ANNUAL REPORT 2008

ANNUAL REPORT FOR
THE YEAR ENDED
30 JUNE 2008

SAFEROADS HOLDINGS LIMITED
ABN 81 116 668 538

saferoads

Highlights - For Year Ended 30 June 2008

- Achieved sales revenue of $57.6 million, up 41% on last year
- Achieved EBIT of $7.3 million, up 12.6% on last year
- Achieved earnings per share of ***19.2 cents*** per share, compared with **12.5 cents** in 2005-06 and **17.7 cents** in 2006-07
- Paid a fully franked dividend of **10.0** cents per share
- Acquired the business and assets of Bob Panach Consultancy Pty Ltd, supplier of traffic light signals
- Signed a supply agreement with Sensys Traffic AB Sweden to distribute their speed and red light cameras and number plate recognition systems into the Australian market.

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Gibraltar Wire Rope System

Omni Stop Bollards

QuadGuard End Terminal

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T-Lok Barrier

Banner Pole

Vorteq Truck Mounted Attenuator

1 Chairman’s Review

Dear Shareholder,

On behalf of the Board of Directors I am pleased to announce another strong annual result for Saferoads Holdings Limited, with key financial measures continuing to deliver strong annual growth since listing on the Australian Stock Exchange in December 2005.

The Company continues to reap the benefit of strategic partnering arrangements with international companies, a portfolio of excellent value-for-money products, an active research and development program, strong management control and direction, and an enthusiastic national sales force.

At the last two Annual General Meetings the Managing Director has indicated an annual organic growth target of 15% over the previous year. The Board is delighted to announce that sales from organic growth exceeded this target and that NPAT increased by approximately 12% compared to 2006-07.

Since listing, the Company has made three significant acquisitions. The acquisition of the assets of the Swift Tech street lighting manufacturing group in October 2006 is proving to be an excellent acquisition, with revenue for the year being on forecast.

The acquisition of traffic signals manufacturer Bob Panich Consultancy Pty Ltd, completed on 1 April 2008, has had an immediate positive impact on revenue and profit, and the Board is confident that this will prove to be a significant contributor to future company growth.

During May, the Company settled the acquisition of the fixed assets, stock and work-in-progress of Guard Rail Installations from its parent company Traffic Technologies Ltd. These assets which included several vehicles and steel post installation machines were immediately absorbed into the Saferoads’ operation. This acquisition reinforces Saferoads’ position as a dominant installer of road safety steel barriers and wire rope barriers across Australia and is expected to improve the Company’s purchasing power and tendering capacity.

Road safety remains the Company’s core business and acquisitions made since listing have been consistent with that business strategy. With spending by both State and Federal Governments on road infrastructure being maintained at historic high levels, the Company is strategically placed to continue to grow revenue and to increase profitability. Whilst competition continues to encroach on some of the Company’s traditional products, the newer products that the Company markets have enjoyed excellent market acceptance.

The Directors have declared a total dividend for 2007-08 of 10.0 cents per share, fully franked, of which 5.0 cents per share was paid in April 08, and the final dividend of 5.0 cents per share will be paid in November 2008. The Board anticipates that dividends will continue to grow in the future in line with movements in profitability.

On behalf of the Board, I would like to thank Darren Hotchkin, Richard Purser and our enthusiastic, dedicated team for their unstinting commitment to the Company’s success. I would also like to thank my fellow Directors for their wise counsel and enthusiastic participation.

G Bertuch

Gary Bertuch

Chairman

2 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 also 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 financial 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 distributer 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

3 Director's Report

Your Directors submit their report for the year ended 30 June 2008.

DIRECTORS

The names of the Directors in office during the year and until the date of this report are:

Name	Appointed
Darren Hotchkin	21 October 2005
Duncan Smith	21 October 2005
Gary Bertuch	31 October 2005
Gerard (Ged) Keeghan	31 October 2005

Directors: Standing (L-R): Ged Keeghan, Gary Bertuch, Duncan Smith
Seated: Darren Hotchkin

DIRECTOR PROFILES

Gary C Bertuch (Age 57))
Non-Executive Chairman

Gary Bertuch was appointed to the Board on 31 October 2005. He is Chairman of the Remuneration Committee.

Gary has extensive experience in the project development, capital raising and construction industries. He was recently the Managing Director of the Creative Informatics Group. Prior to that, he was a co-founder of Pacific Hydro Limited where he served as an Executive Director for a number of years, responsible for business development and capital raisings.
Gary is also currently the Executive Chairman of HydroChile Pty Ltd, a company which develops, builds and operates hydro – electric power stations in the Republic of Chile.

Gary holds a Bachelor of Engineering with Honours from Monash University and a Graduate Diploma in Business Administration from Swinburne University.

Darren Hotchkin (Age 44)
Managing Director

Darren Hotchkin was appointed to the Board on 21 October 2005.

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

Darren's key contributions to the business have been in the strategic development of Saferoads' product range and manufacturing processes, business development and marketing. He has been active this year in exploring opportunities for growth through prudent acquisition and in seeking to expand the Company's product base through international research of products with the potential to find a sustainable place in the Australian market.

Gerard (Ged) Keeghan (Age 47)
Non-Executive Director

Ged was appointed to the Board on 31 October 2005. He is Chairman of the Audit and Risk Committee.

Ged gained considerable experience in the building and construction industry as the Chief Executive of the civil infrastructure contractor Standard Roads Group from 1991 to 2002; as a Director of the construction materials company Astec Pty Ltd which operated in the three eastern states of Australia from 1993 to 2002; and as an Executive Director of Cortek Developments Pty Ltd, a Victorian based commercial and industrial builder, from 1988 until 2005. He is currently a Director of several privately owned Companies and Trusts, and is Chief Executive of the residential developer, TPC Group.

Ged holds a Bachelor of Business (Accounting) with Graduate Diploma, is an associate member of CPAs and a Fellow of the Australian Institute of Company Directors.

Duncan Smith (Age 65)
Non-Executive Director

Duncan was appointed to the Board on 21 October 2005. He is a member of the Remuneration Committee and the Audit and Risk Committee.

Duncan was a founding Director and shareholder of Saferoads Pty Ltd. He is the senior partner of Smith McCarthy Wilson, accountants and advisors. He has been in public practice as an accountant since 1977 and a partner or principal in accounting firms since 1981, advising small to medium enterprises in management, taxation and financial matters. He is currently a Trustee of The Andrews Foundation and is on the Board and Treasurer of the West Gippsland Healthcare Group.

Duncan holds a Diploma in Business (Accounting), is a fellow of the CPAs, and a Certified Financial Planner.

COMPANY SECRETARY

Bill Cruickshank (Age 65)
Company Secretary

Bill Joined Saferoads Pty Ltd in June 2002 and was appointed as Company Secretary on 21 October 2005.

For his first three years with Saferoads Pty Ltd Bill was Finance and Administration Manager, during which time he oversaw the successful implementation of an ISO accredited quality, safety and environmental integrated management system (IMS). Before joining Saferoads he spent three years as the Administration and Finance Manager of a privately owned contract maintenance company. His previous 14 years were in the dairy industry where he rose from the factory floor to regional accountant with a $200m budget.

Bill holds a Bachelor of Business (Accounting) with sub majors in law and economics, from Monash University.

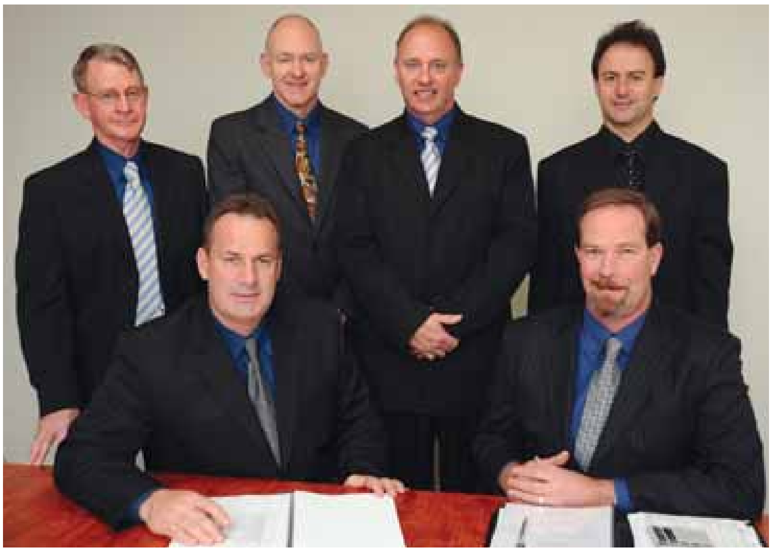
MANAGEMENT PROFILES

Richard Purser
General Manager

Richard joined Saferoads in July 2007 as General Manager.

