**Released 30 August 2021**

## SAFEROADS HOLDINGS LIMITED

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**
**YEAR ENDED 30 JUNE 2021**

# *Saferoads delivers stable result in challenging market environment*

**FINANCIAL SUMMARY**

| 12 months ending | June 2021 $'000 | June 2020 $'000 |
|---|---|---|
| Revenue | **13,250** | 16,497 |
| Gross profit | **6,303** | 6,279 |
| **EBITDA** | **2,053** | 1,964 |
| Depreciation and amortisation | **(1,212)** | (1,083) |
| **EBIT** | **841** | 881 |
| Finance costs | **(260)** | (291) |
| **Profit/(loss) after tax** | **535** | 521 |
| Operating cash flows | **1,513** | 2,265 |
| Gearing * (net debt / net debt + equity) | **26.7%** | 19.7% |

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

**FY2021 MILESTONES**

- Profit after tax of $535k, a modest improvement on FY2020
- EBITDA up 4.5% year on year, generating $1.5 million in operating cash flows
- Strong improvement in overall gross margin driven by sales mix and positively impacted by the divestment of our low margin On-grid lighting product portfolio
- 1 cent dividend (fully franked) paid in November 2020 with a strong 67% uptake of shares under our Dividend Reinvestment Plan
- Continued expansion of our equipment rental portfolio (Road Safety Rental) with a further $2.4 million invested in new rental assets

## SAFEROADS HOLDINGS LIMITED

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**
**YEAR ENDED 30 JUNE 2021**

**OUTLOOK FOR FY2022**

- We are budgeting for continued profits, subject to minimal COVID-19 impacts and based on the expected demand of essential goods and services to support the infrastructure spending by governments
- Have secured some medium term rental contracts in Victoria on some major road projects which should maintain solid asset utilisation and improved rental revenues over the coming year
- Whilst we have commenced our Road Safety Rental operation in NSW, the ongoing COVID-19 lockdowns are inhibiting growth opportunities for now
- Solar lighting solutions are still in high demand
- Further progress with International opportunities but sales still significantly impacted by COVID-19 restrictions

**Enquiries/Additional Information:**

David Ashmore, Chairman
Ph: 03 5945 6600

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**ABOUT SAFEROADS**

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.

# APPENDIX 4E
# and
# FINANCIAL REPORT

YEAR ENDED 30 JUNE 2021

SAFEROADS HOLDINGS LIMITED

ABN 81 116 668 538

RELEASED 30 August 2021

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# Appendix 4E
# Preliminary Final Report for the year ended 30 June 2021

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

**1. Reporting periods**

| Year ended ('current period') | Year ended ('previous corresponding period') |
|---|---|
| **30 June 2021** | 30 June 2020 |

**2. Results for announcement to the market**

| **Key information** | **Current period** $ | Previous corresponding period $ | % Change increase / (decrease) | Amount ($) increase / (decrease) $ |
|---|---|---|---|---|
| Revenue from ordinary activities | **13,250,184** | 16,496,950 | -20% | (3,246,766) |
| Profit/(loss) from ordinary activities after tax attributable to members | **535,173** | 521,029 | 3% | 14,144 |
| Net profit/(loss) for the period attributable to members | **535,173** | 521,029 | 3% | 14,144 |

| **Dividends (distributions)** | | | Amount per share | Franked amount per share |
|---|---|---|---|---|
| Final dividend | Record Date<br>Paid | N/A<br>N/A | N/A | N/A |
| Interim dividend | Record Date<br>Paid | 11-Nov-20<br>19-Nov-20 | $0.01 | 100% |

**Supplementary comments**

Commentary in respect of the results is provided in the attached Chairman's Overview and CEO's Review of Operations and Activities.

## 3. NTA backing

| | **Current period** | Previous corresponding period |
|---|---|---|
| Net tangible asset backing per ordinary share (cents) | **15.3 cents** | 14.8 cents |

## 4. Dividends

| | Date paid/payable | Amount per share | Franked amount per share | Amount per share of foreign source dividend | Amount $ |
|---|---|---|---|---|---|
| **Final dividend:** | N/A | N/A | N/A | N/A | N/A |
| **Interim dividend:** | 19-Nov-20 | $0.01 | 100% | N/A | N/A |

## 5. Dividend reinvestment plans

The Company's Dividend Reinvestment Plan ("DRP") was registered on 9 June 2020 and remains active for eligible shareholders who may participate in the DRP in respect to all or part of their shareholding. For more details refer to the Company's website: https://www.saferoads.com.au/investors.

## 6. Associates and Joint Ventures

N/A

## 7. Foreign entities

N/A

# CHAIRMAN'S OVERVIEW

Dear Shareholder,

## FINANCIAL OVERVIEW

On behalf of the Board, I am pleased to report a profit after tax for the year of $535k, a stable result in what is still a significantly uncertain economic environment with the ongoing COVID-19 global pandemic. Whilst we had a strong first half, we experienced a decline in the second half of the year mainly attributable to the deferral of some road construction projects in Victoria impacting our equipment hire earnings, and lower demand from international opportunities. However, the road infrastructure sector has been somewhat shielded from the direct effects of COVID-19 with various governments still committed to significant infrastructure budgets. For some years now, we have strengthened our digital sales platform and during COVID-19 restrictions, this has continued to allow our customers to access our products and services without the need for face-to-face contact.

Our total revenue was down $3.247 million, or 20% in FY2021, that is mainly attributable to the disposal of the On-grid lighting product portfolio and reduced level of International sales. Our overall gross margin improved, driven by sales mix, and very positively impacted by the divestment of our low margin On-grid lighting product portfolio in February.

Our ongoing focus on cost optimisation saw an overall decrease in operating costs of 2.3%, year on year. This led to an overall 4.5% increase in Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) to $2.053 million – the main economic indicator of our operational and cash performance and a 92% improvement from where we were two years ago (FY2019).

Our business model is now more capital intensive with the continued expansion of the rental fleet - *Road Safety Rental* and that has driven an increase in depreciation and amortisation of 10.6%.

Whilst our borrowings have increased, interest rates have fallen, and we saw an overall reduction in interest cost of 10.6%. The repayment terms are quite short so that our overall gearing does not exceed acceptable levels in this environment of some uncertainty.

The table below summarizes the key metrics over the past three financial years:

| | Year ending 30 June | | |
|---|---|---|---|
| | **2019 $'000** | **2020 $'000** | **2021 $'000** |
| Revenue | 17,946 | 16,497 | **13,250** |
| Gross profit | 6,571 | 6,279 | **6,303** |
| EBITDA | 1,070 | 1,964 | **2,053** |
| Profit/(loss) after tax | (41) | 521 | **535** |
| Operating cash flows | 542 | 2,265 | **1,513** |
| Dividend paid (cents per share) | - | - | **1.0** |
| Gearing * (net debt / net debt + equity) | 29.7% | 19.7% | **26.7%** |

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

We continued our expansion of *Road Safety Rental* during the year, investing a further $2.4 million in additional rental stock, including temporary barriers, solar powered Variable Message Sign (VMS) trailers, and portable solar lights. This expansion is to meet the demand of our key customers for their work zone needs and to provide initial rental stock for our recently opened Campbelltown, NSW branch. This growth was facilitated by additional borrowings of $1.35 million in equipment finance during the year, with the balance funded through the proceeds from the sale of the On-grid lighting product portfolio and continued strong working capital, with $1.5 million generated from operating cashflows during the year.

We continue to receive support from our primary financier, Commonwealth Bank, who approved additional funding lines in July last year. Our gearing ratio, whilst increased from FY2020, is still a modest 26.7%.

## CORPORATE ACTIVITIES

In November last year the Board was pleased to announce the payment of a dividend to shareholders. This was a significant turning point for the Company, as long-standing shareholders would know, as it was the first time in a while that the Company had been in a position to be able to reward shareholders for their patience and support. The current financial performance of the Company and the ongoing COVID-19 impacts do not allow us to declare a dividend at this stage, but the resumption of a regular dividend stream remains a core objective of the Company.

