recommended that the half-year financial report should be read in conjunction with the annual Financial Report of Saferoads Holdings Limited as at 30 June 2017, together with any public announcements made by Saferoads Holdings Limited and its controlled entities during the half-year ended 31 December 2017 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and the ASX listing rules.

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

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Accounting Standards including *AASB 134 - Interim Financial Reporting*. Compliance with *AASB 134* ensures that the financial statements and notes comply with International Financial Reporting Standard *IAS 34 - Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

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

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

(b) New Accounting Standards

The Group has adopted all new and revised Australian Accounting Standards and Interpretations that became effective for the first time and are relevant to the Group.

(c) Significant Accounting Policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2017 and the corresponding interim reporting period.

2 REVENUES

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

	CONSOLIDATED	
	December 2017 \$	December 2016 \$
(i) Revenue		
Revenue from product sales and rentals	8,091,617	8,291,388
	8,091,617	8,291,388
(ii) Other income		
R&D tax rebate	54,629	54,792
Net gain/(loss) on sale of assets	2,683	(9,030)
Interest	473	2,392
Export market development grant	-	18,355
Other	18,091	10,215
	75,876	76,724

3 SEGMENT REPORTING

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

SAFEROADS HOLDINGS LIMITED

Notes to the Financial Statements

FOR THE HALF YEAR-ENDED 31 DECEMBER 2017

4 ADDITIONAL CASHFLOW INFORMATION

a) Reconciliation of Cash

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

	CONSOLIDATED	
	December 2017	December 2016
	\$	\$
Cash at bank and in hand	684,983	818,794
b) Reconciliation from net profit/(loss) after tax to the net cash flows from operations		
Profit/(loss) after tax for the period	149,879	(48,820)
Adjustments for:		
Depreciation and amortisation	241,236	227,673
Net (profit)/loss on disposal of plant and equipment	(2,683)	9,030
Changes in assets and liabilities:		
(Increase)/decrease in receivables	665,170	933,225
(Increase)/decrease in inventories	(651,402)	57,611
(Increase)/decrease in other assets	(450,768)	(115,836)
(Increase)/decrease in deferred tax assets	23,764	913
(Decrease)/increase in payables	385,941	(839,449)
(Decrease)/increase in unearned income	16,354	54,639
(Decrease)/increase in provisions	53,166	47,276
Net cash from operating activities	430,657	326,262

c) Non-cash financing and investing activities

During the half-year, the Group acquired property, plant and equipment with an aggregate value of \$136,898 (December 2016: \$120,211) by means of finance leases.

5 CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or liabilities as at 31 December 2017.

6 EVENTS AFTER THE END OF THE INTERIM PERIOD

Subsequent to 31 December, the Company has secured a temporary extension to its overdraft facility to provide the working capital for a significant contract.

Other than the item above, there has been no other matter or circumstance, which has arisen since 31 December 2017 that has significantly affected or may significantly affect the operations of the consolidated entity or the results of those operations or the state of affairs of the consolidated entity.

Directors' Declaration

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

In the opinion of the directors:

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

(i) giving a true and fair view of the financial position as at 31 December 2017 and the performance for the half-year ended on that date of the consolidated entity; and

(ii) comply with Accounting Standard *AASB 134 - Interim Financial Reporting*; and

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

On behalf of the Board



David Ashmore
Director

21 February 2018

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Collins Square, Tower 1
727 Collins St
Docklands Victoria 3008

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Review Report to the Members of Saferoads Holdings Limited

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of Saferoads Holdings Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2017, and 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 half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half year's end or from time to time during the half- year.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Saferoads Holdings Limited does not give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial reporting*.

Directors Responsibility for the Half Year Financial Report

The Directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2017 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Saferoads Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Michael Climpson
Partner

Melbourne, 21 February 2018