Prior to joining Saferoads, Richard was the General Manager of Coates Shorco, a division of Coates Hire Limited which was at that time the largest construction rental business in Australia. Previously Richard was employed by Shorco Hire in various managerial positions, rising to the position of Sales and Operations Manager, a position he held when Shorco Hire was acquired by Coates Hire Limited.

Richard has extensive experience in managing company growth and involvement with the road safety products provided by Saferoads.



Management Group: Standing (L-R): Bill Cruickshank, Tony Wyatt, Richard Purser, Andrew Pike
Seated: Mark Andrew, Murray Markwell,

Tony Wyatt
Commercial Manager

Tony joined Saferoads in October 2007 as Commercial Manager.

He has a strong background in financial management and auditing. For 12 years he was an auditor with the audit firm Coopers & Lybrand. Following his time with Coopers & Lybrand, he spent 17 years in the manufacturing environment as Financial Controller or Commercial Manager with several manufacturing companies including National Foods Limited, Lactos Pty Ltd and Yallourn Power Station. He was Commercial Manager with Silcar at Yallourn Power Station immediately prior to joining Saferoads.

Tony holds a Bachelor of Business (Accounting) from RMIT and is a Chartered Accountant.

Mark Andrew
National Sales Manager

Mark joined Saferoads in 2004 as National Sales Manager. He is responsible for the management of all sales and marketing of Saferoads' products.

Mark has had a distinguished career in sales, working first as a Sales Engineer in the agriculture industry. In 1998 Mark moved into a senior sales/management role and was responsible for the team of area managers. Before joining Saferoads he spent 13 years working for the Australian subsidiary of a major German Company for which he completed technical sales training in the US and Germany and undertook project management in China.

Murray Markwell
National Product and Marketing Manager

Murray joined Saferoads in 2001 as Sales Manager - Workzone Products and since then has been involved with the Crash Cushion, Traffic Control and Temporary Barrier product portfolios. Following on from an internal restructure in 2006-07, Murray was promoted to the new position of National Product and Marketing Manager where he is responsible for supervising the Product Management team, providing sales and technical support to the company's sales personnel, assisting with the development of marketing strategies, and ensuring that all products are appropriately approved when required.

Prior to joining Saferoads, Murray held various sales and product management related positions in local, regional and national roles, primarily in the Industrial Supply and Personal Protective Equipment industries.

Andrew Pike
Operations Manager

Andrew joined Saferoads Pty Ltd in March 2008. He is responsible for manufacturing processes, warehousing operations, technical support and OH&S.

Andrew has a background in the automotive industry where he owned and operated a well respected automotive repair centre. In 1996 he sold the business to take up a position as a field officer with a group training company where he remained for over 11 years until joining Saferoads. In this role, he gained operational knowledge and insight through contact with many businesses in Gippsland and Melbourne.

INTEREST IN SHARES

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

Name	Shares
Gary Bertuch	20,000
Darren Hotchkin	4,341,375
Duncan Smith	1,087,500
Gerard (Ged) Keeghan	nil

DIVIDENDS

On 19 August the Directors declared a final dividend of 5.0 cents per share, fully franked. This follows on from the interim dividend of 5.0 cents per share fully franked paid in April 2008.

Description	Cents Per Share	Total Amount $	Date of Payment
2007 Final dividend paid (fully franked)	4.5	1,170,000	
2008 Interim dividend paid (fully franked)	5.0	1,300,000	4 April 2008
2008 Final dividend declared (fully franked)	5.0	1,300,000	14 November 2008
Total dividend for year ended 30 June 2008	10.0	2,600,000	

PRINCIPAL ACTIVITIES

The principal activity of the Group for the year 2007-08 continued to be the provision of road safety products and solutions primarily to end users. Some products are sourced from Australian suppliers; some are imported; some are manufactured locally to our specification and others are manufactured and/or assembled on our premises.

The supply and installation of guardrail and wire rope safety barriers for road authorities in all states continues to be a growing part of our business.

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

REVIEW AND RESULTS OF OPERATIONS

A review of the operations of the Company during the financial period and the results of these operations is set out in the Managing Director's review of operations.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the 2007-08 year, Saferoads Pty Ltd, the wholly owned subsidiary of Saferoads Holdings Ltd, made several strategic acquisitions. In March 2008 Saferoads Pty Ltd announced the acquisition of Trans Tasman Engineering (NZ). This included the acquisition of the NZ distributorship of Quixote Corporation (USA). On 1 April 2008 Saferoads Pty Ltd completed the acquisition of the business and assets of Bob Panich Consultancy (BPC). BPC is the manufacturer and supplier of an extensive range of traffic signal equipment. In May 2008 Saferoads Pty Ltd completed the acquisition of the fixed assets, stock and work-in-progress of Guardrail Installations making Saferoads the dominant supplier and installer of guard rail and wire rope safety barriers in Australia. In June 2008 Saferoads entered into an agreement with Sensys Traffic AB (Sweden) to become the exclusive distributor in Australia of Sensys products which include red light cameras, speed cameras and number plate recognition systems.

SIGNIFICANT EVENTS AFTER BALANCE DATE

On 19 August, the Directors declared a final dividend of 5.0 cents per share, fully franked, to be paid 14 November 2008. The total amount of the dividend is $1,300,000 which has not been provided for in the 30 June financial statements.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely developments in the operations of the entity and the expected results of those operations have been set out in the Chairman's Review and the Managing Director's Report.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the year insurance premiums were paid for any person who was a Director of the Company.

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.

OPTIONS

At the date of this report, the unissued ordinary shares of the company under option are as follows:

Grant Date	Date of Expiry	Exercise Price $	Number Under Option
7/7/2007	7/7/2017	3.50	200,000

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,

The Company's Corporate Governance Charter states that a Remuneration Committee comprising two independent Directors and the Company Secretary, with the Managing Director as an invitee, is to be put in place. The committee members are Mr Gary Bertuch and Mr Duncan Smith as Directors, and Mr Bill Cruickshank as Company Secretary.

The Board acknowledges that Mr Duncan Smith is not an independent Director although he is a non-executive Director. The Board considers that at this stage increasing the size of the Board from four to five Directors is not warranted, but as the Company grows in size and complexity, the composition of the Board will be addressed, providing for an increase in the number of independent Directors. The Board does not consider the effectiveness of Mr Smith as a member of the Remuneration Committee is in any way compromised by his not being an independent Director.

Remuneration of Directors and Key Executives

Non-executive Directors

Total remuneration for non-executive Directors for 2007-08 was $143,880. Their remuneration packages comprised only fixed Directors' fees and superannuation within the limits set out in the Company's constitution. Currently this limit is set at $250,000 per annum, and can only be changed at a general meeting.

Executive Director

The remuneration package for Mr Darren Hotchkin, Managing Director, comprised a base salary of $250,000 including 9% statutory superannuation, a vehicle allowance of $30,000, and a performance bonus incentive of 5% of EBT over and above the EBT levels achieved in fiscal 06/07.

General Manager

The remuneration package for Mr R Purser, General Manager, comprised a base salary of $200,000 including 9% statutory superannuation, a vehicle allowance of $30,000, and a performance bonus incentive of 5% of EBT over and above the EBT levels achieved in fiscal 06/07. Mr Purser was also granted options as per the tables below:

Key Management personnel	Number of Options Vested	Number of Options Granted	Option Grant Date	Value per Options at Grant Date	Exercise Price	First Exercise Date	Last Exercise Date
				$	$		
R Purser	Nil	200,000	7/7/2007	0.68	3.50	7/7/2009	7/7/2017

	Options granted as Part of Remuneration	Total Remuneration Represented by Options	Options Exercised	Options Lapsed	Total
	$	%	$	$	$
R Purser	68,000	19%	Nil	Nil	68,000

Company Secretary

The remuneration package for Mr W Cruickshank , Company Secretary, changed during the course of the 2007-08 year. At the commencement of the year his package comprised a base salary and a performance bonus incentive of .5% of EBT over and above the EBT levels achieved in fiscal 06/07. Commencing 1 October 2007 his salary comprised a base amount of $25,000 per annum for Company Secretarial work and a fixed hourly rate for non-Company Secretarial work.

EMPLOYMENT CONTRACTS

Executive Employment Agreements have been entered into with the Managing Director Mr Darren Hotchkin. This agreement is of a standard form containing provisions of confidentiality and restraint of trade usually required in such an agreement.

