

Appendix 4E Full year report

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

1. Reporting periods

Year ended (‘current period’)	Year ended (‘previous corresponding period’)
30 June 2010	30 June 2009

2. Results for announcement to the market

	Current period	Previous corresponding period	% Change increase / (decrease)	Amount (\$) increase / (decrease)
Key information				
Revenues from ordinary activities	48,971,508	56,962,714	-14%	(7,991,206)
Profit from ordinary activities after tax attributable to members	2,035,154	1,437,081	42%	598,073
Net profit (loss) for the period attributable to members	2,035,154	1,437,081	42%	598,073
Dividends (distributions)			Amount per share	Franked amount per share at 30% tax
Final dividend	Record Date Payable		N/A	N/A
Interim dividend	Record Date Paid		N/A	N/A
Supplementary comments				
Commentary in respect of the results is provided in the Directors' Report, which forms part of the full-year report ended 30 June 2010.				
3. Income Statement, Balance Sheet and Cash Flow Statement				
Please refer to the audited Financial Report for the year ended 30 June 2010.				

4. Dividends

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

5. Dividend reinvestment plans

The dividend reinvestment plan referred to in the prospectus is currently not in operation.

6. Statement of Retained Earnings

Please refer to the audited Financial Report for the year ended 30 June 2010.

7. NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary share (\$)	0.41	0.34

8. Acquired entities

N/A

9. Associates and Joint Ventures

N/A

10. Foreign entities

N/A

SAFEROADS HOLDINGS LIMITED

ABN: 81 116 668 538

FINANCIAL REPORT

FOR THE YEAR ENDED

30 JUNE 2010

Chairman's Overview

Dear Shareholder,

On behalf of the Board of Directors I present the Annual Report for Saferoads Holdings Limited for the financial year 2009-10.

This year has been another extremely challenging year for the Company. It has been a year of two distinct halves, with revenue and profit in the first half showing strong signs of recovery from the impact of the global financial crisis, reflecting a return of business confidence. However, this business confidence appeared to evaporate in the second half and sales and profit contracted considerably, demonstrating a similar reversal to that which occurred in the previous financial year.

It would appear that the much publicised Government infrastructure stimulus packages have not yet had time to impact on the road construction and maintenance industries and there has been a general reduction in new road infrastructure spending over the past twelve months. This has led to a corresponding reduction in demand for Saferoads' products and services, particularly for the products that have been traditionally sold to road construction hire companies and contractors, one of Saferoads' key market segments. The reduction in road infrastructure spending has also made the road construction industry more competitive with a resultant pressure on sales and profit margins. In this regard, Saferoads opted for margin maintenance rather than revenue growth and subsequently the total sales for financial year 2009-10 were \$49m which was a reduction of 14% compared to 2008-09. NPAT for the year was \$2.04m, or a 42% increase on last year.

However, despite of the market volatility over the past twelve months, the Company continues to operate in a relatively stable environment with federal, state and municipal government spending on road construction and maintenance providing a solid foundation for the sales of Saferoads products and services. The anticipated increase in expenditure on road infrastructure once government stimulus package initiatives kick in will provide real opportunities for future growth.

Saferoads' innovative proprietary products continue to underpin the Company's medium and long term future. These products historically command higher profit margins and have been largely responsible for the rapid growth that Saferoads has achieved since listing. The Company's strategic plan incorporates an aggressive product development program over the next 24 months which in the medium term will increase the revenue and profitability derived from products incorporating in-house intellectual property. Accordingly, the Company will fast track its research and development programme this year. Already since July 10, the Research and Development team has commenced initial trials on several products with positive results to date and other products are scheduled to commence trials later in the year. Recent examples of successful Saferoads R&D developments are the "SafePole"™ impact light pole and the moveable Ironman barrier. SafePole™, which was reported in last year's annual report, has achieved considerable market penetration over the past 12 months and the moveable Ironman barrier is undergoing market rental trials.

During the year the Company continued to concentrate on debt reduction, bottom line performance and organic growth. Over the course of the financial year, interest bearing debt was managed down from \$11.1m to \$7.0m at 30 June 2010. NPAT as a percentage of revenue increased from 2.8% in 2008-09 to 4.2% for 2009-10. Whilst the Company will continue to focus on debt reduction, planned expenditure in R&D will increase to ensure a continued stream of innovative products are made available to the road safety market.

For the second year in a row the Directors have regrettably determined not to pay a dividend. Again, this decision has not been taken lightly, but the Board considers it to be prudent to conserve its cash position until the markets in which Saferoads operate stabilise and return to their historic profit levels.

On behalf of the Board, I would like to thank Darren Hotchkin, his senior management team and our dedicated national teams for their commitment to Company's performance over the past demanding twelve months. I also wish to acknowledge the active participation and prudent counsel of my fellow Directors during the challenging 2009-10 year.



G Bertuch
Chairman

Managing Director's Review of Operations and Activities

Performance during 2009 -2010

I present the Managing Director's Review of Operations and Activities for Saferoads Holdings for the 2009 - 2010 reporting period.

Saferoads Holdings Limited has now completed its fifth year as a listed company.

The Company has continued to follow its business strategy focussed on being a major supplier of total road safety solutions in the Australian and New Zealand markets. The Company attained annual operating revenues of \$49.0 million (FY2009: \$57.0 million) and net profit after tax (NPAT) of \$2.04 million. (FY2009: \$1.44 million). For the full year, operating revenue fell by 14%, but NPAT increased by an encouraging 42% compared with the full FY2009 period.

Whilst the overall decline in operating revenue was not anticipated until late in the year the improvement in NPAT both in real terms and as a percentage of revenue continued to be a vindication of the structural changes the Company made late in the second half of FY2009.

The 2009-10 year was characterised by two halves. In the first half of the year sales were strong and demonstrated a recovery in demand after the global financial crisis. The Company also benefited from a favourable product mix in sales and the strengthening of the Australian dollar against the US dollar. This, together with continued tight management control on all overhead and discretionary spending, resulted in a much improved NPAT for the first six months.

However, in the second half, we witnessed a further slowdown in new major road activity despite the infrastructure stimulus packages introduced by the federal government. This factor, together with a reduction in business confidence around Australia, led to a further slowdown in capital expenditure by our major customers. The slowdown in major road infrastructure spending reduces the demand for Saferoads' products and services in general.

The sales and profit performance of Saferoads' public lighting product range declined significantly compared to previous years. This was due to a movement by authorities and developers away from decorative street light poles towards more standardised poles, and increasing pressure on profit margins from competitors who are sourcing products from China. The Company's proprietary "SafePole"™ continues to find ready market acceptance particularly in Victoria and as approvals for deployment in other states is achieved this product will be a significant contributor to our overall financial performance.

Whilst activity in the Civil Services portfolio slowed compared with the prior year and also compared with budget projections, there has been a pleasing improvement in margins. This portfolio also has considerable synergies with other product portfolios and has become a key contributor to the Company's business. Sound growth opportunities remain for this portfolio as state and federal governments focus on road safety and on the reduction of the incidence and severity of road accidents.

Historically, Saferoads has purchased its range of variable message signboards (VMS) from third party suppliers. However, in order to improve the VMS product offering, quality and profit margins and to be able to control its destiny in this important market segment, the Company devoted considerable resources during the year to the development of its own proprietary range of VMS's. The change in product supply lines meant that for much of the year we were not an active supplier in this market and accordingly sales were only 60% of the prior year. Our new "Zone" range VMS is attracting considerable interest from hire and rental companies and strong sales for this product are forecast in the 2010-11 year.

Sales in Victoria and South Australia / Northern Territory were largely in line with the prior year. However, sales in New South Wales were 18% lower and sales in Queensland were a disappointing 40% below the

previous year. The Company believes that the performance in NSW and Qld generally reflects the state of the markets in those two states.

This is the second year of direct operations in New Zealand. Whilst sales in 2009-10 were slightly lower than for the previous year, there are good growth opportunities. Potential customers have welcomed an additional entrant in the road safety products market but have been slow to transfer their business. New Zealand remains an important component in the Company's growth strategy.

Several issues affected the full year's profit line, all impacting the second half of the year, including write down or liquidation of redundant stock, a product dispute settlement with a major customer relating to goods provided in previous years, and a civil contracting company ceasing to trade leaving Saferoads with a bad debt. The Company has made a reasonable provision for future bad and doubtful debts in the year-end accounts.