The Board continued to look at and assess our position in the industry and identify opportunities to better focus and improve the Company with product rationalisation and strategic acquisition. This latter objective being made quite challenging given the COVID-19 constraints on business and the need to be more conservative in times of uncertainty. This strategic approach has seen the Company dispose of the poorly performing on-grid lighting product portfolio and further expand our rental business with more rental fleet and the opening of the NSW branch.

Our international business has continued to be hard hit by the pandemic with many sales opportunities put on hold pending a more stable outlook and economic certainty. However, we have continued to work on the international business with further regulatory approvals in the USA for our HV2™ temporary barrier with a notable key approval from the state of Texas. We now have 18 state approvals in USA and one in Canada. We have continued to work with potential business partners in the US to restart our sale of product once market uncertainties are overcome.

## OUTLOOK

We continue to be strategically well placed with our business model aligned to the infrastructure sector that will enable us to support our earnings base and grow. We will continue to offer leading edge products and services to this sector as various governments continue with strong transport infrastructure spending and rebuild economies impacted by the COVID-19 pandemic.

*Road Safety Rental* has secured some solid medium term contracts on Victorian road and rail upgrades, including some Level Crossing Removal projects in metropolitan Melbourne. We are budgeting to continue expansion of this business by growth of our rental fleet to meet our solid customer demands. The benefits of this strategy are well established and it is worth reiterating that most of our rental fleet originates from our own proprietary products, so our fleet investment cost is lower than most of our peers. There has been no change to this strategy.

Our expansion into the NSW equipment rental market has been impacted by the recent COVID-19 outbreak in Greater Sydney, but we are optimistic that once this settles, we are well placed to offer our products to an economy keen to rebuild after multiple lockdowns. We had made initial inroads prior to the present lockdown.

We anticipate our international markets will take longer to recover due to the COVID-19 impacts to the economies, however we maintain regular contact with existing relationships and continue to work to enhance our international business when the time is right.

## ACKNOWLEDGMENTS

I would like to acknowledge and thank our staff and management team for their ongoing commitment to the business, particularly during these disruptive and uncertain times with multiple State lockdowns. They have found a way to maintain the operations of the business in challenging circumstances and meet customer expectations.

I also sincerely thank all our shareholders for their continued support. Our primary focus continues to be the improvement in the financial performance and sustainability of our Company, and we were pleased that we could reward this support with the dividend paid in November 2020.

Finally, I wish to acknowledge my fellow directors and their diligent and collaborative efforts and ongoing contribution during these unprecedented times.

**David Ashmore**
**Chairman of the Board**

# CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS AND ACTIVITIES

### PERFORMANCE DURING 2020-2021

Despite the ongoing disruptions being felt by the COVID-19 pandemic, I am pleased to report another year of profit for Saferoads. This has not been easy in a business environment fraught with uncertainty and constant change. The way of doing business has necessarily adapted to a largely contactless environment where digital tools are the most efficient means to promote our products and services.

During the first half of the year, we made the strategic decision to divest our low-margin On-grid lighting product portfolio as we did not see a strategic fit in our go-forward business model. We were able to find a buyer and completed the transaction in February receiving proceeds of $1.062 million and realising a minor ($57k) loss after selling costs. This was the major reason overall revenue was down 20% to FY2020, but also ended up being the major driver for an improvement in gross profit margins.

Our Australian product sales were up 17.3% (excluding the On-grid lighting product line). Growth mainly came from our Solar lighting solutions, Variable Message Sign trailers and traffic calming rubber products. Significant efforts had been made in better promoting our full product suite online and we saw an increase in online enquiries (and new customer opportunities) come to fruition over the past financial year.

*Road Safety Rental* started the financial year strongly with ongoing demand for existing government road projects. However, this did taper off slightly in the second half of the year where we saw numerous deferrals of new road projects. I am pleased to report that we enter the new financial year having secured some large medium term works which will see a significant improvement in asset utilisation levels and returns in this space.

We also have experienced some challenges in establishing our NSW equipment rental branch, with the recent Greater Sydney COVID-19 lockdowns. We have made some good initial business connections but need Greater Sydney to substantively reopen to be able to continue our initiatives here.

We did however get our first HV2™ barrier system deployment in Victoria and initial feedback from industry players has been highly favourable.

Having built up some solid International leads in FY2019 and FY2020, we were unable to progress these further in FY2021 due to the restrictions relating to the COVID-19 pandemic. Sales decreased 66% on the prior year however, the feedback we have received from existing customers have been positive with the HV2™ temporary barrier system out on hire in New Zealand, and we did secure our first sale of the OmniStop™ portable bollard system to Canada. In addition, we now have the HV2™ temporary barrier system approved in eighteen US States and Ontario Province in Canada.

With the improved gross profit and focus on controlling costs, we were able to deliver an improved EBITDA of $2,053 million, up 4.5% on FY2020. This demonstrates that our current strategy of focussing on more profitable business lines is working and we will continue to strive for better returns and not just look to drive revenue growth alone.

### INNOVATION INITIATIVES

Whilst COVID-19 has disrupted business as usual, we have still been able to look at product innovation and have fine-tuned some existing products with minor enhancements to keep them "best of breed".

We also took the opportunity during the year to establish our own crash testing facility near Warragul, Victoria, which will allow us to conduct low-cost testing of current and new products. This decision was made as there is no nationally accredited testing facility in Australia, with the only options being New Zealand or the United States. The time and costs associated with freighting product and test vehicles overseas and back far outweighed a minor investment in a local solution. With access to independent experts who can certify accreditation, we should be in a better position to have new products tested, enhanced and approved to domestic and global standards.

## LOOKING AHEAD

Reliable forecasting in the current economic environment remains challenging. The forward order book is presently reasonable, but factors outside our control, such as continued government-enforced lockdowns in response to the ongoing COVID-19 pandemic makes doing business very challenging, particularly when it impacts not only our business but also our customer base and supply chain.

As the nation's vaccination rates increase and the need for lockdowns should diminish, infrastructure budgets are still there to be spent, and we believe we have the right products and services to meet the needs of these projects.

We will continue to selectively invest further in our *Road Safety Rental* brand, through offering a broader range of work zone products and services for the construction sector, but will do so in a measured way, ensuring that assets are optimally utilised and generating appropriate returns.

Finally, I would like to acknowledge the support of all the Saferoads team, who have delivered a solid result for FY2021 and have adapted well to the challenges of operating in the current COVID-19 environment.

**Darren Hotchkin**
**Chief Executive Officer**

# DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2021.

## DIRECTORS

| | | |
|---|---|---|
| David Ashmore | Non-Executive Chairman | Appointed 22 November 2012 |
| Darren Hotchkin | Executive Director (CEO) | Appointed 21 October 2005 |
| Hayden Wallace | Non-Executive Director | Appointed 16 March 2020 |
| David Cleland | Non-Executive Director | Appointed 1 December 2010 |
| | | Resigned 25 November 2020 |

## DIRECTOR PROFILES

**David Ashmore** (Age 69) (FCA GAICD F.FIN)
**Non-Executive Chairman**

David Ashmore was appointed to the Board on 22 November 2012 and was re-elected at the November 2013, October 2015, October 2017 and October 2019 AGM's. He was appointed Chairman of the Board on 19 August 2013. He is Chairman of the Remuneration/Nomination Committee and a member of the Audit and Risk 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 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** (Age 57)
**Executive Director/Chief Executive Officer**

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 and was re-elected at the October 2011 and November 2013 AGM's. He was appointed as Chief Executive Officer 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 Chief Executive Officer, 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.

**Hayden Wallace** (Age 50) (MBA, B. Eng.)
**Non-Executive Director**

Hayden Wallace was appointed to the Board on 16 March 2020. He is Chairman of the Audit and Risk Committee and a member of the Remuneration/Nomination Committee

Mr. Wallace is a respected and leading figure in the road safety barrier industry with over 20 years' experience in leading multi-site product manufacturing and distribution facilities serving the national road safety barrier market.

Hayden has invented numerous road and vehicle safety barrier systems covered by international patents. He has been involved in advancing best practice for safety barrier systems through active participation in the Australian and New Zealand Standard for Road Safety Barriers as well as championing the advancement of numerous public domain road safety barrier systems to the Australian market.