REMUNERATION OF DIRECTORS AND NAMED EXECUTIVES

	Short Term			Post Employment	Long Term	Share Based Payment	Total	Performance Related
30 June 2008	Salaries & Fees	Fringe Benefits	Cash Bonus	Super-annuation	Long Service Leave	Options		
	$	$	$	$	$	$	$	%
Non Executive Directors								
Gary Bertuch	60,000	-	-	5,400	-	-	65,400	
Duncan Smith	36,000	-	-	3,240	-	-	39,240	
Gerard Keeghan	36,000	-	-	3,240	-	-	39,240	
Executive Director								
Darren Hotchkin	256,857	1,697	45,182	20,642	11,807	-	336,185	13
Executives								
Richard Purser	212,071	2,469	45,182	17,061	2,991	68,000	347,774	13
Bill Cruickshank	93,617	-	3,012	9,274	(5,681)	-	100,222	3
	694,545	4,166	93,376	58,857	9,117	68,000	928,061	

DIRECTORS' MEETINGS

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

Names	Directors		Audit		Remuneration	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Mr G Bertuch	11	11	-	-	2	2
Mr D Hotchkin	11	11	5	5	-	-
Mr D Smith	11	11	5	5	2	2
Mr G Keeghan	11	11	5	5	-	-

AUDITORS' INDEPENDENCE DECLARATION

The attached independence declaration has been obtained from the Company's auditors, Armitage Downie & Co.

Signed in accordance with a resolution of Directors.

Ged Keeghan
Director
Drouin

4 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 and adopted the Corporate Governance Principles and Recommendations as identified by the ASX Corporate Governance Council and, for the year ending 30 June 2008, has elected to report on compliance with the "Revised Principles".

This Corporate Governance Statement is based on these principles and summarises policies and practices in place and endorsed by the Board. The Board's objective is to ensure investor confidence in the Company and its operations given its size, stage of development and complexity.

Principle 1 Lay solid foundations for management and oversight.

Recommendation 1.1:
Companies should establish and disclose the respective roles and responsibilities of board and management.

The Board has delegated day-to-day management responsibility to the Managing Director and his management team, reserving to itself the functions of strategic oversight and managerial guidance. Senior management responsibilities have been clearly set out in letters of appointment, position descriptions and employment contracts.

The Board accepts its responsibility for ensuring the management team performs to a consistently high standard. This is achieved through monthly Board meetings where monthly performance reports are received and reviewed, and through regular briefings from Senior Management on progress in strategic developments.

Further information regarding the Board's broad functions and its powers and responsibilities are contained within the Company's Corporate Governance Charter, section 2. A copy of the Charter is on the Company's website (www.saferoads.com.au) under the Investor Relations icon.

Recommendation 1.2:
Companies should disclose the process for evaluating the performance of senior executives.

The Managing Director and the General Manager are performance evaluated on an annual basis against key performance indicators (KPIs) clearly stated in letters of appointment, employment contracts and position descriptions. A rigorous induction process addressing the Company's background, key business operations and strategic plans is in place for new appointees to senior executive positions to enable them to participate fully and actively in responsible decision making at the earliest opportunity.

The KPIs are primarily growth and earnings related.

Principle 2 Structure the Board to add value.

Recommendation 2.1:
The majority of the board should be independent Directors.

The Company acknowledges the importance of having independent Directors on its board and is committed to having a board whose members have the capacity to act independently, together with having the composite skills to optimise the financial and operational performance of the Saferoads group.

The skills, experience and expertise of each of the Directors are included in the Directors' Report. It is noted that all non-executive Directors have served or are serving on other Boards. The Board considers that its non-executive Directors are independent, other than Mr D Smith. Mr Smith is a substantial shareholder, and is a partner of the Company's public accountants.

The Board acknowledges that it does not comply with the ASX recommendation that there should be a majority of independent Directors, but does comply with its own Corporate Governance Charter. As the Company grows in size and complexity and where additional expertise is required the Board will increase the numbers of Directors.

Recommendation 2.2:
The Chair should be an independent Director.

The Chairman of the Board, Mr G Bertuch, is an independent Director. Mr Bertuch has advised the Board that other positions he holds do not hinder his effective performance in the role of Chairman.

Recommendation 2.3:
The roles of the Chair and Chief Executive Officer should not be exercised by the same individual.

The Chairman of the Board is Mr G Bertuch; the Managing Director (CEO) is Mr D Hotchkin.

Recommendation 2.4:
The Company should establish a nomination committee.

The Company does not have a nomination committee. The Board acknowledges that it does not comply with recommendation 2.4 in this respect. The Company has three non-executive Directors, all of whom were appointed at the time of incorporation (October2005), two of whom have been subsequently re-elected at AGM. and the third of whom offers himself for re-election at this year's AGM.

The Company's Corporate Governance Charter (section 2.5) details the process to be followed when a vacancy exists on the Board. In essence, the Board as a whole will perform the function of a nomination committee until such time that the size and complexity of the Company warrants an increase in the number of Directors.

Principle 3 Promote ethical and responsible decision-making.

Recommendation 3.1:
Companies should establish a code of conduct and disclose the code or the summary of the code.

The Company has established a Code of Conduct for Directors as a guide to be followed in performing their duties with a view to enabling them to achieve the highest possible standards in the discharge of their obligations. The Code is contained in the Corporate Governance Charter, section 4.

The Company has entered into employment agreements with the Managing Director, the General Manager and other key management personnel which address issues of ethical and responsible decision-making in the performance of their respective roles in the Company.

Recommendation 3.2:
The Company should establish a policy concerning trading in company securities by Directors, senior executives and employees, and disclose the policy or a summary of that policy.

The Company has established a Share Trading Policy that imposes strict restrictions on trading in Saferoads' securities. In essence, trading in the Company's securities by nominated personnel is not permissible except within clearly defined windows of opportunity, and then only with the approval of the nominated non-executive Director. Nominated personnel include Directors, Senior Managers and other employees with access to financial and operational matters.

The Share Trading Policy is available on the Company's website (www.saferoads.com.au). A summary is also available in the Corporate Governance Charter, Section 3.

Principle 4 Safeguard integrity in financial reporting.

Recommendation 4.1:
The Board should establish an audit committee.

The Board has established an Audit and Risk Committee; the Committee met five times during the 07-08 year.

Armitage Downie and Co has been appointed as the independent external auditor. The independent auditor reports directly to the Audit and Risk Committee, and is also required to attend the annual general meeting of the Company to answer any shareholder questions about the audit and the preparation and content of the audit report.

The Managing Director and the Commercial Manager declare to the Board when the Annual Accounts are presented that the financial reports represent a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.

Recommendation 4.2:
Structure of the audit committee.

The Audit and Risk Committee is comprised of Mr G Keeghan (Non-executive Director and Chairman of the committee), Mr D Smith (Non-executive Director) and Mr W Cruickshank (Company Secretary). Mr Cruickshank also performs the role of Company Internal Auditor. He has been trained in audit techniques and is qualified as an International Standards Organisation (ISO) auditor. Mr Smith brings to the Committee more than forty years' experience as a public accountant and auditor.

The Board acknowledges that it does not fully comply with the ASX's recommendation in that the committee does not consist of a majority of independent Directors. When the Company reaches a size and complexity that warrants the expansion of the Board to include an additional independent Director, the new appointee will become a member of the audit committee, ensuring full compliance with this principle.

Recommendation 4.3:
Charter of the Audit Committee.

The Committee's charter is to advise, maintain and monitor business risk through an appropriate internal framework, and to assist the Board in fulfilling its audit, accounting and reporting obligations. The Committee's charter is contained within the Company's Corporate Governance Charter (Section 5).

Principle 5 Make timely and balanced disclosure.

Recommendation 5.1:
Establish written policies designed to ensure compliance with ASX Listing Rules.

The Board is aware of its obligations to make timely and balanced disclosures both to the ASX and to the financial market in general. Continuous disclosure is a standing item on the agenda for each Board meeting. During the course of 2007-08 the Board made several announcements as material issues arose.

The Company has a written policy designed to ensure compliance with listing rules. The policy identifies the type of information that should be disclosed, the decision making concerning the disclosure obligation, the roles and responsibilities of Directors and Senior Management in the disclosure context, and identification of the personnel authorised to make disclosure to the ASX and to discuss corporate issues with analysts, the media, shareholders and the general public.

Principle 6 Respect the rights of shareholders.

Recommendation 6.1:
Companies should design a communications policy

The Company has developed a communications policy for promoting effective communications with shareholders. A copy of this policy is available on the Company's website. A summary of the policy is contained in the Company's Corporate Governance Charter (Section 2.15).

The Company aims to ensure that shareholders are kept informed of all major developments affecting the Company. This is achieved through compliance with the ASX continuous disclose rules and through providing links from the Company's website to announcements made to the market via the ASX and to investor updates made from time to time.

