



ANNUAL REPORT

YEAR ENDED 30 JUNE 2012

SAFEROADS HOLDINGS LIMITED

ABN 81 116 668 538

Saferoads specializes in providing road safety solutions. Headquartered in Drouin, Victoria, and with offices across Australia and New Zealand, the company services State Government Departments, local councils and road construction companies with a broad range of products and services designed to direct, protect, inform and illuminate all road users.

CONTENTS

Chairman's overview	3
CEO's Review of Operations & Activities	5
Directors' Report	7
Remuneration Report	12
Auditor's Independence Declaration	16
Corporate Governance Statement	17
Financial Statements	24
Notes to the Financial Statements	28
Directors' Declaration	56
Independent Audit Report	57
ASX Additional Information	59
Corporate Directory	60

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 2011-12.

The 2012 financial year has been an exceedingly challenging one for Saferoads. The Company recorded its first full year consolidated net loss after tax of \$8,929,629 compared with a net profit of \$747,672 for the previous financial year. Total sales for the year were \$35,384,612 compared with \$45,682,498 for the previous year, a decrease of 23%, which was consistent with the updated guidance provided to the ASX on 26 April 2012. The after tax result however has been impacted by the inability to bring to account a significant proportion of the tax effect of the accounting loss in accordance with the relevant Accounting Standard. Regardless, the Company will not be in a tax paying position for the foreseeable future as it will be utilising both booked and unbooked tax losses.

Further, the full year result includes a number of non-cash write downs totalling \$6,404,617 which related primarily to goodwill, capitalised development costs and inventories.

A reconciliation of underlying performance to that reported in the financial report is as follows:

Loss before income tax for the period	\$(9,306,017)
Impairment of goodwill	\$4,967,561
Inventories write down to recoverable amount	\$1,095,982
Write down of product development costs	\$341,074
Underlying loss before income tax for the period	\$(2,901,400)

The loss of our investment in these areas is regrettable but we are determined to eliminate operational losses, focus management attention on the performing parts of our business and utilise our capital for a better return.

Gross profit for the period was 37.1% lower than that of the prior year primarily due to a number of project cost over-runs in civil infrastructure projects and the proportion of lower profit margin products and services in the sales mix. In addition, a review of the carrying value of the Company's inventories has led to a write-down of \$1,095,982 at balance date. Excluding this adjustment, gross profit was down 30.4%.

A number of initiatives have been undertaken in the past six months to restructure the business including a review of the Company's cost base to better align itself to its market and customer needs, and to allow it to target new market opportunities.

The most significant change has been the reappointment of Mr Darren Hotchkin as Chief Executive Officer. Mr Hotchkin is the founder of the company and was Managing Director up to February 2011.

He has agreed to step back in to lead the transition of the Company through his in-depth knowledge of the Company's products and services specifically, and the overall road safety industry generally. In addition, a new senior management team is in place to assist in this transition and a number of new initiatives have been implemented to win profitable sales and rebuild a sustainable earnings base.

This has included a detailed review of the Company's existing systems and processes to improve customer service and decision-making and gain efficiencies. Further, we have been reviewing our various product

and service offerings and determining those that are core to the Saferoads business model going forward. The Company has identified its Traffic Signals product portfolio as available for sale, and as at the date of this report, we are in discussion with potential buyers.

In addition, the Company has secured the sale and leaseback of its head office site in Drouin, Victoria.

These transactions will free up capital to reduce debt and restructure our balance sheet to allow us to focus on core business activities and opportunities.

As reported in the December 2011 half-year results and as a result of the net loss recorded in the year, the Company was in breach of one of its reporting covenants with its banker. The relevant accounting standard requires all core debt to be classified as a current liability at balance date, despite the fact that the Company has not defaulted on any payments or disclosures to the bank. The Company continues to work closely with its bankers in relation to debt and bank covenants and some of the asset realisation measures mentioned above will go about reducing core debt levels.

The directors do not propose a final dividend be declared as a result of the net loss recorded for the year and the need to conserve cash in the face of continuing uncertain times.

Looking ahead, the business is now better structured and resourced operationally to rebuild key customer relationships and continues to look at ways to better promote its proprietary products in the road safety sector. Whilst FY2012 has been a major disappointment, on balance the directors and management believe that, with the abovementioned initiatives being taken, and a determined focus on margin improvement, accountability for outcomes and improved governance, the current financial year will see an improved financial performance.

It is with great disappointment that the Board of Directors farewells Mr Duncan Smith who is preparing for retirement and will resign as a Director at the close of the Company's Annual General Meeting in November. Mr Smith was a trusted advisor to the Company in its formative years and has been an integral part of the Saferoads' Board since its public listing in 2005. His deep knowledge of the company and financial expertise has been highly valued by the Directors and management of the Company. The Board is pleased to report however that Mr Smith will continue to be available to the Company in a financial consulting capacity ensuring continuity of direction and information until a new Director is appointed.