Hayden has led the design and construction of several manufacturing plants for production of road safety barriers as well as a galvanising facility. He is the founding director and a major shareholder of Safe Direction Pty Ltd, a company that designs, manufactures, supplies and installs innovative guardrail systems and safety barriers for roads, car parks, warehouses and pedestrians. These products are not competitive with, but are complementary to, Saferoads' product range.

Hayden holds a Master's of Business Administration from The University of Technology, Sydney and Bachelor of Engineering from The University of Sydney.

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

**David Cleland** (Age 76) (Dip.ME GAICD FIE (retired))
**Non-Executive Director *(resigned 25 November 2020)***

David Cleland was appointed to the Board on 1 December 2010 and was re-elected at the October 2011, November 2014, October 2016 and October 2018 AGM's. He resigned at the conclusion of the 2020 AGM on 25 November 2020. He was appointed acting Chief Executive Officer on 28 November 2011, handing over the role to Darren Hotchkin on 10 April 2012. He was Chairman of the Audit and Risk Committee and a member of the Remuneration/Nomination Committee until his resignation.

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

## COMPANY SECRETARIES

**Aimee Taylor** (BComm (PR))
***(appointed 28 October 2020)***

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 at Deakin University. She is currently studying a Graduate Certificate of Human Resource Management and manages her own small business.

**Peter Fearns** (CPA, BBus (Acctg))
***(appointed 22 December 2016, resigned 28 October 2020)***

Peter joined Saferoads in December 2011 as Chief Financial Officer and was appointed Company Secretary on 22 December 2016. He has over 20 years' experience managing finance functions in the information technology, infrastructure, and professional services sectors, covering both public listed and private companies.

He was Group Financial Controller of former ASX listed UXC Limited. Prior to Saferoads, he was Chief Financial Officer of a national privately owned urban planning and property advisory business.

Having resigned in October 2020, Peter returned to Saferoads as Chief Financial Officer in April 2021.

Peter is a Certified Practising Accountant (CPA) and holds a Bachelor of Business degree majoring in Accounting.

## 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 |
| Hayden Wallace | Nil |

## DIVIDENDS

The Company paid a one cent dividend (fully franked) on 19 November 2020 totalling $364,000. $244,214 was distributed in shares (1,061,783 new shares issued at $0.23) which were issued under the Company's Dividend Reinvestment Plan.

No final dividend was paid or is declared for the financial year ended 30 June 2021. No interim or final dividend was declared or paid for the financial year ended 30 June 2020.

## PRINCIPAL ACTIVITIES

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

Products and services the Company provides includes 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 Company remains focused on providing innovative products and materials that protect the safety of all road users – motorists, road construction workers and pedestrians.

## REVIEW AND RESULTS OF OPERATIONS

A review of the operations and activities of the Company during the financial period and the results of these operations is set out in the Chairman's Overview and Chief Executive Officer's Review of Operations and Activities.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the 2020-21 year, there has been no significant change in the Company's state of affairs other than as disclosed in this financial report.

## SIGNIFICANT EVENTS AFTER REPORTING DATE

Since the end of the financial year, the Company has drawn down a further $404,730 under its existing asset finance facility with Commonwealth Bank for the procurement of further equipment rental assets to fulfill a new rental contract.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely developments in the operations of the entity and the expected results of these operations have been set out in the Chairman's Overview and the Chief Executive Officer's Review of Operations and Activities.

## INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITORS

During the year, Directors' and Officers' insurance premiums were paid for any person who was a Director and/or Officer of the Company.

The Group has not agreed to indemnify its auditors, Grant Thornton.

## ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company'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 Company 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

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.

## REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

## NON-EXECUTIVE DIRECTORS

Total remuneration for non-executive Directors for 2020-21 was $169,583**.** 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, Chief Executive Officer, received total remuneration of $412,816, including statutory superannuation. In addition, Mr Hotchkin was eligible for a discretionary bonus based on the Company's financial performance exceeding budget targets for FY2021. This did not eventuate.

## 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.

## PERFORMANCE-BASED REMUNERATION

No performance-based remuneration (bonus incentives) was paid or payable to key management personnel, including the CEO, for the year (FY2020: nil). The criteria for discretionary bonuses were the Company's financial performance exceeding budget targets for FY2021. This did not eventuate.

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

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| EPS (cents) | 1.4 | 1.4 | (0.1) | 1.9 | 0.3 |
| Net profit/(loss) ($) | 535,173 | 521,029 | (41,586) | 709,692 | 118,847 |
| Share price ($) | $0.21 | $0.20 | $0.22 | $0.20 | $0.11 |

## EMPLOYMENT CONTRACTS

Executive employment agreements have been entered into with the Chief Executive 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 2021**

| | **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 | 75,342 | - | - | - | 7,158 | - | - | 82,500 | - |
| D Cleland | 16,787 | - | - | - | 10,296 | - | - | 27,083 | - |
| H. Wallace | 54,795 | - | - | - | 5,205 | - | - | 60,000 | - |
| **Executive Director** | | | | | | | | | |
| D Hotchkin | 360,000 | 31,122 | - | - | 21,694 | - | - | 412,816 | - |
| **Executive *** | | | | | | | | | |
| P Fearns # | 105,180 | - | - | 51,130 | 12,182 | 5 | - | 168,497 | - |
| **Total** | **612,104** | **31,122** | **-** | **51,130** | **56,535** | **5** | **-** | **750,896** | |

** Key Management Personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.*

*# Mr. Fearns resigned as Chief Financial Officer on 30 October 2020 and was reappointed on 26 April 2021*

**30 June 2020**

| | 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 | 67,808 | - | - | - | 6,442 | - | - | 74,250 | - |
| D Cleland | 31,514 | - | - | - | 26,986 | - | - | 58,500 | - |
| H. Wallace | 10,502 | - | - | - | 998 | - | - | 11,500 | - |
| **Executive Director** | | | | | | | | | |
| D Hotchkin | 302,950 | 21,927 | - | - | 21,003 | - | - | 345,880 | - |
| **Executive *** | | | | | | | | | |
| P Fearns | 175,500 | - | - | - | 22,147 | 3,662 | - | 201,309 | - |
| **Total** | **588,274** | **21,927** | **-** | **-** | **77,576** | **3,662** | **-** | **691,439** | |

*Note, in response to the COVID-19 situation, the non-executive directors agreed to a 40% reduction and the executive director a 20% reduction in remuneration for the period covering April to June 2020.*

End of audited Remuneration Report.

## SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

Shares held in Saferoads Holdings Limited:

| | Balance at 1 July 2020 | Acquired through On-Market trade | Acquired through Dividend Reinvestment Plan | Sold | Other* | Balance at 30 June 2021 |
|---|---|---|---|---|---|---|
| **Directors** | | | | | | |
| D Hotchkin | 9,359,025 | - | 406,912 | - | - | 9,765,937 |
| D Ashmore | 1,401,807 | - | 60,948 | - | - | 1,462,755 |
| D Cleland | 508,610 | - | 22,113 | - | (530,723) | - |
| H Wallace | - | - | - | - | - | - |
| **Executive** | | | | | | |
| P Fearns | 33,000 | - | - | - | - | 33,000 |
| **Total** | **11,302,442** | **-** | **489,973** | **-** | **(530,723)** | **11,261,692** |

** Mr Cleland resigned 25 November 2020 – value 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.

## 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 | 10 | 10 | 4 | 4 | 1 | 1 |
| Mr D Hotchkin | 10 | 10 | - | - | - | - |
| Mr H Wallace | 10 | 10 | 4 | 4 | 1 | 1 |
| Mr D Cleland * | 5 | 5 | 2 | 2 | - | - |

** Mr Cleland resigned 25 November 2020*

## NON-AUDIT SERVICES

There were no non-audit services performed by Grant Thornton, the Company's auditors, in addition to their statutory audit duties, during the year.