The board encourages full attendance at and participation in the annual general meeting where presentations of the company's current performance and future growth prospects are made. If shareholders are unable to attend in person, they are encouraged to appoint a proxy to exercise their voting rights on their behalf.

During the year 2007-08 the Company issued a newsletter to all shareholders, and invited all shareholders to attend an Open-Day held at the company's premises in Drouin, Victoria.

Principle 7 Recognise and manage risk.

Recommendation 7.1:
Companies should establish policies for the oversight and management of material business risks.

The Committee referred to under Principle 4 above focuses on both audit and risk. A review of business risks relating to people, product and profit is a standing item on the agenda for each meeting of the Audit and Risk Committee.

Recommendation 7.2:
The Board should require Management to design and implement the risk management and internal control system to manage business risk.

The Board through the Audit and Risk Committee has initiated a risk identification and control process to ensure that all business risks have been identified and appropriate controls are in place. The Board has appointed the Company Secretary as Internal Auditor. At each Audit and Risk Committee the internal auditor reports on internal audit findings and the Committee reports to the full Board. The internal auditor has no operational or managerial responsibilities and is considered to be independent.

The Company also reviews its business risks with the Company's insurer/insurance broker and insures against all reasonably insurable risks.

Recommendation 7.3:
The Board should disclose whether it has received assurance from the CEO and CFO re the declaration provided in accordance with section 295A of the Corporations Act.

The Board confirms that it has received assurance from the Managing Director and the Commercial Manager that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8 Remunerate fairly and responsibly.

Recommendation 8.1:
The Board should establish a Remuneration Committee.

The Board has established a Remuneration Committee comprised of Mr G Bertuch (Non-executive Director and Chairman of the committee), Mr D Smith (Non-executive Director) and Mr W Cruickshank (Company Secretary), with Mr D Hotchkin (Managing Director) being an invitee. Mr Bertuch and Mr Smith both serve on other boards, and Mr Smith brings to the Committee many years experience with small to medium businesses.

The Committee Charter is to review and advise the Board on compensation arrangements for Directors and Senior Management. The Committee is aware of its responsibility to ensure that remuneration packages are market competitive and will attract, motivate and retain high-quality personnel.

The Board acknowledges that it does not fully comply with the ASX's recommendation in that the committee does not consist of a majority of independent Directors .When the Company reaches a size and complexity that warrants the expansion of the Board to include an additional independent Director, the new appointee will become a member of the remuneration committee, ensuring full compliance with this principle.

The Committee met twice during 2007-08.

Recommendation 8.2:
Companies should clearly distinguish the structure of non-executive Directors from that of executive Directors and Senior Management.

Detailed disclosure of the remuneration of non-executive Directors, executive Directors and Senior Management is made in the remuneration report and further detail is provided in section 24 of the Notes to Financial Statements.

SAFEROADS HOLDINGS LIMITED

Income Statement

FOR THE YEAR ENDED 30 JUNE 2008

	Notes	CONSOLIDATED		PARENT	
		2008	2007	2008	2007
		$	$	$	$
Revenue	4	57,609,133	40,729,633	-	-
Cost of sales		(38,765,147)	(26,503,488)	-	-
Gross profit		18,843,986	14,226,145	-	-
Other income	4	155,117	98,640	2,470,996	1,724,063
Employee benefits		(7,284,329)	(4,729,912)	-	-
Amortisation		(5,059)	(5,059)	-	-
Finance costs		(193,447)	(28,699)	-	-
Depreciation		(462,641)	(366,431)	-	-
Other expenses		(3,909,913)	(2,810,895)	(472)	(3,421)
Profit before income tax	4	7,143,714	6,383,789	2,470,524	1,720,642
Income tax expense	5	(2,163,478)	(1,921,522)	(157)	(2,719)
Profit after tax from continuing operations		4,980,236	4,462,267	2,470,367	1,717,923
Net profit for the period		4,980,236	4,462,267	2,470,367	1,717,923
Net profit attributable to members of parent		4,980,236	4,462,267	2,470,367	1,717,923
Earnings per share (cents per share)					
- basic for profit for the full year		19.2	17.7		
- diluted for profit for the full year		19.2	17.7		
- dividends paid per share		10.0	8.0		

SAFEROADS HOLDINGS LIMITED

Balance Sheet

AS AT 30 JUNE 2008

	Notes	CONSOLIDATED		PARENT	
		2008	2007	2008	2007
		$	$	$	$
ASSETS					
Current Assets					
Cash and cash equivalents	8	792,409	600,955	18,205	9,961
Trade and other receivables	9	14,511,898	9,406,398	-	-
Inventories	11	10,874,595	4,824,804	-	-
Prepayments		169,728	145,658	-	-
Total Current Assets		26,348,630	14,977,815	18,205	9,961
Non-current Assets					
Deferred tax assets	5	77,498	111,344	-	-
Property, plant and equipment	12	4,905,522	2,448,501	-	-
Other financial assets	13	-	-	27,098,708	27,030,708
Intangible assets and goodwill	14	4,885,833	2,115,938	-	-
Total Non-current Assets		9,868,853	4,675,783	27,098,708	27,030,708
TOTAL ASSETS		36,217,483	19,653,598	27,116,913	27,040,669
LIABILITIES					
Current Liabilities					
Trade and other payables	15	12,204,300	6,471,931	14,758	4,319
Interest-bearing loans and borrowings	16	3,670,669	269,589	-	-
Income tax payable		253,095	528,188	157	2,719
Provisions	17	452,054	270,453	-	-
Total Current Liabilities		16,580,118	7,540,161	14,915	7,038
Non-current Liabilities					
Interest-bearing loans and borrowings	16	5,212,757	288,144	-	-
Provisions	17	80,433	59,354	-	-
Total Non-current Liabilities		5,293,190	347,498	-	-
TOTAL LIABILITIES		21,873,308	7,887,659	14,915	7,038
NET ASSETS		14,344,175	11,765,939	27,101,998	27,033,631
EQUITY					
Contributed equity	18	4,198,708	4,130,708	27,098,708	27,030,708
Retained earnings	18	10,145,467	7,635,231	3,290	2,923
TOTAL EQUITY		14,344,175	11,765,939	27,101,998	27,033,631

SAFEROADS HOLDINGS LIMITED

Cash Flow Statement FOR THE YEAR ENDED 30 JUNE 2008

	Notes	CONSOLIDATED		PARENT	
		2007	2006	2007	2006
		$	$	$	$
Cash flows from operating activities					
Receipts from customers		58,362,003	41,088,110	-	-
Payments to suppliers and employees		(53,858,802)	(35,780,387)	(472)	-
Interest paid		(193,447)	(28,699)	-	-
Income tax paid		(2,392,560)	(1,846,047)	(2,719)	-
GST paid		(854,174)	(968,085)	-	-
Net cash flows from operating activities	8	1,063,020	2,464,892	(3,191)	-
Cash flows from investing activities					
Interest received		21,239	45,975	996	9,063
Dividends received		-	-	2,470,000	1,715,000
Proceeds from sale of property, plant and equipment		119,435	135,318	-	-
Purchase of property, plant and equipment		(1,616,097)	(1,305,680)	-	-
Acquisition of business		(5,251,836)	(2,610,133)	-	-
Net cash flows used in investing activities		(6,727,259)	(3,734,520)	2,470,996	1,724,063
Cash flows from financing activities					
Proceeds from issue of shares		-	3,416,000	-	-
Payment of share issue costs		-	(219,692)	-	(776)
Proceeds from borrowings		9,725,693	616,211	-	-
Repayment of borrowings		(1,400,000)	(242,057)	-	-
Equity dividends paid		(2,470,000)	(1,715,000)	(2,459,561)	(1,713,326)
Net cash flows used in financing activities		5,855,693	1,855,462	(2,459,561)	(1,714,102)
Net increase/(decrease) in cash and cash equivalents		191,454	585,834	8,244	9,961
Cash and cash equivalents at beginning of period		600,955	15,121	9,961	-
Cash and cash equivalents at end of period	8	792,409	600,955	18,205	9,961

SAFEROADS HOLDINGS LIMITED

Statement of Changes in Equity FOR THE YEAR ENDED 30 JUNE 2008

	Contributed Equity	Retained Earnings	Total Equity
	$	$	$
CONSOLIDATED			
At 1 July 2006	100,000	4,887,964	4,987,964
Profit for the period	-	4,462,267	4,462,267
Issue of share capital	3,416,000	-	3,416,000
Issue of share capital on acquisition of business	834,400	-	834,400
Share issue costs	(219,692)	-	(219,692)
Equity dividends	-	(1,715,000)	(1,715,000)
At 30 June 2007	4,130,708	7,635,231	11,765,939
At 1 July 2007	4,130,708	7,633,790	11,764,498
Profit for the period	-	4,980,236	4,980,236
Share based payments	68,000	-	68,000
Issue of share capital on acquisition of business	-	-	-
Equity dividends	-	(2,470,000)	(2,470,000)
At 30 June 2008	4,198,708	10,144,026	14,342,734
PARENT			
At 1 July 2006	23,000,000	-	23,000,000
Profit for the period	-	1,717,923	1,717,923
Issue of share capital	3,416,000	-	3,416,000
Issue of share capital on acquisition of business	834,400	-	834,400
Share issue costs	(219,692)	-	(219,692)
Equity dividends	-	(1,715,000)	(1,715,000)
At 30 June 2007	27,030,708	2,923	27,033,631
At 1 July 2007	27,030,708	2,923	27,033,631
Profit for the period	-	2,470,367	2,470,367
Share based payments	68,000	-	68,000
Equity dividends	-	(2,470,000)	(2,470,000)
At 30 June 2008	27,098,708	3,290	27,101,998

SAFEROADS HOLDINGS LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2008

1 CORPORATE INFORMATION

Saferoads Holdings Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian stock exchange.