Looking ahead

The Company remains cautiously optimistic for the 2010-11 year. As we advised in our Shareholders' Newsletter in May 2010, the market in which the Company operates continues to be challenging. However, we believe that whilst growth in the road construction activity may not be as strong as in recent years we are well positioned to benefit from current and new road infrastructure projects.

Based on the Company's cautious outlook we have put in place a relatively conservative budget which targets a sales growth of 7.7% in revenue, with a marginally improved profit performance.

We continue with new product development and with obtaining approvals and through this activity we continue to broaden our product base and to expand our market share in an increasingly competitive market. We have a full program of research and development planned for the year.

One product range which has moved through the development phase is the moveable Ironman barrier. We believe that this has general global applications where additional lane closure is required in off-peak traffic flows. The company is trial marketing the application of the moveable Ironman through its own rental operations.

The Company has commenced the year on a solid note with sales for the month of July being the highest since July last year. The order book as at July 2010 was healthy with a good spread across most product portfolios. It is particularly pleasing to see the level of orders in the system for temporary barriers and civil services.

Whilst the principal focus remains on organic growth, we will continue to be watchful for any suitable strategic business arrangements which would be consistent with the Company's core business and which would ensure a reasonable benefit to the Shareholders.

I wish to thank all of the Company's employees – production, sales and management – for their strong commitment and dedication during this difficult year.

And thank you, our Shareholders, for your continuing confidence in Saferoads Holdings Limited. This has been another difficult year for Shareholders and we are working hard to return the Company to a position of steady, sustainable growth, with reliable dividends and a restoration in shareholder value.



Darren Hotchkin
Managing Director

Directors' Report

Your Directors submit their report for the year ended 30 June 2010.

DIRECTORS

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

DIRECTOR PROFILES

Gary C Bertuch (Age 59) **Non-Executive Chairman**

Gary Bertuch was appointed to the Board on 31 October 2005 and was re-elected at the October 2008 AGM. He is Chairman of the Remuneration Committee.

He has extensive experience in the project development, capital raising and construction industries. Until recently, Gary was the Executive Chairman of HydroChile Pty Ltd, a company which develops, builds and operates hydro-electric power stations in the Republic of Chile. 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

He is also currently a non-executive director of the international project management group, Thinc Projects, and a non-executive director of the infrastructure investment group Hi-Head Power.

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

Darren J Hotchkin (Age 46) **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 automotive industry where he owned and operated several businesses. 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.

As Managing Director, Darren's key contribution to the business continues to be in the strategic development of the Company's product range and manufacturing processes as well as in business development. He continues to be active in Research and Development and in seeking to effectively expand the Company's product base through international research of products which have the potential to find a sustainable place in the Australian market.

Gerard (Ged) Keeghan (Age 49) **Non-Executive Director**

Ged was appointed to the Board on 31 October 2005 and re-elected at the October 2007 AGM. 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 and as a Director of the construction materials company Astec Pty Ltd which operated in the three eastern States of Australia from 1993 to 2002. He is a founding Director of Cortek Developments Pty Ltd, a Victorian based commercial and industrial builder and

developer, which commenced in 1988. 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 67)
Non-Executive Director

Duncan was appointed to the Board on 21 October 2005 and was re-elected at the October 2006 and October 2009 AGMs. 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 Health Care Group.

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

COMPANY SECRETARY

Bill Cruickshank (Age 67)
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 Bill was Finance and Administration Manager, during which time he oversaw the successful compliance with the Civil Contractors Federation civil construction code, and the successful implementation of an ISO accredited integrated quality, safety and environmental management system. 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.

Bill holds a Bachelor of Business (Accounting) with sub-majors in law and economics, from Monash University and is an associate member of the Chartered Secretaries' Association.

SENIOR MANAGEMENT PROFILES

Hamish Webb
General Manager Sales & Operations

Hamish joined Saferoads in May 2006 as the State Manager for Queensland. Since then Hamish has relocated to Victoria and after several positions and role changes he was appointed General Manager in January 2010. Hamish has a solid senior management background and is experienced in sales, manufacturing and contracting businesses with particular focus in the building and construction sectors. Prior to joining Saferoads he had more than 15 years experience in the building industry, the last four years of which were in General Manager/CEO positions for Sinero Pty Ltd.

Hamish is a fellow of the Australian Institute of Management and an affiliate member of Australian Institute of Company Directors.

Chief Financial Officer

Tony joined Saferoads in October 2007 as Commercial Manager, and after several minor role changes was appointed as Chief Financial Manager in January 2010. Tony 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.

Vicki Commadeur

Human Resources Manager

Vicki joined Saferoads in October 2008 as Human Resources Manager. She is also responsible for the Company's Quality, Safety and Environmental Management systems.

Vicki has worked for many years in areas of finance, occupational health and safety, training, management systems and human resources. Prior to joining Saferoads, she worked for VIP Packaging for 14 years in various roles including being heavily involved in continuous improvement programs, training and development programs for employee up-skilling, and establishing quality and safety systems across the organisation.

Vicki has Diplomas in Human Resources, and in Training, and brings to Saferoads an increased focus on the critical areas of occupational health, safety and personnel management.

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	5,027,775
Duncan Smith	1,200,000
Gerard (Ged) Keeghan	50,000

DIVIDENDS

At the Board Meeting held 24 August 2010, the Directors resolved that no final dividend would be paid for the 2009-10 year.

Description	Cents per Share	Total Amount \$	Date of Payment
2009 Final dividend paid (fully franked)	0.0	Nil	N/a
2010 Interim dividend paid (fully franked)	0.0	Nil	N/a
2010 Final dividend (fully franked)	0.0	Nil	N/a

PRINCIPAL ACTIVITIES

The principal activity of the Group for the year 2009-10 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 specifications and others are manufactured and/or assembled on our premises.

Products and services the Company provides includes flexible guide posts; rubber or plastic roundabouts and pedestrian islands; variable message sign boards; decorative and standard street and freeway light poles; traffic signals; crash cushions and barriers; and guardrail and wire rope safety barriers.

In all its activities, the Company remains focussed 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 and activities of the Company during the financial period and the results of these operations is set out in the Chairman's Overview and Managing Director's Review of Operations and Activities.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the 2009-2010 year, there has been no significant change in the Company's state of affairs.

SIGNIFICANT EVENTS AFTER BALANCE DATE

No significant events have occurred after balance date.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the year Directors and Officers 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 there were no un-issued shares of the company under option.

REMUNERATION REPORT

The Company's remuneration policy is to ensure that the level of remuneration paid to key personnel is market competitive and will help to attract and retain the skills and expertise required. To determine what is a competitive level of remuneration the Company refers to the Australian Institute of Management Salary Survey and to information provided by other professional organizations.

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 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 2009-10 was \$153,145. Their remuneration packages comprised only fixed Directors' fees plus statutory superannuation and were 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 \$220,000, statutory superannuation at 9% and a bonus incentive of 5% of NPBT when actual NPBT exceeded budget NPBT of \$4.6m.

Because the Company did not achieve budget NPBT, no bonus incentive for 2009-10 is payable.

Company Secretary

The remuneration package for Mr Bill Cruickshank, Company Secretary, comprised an annual base salary of \$25,584 for company secretarial work and a fixed hourly rate for non-company secretarial work.

General Manager Sales & Operations

The remuneration package for Mr Hamish Webb, General Manager Sales & Operations, comprised a base salary of \$220,000, fringe benefits, statutory superannuation at 9% and a bonus incentive of 3% of NPBT when actual NPBT exceeded budget NPBT of \$4.6m

Because the Company did not achieve budget NPBT, no bonus incentive for 2009-10 is payable.

Chief Financial Officer

The remuneration package for Mr Tony Wyatt, Chief Financial Officer, comprised a base salary of \$170,000, fringe benefits, statutory superannuation at 9% and a bonus incentive of 2% of NPBT when actual NPBT exceeded budget NPBT of \$4.6m

Because the Company did not achieve budget NPBT, no bonus incentive for 2009-10 is payable.

Human Resources Manager

The remuneration package for Mrs Vicki Commadeur, Human Resources Manager, was \$100,000, fringe benefits, statutory superannuation at 9% and a bonus incentive of 2% of NPBT when actual NPBT exceeded budget NPBT of \$4.6m

Because the Company did not achieve budget NPBT, no bonus incentive for 2009-10 is payable.