Details of the amounts paid to the auditors of the Company, Grant Thornton, and its related practices for 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**

**30 August 2021**

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# 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 2021, 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

Michael Climpson
Partner

Melbourne, 30 August 2021

# 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 2021 is dated as at 30 June 2021 and was approved by the Board on 26 August 2021. 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 2021

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 2021**

| | Notes | CONSOLIDATED 2021 $ | 2020 $ |
|---|---|---|---|
| **Revenue** | | | |
| Revenue from product sales and services | 4 | **13,250,184** | 16,496,950 |
| Cost of direct materials and labour | | **(7,532,985)** | (9,772,926) |
| Movement in inventories | | **586,281** | (445,283) |
| **Gross profit** | | **6,303,480** | 6,278,741 |
| Other income | 4 | **(5,392)** | 33,655 |
| Employee benefits | | **(2,925,361)** | (2,652,680) |
| Motor vehicle costs | | **(117,166)** | (129,437) |
| Occupancy costs | | **(49,695)** | (47,422) |
| Travel and accommodation costs | | **(18,337)** | (103,226) |
| IT & Communications costs | | **(121,151)** | (128,513) |
| Warehouse costs | | **(197,309)** | (179,645) |
| Impairment (loss)/gain of financial assets | | **-** | (76,950) |
| Other expenses | | **(815,551)** | (1,030,579) |
| **Earnings before interest, tax, depreciation and amortisation (EBITDA)** | | **2,053,518** | 1,963,944 |
| Depreciation and amortisation | 4 | **(1,212,112)** | (1,083,143) |
| **Earnings before interest and tax (EBIT)** | | **841,406** | 880,801 |
| Finance costs | 4 | **(260,129)** | (290,616) |
| **Profit/(loss) before income tax** | | **581,277** | 590,185 |
| Income tax benefit/(expense) | 5 | **(46,104)** | (69,156) |
| **Net profit/(loss) for the period** | | **535,173** | 521,029 |
| **Net profit/(loss) attributable to members of the parent** | | **535,173** | 521,029 |
| Other comprehensive income | | **-** | - |
| Total comprehensive income/(loss) for the period | | **535,173** | 521,029 |
| **Total comprehensive income/(loss) attributable to members of the parent** | | **535,173** | 521,029 |
| **Earnings per share** | | **Cents** | Cents |
| - Basic for profit/(loss) for the full year | 6 | **1.44** | 1.43 |
| - Diluted for profit/(loss) for the full year | 6 | **1.44** | 1.43 |
| Dividend paid per share (cents) | 7 | **1.00** | - |

*The accompanying notes form part of these financial statements*

# SAFEROADS HOLDINGS LIMITED
## Consolidated Statement of Financial Position
**AS AT 30 JUNE 2021**

| | Notes | CONSOLIDATED 2021 $ | 2020 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 8 | **745,787** | 1,257,468 |
| Trade and other receivables | 9 | **1,494,810** | 1,725,092 |
| Inventories | 10 | **2,660,122** | 3,057,902 |
| Prepayments | | **227,138** | 256,048 |
| **Total Current Assets** | | **5,127,857** | 6,296,510 |
| | | | |
| **Non-current Assets** | | | |
| Property, plant and equipment | 11 | **8,114,031** | 5,950,093 |
| Intangible assets | 12 | **1,396,538** | 1,272,622 |
| Deferred tax assets | 5 | **1,152,593** | 1,198,697 |
| Other non-current assets | | **186,794** | 17,939 |
| **Total Non-current Assets** | | **10,849,956** | 8,439,351 |
| **TOTAL ASSETS** | | **15,977,813** | 14,735,861 |
| | | | |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 13 | **1,991,214** | 1,856,926 |
| Contract liabilities | | **13,979** | 200,710 |
| Interest-bearing loans and borrowings | 14 | **834,380** | 640,999 |
| Lease liabilities | 15 | **480,527** | 241,076 |
| Provisions | 16 | **315,276** | 312,593 |
| **Total Current Liabilities** | | **3,635,376** | 3,252,304 |
| | | | |
| **Non-current Liabilities** | | | |
| Interest-bearing loans and borrowings | 14 | **2,457,434** | 2,549,282 |
| Lease liabilities | 15 | **1,568,654** | 1,024,741 |
| Provisions | 16 | **42,540** | 46,991 |
| **Total Non-current Liabilities** | | **4,068,628** | 3,621,014 |
| **TOTAL LIABILITIES** | | **7,704,004** | 6,873,318 |
| **NET ASSETS** | | **8,273,809** | 7,862,543 |
| | | | |
| **EQUITY** | | | |
| Contributed equity | 17 | **5,593,998** | 5,353,905 |
| Retained earnings | 17 | **2,679,811** | 2,508,638 |
| **TOTAL EQUITY** | | **8,273,809** | 7,862,543 |

*The accompanying notes form part of these financial statements*

## SAFEROADS HOLDINGS LIMITED
## Consolidated Statement of Changes in Equity
**FOR THE YEAR ENDED 30 JUNE 2021**

| | Contributed Equity $ | Retained Earnings $ | Total Equity $ |
|---|---|---|---|
| **CONSOLIDATED** | | | |
| **At 1 July 2019** | 5,353,905 | 1,987,609 | 7,341,514 |
| Net profit/(loss) for the period | - | 521,029 | 521,029 |
| Other comprehensive income for the period | - | - | - |
| **Total comprehensive income for the period** | - | 521,029 | 521,029 |
| **At 30 June 2020** | 5,353,905 | 2,508,638 | 7,862,543 |
| **At 1 July 2020** | **5,353,905** | **2,508,638** | **7,862,543** |
| Net profit/(loss) for the period | **-** | **535,173** | **535,173** |
| Other comprehensive income for the period | **-** | **-** | **-** |
| **Total comprehensive income for the period** | **-** | **535,173** | **535,173** |
| **Transactions with owners in their capacity as owners:** | | | |
| Dividend paid (1.0 cent per share) | **-** | **(364,000)** | **(364,000)** |
| Shares issued under Dividend Reinvestment Plan | **244,214** | **-** | **244,214** |
| Share issue costs | **(4,121)** | **-** | **(4,121)** |
| | **240,093** | **(364,000)** | **(123,907)** |
| **At 30 June 2021** | **5,593,998** | **2,679,811** | **8,273,809** |

*The accompanying notes form part of these financial statements*

# SAFEROADS HOLDINGS LIMITED
## Consolidated Statement of Cash Flows
**FOR THE YEAR ENDED 30 JUNE 2021**

| | Notes | CONSOLIDATED 2021 $ | 2020 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | **14,786,471** | 18,651,456 |
| Payments to suppliers and employees | | **(13,273,385)** | (16,386,466) |
| **Net cash flows from operating activities** | 8 | **1,513,086** | 2,264,990 |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of non-trade inventory, plant and equipment | | **1,132,722** | 145,850 |
| Purchase of plant and equipment | | **(2,317,687)** | (741,787) |
| Product development costs | | **(470,289)** | (82,866) |
| R&D tax rebate received | | **-** | 351,850 |
| **Net cash flows from investing activities** | | **(1,655,254)** | (326,953) |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | **498,206** | - |
| Repayment of loans and borrowings | | **(723,564)** | (701,500) |
| Proceeds from asset finance leases | | **521,512** | - |
| Repayment of lease liabilities | | **(281,702)** | (222,725) |
| Dividends paid (net of Dividend Reinvestment Plan shares) | | **(119,786)** | - |
| Share issue costs (Dividend Reinvestment Plan shares) | | **(4,121)** | - |
| Interest received | | **71** | 5,041 |
| Interest paid | | **(260,129)** | (290,616) |
| **Net cash flows from financing activities** | | **(369,513)** | (1,209,800) |
| Net increase/(decrease) in cash and cash equivalents | | **(511,681)** | 728,237 |
| Cash and cash equivalents at beginning of period | | **1,257,468** | 529,231 |
| **Cash and cash equivalents at end of period** | 8 | **745,787** | 1,257,468 |

*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 which is 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***
During the financial year, the International Financial Reporting Interpretations Committee (IFRIC) identified that various approaches to customisation and configuration costs for cloud computing arrangements were utilised by companies depending on internal policy. These policies varied from expensing all costs in full to capitalisation of all costs in full, with most entities taking a more nuanced approach in their capitalisation policy and differentiating between expenditure with different underlying fact patterns. The Agenda Decision requires that management capitalise those elements of expenditure that meet the definition of an "Intangible Asset" as defined by *AASB 138 Intangible Assets* and recognise any additional amounts as an expense as the entity benefits from the expenditure – either by applying *AASB 138* or applying another accounting standard. The impact of this decision has not had a material impact on the consolidated entity's financial statements.