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 the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the group for the annual reporting period ending 30th June 2008. The impact of the adoption in the future is not expected to be material.

(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 parent entity was incorporated on 14 October 2005. On 31 October 2005, the parent entity acquired all of the shares in Saferoads Pty Ltd.

The implications under AASB 3 "Business Combinations" for Group purposes are that the transaction that occurred in 31 October 2005 is accounted for as a reverse acquisition and as such, the legal subsidiary becomes the accounting acquirer under AIFRS. The effect of this is that the Group financial statements are prepared for the year ending 30 June 2008 as a continuation of the legal subsidiary, Saferoads Pty Ltd, with comparative information for the year ended 30 June 2007, using consistent accounting policies.

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) Business Combinations

The purchase method of accounting is used for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange. All identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the group's share of identifiable net assets acquired is recognised as goodwill.

(e Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in the foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences in the consolidated financial report are taken to the income statement.

(f) 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 reducing balance basis over the estimated useful life of the asset as follows:

Buildings - 7%
Plant and equipment - 20% to 40%

(g) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(h) 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.

(i) 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 114 Segment Reporting.

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 determinig 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 or indefinite.

Where ammortisation is charged on assets with finite lives, this expense is taken to the income statement 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 development 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 income statement when the asset is derecognised.

(j) 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.

(k) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

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

(l) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(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 income statement when the liabilities are derecognised as well as through the amortisation process.

(n) Provisions

Provisions are recognised when the Group has a present obligation (legal and constructive) as a result of a past event, it is probable than 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 income statement net of any reimbursement.

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

(o) Contributed equity

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

(p) Share-based payment transactions

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (‘equity-settled transactions’).

The Employee Share Option Plan (ESOP) provides benefits to directors and employees.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the binomial model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Saferoads Holdings Limited (‘market conditions’).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (‘vesting date’).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these transactions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(q) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer, or where the customer has explicitly requested that the goods be held on their behalf.

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

(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 periods taxable income. The tax rates and tax laws used to compare the amount are those that are enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- when the taxable temporary difference is associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of 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 the carry-forward of unused tax assets and unused tax losses can be utilised except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- when the deductible temporary difference is associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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 and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance 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 balance sheet.

Cash flows are included in the Cash Flow Statement 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 balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries and annual leave which will be settled after 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 uses derivate 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 income statement for the year.

3 SEGMENT INFORMATION

The company predominately operates in the road safety products market in Australia.

4 REVENUES AND EXPENSES

(a) Specific Items

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

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	$	$	$	$
(i) Revenue				
Sale of goods	57,609,133	40,729,633	-	-
			-	-
(ii) Other income				
Interest	21,239	45,975	996	9,063
Dividends from subsidiary	-	-	2,470,000	1,715,000
Profit on sale of plant & equipment	(28,798)	(47,218)	-	-
Other	162,676	99,883	-	-
	155,117	98,640	2,470,996	1,724,063
TOTAL	57,764,250	40,828,273	2,470,996	1,724,063

5 INCOME TAX

Major components of income tax expense for the year ended 30 June 2008 are:

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	$	$	$	$
Income Statement				
Current income tax				
Current income tax charge	2,209,489	1,943,946	157	2,719
Deferred income tax				
Relating to origination and reversal of temporary differences	(46,011)	(22,424)	-	-
Income tax expense reported in income statement	2,163,478	1,921,522	157	2,719

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the year ended 30 June 2008 is as follows:

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	$	$	$	$
Accounting profit before income tax	7,143,714	6,383,789	2,470,524	1,720,642
At the statutory income tax rate of 30%	2,143,114	1,915,137	741,157	516,193
Adjustments in respect of current income tax of previous years				
Tax concessional items	(18,275)	(5,707)	-	-
Franking credits	-	-	(741,000)	(514,500)
Expenditure not allowable for income tax purposes	38,639	12,092		1,026
Total	2,163,478	1,921,522	157	2,719

Deferred income tax

Deferred income tax at 30 June relates to the following:

	BALANCE SHEET		INCOME STATEMENT	
	2008	2007	2008	2007
	$	$	$	$
CONSOLIDATED				
Deferred income tax assets				
Employee entitlements	159,266	98,942	48,159	19,338
Other	(81,768)	12,402	(2,148)	3,086
Gross deferred income tax assets	77,498	111,344	-	-
Deferred income tax charge	-	-	46,011	22,424

PARENT

The parent does not have any deferred tax balances.

6 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit 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 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 operations basic and diluted earnings per share computations:

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	$	$	$	$
Net profit attributable to equity holders from continuing operations	4,980,236	4,462,267	-	-
Net profit attributable to equity holders of the parent	4,980,236	4,462,267	-	-
Net profit attributable to ordinary share-holders for diluted earnings per share	4,980,236	4,462,267	-	-
Weighted average number of ordinary shares for basic earnings per share	26,000,000	25,269,300	-	-
Adjusted weighted average number of ordinary shares for diluted earnings per share	26,000,000	25,269,300	-	-

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 26,000,000 shares on issue.

7 DIVIDENDS PAID AND PROPOSED

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	$	$	$	$
Equity dividends on ordinary shares:				
Interim franked dividend for 2008: 5.0 cents (2007: 3.5 cents)	1,300,000	910,000	1,300,000	910,000
The tax rate at which paid dividends have been franked is 30%.				
Dividends proposed and not recognised as a liability:				
Final franked dividend for 2008: 5.0 cents (2007: 4.5 cents)	1,300,000	1,170,000	1,300,000	1,170,000
Dividends proposed will be franked at the tax rate of 30%.				
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	4,006,300	3,522,039	2,719	-

8 CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	$	$	$	$
Cash at bank and in hand	792,409	600,955	18,205	9,961

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The fair value of cash and cash equivalents is equal to the carrying value.

Reconciliation of cash

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	$	$	$	$
Cash at bank and in hand	792,409	600,955	18,205	9,961
Reconciliation from the net profit after tax to the net cash flows from operations				
Net profit	4,980,236	4,462,267	2,470,367	1,717,923
Adjustments for:				
Depreciation	462,641	366,431	-	-
Amortisation	5,059	5,059	-	-
Share based payments	68,000	-	-	-
Net (profit)/loss on disposal of plant and equipment	28,798	47,218	-	-
Interest received	(21,239)	(45,975)	(996)	(9,063)
Dividend Received	-	-	(2,470,000)	(1,715,000)
Changes in assets and liabilities				
(Increase)/decrease in trade and other receivables	(5,105,500)	(3,885,591)	-	-
(Increase)/decrease in inventories	(4,116,316)	(2,047,235)	-	-
(Increase)/decrease in prepayments	(24,070)	(71,308)	-	-
(Decrease)/increase in deferred income tax assets	46,011	(22,424)	-	-
(Decrease)/increase in trade and other payables	4,811,813	3,494,091	-	3,421
(Decrease)/increase in provisions	202,680	64,460	-	-
(Decrease)/increase in tax provision	(275,093)	97,899	(2,562)	2,719
Net cash from operating activities	1,063,020	2,464,892	(3,191)	-

9 TRADE AND OTHER RECEIVABLES (CURRENT)

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	$	$	$	$
Trade receivables	14,511,898	9,406,398	-	-
	14,511,898	9,406,398	-	-

Trade receivables are non-interest bearing.

10 ECONOMIC DEPENDENCY

The Group has an economic dependency on Coates Shorco who have contributed 18.3% (2007:20%) of Group sales.