PERFORMANCE-BASED REMUNERATION

Performance-based remuneration (bonus incentive) for key executives for the year 2009-10 was based on the Company performance (NPBT) exceeding that set in the budget (\$4.6 million). Because this Key Performance Indicator was not achieved, no bonus incentive is payable to the named executives.

All bonus incentive payments for 2010-11 will be based on achieving a NPBT above that set in the 2009-10 budget (\$4.3m).

Base salaries for the named executives for 2010-11 will remain unchanged, but will be reviewed at 30 December 2010.

EMPLOYMENT CONTRACTS

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

REMUNERATION OF DIRECTORS AND NAMED EXECUTIVES

30 June 2010	Short Term				Post Employment	Long Term	Share Based Payment	Total	Performance Related
	Salaries & Fees	Fringe Benefits	Cash Bonus	Termination Payment	Superannuation	Long Service Leave	Options		
	\$	\$	\$		\$	\$	\$	\$	%
Non Executive Directors									
G Bertuch	60,500	--		-	5,445	--		65,945	-
G Keeghan	40,000	--		-	3,600	--		43,600	-
D Smith	40,000	--		-	3,600	--		43,600	-
Executive Director									
D Hotchkin	220,000	14,076	--		19,800	(22,164)	-	231,262	-
Named Executives									
B Cruickshank	81,026	--	--		7,292	1,417	-	89,736	-
H Webb	220,000	9,970	-		19,800	11,037	-	260,807	
T Wyatt	170,000	6,657	--		15,300	5,305	-	197,362	-
V Commadeur	100,000	7,583	--		9,000	2,886	-	119,469	
Total	929,548	38,386	-	-	83,837	(1,969)	-	1,049,802	

DIRECTORS' MEETINGS

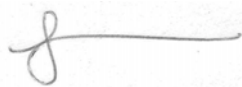
The number of meetings of Directors (including meetings of committees of Directors) held during the year, and the numbers of meeting attended by each Director, were as follows:

Names	Directors		Audit		Remuneration	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Mr G Bertuch	11	11	-	-	1	1
Mr D Hotchkin	11	11	5	5	-	-
Mr D Smith	11	11	5	5	1	1
Mr G Keeghan	11	11	5	5	-	-

AUDITORS' INDEPENDENCE DECLARATION

The attached independence declaration has been obtained from the Company's auditors, WHK Audit (Vic).

Signed in accordance with a resolution of Directors



Ged Keeghan
Director
Drouin

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 reports 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.

The Company has a Corporate Governance Charter, a copy of which is posted on the Company’s website (www.saferoads.com.au) under the Investor Relations icon.

The Board advises that it intends to make an early transition to the proposed changes to the Corporate Governance Principles and Recommendations in its Annual Report for the year commencing June 2010.

The Board acknowledges that it does not comply with Recommendations 2.1, 2.4, 4.2 and 8.1. Reasons for non-compliance are given in the commentary in each relevant section.

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 Company has established the functions reserved for the Board and those delegated to Management.

The primary responsibilities of the Board are to:

- determine the strategic direction of the Company,
- set financial targets,
- monitor the implementation and execution of strategy and performance against financial targets, and
- appoint and oversee the performance of executive 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.

In essence, it is the responsibility of Management to manage the day to day operation of the business, ensuring that key performance indicators and financial measures are met, whilst also managing the Company in accordance with the strategies, plans and policies approved by the Board. The Board has also delegated to Management the responsibility for identifying areas of organic and acquisition growth, and developing appropriate business cases for board review and strategic decision making.

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 posted 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, the General Manager - Sales and Operations and the Chief Financial Officer are performance-evaluated on an annual basis against key performance indicators (KPIs) clearly stated in 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 but also address safety and environmental issues as well as human resource issues.

Recommendation 1.3: Companies should provide information indicated in the Guide to Reporting on Principle 1.

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 posted on the Company's website (www.saferoads.com.au) under the Investor Relations icon.) Section 2 also refers to Management responsibilities.

The Board confirms that evaluation of senior executives took place in accordance with the process detailed in Recommendation 1.2.

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 Board comprises four Directors: three non-executive Directors and the Managing Director. Of the three non-executive Directors, two are independent – Mr G Bertuch and Mr G Keeghan.

The Board acknowledges that Mr Smith is not independent. Mr Smith is a major shareholder, and is a partner in a public accounting firm. He is a founding partner of the business when it was incorporated in 1992. The Board considers that Mr Smith's in-depth knowledge of the business, coupled with his experience as accountant and financial adviser adds considerable value to his contribution to the Company's strategic management.

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.

None of the Directors deemed to be independent has any business or other relationship with the Company which could materially interfere with – or which could reasonably be perceived to materially interfere with – the independent exercise of their judgment. 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. This should provide opportunity to comply with this recommendation.

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 roles of chair and chief executive officer are not exercised by the same individual. The Chairman of the Board is Mr G Bertuch; the Managing Director (CEO) is Mr D Hotchkin. There is clear delineation between their respective duties.

Recommendation 2.4: The Company should establish a nomination committee.

The Company does not have at this point 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 (October 2005), and all of whom have been subsequently re-elected at Annual General Meeting (AGM). The Director who retired and was re-elected at the October 2007 AGM (Mr G Keeghan) retires again at this year's AGM, and being eligible offers himself again for re-election.

When the Board considers it appropriate to increase the number of directors the Board will fully brief external agencies to develop a short list of suitable potential candidates, in view of the skills required to maximise the effectiveness of the Board, taking cognizance also of diversity issues. The Board as a whole will conduct final interviews.

Recommendation 2.5: Companies should disclose the process for Board, Committee and Director evaluation.

The Company has in place a Board Evaluation and Performance Review Self Administered Questionnaire which is broadly aligned with the Corporate Governance Principles but which provides for additional comment from each of the Directors. The results of the questionnaire are consolidated, and then discussed by the Board. The evaluation process for the 2009-10 year took place in August 2010.

Recommendation 2.6: Companies should provide the information indicated in the Guide to Reporting on Principle 2.

Additional information regarding the skills, experience and qualifications of the Directors is disclosed in the Directors' Report.

The right of a Director to seek independent legal advice is referred to in the Corporate Governance Charter section 2.9.2.

The Company's Corporate Governance Charter (section 2.6) 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 when the size and complexity of the Company warrants an increase in the number of Directors. The Board may make use of external professional advisors to assist with the recruitment process.

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 - Sales and Operations, the Chief Financial Officer, and with other key management personnel. These agreements 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, Mr D Smith. Nominated personnel include Directors, Senior Managers and other employees with access to financial and operational matters.

A copy of the Company's Share Trading Policy is posted on the Company's website. A summary of the policy is also available in the Company's Corporate Governance Charter, Section 3.

Recommendation 3.3 Companies should provide the information indicated in the Guide to Reporting on Principle 3.

Information referred to in Principle 3 is available on the Company's website (www.saferoads.com.au) under the Investor Relations icon.

Note: The Board confirms its intention to make early transition to the proposed changes to Principle 3. Core data has been captured as at 30 June 2010, and a diversity policy appropriate to the company together with reasonably measurable objectives will be developed early in the 2010-11 financial year.

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.

WHK Armitage Downie 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.

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), with Mr D Hotchkin (Managing Director) being an invitee. 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. Further detail regarding the skills, experience and qualifications of the members of the Audit & Risk Committee is given in the Directors' Report.

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, with Mr Smith not qualifying as being independent. 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).

Recommendation 4.4 Companies should provide the information indicated in the Guide to Reporting on Principle 4.

The Audit and Risk Committee met five times during the 2009-10 year, with full attendance.

Information regarding the skills, experience and qualifications of the members of the Audit and Risk Committee is disclosed in the Directors' Report.

At this point, the Company does not have a procedure for the selection, appointment and rotation of external audit engagement partners. When a replacement audit engagement partner is required, the Company will seek professional assistance to assist with the engagement process.

The Company confirms that the Company's Corporate Governance Charter is posted on the Company's web site.

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 2009-10 the Board made several announcements as material issues arose.

The Company has a written Continuous Disclosure Policy designed to ensure compliance with listing rules. The policy identifies the type of information that should be disclosed, the decision making process 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.

Recommendation 5.2 Companies should provide the information indicated in the Guide to Reporting on Principle 5.

The Company confirms that a copy of the Continuous Disclosure Policy designed to ensure compliance with ASX listing rules is posted on the Company's web site.

Principle 6 Respect the rights of shareholders.