We appreciate also the continued support of the shareholders of Saferoads Holdings Limited. It has been a very unsatisfactory year but I take this opportunity to assure you that we are working hard to bring about a restoration of shareholder value.



Gary Bertuch
Chairman of the Board
Drouin

25 September 2012

CEO'S REVIEW OF OPERATIONS & ACTIVITIES

PERFORMANCE DURING 2011-2012

After a break of some 18 months from the full time day to day management of the company I am pleased to have returned to the role of Chief Executive Officer.

As all are aware, there are significant challenges in front of us to turn Saferoads back into a successful and profitable company. To say that the 2011-12 financial year was disappointing would be an understatement.

Saferoads Holdings Limited has now completed its seventh year as a listed entity. It is also the first time in its 20 year history that the Company has incurred a trading loss.

The Company's core business continues to focus on the supply of total road safety solutions in the Australian and New Zealand markets. The Company obtained annual operating revenues of \$35.4 million (FY2011:\$45.7 million) and a net loss after tax of \$8.9 million (FY11:\$0.7 million profit). For the full year, operating revenue fell by 23%. The slowdown that was first highlighted in the second half of FY2010 has continued throughout FY2011 and the current reporting year 2011-12.

All product lines and services experienced reductions in sales volume as a result of reduced activity in the road construction industry as state and local governments face the challenge of reduced federal budget allocations. The exception was our new Ironman Barrier rental offering which continued solid utilization during its first full year of operation, with customers taking a more flexible approach to their temporary barrier needs through hire rather than purchase. Whilst there are pockets of resistance to the downturn, overall it was a disappointing year with tighter competition for fewer works opportunities. As well as being impacted by reduced government spending, our Civil Services offering has continued to be affected by poor weather conditions, particularly on the eastern seaboard, which has led to delays in contracted works.

The Company has been able to achieve only modest sales in the New Zealand market. This has also affected this year's performance.

On June 30, 2012, the Distribution Agreement with the USA company Energy Absorption Systems Inc (EASI) expired and was not renewed. Trinity Highway Products recently purchased EASI and has decided to pursue alternate distribution arrangements in Australia.

Management is currently pursuing new distribution and supply agreements for equivalent products in the categories previously covered by the EASI distribution agreement.

The reciprocal distribution agreement with EASI/Trinity for overseas markets for Saferoads' patented product "Iron Man" steel barriers continues for a further two years.

The Company has experienced an unacceptable level of staff turnover at senior operational and sales levels in recent years. The Company now has in place a new and committed senior management team focused on recruiting the right calibre people.

As reported in the review and results of operations for the first half of the year the major factor in the negative performance was the impairment of goodwill of \$5.0 million. This impairment relates primarily to the goodwill associated with the previous acquisitions of the Lighting and Traffic Signals portfolios.

As announced to the financial markets during the year, the Company has commenced a detailed review of its operations. The Directors believe that upon completion the review will lead to a platform that will position the company to turnaround its trading performance. Part of the review has included a careful re-think of its civil services tendering process and the resolve to tender only for projects for which the Company will have a strong competitive advantage. Focus has also come on achieving a functional and sustainable level of overheads commensurate with projected revenues.

LOOKING AHEAD

The outlook for the 2012-13 year is constrained.

In the face of a tightening market place, the Company has embarked on a debt reduction program which includes a series of strategies to re-position itself on a reduced overhead model and to maximize its focus on core business and core products. We plan to retain our national footprint to ensure we can take full advantage of an upturn in the market in the future.

Finally, I would like to acknowledge our staff, who have worked tirelessly in what has been a difficult transitional year for the business and I look forward to their support in taking the business forward into its next successful phase of revenue and profit turnaround.



Darren Hotchkin
Chief Executive Officer

Drouin
25 September 2012

DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2012.

DIRECTORS

Gary Bertuch	Non-Executive Chairman	Appointed 31 October 2005
Darren Hotchkin	Executive Director (CEO)	Appointed 21 October 2005
David Cleland	Executive Director	Appointed 1 December 2010
Duncan Smith	Non-Executive Director	Appointed 21 October 2005
Gerard (Ged) Keeghan	Independent Director	Appointed 31 October 2005 Resigned 13 April 2012

DIRECTOR PROFILES

Gary C Bertuch (Age 61)
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 and a member of the Audit and Risk 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, a non-executive director of HydroChile Holdings and 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 48)
Executive Director/Chief Executive Officer

Darren Hotchkin was appointed to the Board on 21 October 2005 as Managing Director. On 7 February 2011 he stepped aside as Managing Director but remained on the Board as a Non-Executive Director and was re-elected at the October 2011 AGM. He was appointed acting Chief Executive Officer on 10 April 2012 and formal Chief Executive Officer on 30 June 2012.

Darren is the founder of Saferoads. He has a background in the automotive industry where he owned and operated several businesses. In 1992 he founded the company now trading as 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 was 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.

David Cleland (Age 67)
Executive Director

David was appointed to the Board on 1 December 2010 and was re-elected at the October 2011 AGM. He was appointed acting Chief Executive officer on 28 November 2011, handing over the role to Darren Hotchkin on 10 April 2012. He is a member of the Audit and Risk Committee and the Remuneration Committee.