11 INVENTORIES

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	$	$	$	$
Stock on hand	10,874,595	4,824,804	-	-

12 PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	$	$	$	$
Land	57,000	57,000	-	-
Buildings at cost	797,703	761,530	-	-
Less accumulated depreciation	(275,375)	(236,575)	-	-
	522,328	524,955	-	-
Plant & equipment at cost	5,677,205	2,793,716	-	-
Less accumulated depreciation	(1,351,011)	(927,170)	-	-
	4,326,194	1,866,546	-	-
Total property, plant & equipment	4,905,522	2,448,501	-	-

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Land	Buildings	Plant & Equipment	Total
	$	$	$	$
Balance at 1 July 2007	57,000	524,955	1,866,546	2,448,501
Additions	-	36,173	1,579,924	1,616,097
Additions through business combination	-	-	1,451,798	1,451,798
Depreciation expense	-	(38,800)	(423,841)	(462,641)
Disposals	-	-	(148,233)	(148,233)
Carrying amount at 30 June 2008	57,000	522,328	4,326,194	4,905,522
Balance at 1 July 2005	57,000	463,124	980,164	1,500,288
Additions	-	97,424	1,208,256	1,305,680
Depreciation expense		-	191,500	191,500
Disposals	-	(35,593)	(330,838)	(366,431)
Carrying amount at 30 June 2007	-	-	(182,536)	(182,536)
	57,000	524,955	1,866,546	2,448,501

13 OTHER FINANCIAL ASSETS

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	$	$	$	$
Investment in subsidiary at cost	-	-	27,098,708	27,030,708

14 INTANGIBLE ASSETS & GOODWILL

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	$	$	$	$
Goodwill	4,840,616	2,065,662	-	-
Licence agreements at cost	73,677	73,677	-	-
Less accumulated amortisation	(28,460)	(23,401)	-	-
	4,885,833	2,115,938	-	-

(a) Movements in Carrying Amounts		Goodwill	License Agreement	Total
Balance at 1 July 2006		-	55,335	55,335
Additions			-	-
Acquisition of business		2,065,662	-	2,065,662
Amortisation expense		-	(5,059)	(5,059)
Carrying amount at 30 June 2007		2,065,662	50,276	2,115,938
Balance at 1 July 2005		2,065,662	50,276	2,115,938
Additions		-	-	-
Acquisition of business		2,774,954	-	2,774,954
Amortisation expense		-	(5,059)	(5,059)
Carrying amount at 30 June 2008		4,840,616	45,217	4,885,833

(b) Impairment test for goodwill

Goodwill is allocated to the lighting product group cash-generating unit. The recoverable amount of each cash-generating unit is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 5 year period. The cash flows are discounted using the yield of the 10-year government bonds at the beginning of the budget period.

The following assumptions were used in the value-in-use calculations:

		Growth Rate	Discount Rate	
Lighting group		15%	6.18%	

Management has based the value-in-use calculations on budgets for the reporting segment. These budgets use historical weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period which are consistent with inflation rates applicable to the locations in which the segment operates. The discount rate is pre-tax and is adjusted to incorporate risks associated with a particular segment.

15 TRADE AND OTHER PAYABLES (CURRENT)

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	$	$	$	$
Trade payables	8,941,252	5,694,796	14,758	4,319
Accrued expenses	2,982,427	516,206	-	-
GST payable	280,621	260,929	-	-
	12,204,300	6,471,931	14,758	4,319

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

16 INTEREST-BEARING LOANS AND BORROWINGS

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
Current	$	$	$	$
Hire purchase	244,264	269,589	-	-
Bank loans	3,426,405	-	-	-
Total	3,670,669	269,589		
Non-current				
Hire purchase	119,286	288,144	-	-
Bank loans	5,093,471	-	-	-
Total	5,212,757	288,144	-	-

Hire purchase liabilities are secured by a charge over the financial assets

Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available:

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
Total facilities:				
- bank bills - fixed	3,000,000	-	-	-
- bank bills - variable	3,200,000	-	-	-
- bank overdraft	300,000	300,000	-	-
- bank charge card	35,000	35,000	-	-
- trade facilities	2,350,000	2,350,000	-	-
- bank guarantee	1,350,000	350,000	-	-

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
Facilities used at reporting date				
- bank bills - fixed	3,000,000	-		
- bank bills - variable	3,200,000	-		
- bank overdraft	-	-	-	-
- bank charge card	-	-	-	-
- trade facilities	1,526,046	-	-	-
- bank guarantee	1,342,929	307,662	-	-
Facilities unused at reporting date				
- bank bills - fixed	-	-	-	-
- bank bills - variable	-	-	-	-
- bank overdraft	300,000	300,000	-	-
- bank charge card	35,000	35,000	-	-
- trade facilities	823,954	2,350,000	-	-
- bank guarantee	7,071	42,338	-	-

The bank facilities are secured by a registered mortgage by Saferoads Pty Ltd over commercial property situated at Lot 8 Weerong Rd, Drouin, a registered charge over the whole of its assets and undertakings, and also a registered charge over the assets and undertakings of Saferoads Holdings Ltd.

The coventants within the bank borrowings require an interest coverage ratio of not less than 4 times and net worth not less than 30% of total tangible assets.

17 PROVISIONS

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
Current	$	$	$	$
Annual Leave	302,172	182,373	-	-
Long service leave	148,282	88,080	-	-
Novated Lease	1,600	-	-	-
Total	452,054	270,453	-	-
Non-current				
Long service leave	80,433	59,354	-	-
Total employee entitlements	532,487	329,807	-	-

18 EQUITY

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
Contributed Equity	$	$	$	$
Ordinary shares				
Issued and fully paid	4,198,708	4,130,708	27,098,708	27,030,708

Movements in ordinary shares on issue (legal parent)			SHARES	
			2008	2007
At 1 July			26,000,000	23,000,000
Issue of share capital through share placement on 27 September, 2006			-	2,440,000
Issue of share capital on acquisition of business on 2 October, 2006 (note 21)			-	560,000
At 30 June			26,000,000	26,000,000

Options

For information relating to options issued, exercised and lapsed during the financial year and the options outstanding at year end, refer to Note 26.

Retained Earnings

Movements in retained earnings are as follows:

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	$	$	$	$
Balance at 1 July	7,635,231	4,887,964	2,923	-
Net profit for year	4,980,236	4,462,267	2,470,367	1,717,923
Dividends paid	(2,470,000)	(1,715,000)	(2,470,000)	(1,715,000)
Balance at 30 June	10,145,467	7,635,231	3,290	2,923

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise overdrafts, trade facilities, and hire purchase contracts, cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group has various other 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 instruments 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.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations. The Group has not drawn down its long-term facility, however, it monitors the variable interest rates attached to the facility.

Foreign currency risk

The Group has transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's measurement currency. The impact of these expenses is not significant.

Credit risk

The Group trades only with recognised, creditworthy third parties.

It is the Group policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and hire purchase contracts.

20 FINANCIAL INSTRUMENTS

(a) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 of the financial report.

(b) Interest rate risk

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	1 to 2 years	
2008	%	$	$	$	$	
Financial Assets						
- Cash	6.85	-	792,409	-	-	792,409
- Receivables	N/A	14,511,898	-	-	-	14,511,898
Total Financial Assets		14,511,898	792,409	-	-	15,304,307
Financial Liabilities						
- Payables	N/A	12,204,300	-	-	-	12,204,300
- Bank borrowings	8.50	-	5,583,743	-	2,936,132	8,519,875
- Hire purchase	6.70	-	-	244,264	119,286	363,550
Total Financial Liabilities		12,204,300	5,583,743	244,264	3,055,418	21,087,725
2007	%	$	$	$	$	
Financial Assets						
- Cash	5.00	-	600,955	-	-	600,955
- Receivables	N/A	9,406,398	-	-	-	9,406,398
Total Financial Assets		9,406,398	600,955	-	-	10,007,353
Financial Liabilities						
- Payables	N/A	6,471,931	-	-	-	6,471,931
- Hire purchase	6.70	-	-	269,589	288,144	557,733
Total Financial Liabilities		6,471,931	-	269,589	288,144	7,029,664

(c) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date recognised as financial assets is the carrying amount, net of any provisions for doubtful debts which is nil at 30 June 2008, as disclosed in the balance sheet and notes to the financial statements.

As at reporting date, the amount of financial assets past due, but not impaired, is $1,138,036 (2007: $571,999).

The Group does not have any material credit risk to any single debtor or group of debtors under financial instruments entered into by the company, other than as disclosed in Note 10.

(d) Net Fair Values

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

21 BUSINESS COMBINATION

(a) On 2 April 2008, the Group acquired the business and assets of Bob Panich Consultancy Pty Ltd and Mayall Engineering Pty Ltd, a manufacturer and supplier of traffic signals.