Recommendation 6.1: Companies should design a communications policy

The Company's approach to communications with shareholders is contained in Section 2.15 of the Company's Corporate Governance Charter. 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 disclosure rules and through providing links from the Company's website to announcements made to the market via the ASX.

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 2009-10 the Company issued a newsletter to all shareholders outlining some of the Company's activities and new products.

Recommendation 6.2 Companies should provide the information indicated in the Guide to Reporting on Principle 6.

The Company confirms that a copy of the Corporate Governance Charter is posted on the Company's website.

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. There is a standing item on the Board agenda to receive a report from the Committee.

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

Since incorporation the Company has had a sound system in place to control and manage risk. However, in June 2009 the Board, through the Audit and Risk Committee, initiated the development of an Enterprise Risk Management Plan (ERM plan), consistent with AS/NZS 4360:2004 Standard for Risk Management. A Risk Management Policy has been developed and signed off on by the Board, and posted on the Company's web site. After an extensive process to identify risks across a wide range of areas including but not limited to financial, safety, environmental and personnel, a register of material business risks has been established, risks have been analysed and evaluated, risk management processes and controls have been put in place and reporting schedules developed. Material business risks that have been evaluated and rated by the Board as being "Very High" are to be reported on monthly to the Board through the Audit and Risk Committee Chairman. Risks that have been evaluated and rated by the Board as being "High" are reported on every two months. Risks rated at less the "high" are reported on less frequently.

The Board has appointed the Company Secretary as Internal Auditor. At each Audit and Risk Committee meeting, 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 Secretary will also perform a pivotal role in the ongoing implementation and management of the ERM plan.

Senior Management has reported to the Board that it considers that the management of the Company's material business risks has been effective.

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 written confirmation from the Managing Director and the General Manager - Finance and Logistics 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.

Recommendation 7.4 Companies should provide the information indicated in the Guide to Reporting on Principle 7.

The Company confirms that statements by Senior Management referred to in Recommendations 7.2 & 7.3 have been received by the Board.

The Company's Risk Management policy is posted on the Company's web site.

Principle 8 Remunerate fairly and responsibly.

Recommendation 8.1: The Board should establish a Remuneration Committee.

The Board has established a Remuneration Committee. The Committee's Charter is to review and advise the Board on compensation arrangements for Directors and Senior Management. Included in the charter is the responsibility for ensuring that remuneration is fair for all employees regardless of gender and ethnic background. 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 Committee met once during 2009-10 with full attendance.

Recommendation 8.2: Structure of the Remuneration Committee

The Remuneration Committee is 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 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.

Recommendation 8.3: 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 forming part of the Directors' Report. Further detail is provided in section 24 of the Notes to Financial Statements.

The remuneration of the non-executive Directors comprises only Directors' fees and statutory superannuation. They have no other entitlement. The remuneration of the executive Director and of other senior managers comprises a base salary, car allowance, statutory superannuation and a performance bonus based on the Company achieving more than the Earnings Before Tax (EBT) achieved in the prior year.

Recommendation 8.4 Companies should provide the information indicated in the Guide to Reporting on Principle 8.

The skills, experience and qualifications of the Remuneration Committee members are detailed in the Directors' Report.

There is no existence of any schemes for retirement benefits for non-executive Directors, other than for statutory superannuation for non-executive Directors.

The Company does not currently have any active equity-based remuneration schemes.

A copy of the Remuneration Committee Charter is included in the Corporate Governance Charter, section 6.

SAFEROADS HOLDINGS LIMITED
Comprehensive Income Statement
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	CONSOLIDATED		PARENT	
		2010	2009	2010	2009
		\$	\$	\$	\$
Revenue	4	48,971,508	56,962,714	-	-
Cost of sales		<u>(30,790,815)</u>	<u>(38,387,133)</u>	-	-
Gross profit		18,180,693	18,575,581	-	-
Other income	4	151,582	265,618	3,361	1,300,209
Employee benefits		(9,046,036)	(9,747,344)	-	-
Amortisation		(73,242)	(71,935)	-	-
Finance costs		(494,058)	(839,799)	-	-
Depreciation		(661,215)	(733,242)	-	-
Other expenses		<u>(5,300,956)</u>	<u>(5,459,029)</u>	<u>(195)</u>	<u>(365)</u>
Profit before income tax	4	2,756,768	1,989,850	3,166	1,299,844
Income tax expense	5	<u>(721,614)</u>	<u>(552,769)</u>	<u>(47)</u>	<u>47</u>
Profit after tax from continuing operations		2,035,154	1,437,081	3,119	1,299,891
Net profit for the period		2,035,154	1,437,081	3,119	1,299,891
Net profit attributable to members of parent		2,035,154	1,437,081	3,119	1,299,891
Other comprehensive income					
Exchange differences on translating foreign controlled entities		<u>30,564</u>	<u>(60,989)</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the period		2,065,718	1,376,092	3,119	1,299,891
Total comprehensive income attributable to members of the parent		2,065,718	1,376,092	3,119	1,299,891
Earnings per share (cents per share)					
- basic for profit for the full year		7.8	5.5		
- diluted for profit for the full year		7.8	5.5		
- dividends paid per share		-	-		

SAFEROADS HOLDINGS LIMITED
Statement of Financial Position
AS AT 30 JUNE 2010

	Notes	CONSOLIDATED		PARENT	
		2010	2009	2010	2009
		\$	\$	\$	\$
ASSETS					
Current Assets					
Cash and cash equivalents	8	2,007,999	744,262	6,300	6,492
Trade and other receivables	9	6,437,760	10,083,478	-	-
Income tax receivable		-	406	-	-
Inventories	11	9,436,973	11,031,258	-	-
Prepayments		466,019	239,312	-	-
Total Current Assets		18,348,751	22,098,716	6,300	6,492
Non-current Assets					
Deferred tax assets	5	31,947	-	-	-
Property, plant and equipment	12	4,303,756	4,584,517	-	-
Other financial assets	13	-	-	27,030,708	27,030,708
Intangible assets and goodwill	14	5,746,159	5,635,836	-	-
Total Non-current Assets		10,081,862	10,220,353	27,030,708	27,030,708
TOTAL ASSETS		28,430,613	32,319,069	27,037,008	27,037,200
LIABILITIES					
Current Liabilities					
Trade and other payables	15	3,986,367	6,254,314	-	3,311
Current tax liabilities		42,575	-	-	-
Interest-bearing loans and borrowings	16	115,743	11,092,564	-	-
Provisions	17	533,210	466,816	-	-
Total Current Liabilities		4,677,895	17,813,694	-	3,311
Non-current Liabilities					
Deferred tax liabilities	5	-	45,117	-	-
Interest-bearing loans and borrowings	16	7,253,564	25,029	-	-
Provisions	17	81,169	82,963	-	-
Total Non-current Liabilities		7,334,733	153,109	-	-
TOTAL LIABILITIES		12,012,628	17,966,803	-	3,311
NET ASSETS		16,417,985	14,352,267	27,037,008	27,033,889
EQUITY					
Contributed equity	18	4,130,708	4,130,708	27,030,708	27,030,708
Reserves	18	(30,425)	(60,989)	-	-
Retained earnings	18	12,317,702	10,282,548	6,300	3,181
TOTAL EQUITY		16,417,985	14,352,267	27,037,008	27,033,889

SAFEROADS HOLDINGS LIMITED
Statement of Cash Flows
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	CONSOLIDATED		PARENT	
		2010	2009	2010	2009
		\$	\$	\$	\$
Cash flows from operating activities					
Receipts from customers		57,408,867	66,916,846	-	-
Payments to suppliers and employees		(49,270,311)	(64,138,284)	(195)	(365)
Interest paid		(494,058)	(839,799)	-	-
Income tax paid		(755,697)	(683,655)	-	(157)
GST paid		(1,281,940)	(901,151)	-	-
Net cash flows from operating activities	8	<u>5,606,861</u>	<u>353,957</u>	<u>(195)</u>	<u>(522)</u>
Cash flows from investing activities					
Interest received		9,009	3,058	3	209
Dividends received		-	-	-	1,300,000
Proceeds from sale of property, plant and equipment		103,260	90,188	-	-
Purchase of property, plant and equipment		(523,542)	(779,557)	-	-
Product developments costs		(183,565)	(462,025)	-	-
Acquisition of businesses		-	(126,945)	-	-
Net cash flows used in investing activities		<u>(594,838)</u>	<u>(1,275,281)</u>	<u>3</u>	<u>1,300,209</u>
Cash flows from financing activities					
Proceeds from borrowings		202,278	2,462,068	-	-
Repayment of borrowings		(3,950,564)	(288,890)	-	-
Equity dividends paid		-	(1,300,000)	-	(1,311,400)
Net cash flows used in financing activities		<u>(3,748,286)</u>	<u>873,178</u>	<u>-</u>	<u>(1,311,400)</u>
Net increase/(decrease) in cash and cash equivalents		1,263,737	(48,147)	(192)	(11,713)
Cash and cash equivalents at beginning of period		744,262	792,409	6,492	18,205
Cash and cash equivalents at end of period	8	<u>2,007,999</u>	<u>744,262</u>	<u>6,300</u>	<u>6,492</u>

