

MANAGING DIRECTOR'S REPORT

I am pleased to advise that the year 2007-08 has been another solid year for Saferoads Holdings Limited. As with previous years, the vast majority of the growth has been organic but it is expected that two significant acquisitions which were completed in the last quarter of the 2007-08 year will contribute significant growth to the Company in 2008-09.

Performance during 2007-08

Saferoads Holdings Limited completed its third year as a listed company with another period of solid growth and strong financial performance. The Company achieved total sales of \$57.6 million which represents an increase of 41% compared with the previous year. NPAT was \$5.0 million, which represents an increase of 12.1% compared with the previous year after taking into account acquisition/integration costs and significant increases in input costs such as steel.

The strong growth in revenue was achieved across all product portfolios and across all regions. Particularly strong growth was achieved in QLD where sales were 75% above the previous year. Victoria and NSW both performed well with sales being 23% and 30% above the previous year respectively. WA had its first full year under Saferoads' control and performed to expectations which were 100% of the previous year period, while SA achieved a budget which was substantially higher than the previous period.

Sales in the Guide Post/Flexible Signage/Bollards portfolio experienced strong growth of 37%. During the year we successfully tested our "Snaploc" flexible guide post against the standard and specification of state government road authorities including Victoria, Queensland, New South Wales and West Australia. This success enables us now to offer two different types of tested and compliant guideposts to the market.

The supply and installation of permanent road safety barriers such as guard rail and the Gibraltar wire rope system had another strong year with the successful completion of the Eastlink project in Victoria, growing by more than 70%.

Sales in the Crash Cushions and Crash Barriers portfolio grew by 55%. One of the highlights for the year in this portfolio was the supply and installation of "Quadguard" crash cushions to the Eastlink project in Victoria as well as by all road authorities across Australia.

Revenue for the Temporary Safety Barrier portfolio grew by 11%. Market acceptance of the Company's Ironman steel barrier and the Triton plastic water filled barrier continued, and the more recently introduced T-lok concrete barrier was a strong contributor during the year.

2007-08 was the first full year trading for the Company's first acquisition, the street light pole manufacturer Swift Tech Group. The acquisition was completed in October 2006. Sales for this group increased by 7% over the previous year and were in line with company projections. During the year significant energy was devoted to achieving interstate approvals for our standard and decorative street light poles. This effort was rewarded towards the end of the year when we were successful in winning a significant portion of a Government tender in NSW which will see us supply poles over a three year period.

Late in the financial year we made two significant acquisitions. In April we completed the acquisition of Bob Panich Consultancy Pty Ltd (BPC) and its related entities. BPC is based in Sydney and produces and supplies an extensive range of traffic signal equipment. The company has approximately 15% share of the Australian market, and exports particularly to New Zealand but as well as to various other countries. We are confident that with our nationally based sales force we will achieve strong national growth over the medium to long term. Recent strong sales have meant that this acquisition has been immediately earnings per share accretive and, given the growth opportunities available, will prove to be an extremely valuable addition to our product portfolio.

In May we announced the acquisition of Guard Rail Installation assets from Traffic Technologies Ltd. The acquisition, which was completed on May 16, involved the purchase of fixed assets, stock and work-in-progress. Guard Rail Installations has held a significant share in the road safety barrier supply and installation market, particularly in NSW and Qld. This acquisition will complement Saferoads' existing business in this market segment and make the Company the largest installer in Australia as well as the only installation company that has national coverage in Australia.

We continued to strengthen our personnel resources and market presence nationally throughout the course of 2007-08.

In April 2008 we were successful in maintaining our accreditation against ISO 9001:2000 Quality Management System, ISO 14001:2004 Environmental Management System and ISO 18000:1999 Occupational Health and Safety Management System.

Looking Ahead.

The outlook for 2008-09 is again very encouraging. Federal and State Government budgets have maintained strong road spending initiatives. NSW in particular has announced substantial expenditure in roadwork infrastructure. Projected growth continues to be in a low risk environment with minimal exposure to bad debt.

We commenced 2008-09 with a healthy order book spread across the entire product portfolio. Significant orders have also been received since the start of the new year.

We will continue to strengthen our resources and market presence in all states of Australia as well as in New Zealand as demand increases for our road safety products.

We have budgeted again this year for a considerable increase in sales of our street lighting products to capitalise on our marketing efforts in interstate markets.

We also anticipate a significant increase in sales of road safety barrier installations following the acquisition of Guard Rail Installations assets.

Overall, our organic growth target for 2008-09 is to increase sales by more than 15% over 2007-08. We will continue our aggressive supply chain management strategy, whereby materials and products will be sourced from overseas as well as from Australia to enable us to maintain our market competitiveness. We will also continue to explore opportunities to enter into supply agreements with reputable overseas suppliers of road safety products that we believe would find ready acceptance.

We will continue to be active in Research and Development. In June we completed the development and testing of our new "Safepole", a light pole capable of containing an impacting car at speeds of up to 110kph. We expect this product will be well

received in the Australian market as an alternative to slip-base poles which do not perform as well under impact tests.

In June 2008 we entered into an agreement with Sensys Traffic AB (Sweden) to become the exclusive Australian and New Zealand distributor of their leading, high technology products including red light cameras, speed cameras and number plate recognition systems. We believe that there are excellent long term prospects in this niche market.

Our principle focus for this year will be to consolidate on the strategic acquisitions of 2006-07 and 2007-08 and to maximise the benefit of strengthened interstate sales and distribution resources. Whilst our focus will be on organic growth, we will continue to be alert to any suitable strategic acquisition which would be consistent with our core business and which would add sustainable long term value for the benefit of our Shareholders.

Thank you again for your confidence in Saferoads Holdings Limited. We look forward to another year of steady, sustainable growth, and to an ongoing increase in Shareholder value.



Darren Hotchkin
Managing Director