The group has adopted all of the other new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standard Board ('AASB') that were mandatory for the 30 June 2021 reporting period. Other new accounting standards and interpretations published but not yet mandatory for the 30 June 2021 reporting period have not been early adopted by the group. The group's initial assessment of the impact of these standards and interpretations is that there will be no material impact upon future application.

The financial statements were authorised for issue by the Directors on 30 August 2021. 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.

**Group companies**
The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:
- assets and liabilities are translated at year end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on the translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of profit or loss and other comprehensive income in the period in which the operation is disposed.

**(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) Borrowing costs**

Borrowing costs are recognised as an expense when 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) Goodwill and intangible assets**

*Goodwill*

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated :
- represents the lowest level within the group at which the goodwill is monitored for internal management purposes, and
- is not larger than a segment based on either the group's primary or the group's secondary reporting format determined in accordance with *AASB 8 Operating Segments.*

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of the cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

*Intangibles*

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. 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 (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.

**(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**

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Group assesses impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

**(k) Cash and cash equivalents**

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

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) Assets classified as held for sale**

Assets are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset to be classified as held for sale it must be available for immediate sale in its present condition and its sale must be highly probable.

**(m) 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.

**(n) 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 assess 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.

### (o) 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.

### (p) 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.

### (q) 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 from sales of goods for a fixed fee with no significant service obligation is recognised when or as the Group has transferred control of the assets to the customer. Control of the asset is considered to transfer to the buyer at the time of delivery of the goods to the customer.

*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.

### (r) 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.

**(s) 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.

**(t) 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.

**(u) 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.

**(v) Derivative Financial Instruments**

The group may use derivative financial instruments such as forward currency contracts to hedge risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value at the date on which the derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of profit or loss and other comprehensive income for the year.

**(w) 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**

Collectability of Trade Receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

**(ii) 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.

**(iii) 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.

**(iv) Going concern - COVID-19 pandemic**

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

The COVID-19 global pandemic continues to impact domestic and international economies. The degree and duration of the financial impact on the activities and financial position of the Company is presently unknown as it is very difficult to assess. The Company will continue to monitor the COVID-19 situation and react accordingly to protect its employees, assets and shareholder interests.

Whilst the current trading environment has been impacted by numerous State and Federal government COVID-19 lockdowns and restrictions, the Company is still servicing demand for critical and essential infrastructure construction.

The Company has the ability to scale back the business where necessary, if the economic conditions worsen, however it is the Directors' current view that governments historically have responded to past recessionary situations with significant investments in public infrastructure and the Company is well-placed to provide its products and services in support of this investment going forward. At the date of this report, the Company has a strong liquidity position and has support from its primary financier.

**(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.

**(y) Prior period restatement**

During the year, the Group determined that some financing arrangements previously included as Lease liabilities in the prior year are more accurately classified as Interest-bearing loans and borrowings. These liabilities have been corrected in the current year and comparative figures have been adjusted to conform to changes in the presentation. The impact on the consolidated statement of financial position in the prior year is a $1,532,000 decrease in lease liabilities ($485,652 current and $1,046,348 non-current) and a corresponding increase in interest-bearing loans and borrowings.

**3 SEGMENT INFORMATION**

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.

The Group operates predominantly in Australia.

No single customer represented greater than 10% of the Group’s revenues in 2021 (2020: $1,653,023 or 10%).

## 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:

| | CONSOLIDATED 2021 $ | 2020 $ |
|---|---|---|
| **(i) Revenue** | | |
| Revenue from product sales - point in time | **9,654,592** | 12,770,525 |
| Revenue from provision of services - over time | **3,595,592** | 3,726,425 |
| | **13,250,184** | 16,496,950 |
| **(ii) Other income** | | |
| Net gain/(loss) on sale of assets [1] | **(22,690)** | 15,947 |
| Interest | **71** | 5,041 |
| Government grant (COVID-19 Cash Boost) | **50,000** | 50,000 |
| Net foreign exchange gains/(losses) | **(36,574)** | (41,064) |
| Other | **3,801** | 3,731 |
| | **(5,392)** | 33,655 |
| | **13,244,792** | 16,530,605 |

[1] Included in Net gain/(loss) on sale of assets is the net loss on sale of the Ongrid lighting product portfolio.

On 9 February 2021 the Company disposed of certain assets pertaining to its former Ongrid lighting product portfolio for gross proceeds of $1,062,044, realising a minor loss before tax of $56,878, after selling costs. Breakdown of the transaction is as follows:

| | |
|---|---|
| *Fair value of assets disposed* | |
| Inventories | **984,061** |
| Property, plant and equipment | **56,491** |
| Intangible assets | **21,370** |
| | **1,061,922** |
| Proceeds received from sale | **1,062,044** |
| | **122** |
| less: Selling costs | **(57,000)** |
| Net (loss) on sale of Ongrid lighting product portfolio | **(56,878)** |

| | 2021 | 2020 |
|---|---|---|
| **(iii) Expenses** | | |
| Depreciation and amortisation | | |
| - Property, plant & equipment | **718,856** | 614,351 |
| - Right-of-use assets | **292,715** | 240,866 |
| - Intangible assets | **200,541** | 227,926 |
| | **1,212,112** | 1,083,143 |
| Impairment of plant and equipment | **-** | 47,083 |
| Finance costs | | |
| - Bank borrowings | **66,546** | 95,012 |
| - Leasing arrangements | **193,583** | 195,604 |
| | **260,129** | 290,616 |
| Bad debts written off | **-** | 60,920 |
| Provision for expected credit losses | **-** | 16,030 |

During the year, the Company was a recipient of a wage subsidy provided by the Australian Federal government in response to the COVID-19 pandemic. An amount of $324,000 (2020: $318,000) is included as an offset in Employee benefits expense.

## 5 INCOME TAX

Major components of income tax expense for the year ended 30 June 2021 are:

| | CONSOLIDATED 2021 $ | 2020 $ |
|---|---|---|
| **Statement of Profit or Loss and Other Comprehensive income** | | |
| Current income tax charge/(benefit) | **46,104** | 69,156 |
| Income tax expense/(benefit) reported in statement of profit or loss and other comprehensive income | **46,104** | 69,156 |
| A reconciliation of income tax expense applicable to accounting profit/(loss) before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows: | | |
| Accounting profit/(loss) before income tax | **581,277** | 590,185 |
| At the statutory income tax rate of (2021: 26%; 2020: 27.5%) | **151,132** | 162,301 |
| Non-deductible expenses | **22** | 1,812 |
| Recognition of prior year unbooked tax losses | **(105,050)** | (94,957) |
| | **46,104** | 69,156 |

| | Statement of Financial Position 2021 $ | 2020 $ | Statement of Profit or Loss and Other Comprehensive Income 2021 $ | 2020 $ |
|---|---|---|---|---|
| **Deferred income tax** | | | | |
| Deferred income tax at 30 June relates to the following: | | | | |
| CONSOLIDATED | | | | |
| *Deferred income tax asset/(liability)* | | | | |
| Employee entitlements | **93,032** | 98,886 | **5,854** | 39,835 |
| Capitalised Research & Development Costs | **(289,627)** | (270,351) | **19,276** | (99,398) |
| Other | **4,168** | 15,552 | **11,384** | (4,408) |
| Deferred tax assets relating to other temporary differences | **192,427** | 155,913 | **(141,564)** | (30,986) |
| Carry forward tax losses brought to account | **1,152,593** | 1,198,697 | **105,050** | 94,957 |
| Gross deferred income tax (liability)/asset | **1,152,593** | 1,198,697 | | |
| Deferred income tax charge | | | **-** | - |

As as 30 June 2021, the consolidated entity has carry forward tax losses with a tax effect of $1,712,885, measured at the new corporate tax rate of 25%. Carry forward tax losses with a tax effect of $1,152,593 (2020: $1,198,697) have been brought to account as a deferred tax asset. Carry forward tax losses with a tax effect of $560,292 relating to a prior year have not been brought to account.