SAFEROADS HOLDINGS LIMITED
Statement of Changes in Equity
FOR THE YEAR ENDED 30 JUNE 2010

	Contributed Equity \$	Reserves \$	Retained Earnings \$	Total Equity \$
CONSOLIDATED				
At 1 July 2008	4,198,708	-	10,145,467	14,344,175
Comprehensive income for period	-	(60,989)	1,437,081	1,376,092
Share based payments	51,500	-	-	51,500
Cancellation of options issued as share based payments	(119,500)	-	-	(119,500)
Equity dividends	-	-	(1,300,000)	(1,300,000)
At 30 June 2009	<u>4,130,708</u>	<u>(60,989)</u>	<u>10,282,548</u>	<u>14,352,267</u>
At 1 July 2009	4,130,708	(60,989)	10,282,548	14,352,267
Comprehensive income for period	-	30,564	2,035,154	2,065,718
Equity dividends	-	-	-	-
At 30 June 2010	<u>4,130,708</u>	<u>(30,425)</u>	<u>12,317,702</u>	<u>16,417,985</u>
PARENT				
At 1 July 2008	27,098,708	-	3,290	27,101,998
Comprehensive income for period	-	-	1,299,891	1,299,891
Share based payments	51,500	-	-	51,500
Cancellation of options issued as share based payments	(119,500)	-	-	(119,500)
Equity dividends	-	-	(1,300,000)	(1,300,000)
At 30 June 2009	<u>27,030,708</u>	<u>-</u>	<u>3,181</u>	<u>27,033,889</u>
At 1 July 2009	27,030,708	-	3,181	27,033,889
Comprehensive income for period	-	-	3,119	3,119
Equity dividends	-	-	-	-
At 30 June 2010	<u>27,030,708</u>	<u>-</u>	<u>6,300</u>	<u>27,037,008</u>

SAFEROADS HOLDINGS LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010

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

(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 2010. 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 2010 as a continuation of the legal subsidiary, Saferoads Pty Ltd, with comparative information for the year ended 30 June 2009, 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.

SAFEROADS HOLDINGS LIMITED
Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2010

(e) Foreign currency translation

Functional and presentation currency

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

Transaction and balances

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

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

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

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

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

(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.

SAFEROADS HOLDINGS LIMITED
Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2010

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 8 Operating Segments.

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

Intangibles

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible.

The useful lives of these intangible assets are assessed to be either finite or indefinite.

Where amortisation is charged on assets with finite lives, this expense is taken to the comprehensive 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.

SAFEROADS HOLDINGS LIMITED
Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2010

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 comprehensive 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 statement of financial position 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 statement of cash flows, 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 comprehensive 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 that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

SAFEROADS HOLDINGS LIMITED
Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2010

(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.

SAFEROADS HOLDINGS LIMITED
Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2010

(r) Income Tax

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

Deferred income tax is provided on all temporary differences at the statement of financial position 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 statement of financial position 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 statement of financial position.

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

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

(t) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to 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.

SAFEROADS HOLDINGS LIMITED
Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2010

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

(w) Critical Accounting Estimates and Judgements

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

Key Estimates

(i) Impairment

The Group assesses impairment at each reporting date by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

With respect to cash flow projections for non current assets, growth rates of 1.4% (2009: 1.28%) have been factored into valuation models for the next five years on the basis of management's expectations around the Group's continued ability to capture market share from competitors.

The rates used incorporate allowance for inflation. Pre-tax discount rates of 13.7% (2009: 9.4%) have been used in all models.

No impairment has been recognised in respect of non current assets at reporting date. Should the net present value of earnings before interest and tax, over the next five years, fall below the carrying value of the non current assets, an impairment loss would be recognised.

Key Judgments

(i) Provision for Impairment of Receivables

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

(x) Reclassification of prior year comparatives

Prior year product development costs have been reclassified from property, plant & equipment to intangibles. This has resulted in a decrease of \$628,117 in property, plant & equipment and a corresponding increase in intangibles in the comparatives. Amortisation of \$66,876 associated with these costs has been reclassified from depreciation to amortisation.

(y) Going Concern

The accounts are prepared on a going concern basis. However, as noted in note 16, the company has previously breached its Interest Coverage Ratio required by its bank under its loan terms. This necessitated a re-classification of long term loans as current for the year ended 30 June 2009. The company complied with the required ratio for the year ended 30 June 2010. The company is constantly managing margins and liquidity risk, by preparing cash flow and bank covenant forecasts and enjoys a supportive relationship with its bank, however in the current economic environment there is some potential for bank covenants not to be met. In the event that bank covenants are not met, bank loans may become current, however the company would still have positive working capital, and the Directors believe the company would be able to pay its debts as and when they fall due.

SAFEROADS HOLDINGS LIMITED
Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2010

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	
	2010	2009	2010	2009
	\$	\$	\$	\$
(i) Revenue				
Sale of goods	48,971,508	56,962,714	-	-
(ii) Other income				
Interest	9,009	3,058	3	209
Dividends from subsidiary	-	-	-	1,300,000
Profit on sale of plant & equipment	(39,828)	(44,164)	-	-
Other	182,401	306,724	3,358	-
	<u>151,582</u>	<u>265,618</u>	<u>3,361</u>	<u>1,300,209</u>
	<u>49,123,090</u>	<u>57,228,332</u>	<u>3,361</u>	<u>1,300,209</u>
(iii) Expenses				
Rental Expense on Operating Lease	610,484	605,931	-	-
Bad and doubtful debts	140,503	-	-	-

SAFEROADS HOLDINGS LIMITED
Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2010

	CONSOLIDATED		PARENT	
	2010	2009	2010	2009
	\$	\$	\$	\$
5 INCOME TAX				
Major components of income tax expense for the year ended 30 June 2010 are:				
Comprehensive income statement				
Current income tax charge	885,775	426,598	47	(47)
Deferred income tax	(77,064)	126,172	-	-
Adjustments in respect of current income tax of previous period	(87,097)	-	-	-
Income tax expense reported in comprehensive income	<u>721,614</u>	<u>552,770</u>	<u>47</u>	<u>(47)</u>

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 is as follows:

Accounting profit before income tax	2,756,768	1,989,850	3,166	1,299,844
At the statutory income tax rate of 30%	827,030	596,955	950	389,953
Adjustments in respect of current income tax of previous period	(87,097)	3,558	(903)	-
Tax concessional items	(13,767)	(34,652)	-	-
Franking credits	-	-	-	(390,000)
Expenditure allowable for income tax purposes	(4,552)	(13,091)	-	-
	<u>721,614</u>	<u>552,770</u>	<u>47</u>	<u>(47)</u>

	Statement of Financial Position		Comprehensive Income Statement	
	2010	2009	2010	2009
	\$	\$	\$	\$

Deferred income tax

Deferred income tax at 30 June relates to the following:

CONSOLIDATED

Deferred income tax liability

Employee entitlements	184,314	164,933	(19,381)	2,932
Research & Development Costs	(223,050)	(208,498)	14,552	-
Other	70,683	(1,552)	(72,235)	119,682
Gross deferred income tax liability	<u>31,947</u>	<u>(45,117)</u>		
Deferred income tax charge			<u>(77,064)</u>	<u>122,614</u>

PARENT

The parent does not have any deferred tax balances.