The purchase price of the business was $3,050,000 plus stock of $1,707,508. The purchase price of $3,050,000 included a deferred payment of $1m payable one year after purchase; this amount is secured by a bank guarantee.

From the date of acquisition, the traffic signals business has contributed $331,079 to the net profit before tax of the Group.

If the combination had taken place at the beginning of the year, the profit for the Group would have been $8,136,951 and the revenue from continuing operations would have been $61,514,005.

The fair value of the identifiable assets and liabilities as at the date of acquisition are:

	Recognised on Acquisition	Carrying Value
	$	$
Inventories	1,707,508	1,707,508
Property, plant & equipment	613,948	613,948
Deferred income tax asset	12,165	12,165
	2,333,621	1,707,508
Fair value of net assets	2,333,621	
Goodwill arising on acquisition	2,407,804	
	4,741,425	
Consideration:		
Cash consideration	3,757,508	
Deferred payment at net present value	920,556	
Costs associated with the acquisition	63,361	
	4,741,425	

(b) On 15 May 2008, the Group acquired the business and assets of Guard Rail Installations, a supplier and installer of guard rail and wire rope barriers.

The purchase price of the business was $1,200,000 plus stock of $225,967.

The fair value of the identifiable assets and liabilities as at the date of acquisition were:

	Recognised on Acquisition	Carrying Value
	$	$
Inventories	225,957	225,957
Property, plant & equipment	837,850	837,850
	1,063,817	1,063,817
Fair value of net assets	1,063,817	
Goodwill arising on acquisition represented by:		
Order Book	212,150	
Distribution agreement	150,000	
	1,425,967	
Consideration:		
Cash consideration	1,425,967	
Costs associated with the acquistion	-	
	1,425,967	

(c) On 3 April 2008, Saferoads Pty Ltd purchased 100% of the shares in Saferoads NZ Limited (Incorporated in New Zealand). As at 30 June 2008 the company had not commenced trading.

22 COMMITMENTS AND CONTINGENCIES

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	$	$	$	$
Operating Lease - properties				
Non-cancellable operating leases:				
- less than one year	450,623	187,224	-	-
- later than one year but less than five years	725,800	533,840	-	-
Total operating lease commitments	1,176,422	721,064	-	-
Operating Lease - vehicles				
Non-cancellable operating leases:				
- less than one year	134,317			
- later than one year but less than five years	402,073			
Total operating lease commitments	536,391	-	-	-
Hire Purchases				
Hire purchase commitments payable:				
- less than one year	263,648	304,504	-	-
- later than one year but less than five years	123,809	305,717	-	-
	387,457	610,221	-	-
Less future finance charges	(23,907)	(52,488)	-	-
Total hire purchase liability	363,550	557,733	-	-
Reconciled to:				
Current liability	244,264	269,589	-	-
Non-current liability	119,286	288,144	-	-
	363,550	557,733	-	-

There are no material contingent liabilities or contingent assets.

23 RELATED PARTY DISCLOSURE

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		Investment	
		2008	2007	2008 ($)	2007 ($)
Saferoads Pty Ltd	Australia	100%	100%	27,030,708	27,030,708

24 EVENTS AFTER BALANCE DATE

On 7th August 2008, the directors of Saferoads Holdings Limited declared a final dividend on ordinary shares in respect of the year. The total amount of the dividend is $1,300,000, which represents a fully franked dividend of 5.0 cents per share. The dividend has not been provided for in the 30 June 2008 financial statements.

25 AUDITORS' REMUNERATION

	2008 ($)	2007 ($)
Amounts received or due and receivable by Armitage Downie & Co for the audit of the financial report.	46,235	37,000
Other assurance services	2,120	12,510

26 DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Management Personnel

(i) Directors

Gary Bertuch Chairman
Darren Hotchkin Managing Director
Duncan Smith Non-Executive
Gerard Keeghan Non-Executive

(ii) Executives

Richard Purser General Manager
Bill Cruickshank Company Secretary

(b) Compensation of Key Management Personnel

(i) Compensation Policy

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.

(ii) Compensation of Key Management Personnel

	Short Term			Post Employment	Long Term	Share Based Payment	Total	Performance Related
30 June 2008	Salaries & Fees	Fringe Benefits	Cash Bonus	Super-annuation	Long Service Leave	Options		
	$	$	$	$	$	$	$	%
Non Executive Directors								
Gary Bertuch	60,000	-	-	5,400	-	-	65,400	
Duncan Smith	36,000	-	-	3,240	-	-	39,240	
Gerard Keeghan	36,000	-	-	3,240	-	-	39,240	
Executive Director								
Darren Hotchkin	256,857	1,697	45,182	20,642	11,807	-	336,185	13
Executives								
Richard Purser	212,071	2,469	45,182	17,061	2,991	68,000	347,774	13
Bill Cruickshank	93,617	-	3,012	9,274	(5,681)	-	100,222	3
	694,545	4,166	93,376	58,857	9,117	68,000	928,061	

	Short Term			Post Employment	Long Term	Share Based Payment	Total	Performance Related
30 June 2007	Salaries & Fees	Fringe Benefits	Cash Bonus	Super-annuation	Long Service Leave	Options		
	$	$	$	$	$	$	$	%
Directors								
Gary Bertuch	50,000	-	-	4,500	-	-	54,500	
Darren Hotchkin	166,407	12,336	168,873	14,977	(4,617)	-	357,976	47
Duncan Smith	30,000	-	-	2,700	-	-	32,700	
Gerard Keeghan	30,000	-	-	2,700		-	32,700	
Executives								
Wayne Portelli	98,828	-	9,426	9,743	526	-	118,523	8
Bill Cruickshank	75,274	-	9,426	7,623	1,961	-	94,284	10
	450,509	12,336	187,725	42,243	(2,130)		690,683	

(c) Options Granted as Remuneration

Key Management Personnel	No Vested	No Granted	Grant Date	Value per Option at Grant Date	Exercise Price	First Exercise Date	Last Exercise Date
				$	$		
Richard Purser	Nil	200,000	7/7/2007	0.68	3.50	7/7/2009	7/7/2017

The option value was calculated using an option pricing model using the following inputs:

Weighted average exercise price	$3.50
Weighted average life of the option	10 years
Underlying share price	$2.70
Expected share price volatility	30%
Risk free interest rate	10%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of the future, which may not eventuate.

Options for shares in the company were issued for nil consideration and confer a right of one ordinary share for every option held. No options have vested during the year. Personnel must be an employee of the company at vesting date in order for the options to vest.

	Options Granted as Part of Remuneration	Total Remuneration Represented by Options	Options Exercised	Options Lapsed	Total
	$	%	$	$	$
Richard Purser	68,000	100%	-	-	68,000

(d) Shareholdings of Key Management Personnel

Shares held in Saferoads Holdings Limited

	Balance at 1 July 2007	Acquired	Sold	Balance 30 June 2008
Directors				
Gary Bertuch	20,000	-	-	20,000
Darren Hotchkin	4,237,500	103,875	-	4,341,375
Duncan Smith	1,087,500	-	-	1,087,500
Gerard Keeghan	-	-	-	-
Executives				
Richard Purser	-			-
Bill Cruickshank	4,500	29,900		34,400
Total	5,349,500	133,775	-	5,483,275

Shares held in Saferoads Holdings Limited

	Balance at 1 July 2006	Acquired	Sold	Balance 30 June 2008
Directors				
Gary Bertuch	10,000	10,000	-	20,000
Darren Hotchkin	6,037,500	-	(1,800,000)	4,237,500
Duncan Smith	1,437,500	-	(350,000)	1,087,500
Gerard Keeghan	-	-	-	-
Executives				
Wayne Portelli	1,150,000	-	(350,000)	800,000
Bill Cruickshank	2,500	2,000	-	4,500
Total	8,637,500	12,000	(2,500,000)	6,149,500

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.

(d) Other Transactions with Key Management Personnel

Duncan Smith is a partner of accounting firm Smith McCarthy Wilson. The firm provided accounting services of $81,000 (2007: $69,500) to the Group during the year.

A property owned by Managing Director Darren Hotchkin, was rented by the company during the year for accommodation use by senior interstate personnel when staying in Victoria in connection with company activities. Rent paid for year totalled $10,183.

7 Directors' Declaration

Directors: Left to right - Gary Bertuch, Darren Hotchkin, Duncan Smith, Ged Keeghan

In accordance with a resolution of the Directors of Saferoads Holdings Limited ("the Company"), I state that:

In the opinion of the Directors

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

   (i) giving a true and fair view of the Company's and the Consolidated Entity's financial position as at 30 June 2008; and of their performance for the year ended that date; and

   (ii) complying with Accounting Standards and Corporations Regulations 2001; and

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

On behalf of the Board.