The consolidated entity 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 2021 $ | 2020 $ |
|---|---|---|
| Net profit/(loss) attributable to equity holders from continuing operations | **535,173** | 521,029 |
| Net profit/(loss) attributable to equity holders of the parent | **535,173** | 521,029 |
| Net profit/(loss) attributable to ordinary shareholders for diluted earnings per share | **535,173** | 521,029 |
| Weighted average number of ordinary shares for basic earnings per | **37,048,706** | 36,400,000 |
| Adjusted weighted average number of ordinary shares for diluted earnings per share | **37,048,706** | 36,400,000 |
| | **Cents** | Cents |
| - Basic for profit/(loss) for the full year | **1.44** | 1.43 |
| - Diluted for profit/(loss) for the full year | **1.44** | 1.43 |

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 (2020: 36,400,000) shares on issue.

## 7 DIVIDENDS PAID AND PROPOSED

| | CONSOLIDATED 2021 $ | 2020 $ |
|---|---|---|
| **Equity dividends on ordinary shares:** | | |
| Interim franked dividend paid for 2021: 1.0 cent (2020: 0.0 cents) | **364,000** | - |
| Dividends proposed and not recognised as a liability: | | |
| Final franked dividend for 2021: 0.0 cents (2020: 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. | **3,655,178** | 4,134,941 |

## 8 NOTES TO THE STATEMENT OF CASH FLOWS

| | CONSOLIDATED 2021 $ | 2020 $ |
|---|---|---|
| **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 | **745,787** | 1,257,468 |
| **Reconciliation from the net profit/(loss) after tax to the net cash flows from operations** | | |
| Profit/(loss) after tax for the year | **535,173** | 521,029 |
| Adjustments for: | | |
| Depreciation and amortisation | **1,212,112** | 1,083,143 |
| Net (profit)/loss on disposal of plant and equipment | **22,690** | (15,947) |
| Impairment of assets | **-** | 47,083 |
| Bad and doubtful debts | **-** | 76,950 |
| Interest received | **(71)** | (5,041) |
| Interest paid | **260,129** | 290,616 |
| Changes in assets and liabilities | | |
| (Increase)/decrease in trade and other receivables | **230,282** | 610,423 |
| (Increase)/decrease in inventories | **(665,573)** | 273,571 |
| (Increase)/decrease in other assets | **(139,945)** | (58,697) |
| Decrease/(increase) in deferred tax asset | **46,104** | 69,156 |
| (Decrease)/increase in trade and other payables | **200,684** | (606,641) |
| (Decrease)/increase in contract liabilities | **(186,731)** | 124,201 |
| (Decrease)/increase in provisions | **(1,768)** | (144,856) |
| **Net cash from operating activities** | **1,513,086** | 2,264,990 |

**Non-cash financing and investing activities**

During the year, the Group acquired plant and equipment (excluding right-of-use assets) with an aggregate value of $1,358,467 (2020: $157,480) by means of leases.

## 9 TRADE AND OTHER RECEIVABLES (CURRENT)

| | CONSOLIDATED 2021 $ | 2020 $ |
|---|---|---|
| Trade receivables | **1,510,784** | 1,622,174 |
| Other receivables | **56** | 118,948 |
| Provision for impairment | **(16,030)** | (16,030) |
| | **1,494,810** | 1,725,092 |
| **Ageing of trade receivables not impaired** | | |
| 1 - 30 days | **900,487** | 986,630 |
| 31 - 60 days | **517,935** | 547,264 |
| 61 - 90 days | **60,018** | 70,647 |
| 91 days and over | **16,314** | 1,603 |
| | **1,494,754** | 1,606,144 |

Trade receivables are non-interest bearing.

| | | |
|---|---|---|
| **Movement in provision for impairment** | | |
| Balance at the beginning of financial year | **16,030** | - |
| Amounts written off | **-** | - |
| Additional impairment provision recognised/(released) | **-** | 16,030 |
| | **16,030** | 16,030 |

| | CONSOLIDATED 2021 $ | CONSOLIDATED 2020 $ |
|---|---|---|
| **10 INVENTORIES** | | |
| Stock on hand | **2,660,122** | 3,057,902 |

## 11 PROPERTY, PLANT AND EQUIPMENT

| | CONSOLIDATED 2021 $ | CONSOLIDATED 2020 $ |
|---|---|---|
| Property, plant & equipment at cost | **12,179,153** | 10,079,373 |
| Less accumulated depreciation | **(4,065,122)** | (4,129,280) |
| **Total plant & equipment** | **8,114,031** | 5,950,093 |

| **Movements in Carrying Amounts** | **Property/ Leasehold improvements $** | **Plant & equipment $** | **Motor vehicles $** | **Rental equipment $** | **Total $** |
|---|---|---|---|---|---|
| Balance at 1 July 2019 | 1,404,853 | 706,373 | 591,843 | 3,279,255 | 5,982,324 |
| Additions | 3,123 | 48,671 | - | 953,950 | 1,005,744 |
| Depreciation expense | (253,206) | (131,369) | (101,154) | (369,488) | (855,217) |
| Disposals | - | (2,836) | (122,373) | (4,694) | (129,903) |
| Assets transferred to inventories | - | - | - | (5,772) | (5,772) |
| Impairment | - | (47,083) | - | - | (47,083) |
| **Carrying amount at 30 June 2020** | 1,154,770 | 573,756 | 368,316 | 3,853,251 | 5,950,093 |
| Balance at 1 July 2020 | **1,154,770** | **573,756** | **368,316** | **3,853,251** | **5,950,093** |
| Additions | **571,826** | **226,221** | **5,000** | **2,386,151** | **3,189,198** |
| Depreciation expense | **(289,877)** | **(136,555)** | **(89,069)** | **(496,070)** | **(1,011,571)** |
| Disposals | **-** | **(69,483)** | **-** | **(23,498)** | **(92,981)** |
| Assets transferred from inventories | **-** | **5,000** | **-** | **74,292** | **79,292** |
| Impairment | **-** | **-** | **-** | **-** | **-** |
| **Carrying amount at 30 June 2021** | **1,436,719** | **598,939** | **284,247** | **5,794,126** | **8,114,031** |

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

| **2020** | **Net carrying amount b/f $** | **Additions $** | **Depreciation $** | **Net carrying amount $** |
|---|---|---|---|---|
| Property | 1,287,695 | - | (230,714) | 1,056,981 |
| Plant & equipment | 20,303 | - | (10,152) | 10,151 |
| **Total right-of-use assets** | 1,307,998 | - | (240,866) | 1,067,132 |

| **2021** | **Net carrying amount b/f $** | **Additions $** | **Depreciation $** | **Net carrying amount $** |
|---|---|---|---|---|
| Property | **1,056,981** | **544,620** | **(264,180)** | **1,337,421** |
| Plant & equipment | **10,151** | **-** | **(10,151)** | **-** |
| Equipment under finance lease | **-** | **521,512** | **(18,384)** | **503,128** |
| **Total right-of-use assets** | **1,067,132** | **1,066,132** | **(292,715)** | **1,840,549** |