SAFEROADS HOLDINGS LIMITED
Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2010

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 operation's basic and diluted earnings per share computations:

	CONSOLIDATED		PARENT	
	2010	2009	2010	2009
	\$	\$	\$	\$
Net profit attributable to equity holders from continuing operations	2,035,154	1,437,081	-	-
Net profit attributable to equity holders of the parent	2,035,154	1,437,081	-	-
Net profit attributable to ordinary shareholders for diluted earnings per share	2,035,154	1,437,081	-	-
Weighted average number of ordinary shares for basic earnings	26,000,000	26,000,000	-	-
Adjusted weighted average number of ordinary shares for diluted earnings per share	26,000,000	26,000,000	-	-

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	
	2010	2009	2010	2009
	\$	\$	\$	\$
Equity dividends on ordinary shares:				
Interim franked dividend for 2010: 0.0 cents (2009: 0.0 cents)	-	-	-	-
The tax rate at which paid dividends have been franked is 30%.				
Dividends proposed and not recognised as a liability:				
Final franked dividend for 2010: 0.0 cents (2009: 0.0 cents)	-	-	-	-
Dividends proposed will be franked at the 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.	5,107,543	4,410,770	2,876	2,876

SAFEROADS HOLDINGS LIMITED
Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2010

8 CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT	
	2010	2009	2010	2009
	\$	\$	\$	\$
Cash at bank and in hand	2,007,999	744,262	6,300	6,492

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 statement of cash flows, cash and cash equivalents comprise the following at 30 June:

Cash at bank and in hand	2,007,999	744,262	6,300	6,492
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Reconciliation from the net profit after tax to the net cash flows from operations

Net profit	2,035,154	1,437,081	3,119	1,299,891
Adjustments for:				
Depreciation	661,215	733,242	-	-
Amortisation	73,242	71,935	-	-
Net share based payments	-	(68,000)	-	-
Net (profit)/loss on disposal of plant and equipment	39,828	44,164	-	-
Interest received	(9,009)	(3,058)	(3)	(209)
Dividend Received	-	-	-	(1,300,000)
Changes in assets and liabilities				
(Increase)/decrease in trade and other receivables	3,645,718	4,428,420	-	-
(Increase)/decrease in inventories	1,594,285	(156,663)	-	-
(Increase)/decrease in prepayments	(226,707)	(69,584)	-	-
(Decrease)/increase in deferred income asset	(31,947)	-	-	-
(Decrease)/increase in deferred income tax liability	(45,117)	122,615	-	-
(Decrease)/increase in trade and other payables	(2,237,383)	(5,949,986)	(3,311)	-
(Decrease)/increase in provisions	64,601	17,292	-	-
(Decrease)/increase in tax provision	42,981	(253,501)	(105)	(204)
Net cash from operating activities	5,606,861	353,957	(300)	(522)

9 TRADE AND OTHER RECEIVABLES (CURRENT)

Trade receivables	6,537,760	10,083,478	-	-
Provision for impairment	(100,000)	-	-	-
	6,437,760	10,083,478	-	-

Trade receivables are non-interest bearing.

10 ECONOMIC DEPENDENCY

The Group does not have an economic dependency on any single customer.

	CONSOLIDATED		PARENT	
	2010	2009	2010	2009
	\$	\$	\$	\$

SAFEROADS HOLDINGS LIMITED
Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2010

11 INVENTORIES

Stock on hand	9,436,973	11,031,258	-	-
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12 PROPERTY, PLANT AND EQUIPMENT

Land	57,000	57,000	-	-
Buildings at cost	817,284	808,344	-	-
Less accumulated depreciation	(353,255)	(315,018)	-	-
	464,029	493,326	-	-
Plant & equipment at cost	6,252,460	5,880,946	-	-
Less accumulated depreciation	(2,469,733)	(1,846,755)	-	-
	3,782,727	4,034,191	-	-
Total property, plant & equipment	4,303,756	4,584,517	-	-

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 2009	57,000	493,326	4,034,191	4,584,517
Additions	-	8,940	514,602	523,542
Depreciation expense	-	(38,237)	(622,978)	(661,215)
Disposals	-	-	(143,088)	(143,088)
Carrying amount at 30 June 2010	57,000	464,029	3,782,727	4,303,756
Balance at 1 July 2008	57,000	522,328	4,093,226	4,672,554
Additions	-	10,641	768,916	779,557
Depreciation expense	-	(39,643)	(693,599)	(733,242)
Disposals	-	-	(134,352)	(134,352)
Carrying amount at 30 June 2009	57,000	493,326	4,034,191	4,584,517

13 OTHER FINANCIAL ASSETS

Investment in subsidiary at cost	-	-	27,030,708	27,030,708
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SAFEROADS HOLDINGS LIMITED
Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2010

	CONSOLIDATED		PARENT	
	2010 \$	2009 \$	2010 \$	2009 \$
14 INTANGIBLE ASSETS & GOODWILL				
Goodwill	4,967,561	4,967,561	-	-
Licence agreements at cost	73,677	73,677	-	-
Less accumulated amortisation	(38,578)	(33,519)	-	-
	<u>35,099</u>	<u>40,158</u>	-	-
Product development costs	878,558	694,993	-	-
Less accumulated amortisation	(135,059)	(66,876)	-	-
	<u>743,499</u>	<u>628,117</u>	-	-
	<u>5,746,159</u>	<u>5,635,836</u>	-	-

(a) Movement in carrying amounts	Goodwill	License	Product	Total
		Agreement	Devt Costs	
Balance at 1 July 2008	4,840,616	45,217	232,968	5,118,801
Additions of New Zealand Business	126,945	-	-	126,945
Capitalisation of costs	-	-	462,025	462,025
Amortisation expense	-	(5,059)	(66,876)	(71,935)
Carrying amount at 30 June 2009	<u>4,967,561</u>	<u>40,158</u>	<u>628,117</u>	<u>5,635,836</u>
Balance at 1 July 2009	4,967,561	40,158	628,117	5,635,836
Capitalisation of costs	-	-	183,565	183,565
Amortisation expense	-	(5,059)	(68,183)	(73,242)
Carrying amount at 30 June 2010	<u>4,967,561</u>	<u>35,099</u>	<u>743,499</u>	<u>5,746,159</u>

(b) Impairment test for goodwill

Goodwill is allocated to the cash-generating unit overall. The recoverable amount of the 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 a capital assets pricing model combining the yield of the 10-year government bonds at the beginning of the budget period of 5.095% (2009: 5.45%) , with an All Ordinaries long term rate of return of 9.41% (2009: 7.98%), and a beta risk rate of 2% (2009: 1.56).

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

	Growth Rate	Discount Rate
Overall Business	1.40%	13.73%

Management has based the value-in-use calculations on budgets for the business. 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 business operates. The discount rate is pre-tax and is adjusted to incorporate risks associated with the business segments.

15 TRADE AND OTHER PAYABLES (CURRENT)

Trade payables	3,185,171	5,748,686	-	3,311
Accrued expenses	707,614	519,609	-	-
GST payable/(Receivable)	93,582	(13,981)	-	-
	<u>3,986,367</u>	<u>6,254,314</u>	-	<u>3,311</u>

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

SAFEROADS HOLDINGS LIMITED
Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2010

16 INTEREST-BEARING LOANS AND BORROWINGS

	CONSOLIDATED		PARENT	
	2010	2009	2010	2009
	\$	\$	\$	\$
Current				
Hire purchase	115,743	110,620	-	-
Bank loans	-	10,981,944	-	-
	<u>115,743</u>	<u>11,092,564</u>	<u>-</u>	<u>-</u>
Non-current				
Hire purchase	133,046	25,029	-	-
Bank loans	7,120,518	-	-	-
	<u>7,253,564</u>	<u>25,029</u>	<u>-</u>	<u>-</u>

Saferoads Pty Ltd is required to report to the Commonwealth Bank at the end of each 6 monthly period regarding its compliance with Financial Covenants. At the reporting date of 5 August 2009 for the 6 months ended 30 June 2009, the Company was in breach of the required Interest Coverage Ratio, therefore in accordance with Accounting Standard AASB 101, the company's long term loans were re-classified as current in the accounts for the year ended 30 June 2009.

As at the reporting date of 5 August 2010, the company is in compliance with its bank covenants therefore the company's long terms loans have been re-classified as non-current.

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:

Total facilities:				
- bank bills - variable	7,200,000	7,200,000	-	-
- bank overdraft	300,000	300,000	-	-
- bank charge card	300,000	300,000	-	-
- trade facilities	2,100,000	5,800,000	-	-
- bank guarantee	700,000	400,000	-	-
Facilities used at reporting date				
- bank bills - variable	7,120,518	7,137,446	-	-
- bank overdraft	-	-	-	-
- bank charge card	224,500	273,000	-	-
- trade facilities	-	3,844,499	-	-
- bank guarantee	598,199	262,962	-	-
Facilities unused at reporting date				
- bank bills - variable	79,482	62,554	-	-
- bank overdraft	300,000	300,000	-	-
- bank charge card	75,500	27,000	-	-
- trade facilities	2,100,000	1,955,501	-	-
- bank guarantee	101,801	137,038	-	-

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 covenants 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.