G Bertuch

G Bertuch
Chairman

27 August 2008

WHK Armitage Downie

Auditors Independence Declaration to the Board of Saferoads Holdings Limited

In relation to our audit of the financial report of Saferoads Holdings Limited for the financial year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Armitage Downie & Co

Armitage Downie & Co

Justin Brook
Partner

Date: 27 August 2008

Total Financial Solutions
WHK Pty Ltd ABN 84 006 466 351
Armitage Downie & Co ABN 27 621 602 883
Horwath refers to Horwath International Association, a Swiss verein.
Each member of the Association is a separate and independent legal entity.

Offices at: Bairnsdale, Braeside, Dandenong, Lilydale, Pakenham, Sale, Traralgon, Warragul

Member Horwath International
3 Napier Street Warragul Victoria 3820
PO Box 346 Warragul Victoria 3820
Telephone 03 5622 7500 Facsimile 03 5623 6948
Email armitage@whkarmitagedownie.com.au
www.whkarmitagedownie.com.au

WHK Armitage Downie

INDEPENDENT AUDITOR'S REPORT

To the Members of Saferoads Holdings Limited

We have audited the accompanying financial report of Saferoads Holdings Limited (the company) and Saferoads Holdings Limited and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2008, the income statement, statement of changes in equity, cash flow statement for the year then ended, a summary of significant accounting policies other explanatory notes and the directors declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2 the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

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www.whkarmitagedownie.com.au

WHK Armitage Downie

In our opinion:

a) the financial report of Saferoads Holdings Limited and Saferoads Holdings Limited and Controlled Entities is in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the company's and consolidated entity's financial position as of 30 June 2008, and of their financial performance for the year then ended; and

   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) The financial report also complies with International Financial Reporting Standards as disclosed in note 2.

Remuneration on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2008.
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.

Auditor's Opinion

In our opinion the Remuneration Report of Saferoads Holdings Limited for the year ended 30 June 2008, complies with section 300A of the Corporations Act 2001.

Armitage Downie & Co

Justin Brook
Partner
Date: 27 August 2008
Place: Warragul

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10 Shareholder Information

ASX ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 19 July 2008.

As at this date the Company had on issue 26,000,000 ordinary shares held by 1,184 shareholders.

Substantial Shareholders

Holdings of substantial shareholders as advised to the Company are set out below.

Holders of relevant interest	Number of ordinary shares in which interest was held
D J Hotchkin	4,341,375
Acorn Capital Limited	1,874,000
D F Smith	1,087,500

Twenty Largest Shareholders

Name	Number of shares	% Held
Darren John Hotchkin	3,837,500	15.09
National Nominees Limited	2,614,193	10.28
J P Morgan Nominees Australia Limited	1,611,512	6.33
Cogent Nominees Pty Limited	1,419,627	5.58
Duncan Francis Smith	1,087,500	4.28
Jeffrey Stewart Herdman	600,000	2.36
Harold Gordon Hotchkin	575,000	2.26
ANZ Nominees Limited <Cash Income A/c>	458,690	1.80
Bond Street Custodians Limited <Ganes Value Growth A/c>	418,755	1.64
Jennifer Ann Hotchkin	400,000	1.57
Citycorp Nominess Pty Limited <Cwlth Bank Off Super A/c>	359,483	1.41
Mr Wayne Phillip Portellii <FW & J Portelli A/c>	355,000	1.40
UBS Nominess Pty Ltd	334,043	1.31
Equity Trustees Limited <SGH Micro Cap Trust>	275,000	1.08
Sandhurst Trutees Ltd <JMFG Consol A/c>	207,584	0.82
Koonung Nominees Pty Ltd	200,000	0.79
HSBC Custody Nominees (Australia) Limited	199,981	0.79
Mr Kevin Frederick Dale & Mrs Myrney Clarice Dale <K&M Dale Super Fund A/c>	162,973	0.64
Invia Custodian Pty Ltd <Ganes Focused Value Fund A/c>	133,000	0.52
ANZ Nominees Limited <SL Cash Income A/c>	132,036	0.52
	15,381,877	60.64

Distribution of shareholdings

Range	Total Holders	Units
1 – 1,000	197	122,867
1,001 – 5,000	488	1,611,860
5,001 – 10,000	250	2,149,572
10,001 – 100,000	224	5,579,412
100,001 – and over	25	15,976,289
	1,184	26,000,000

There are currently 17 shareholders with less than a marketable parcel of 242 shares.

VOTING RIGHTS

All ordinary shares carry one vote per share.

NUMBER OF ORDINARY SHARES SUBJECT TO ESCROW

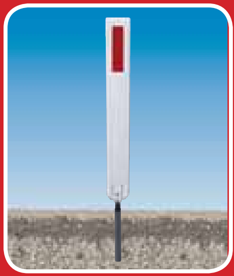
Of the 26,000,000 ordinary shares, 560,000 were issued to D Williames as part of the purchase consideration of Swift Tech Solutions Pty Ltd and Swift Cartage Pty Ltd. and are held by Superannuation and Equity Services Pty Ltd in escrow for 24 months from 2 October 2006.

11 Corporate Directory

Directors	Solicitors
Gary Bertuch (Non-Executive Chairman) Darren Hotchkin (Managing Director) Duncan Smith (Non-Executive Director) Gerard (Ged) Keeghan (Non-Executive Director)	Maddocks 140 William Street Melbourne VIC 3000 Andrew Gray & Associates Old Post Office 102 High St Berwick VIC 3806
Company Secretary	**Bankers**
Bill Cruickshank	Commonwealth Bank of Australia Warragul Vic 2820
Registered Office	**Auditors**
Lot 8 Weerong Rd Drouin VIC 3818 Telephone: 03 5625 4981 Facsimile: 03 5625 4986	Armitage Downie & Co 3 Napier Street Warragul VIC 3820
Share Register	**Accountants**
Registries Limited 28 Margaret Street Sydney NSW 2000 PO Box R67 Royal Exchange NSW 1223 Telephone: 02 9290 9600 Facsimile: 02 9279 0664	Smith McCarthy Wilson Queen Street Warragul VIC 3820 **ASX Code** SRH

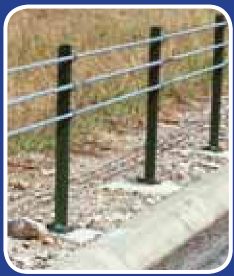
saferoads
Total Road Safety Solutions

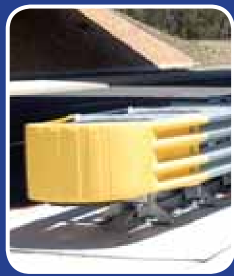
Saferoads Product Range



GUIDE POSTS & FLEXIBLE SIGNAGE

- Snaploc Guide Post
- Econo Guide Post
- Supa-Drive Guide Post
- Dig-In Guide Post
- Flexible Signage and Assemblies





CRASH CUSHIONS & BARRIERS

- Rubber Crash Cushions
- QuadGuard
- Quest
- Guardrail and End Terminals
- Gibraltar Wire Rope Systems
- OmniStop



WORKZONE

- Ironman Barrier
- Triton Barrier
- T-Lok Barrier
- Blockout Pedestrian Barrier
- Safestop TMA
- Bollards and Cones



TRAFFIC CALMING SOLUTIONS

- Rubber Roundabouts
- Rubber Speed Cushions
- Rubber Lane Maker
- Rubber Kerbing
- Speed Humps
- Wheel Stops



TRAFFIC CONTROL PRODUCTS

- Portable Traffic Lights
- Directional Arrow Boards
- Variable Message Signs
- Speed Display Signs
- NiteStar
- Hazard Warning Systems



PUBLIC LIGHTING

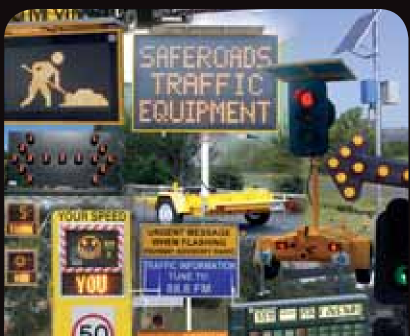
- Decorative Columns
- Standard columns
- Flag Poles
- Street Name Poles
- Decorative Bollards
- Luminaries

WORKZONE

CRASH CUSHIONS
& BARRIERS

PUBLIC LIGHTING

TRAFFIC CALMING
SOLUTIONS



TRAFFIC CONTROL
PRODUCTS

GUIDE POSTS &
FLEXIBLE SIGNAGE

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