## 12 INTANGIBLE ASSETS

| | CONSOLIDATED 2021 $ | CONSOLIDATED 2020 $ |
|---|---|---|
| Product development costs | **1,843,556** | 1,559,516 |
| Less accumulated amortisation | **(729,607)** | (576,422) |
| | **1,113,949** | 983,094 |
| Website development costs | **56,427** | 56,427 |
| Less accumulated amortisation | **(50,014)** | (34,137) |
| | **6,413** | 22,290 |
| Patents and product approvals | **335,386** | 301,622 |
| Less accumulated amortisation | **(59,210)** | (34,384) |
| | **276,176** | 267,238 |
| | **1,396,538** | 1,272,622 |

| **Movement in carrying amounts** | **Website dev't costs $** | **Patents/ Product approvals $** | **Product dev't costs $** | **Total $** |
|---|---|---|---|---|
| Balance at 1 July 2019 | 33,340 | 264,350 | 1,344,541 | 1,642,231 |
| Capitalisation of costs | 7,350 | 37,272 | 38,244 | 82,866 |
| R&D tax rebate allocation | - | - | (224,549) | (224,549) |
| Amortisation expense | (18,400) | (34,384) | (175,142) | (227,926) |
| **Carrying amount at 30 June 2020** | 22,290 | 267,238 | 983,094 | 1,272,622 |
| Balance at 1 July 2020 | **22,290** | **267,238** | **983,094** | **1,272,622** |
| Capitalisation of costs | **-** | **61,787** | **284,040** | **345,827** |
| Disposals | **-** | **(21,370)** | **-** | **(21,370)** |
| Amortisation expense | **(15,877)** | **(31,479)** | **(153,185)** | **(200,541)** |
| **Carrying amount at 30 June 2021** | **6,413** | **276,176** | **1,113,949** | **1,396,538** |

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.

## 13 TRADE AND OTHER PAYABLES (CURRENT)

| | CONSOLIDATED 2021 $ | 2020 $ |
|---|---|---|
| Trade payables | **1,650,612** | 1,556,024 |
| Accrued expenses | **310,487** | 237,712 |
| GST payable | **30,115** | 63,190 |
| | **1,991,214** | 1,856,926 |

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

## 14 INTEREST-BEARING LOANS AND BORROWINGS

| | CONSOLIDATED 2021 $ | 2020 $ |
|---|---|---|
| **Current** | | |
| Bank loans | **165,826** | 155,347 |
| Borrowings for asset finance | **668,554** | 485,652 |
| | **834,380** | 640,999 |
| **Non-current** | | |
| Bank loans | **1,348,223** | 1,502,934 |
| Borrowings for asset finance | **1,109,211** | 1,046,348 |
| | **2,457,434** | 2,549,282 |

| **Financing facilities available**<br>At reporting date, the Company had the following financing facilities provided by Commonwealth Bank available: | CONSOLIDATED 2021 $ | 2020 $ |
|---|---|---|
| Total facilities: | | |
| - term loan | **1,777,765** | 1,658,281 |
| - asset finance | **1,500,000** | - |
| - overdraft | **500,000** | 500,000 |
| - bank charge card | **75,000** | 75,000 |
| | **3,852,765** | 2,233,281 |
| Facilities used at reporting date | | |
| - term loan | **1,777,765** | 1,658,281 |
| - asset finance | **1,108,125** | - |
| - overdraft | **-** | - |
| - bank charge card | **55,000** | 40,000 |
| | **2,940,890** | 1,698,281 |
| Facilities unused at reporting date | | |
| - asset finance | **391,875** | - |
| - overdraft | **500,000** | 500,000 |
| - bank charge card | **20,000** | 35,000 |
| | **911,875** | 535,000 |

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 matures in December 2024.

The Group was in compliance with its facility covenants at 30 June 2021. Pursuant to the finance facility agreement, the Company is required to provide the Commonwealth Bank with six-monthly financial information.

Since the end of the financial year, the Company has drawn down a further $404,730 under its existing asset finance facility with Commonwealth Bank for the procurement of further equipment rental assets to fulfill a new rental contract.

## 15 LEASE LIABILITIES

| | CONSOLIDATED | |
|---|---|---|
| | 2021 $ | 2020 $ |
| **Current** | | |
| Right-of-use asset leases | **480,527** | 241,076 |
| | **480,527** | 241,076 |
| **Non-current** | | |
| Right-of-use asset leases | **1,568,654** | 1,024,741 |
| | **1,568,654** | 1,024,741 |

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:

| | 2021 $ | 2020 $ |
|---|---|---|
| Short-term leases | **12,300** | - |
| Leases of low value assets | **6,589** | 6,468 |
| | **18,889** | 6,468 |

The Group leases its head office and warehouse facility and other warehouse sites with terms ranging from 3 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, company 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).

There are no other commitments or contingent liabilities of the Group.

## 16 PROVISIONS

| | CONSOLIDATED | |
|---|---|---|
| | **2021** | **2020** |
| | **$** | **$** |
| **Current** | | |
| Employee benefits | **315,276** | 312,593 |
| | **315,276** | 312,593 |
| **Non-Current** | | |
| Employee benefits | **42,540** | 46,991 |
| | **42,540** | 46,991 |

## 17 EQUITY

| | CONSOLIDATED | |
|---|---|---|
| | **2021** | **2020** |
| **Contributed Equity** | **$** | **$** |
| ***Ordinary shares*** | | |
| Balance at beginning of period | **5,353,905** | 5,353,905 |
| Dividend Reinvestment Plan | **244,214** | - |
| Share issue costs | **(4,121)** | - |
| Issued and fully paid | **5,593,998** | 5,353,905 |

| ***Movements in ordinary shares on issue (legal parent)*** | No. of shares | |
|---|---|---|
| Balance at beginning of the period | **36,400,000** | 36,400,000 |
| Shares issued under Dividend Reinvestment Plan | **1,061,783** | - |
| **At 30 June** | **37,461,783** | 36,400,000 |

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 | |
|---|---|---|
| | **2021** | **2020** |
| | **$** | **$** |
| Movements in retained earnings are as follows: | | |
| Balance at beginning of period | **2,508,638** | 1,987,609 |
| Net profit for the year | **535,173** | 521,029 |
| Less: Dividend paid (refer note 7) | **(364,000)** | - |
| **Balance at 30 June** | **2,679,811** | 2,508,638 |

## 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 | |
|---|---|---|
| | **2021** | **2020** |
| | **$** | **$** |
| **Financial Assets** | | |
| - Cash and cash equivalents | **745,787** | 1,257,468 |
| - Financial assets at amortised cost | **1,494,810** | 1,725,092 |
| **Total Financial Assets** | **2,240,597** | 2,982,560 |
| **Financial Liabilities** | | |
| - Financial liabilities at amortised cost | **7,332,209** | 6,313,024 |
| **Total Financial Liabilities** | **7,332,209** | 6,313,024 |

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 company'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 | |
| **2021** | **%** | **$** | **$** | **$** | **$** | **$** | **$** |
| **Financial Assets** | | | | | | | |
| - Cash | **0.07%** | **-** | **745,787** | **-** | **-** | **-** | **745,787** |
| - Receivables | **N/A** | **1,494,810** | **-** | **-** | **-** | **-** | **1,494,810** |
| **Total Financial Assets** | | **1,494,810** | **745,787** | **-** | **-** | **-** | **2,240,597** |
| **Financial Liabilities** | | | | | | | |
| - Payables | **N/A** | **1,991,214** | **-** | **-** | **-** | **-** | **1,991,214** |
| - Bank loans | **3.78%** | **-** | **1,514,049** | **-** | **-** | **-** | **1,514,049** |
| - Borrowings for asset finance | **6.18%** | **-** | | **668,554** | **1,109,211** | | **1,777,765** |
| - Lease liabilities | **5.91%** | **-** | **-** | **480,527** | **1,456,836** | **111,818** | **2,049,181** |
| **Total Financial Liabilities** | | **1,991,214** | **1,514,049** | **1,149,081** | **2,566,047** | **111,818** | **7,332,209** |
| **2020** | **%** | **$** | **$** | **$** | **$** | **$** | **$** |
| **Financial Assets** | | | | | | | |
| - Cash | 0.58% | - | 1,257,468 | - | - | - | 1,257,468 |
| - Receivables | N/A | 1,725,092 | - | - | - | - | 1,725,092 |
| **Total Financial Assets** | | 1,725,092 | 1,257,468 | - | - | - | 2,982,560 |
| **Financial Liabilities** | | | | | | | |
| - Payables | N/A | 1,856,926 | - | - | - | - | 1,856,926 |
| - Bank loans | 4.67% | - | 1,658,281 | - | - | - | 1,658,281 |
| - Borrowings for asset finance | 6.22% | - | - | 485,652 | 1,046,348 | - | 1,532,000 |
| - Lease liabilities | 5.05% | - | - | 241,076 | 912,923 | 111,818 | 1,265,817 |
| **Total Financial Liabilities** | | 1,856,926 | 1,658,281 | 726,728 | 1,959,271 | 111,818 | 6,313,024 |

**(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 $16,030 at 30 June 2021 (2020: $16,030), as disclosed in the statement of financial position and notes to the financial statements. The company 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 $76,332 (2020: $72,250).