SAFEROADS HOLDINGS LIMITED
Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2010

17 PROVISIONS

	CONSOLIDATED		PARENT	
	2010	2009	2010	2009
	\$	\$	\$	\$
Current				
Annual leave	395,719	299,921	-	-
Long service leave	137,491	166,895	-	-
	<u>533,210</u>	<u>466,816</u>	-	-
Non-Current				
Long service leave	81,169	82,963	-	-
Total employee entitlements	<u>614,379</u>	<u>549,779</u>	-	-

18 EQUITY

	CONSOLIDATED		PARENT	
	2010	2009	2010	2009
	\$	\$	\$	\$
Contributed Equity				
Ordinary shares				
Issued and fully paid	<u>4,130,708</u>	<u>4,130,708</u>	<u>27,030,708</u>	<u>27,030,708</u>

Movements in ordinary shares on issue (legal parent)

	Shares	
At 1 July	<u>26,000,000</u>	<u>26,000,000</u>
At 30 June	<u>26,000,000</u>	<u>26,000,000</u>

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

Retained Earnings

Movements in retained earnings are as follows:

Balance at 1 July	10,282,548	10,145,467	3,181	3,290
Net profit for year	2,035,154	1,437,081	3,119	1,299,891
Dividends paid	-	(1,300,000)	-	(1,300,000)
Balance at 30 June	<u>12,317,702</u>	<u>10,282,548</u>	<u>6,300</u>	<u>3,181</u>

Foreign Currency Translation Reserve

This records exchange differences arising on a translation of a foreign controlled subsidiary.

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise overdrafts, trade facilities, 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 totals for each category of financial instruments are as follows:

Financial Assets				
- Cash and cash equivalents	2,007,999	744,262	6,300	6,492
- Loans and receivables	6,437,760	10,083,478	-	-
Total Financial Assets	<u>8,445,759</u>	<u>10,827,740</u>	<u>6,300</u>	<u>6,492</u>
Financial Liabilities				
- Financial liabilities at amortised cost	11,355,674	17,371,907	-	3,311
Total Financial Liabilities	<u>11,355,674</u>	<u>17,371,907</u>	<u>-</u>	<u>3,311</u>

SAFEROADS HOLDINGS LIMITED
Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2010

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 derivatives shall be undertaken.

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

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

(a) Interest rate risk

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

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

	Weighted Average Interest Rate	Non Interest Bearing	Variable Interest Rate	Fixed Interest Rate Maturing		Total
				Within 1 year	1 to 2 years	
2010	%	\$	\$	\$	\$	\$
Financial Assets						
- Cash	3.75	-	2,007,999	-	-	2,007,999
- Receivables	N/A	6,437,760	-	-	-	6,437,760
Total Financial Assets		<u>6,437,760</u>	<u>2,007,999</u>	<u>-</u>	<u>-</u>	<u>8,445,759</u>
Financial Liabilities						
- Payables	N/A	3,986,367	-	-	-	3,986,367
- Bank borrowings	6.10	-	7,120,518	-	-	7,120,518
- Hire purchase	9.00	-	-	115,743	133,046	248,789
Total Financial Liabilities		<u>3,986,367</u>	<u>7,120,518</u>	<u>115,743</u>	<u>133,046</u>	<u>11,355,674</u>
2009	%	\$	\$	\$	\$	\$
Financial Assets						
- Cash	2.60	-	744,262	-	-	744,262
- Receivables	N/A	10,083,478	-	-	-	10,083,478
Total Financial Assets		<u>10,083,478</u>	<u>744,262</u>	<u>-</u>	<u>-</u>	<u>10,827,740</u>
Financial Liabilities						
- Payables	N/A	6,254,314	-	-	-	6,254,314
- Bank borrowings	5.10	-	10,981,944	-	-	10,981,944
- Hire purchase	7.25	-	-	110,620	25,029	135,649
Total Financial Liabilities		<u>6,254,314</u>	<u>10,981,944</u>	<u>110,620</u>	<u>25,029</u>	<u>17,371,907</u>

(b) Credit risk

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

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

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

SAFEROADS HOLDINGS LIMITED
Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2010

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 2010, as disclosed in the statement of financial position and notes to the financial statements. The company holds no collateral or security in relation to financial assets.

As at reporting date, the amount of financial assets past due, but not impaired, is \$2,479,822 (2009: \$2,277,092).

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.

(c) 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.

Maturity analysis of financial liabilities:

	Within 1 Year	1 to 5 Years	Over 5 Years	Total
2010				
- Payables	3,986,367	-	-	3,986,367
- Bank borrowings	-	7,120,518	-	7,120,518
- Hire purchase	115,743	133,046	-	248,789
Total Financial Liabilities	4,102,110	7,253,564	-	11,355,674
	Within 1 Year	1 to 5 Years	Over 5 Years	Total
2009				
- Payables	6,254,314	-	-	6,254,314
- Bank borrowings	10,981,944	-	-	10,981,944
- Hire purchase	110,620	25,029	-	135,649
Total Financial Liabilities	17,346,878	25,029	-	17,371,907

(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.

(e) Foreign Exchange Risk

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

The following table shows the foreign currency risk on the financial assets and liabilities of the Group's operations, denominated in currencies other than the functional currency of the operations.

	Net Financial Assets/(Liabilities) in AUD		
	NZD	Euro	USD
2010			
Functional Currency of Group Entity	\$	\$	\$
Australian Dollar	(33,938)	(10,686)	(1,247,042)
2009			
Functional Currency of Group Entity	\$	\$	\$
Australian Dollar	(53,471)	-	(1,572,152)

SAFEROADS HOLDINGS LIMITED
Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2010

(f) Sensitivity Analysis

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

	CONSOLIDATED		PARENT	
	Profit \$	Equity \$	Profit \$	Equity \$
Year Ended 30 June 2010				
+/-3% in interest rates	+/-240,000	+/-240,000	-	-
+5c/-5c in \$A/\$US	+/-600,000	+/-600,000	-	-
Year Ended 30 June 2010				
+/-5% in interest rates	+/-550,000	+/-550,000	-	-
+/- 12.5% in \$A/\$US	+/-750,000	+/-750,000	-	-

20 COMMITMENTS AND CONTINGENCIES

	CONSOLIDATED		PARENT	
	2010 \$	2009 \$	2010 \$	2009 \$
Operating Lease - properties				
Non-cancellable operating leases:				
- less than one year	601,065	662,602	-	-
- later than one year but less than five years	514,284	1,117,247	-	-
Total operating lease commitments	<u>1,115,349</u>	<u>1,779,849</u>	-	-
Operating Lease - vehicles				
Non-cancellable operating leases:				
- less than one year	101,347	278,500	-	-
- later than one year but less than five years	271,852	375,253	-	-
Total operating lease commitments	<u>373,200</u>	<u>653,753</u>	-	-
Hire Purchases				
Hire purchase commitments payable:				
- less than one year	129,147	116,984	-	-
- later than one year but less than five years	141,640	26,471	-	-
Less future finance charges	(21,999)	(7,806)	-	-
Total hire purchase liability	<u>248,789</u>	<u>135,649</u>	-	-
Reconciled to:				
Current liability	115,743	110,620	-	-
Non-current liability	133,046	25,029	-	-
	<u>248,789</u>	<u>135,649</u>	-	-

There are no material contingent liabilities or contingent assets.