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 company.

## 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 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **2021** | | | | |
| - Payables | **1,991,214** | **-** | **-** | **1,991,214** |
| - Bank loans | **165,826** | **1,348,223** | **-** | **1,514,049** |
| - Borrowings for asset finance | **668,554** | **1,109,211** | **-** | **1,777,765** |
| - Lease liabilities | **480,527** | **1,456,836** | **111,818** | **2,049,181** |
| **Total Financial Liabilities** | **3,306,121** | **3,914,270** | **111,818** | **7,332,209** |

| | Within 1 Year | 1 to 5 Years | Over 5 Years | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **2020** | | | | |
| - Payables | 1,856,926 | - | - | 1,856,926 |
| - Bank loans | 155,347 | 1,502,934 | - | 1,658,281 |
| - Borrowings for asset finance | 485,652 | 1,046,348 | - | 1,532,000 |
| - Lease liabilities | 241,076 | 912,923 | 111,818 | 1,265,817 |
| **Total Financial Liabilities** | 2,739,001 | 3,462,205 | 111,818 | 6,313,024 |

### (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 2021** | **$** | **$** |
| +/-2% in interest rates | +/-30,300 | +/-30,300 |
| +/-5c in AUD / USD | +/-226,000 | +/-226,000 |
| **Year Ended 30 June 2020** | $ | $ |
| +/-2% in interest rates | +/-33,000 | +/-33,000 |
| +/-5c in AUD / USD | +/-298,000 | +/-298,000 |

## 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 2021 | 2020 |
|---|---|---|---|
| Saferoads Pty Ltd | Australia | **100%** | 100% |

## 20 RELATED PARTIES

**Transactions with Key Management Personnel**
During the financial year the Company acquired certain consumable manufacturing materials and contract labour services from an entity related to Mr D. Hotchkin at normal commercial rates aggregating $84,312 (2020: $220,550), with $11,423 included in Trade payables at 30 June 2021 (2020: $59,175).

During the financial year the Company leased premises from an entity related to Mr D. Hotchkin at normal commercial rates aggregating $12,300 (2020: nil), with a $3,075 security deposit.

During the financial year the Company procured an operational asset from an entity related to Mr D. Hotchkin at normal commercial rates aggregating $4,081, with $4,489 included in Trade payables at 30 June 2021.

During the financial year an entity related to Mr D. Hotchkin purchased goods at normal commercial rates for $689 (2020: nil).

## 21 AUDITORS' REMUNERATION

| | 2021 $ | 2020 $ |
|---|---|---|
| Amounts received or due and receivable by: | | |
| - Grant Thornton, for the audit of the financial report | **69,000** | 73,500 |
| - Other services (2020: R&D tax rebate): Grant Thornton | **-** | 24,100 |

## 22 KEY MANAGEMENT PERSONNEL DISCLOSURES

**(a) Details of Management Personnel**
**(i) Directors**

| | |
|---|---|
| David Ashmore | Non-Executive Chairman |
| Darren Hotchkin | Chief Executive Officer |
| David Cleland | Non-Executive *(resigned 25 November 2020)* |
| Hayden Wallace | Non-Executive |

**(ii) Executives**

| | |
|---|---|
| Peter Fearns | Chief Financial Officer *(resigned 30 October 2020 and was reappointed 26 April 2021)* |

**(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.

| | 2021 $ | 2020 $ |
|---|---|---|
| Compensation of Key Management Personnel by category: | | |
| - Short-term employee benefits | **694,356** | 610,201 |
| - Post-employment benefits | **56,535** | 77,576 |
| - Long-term employee benefits | **5** | 3,662 |
| | **750,896** | 691,439 |

## 23 PARENT ENTITY DISCLOSURES

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Current assets | **-** | - |
| Total assets | **5,600,022** | 5,359,929 |
| Current liabilities | **-** | - |
| Total liabilities | **-** | - |
| Net assets | **5,600,022** | 5,359,929 |
| Issued capital | **5,593,998** | 5,353,905 |
| Retained earnings | **6,024** | 6,024 |
| | | |
| Profit/(loss) of the parent entity | **364,000** | - |
| Total comprehensive income of the parent entity | **364,000** | - |
| | | |
| Guarantees entered into by the parent entity in relation to debts of its subsidiaries | **669,640** | 941,815 |

## 24 SUBSEQUENT EVENTS

Since the end of the financial year, the Company has drawn down a further $404,730 under its existing asset finance facility with Commonwealth Bank for the procurement of further equipment rental assets to fulfill a new rental contract.

# 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 2021 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 Chief Executive Officer 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**

**30 August 2021**

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# 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 2021, 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 2021 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.

## 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.

| 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 $13,250,184.<br><br>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.<br><br>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.<br><br>This is a key audit matter due to the volume of associated transactions, the level management judgement applied, and the importance of revenue as a financial measure. | Our procedures included, amongst others:<br><br>• Assessing revenue recognition policies to ensure compliance with AASB 15;<br><br>• Documenting and testing the design effectiveness of internal controls relating to revenue streams;<br><br>• Testing a sample of revenue recognised during the year to supporting documentation to verify the occurrence;<br><br>• Performing non-substantive analytical testing on revenue balances; and<br><br>• Assessing the adequacy of the 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 $1,113,949 at 30 June 2021. During the year, the Group capitalised $284,040 of product development costs. These intangible assets are being amortised over a 10 year period, and an amortisation expense of $200,541 has been included in the statement of profit or loss and other comprehensive income.<br><br>AASB 138 *Intangible Assets* sets out the specific requirements to be met in order to capitalise development costs. Intangible assets should be amortised over their useful economic lives in accordance with AASB 138. Given the nature of the industry in which the Group operates, there is also a risk that there could also be a material impairment to capitalised development costs carried as intangible assets, which needs to be considered under accounting standard AASB 136 *Impairment of Assets*.<br><br>This area is a key audit matter due to subjectivity and management judgement applied in the assessment of whether costs meet the development phase criteria described in AASB 138, the estimate of the assets' useful lives and consideration of whether any impairment indicators existence as per the requirements of AASB 136. | Our procedures included, amongst others:<br><br>• Assessing the Group's accounting policy in respect of product development costs for adherence to AASB 138;<br><br>• Evaluating management's assessment of each product for compliance with the recognition criteria set out in AASB 138, including discussing product plans with management to develop an understanding of the nature and feasibility of key products at 30 June 2021;<br><br>• Testing a sample of costs capitalised to supporting documentation to understand the nature of the item and whether the expenditure was attributable to the development of the related asset and assessing compliance with the recognition criteria set out in AASB 138;<br><br>• Evaluating the appropriateness of the useful economic lives over which capitalised costs are being amortised;<br><br>• Assessing the appropriateness of management's fair value assessment for any intangible assets not yet available for use as per the requirements of AASB 136;<br><br>• Assessing the appropriateness of management's determination that there are no impairment indicators at reporting date for those intangible assets being amortised as per the requirements of AASB 136; and<br><br>• Assessing the adequacy of the financial statement disclosures. |

## 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 2021, 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 Company 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: https://www.auasb.gov.au/auditors_responsibilites/ar1_2020.pdf. This 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 14 to 16 of the Directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Saferoads Holdings Limited, for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

## Responsibilities

The Directors of the Company 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

Grant Thornton Audit Pty Ltd
Chartered Accountants

Michael Climpson
Partner

Melbourne, 30 August 2021