SAFEROADS HOLDINGS LIMITED
Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2010

21 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	
		2010	2009	2010	2009
Saferoads Pty Ltd	Australia	100%	100%	27,030,708	27,030,708
Saferoads NZ Limited	New Zealand	100%	100%		

Note: Saferoads NZ Limited is 100% owned by Saferoads Pty Ltd

22 AUDITORS' REMUNERATION

	2010	2009
	\$	\$
Amounts received or due and receivable by WHK Audit (Vic) for the audit of the financial report.	67,800	65,100
Other assurance services	-	-

23 COMPANY DETAILS

The registered office of the parent entity is:
 Lot 8
 Weerong Rd
 Drouin Vic 3818

SAFEROADS HOLDINGS LIMITED
Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2010

24 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

Hamish Webb	General Manager - Sales & Operations
Tony Wyatt	General Manager - Finance & Logistics
Bill Cruickshank	Company Secretary
Vicki Commadeur	Human Resources Manager

(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

30 June 2010	Short Term			Termination Payment	Post Employment	Long Term	Share Based Payment	Total	Performance Related
	Salary & Fees \$	Fringe Benefits	Cash Bonus \$		Superannuation \$	Long Service Leave \$	Options \$		\$
Directors									
Gary Bertuch	60,500				5,445			65,945	-
Darren Hotchkin	218,022	14,076			19,800	(22,614)		229,284	-
Duncan Smith	40,000				3,600			43,600	-
Gerard Keeghan	40,000				3,600			43,600	-
Executives									
Bill Cruickshank	81,026				7,292	1,417		89,735	-
Hamish Webb	220,000	9,970			19,800	11,037		260,807	-
Tony Wyatt	170,000	6,757			15,300	5,305		197,362	-
Vicki Commadeur	100,000	7,583			9,000	2,886		119,469	-
	929,548	38,386	-	-	83,837	(1,969)	-	1,049,802	

30 June 2009	Short Term			Termination Payment	Post Employment	Long Term	Share Based Payment	Total	Performance Related
	Salary & Fees \$	Fringe Benefits	Cash Bonus \$		Superannuation	Long Service Leave \$	\$		\$
Directors									
Gary Bertuch	55,000	-	-		4,950	-	-	59,950	-
Darren Hotchkin	270,000	-	-		26,341	44,857	-	341,198	-
Duncan Smith	33,000	-	-		2,970	-	-	35,970	-
Gerard Keeghan	33,000	-	-		2,970	-	-	35,970	-
Executives									
Bill Cruickshank	86,010	-	-		8,012	-	-	94,022	-
Hamish Webb	180,000	18,206	20,255		18,022	4,242	-	240,725	8%
Tony Wyatt	170,000	-	-		15,137	2,426	-	187,563	-
Richard Purser	205,217	10,437	-	115,285	32,266	(2,991)	51,500	411,714	-
	1,032,227	28,643	20,255	115,285	110,668	48,534	51,500	1,407,112	

SAFEROADS HOLDINGS LIMITED
Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2010

(d) Shareholdings of Key Management Personnel

Shares held in Saferoads Holdings Limited

	Balance at 1 July 2009	Acquired	Sold	Balance 30 June 2010
Directors				
Gary Bertuch	20,000	-	-	20,000
Darren Hotchkin	4,941,375	86,400	-	5,027,775
Duncan Smith	1,087,500	112,500	-	1,200,000
Gerard Keeghan	50,000	-	-	50,000
Executives				
Bill Cruickshank	49,900	16,214	-	66,114
Hamish Webb	140,000	-	-	140,000
Tony Wyatt	1,500	-	-	1,500
Vicki Commadeur	-	-	-	-
Total	6,290,275	215,114	-	6,505,389

Shares held in Saferoads Holdings Limited

	Balance at 1 July 2008	Acquired	Sold	Balance 30 June 2009
Directors				
Gary Bertuch	20,000	-	-	20,000
Darren Hotchkin	4,341,375	600,000	-	4,941,375
Duncan Smith	1,087,500	-	-	1,087,500
Gerard Keeghan	-	50,000	-	50,000
Executives				
Bill Cruickshank	49,900	-	-	49,900
Hamish Webb	-	140,000	-	140,000
Tony Wyatt	1,500	-	-	1,500
Total	5,500,275	- 790,000	-	6,290,275

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 \$85,000 (2009: \$55,500) 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 \$ nil (2009: \$11,909)

Directors' Declaration

In the opinion of the Directors of Saferoads Holdings Limited:

- (a) the financial statements and notes of the Company and of the consolidated entity and the remuneration disclosures that are contained in the Remuneration Report in the Directors' report 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 2010 and of their performance for the year ended that date; and
 - (ii) complying with Accounting Standards and *Corporations Regulations 2001*.
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) the financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as reported in Note 2.

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

Signed in accordance with a resolution of the Directors.

On behalf of the Board.



G Bertuch
Chairman

Dated at Drouin (Vic), this 24th Day of August 2010.

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 statement of financial position as at 30 June 2010, the comprehensive income statement, statement of changes in equity, statement of cash flows 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.

Auditor's Opinion

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 2010, 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 2010. 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 2010, complies with section 300A of the Corporations Act 2001.

A handwritten signature in black ink, appearing to read 'WHK Audit (Vic)'. The signature is written in a cursive style.

WHK Audit (Vic)

A handwritten signature in black ink, appearing to read 'Justin Brook'. The signature is written in a cursive style.

Justin Brook
Partner

Date: 24 August 2010

Place: Warragul

Auditors Independence Declaration to the Board of Saferoads Holdings Limited

www.whk.com.au

WHK Audit (Vic)
ABN 27 621 602 883

In relation to our audit of the financial report of Saferoads Holdings Limited for the financial year ended 30 June 2010, 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.

WHK Audit (Vic)

WHK Audit (Vic)

JB

**Justin Brook
Partner**

Date: 24 August 2010

ASX Additional Information

The shareholder information set out below was applicable as at 23 August 2010.

As at this date the Company had on issue 26,000,000 ordinary shares held by 1,109 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	5,027,775

Twenty largest shareholders

Name	Number of shares	% Held
Mr Darren John Hotchkin	3,923,900	15.09
National Nominees Limited	1,672,990	6.44
Mr Duncan Francis Smith	1,200,000	4.62
Ruminator	1,097,654	4.22
Mrs Jennifer Ann Hotchkin	1,000,000	3.85
Chainzone Technology (South Pacific) Limited	598,000	2.30
Contemplator Pty Ltd <ARG Pension Fund A/C>	589,230	2.27
Mr Kevin Frederick Dale & Mrs Myrney Clarice Dale <K&M Dale Super Fund A/c>	432,431	1.66
Bell Potter Nominees Ltd <BB Nominees A/C>	388,506	1.49
Equity Trustees Limited <SGH Micro Cap Trust>	337,848	1.30
NLKM Pty Ltd <Thompson Family S/F A/C>	281,117	1.08
Koonung Nominees Pty Ltd	275,000	1.06
Mr Darren John Hotchkin & Mr Brett Timothy Hotchkin <Estate Kate H G Hotchkin A/c>	250,000	0.96
Martre Properties Pty Limited <Super Fund Account>	238,000	0.92
Illabarook Pty Ltd	237,188	0.91
Mr James Macky Beveridge & Mr Anthony Christopher Edward <The JM Beveridge Family A/C>	185,900	0.72
Mr Noel Thompson and & Mrs Lorraine Thompson	171,000	0.66
Mr Bill Jauleska & Mrs Yagoda Jauleska	150,000	0.58
Wigram Investment Pty Limited	150,000	0.58
AD McColloch Pty Ltd	145,515	0.56
	13,296,279	51.14

Distribution of shareholdings

Range	Total Holders	Units
1 – 1,000	177	110,994
1,001 – 5,000	387	1,293,817
5,001 – 10,000	218	1,879,636
10,001 – 100,000	296	8,008,282
100,001 – and over	31	14,707,271
	1,109	26,000,000

The number of shareholders holding less than a marketable parcel is **67**

VOTING RIGHTS

All ordinary shares carry one vote per share.

NUMBER OF ORDINARY SHARES SUBJECT TO ESCROW

Nil

SAFEROADS HOLDINGS LIMITED
Corporate Directory
FOR YEAR ENDED 30 JUNE 2010

Directors

Gary Bertuch (Chairman)
Darren Hotchkin (Managing Director)
Duncan Smith
Gerard (Ged) Keeghan
An

Company Secretary

Bill Cruickshank

Registered Office

Lot 8 Weerong Rd
Drouin VIC 3818
Warragu
Telephone: 03 5625 4981
Facsimile: 03 5625 4986
WHK

Share Register

Registries Limited
28 Margaret Street
Sydney NSW 2000

PO Box R67
Royal Exchange NSW 1223

Telephone: 02 9290 9600
Facsimile: 02 9279 0664

Solicitors

Maddocks
140 William Street
Melbourne VIC 3000

drew Gray & Associates
Old Post Office
102 High St
Berwick VIC 3806

Bankers

Commonwealth Bank of Australia
1 Vic 2820

Auditors

Audit (Vic)
3 Napier Street
Warragul VIC 3820

Accountants

Smith McCarthy Wilson
40 Queen Street
Warragul VIC 3820

ASX Code

SRH