David is a mechanical engineer with extensive experience at Chief Executive Officer level of companies manufacturing and distributing industrial products. His career includes manufacturing experience (including lean manufacturing), brand management, product research and development, outsourcing and company mergers and acquisitions. He is currently a trust member of the Greater Metropolitan Cemeteries Trust and Director of a privately owned company.

Duncan Smith (Age 69)
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 Chairman of the Audit and Risk Committee and a member of the Remuneration 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.

Gerard (Ged) Keeghan (Age 51)
Non-Executive Director

Ged was appointed to the Board on 31 October 2005 and re-elected at the October 2007 and the October 2010 AGMs. He resigned as Director on 13 April 2012. He was Chairman of the Audit and Risk Committee until his resignation from the Board.

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.

COMPANY SECRETARIES

Fleur Guenther (Age 29)
Company Secretary

Fleur joined Saferoads on 18 July 2012 and is a Manager of Corporate Secretarial Services for Boardroom Pty Ltd, the company which manages Saferoads' share registry. Fleur has experience working in top tier professional services firms, advising international and ASX 300 companies as well as some of Australia's fastest growing private companies.

Fleur is a Chartered Company Secretary and associate member of the Institute of Chartered Secretaries Australia. She holds a Masters of Applied Commerce (Accounting) from the University of Melbourne, a Graduate Diploma in Applied Corporate Governance and a Bachelor of Arts from the University of Sydney.

Bill Cruickshank (Age 69)
Company Secretary

Bill joined Saferoads Pty Ltd in June 2002 and was appointed as Company Secretary on 21 October 2005 resigning on 18 July 2011. Bill was reappointed Company Secretary from 16 March 2012 to 18 July 2012.

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 and ongoing re-accreditation of an ISO integrated quality, safety and environmental management system. Before joining Saferoads he spent several years as the Administration and Finance Manager of a privately owned contract maintenance company and prior to that he was Regional Accountant for a major dairy company.

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

Sarah-Jane Christensen (Age 47)
Company Secretary

Sarah was appointed Company Secretary on 18 July 2011 and resigned on 16 March 2012. Sarah-Jane is a lawyer with over 20 years' experience in the provision of legal and public company secretarial services for leading corporate organisations. She has specific expertise in the resources and financial services sectors.

Sarah-Jane holds a Bachelor of Economics and Bachelor of Law from Monash University and a Master of Law and Master of Business Administration from the University of Melbourne.

KEY MANAGEMENT PROFILES

Peter Fearn
Chief Financial Officer

Peter joined Saferoads in December 2011. He has over 14 years' experience managing finance functions in the information technology, infrastructure and professional services sectors, covering both public listed and private companies.

He was Group Financial Controller of ASX listed UXC Limited. His most recent appointment was Chief Financial Officer of a national privately-owned urban planning and property advisory business.

Peter holds a Bachelor of Business (Accounting) and is a CPA.

Paul Williams
National Sales Manager

Paul joined Saferoads in July 2010 as the National Rental Manager, starting up the Barrier Rental portfolio. In January 2012 he was appointed as the National Sales Manager responsible for the sales and marketing strategies, along with the branch network operations.

Paul has a background in construction, successfully running his own contracting business before moving into sales and general management positions in the road construction sectors over the past 12 years.

During his time as a Sales Manager at Coates Hire, Paul worked alongside Saferoads developing the Ironman temporary barrier market.

Casey McMaster
National Engineering/Operations Manager

Casey joined Saferoads in 2003 as National Tenders and Installations Manager to head up the rapidly growing guardrail and wire rope safety barrier supply and installation sector of the Company's business. After several role changes in the intervening years, Casey was appointed as National Engineering/Operations Manager in May 2011.

Casey holds a Bachelor of Engineering (Civil) from Swinburne University.

INTEREST IN SHARES

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

Name	Shares
Gary Bertuch	20,000
Darren Hotchkin	5,192,775
David Cleland	19,500
Duncan Smith	1,227,580

DIVIDENDS

At the Board Meeting held 28 August 2012, the Directors resolved that no final dividend would be paid for the 2011-2012 year.

No interim or final dividend was declared for the financial year ended 30 June 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Group for the year 2011-12 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 roundabouts, kerbing and pedestrian islands; variable message sign boards; decorative and standard street and freeway light poles; traffic signals; permanent and temporary crash cushions and safety barriers; and guardrail and wire rope safety barriers.

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

REVIEW AND RESULTS OF OPERATIONS

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

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the 2011-12 year, there has been no significant change in the Company's state of affairs.

SIGNIFICANT EVENTS AFTER BALANCE DATE

On 2 July 2012, the Company entered into a new borrowing facilities agreement with Commonwealth Bank of Australia. In so doing, the Company's overdraft facility was cancelled and the Company is subject to a number of revised financial and non-financial covenants.

On 18 July 2012, Fleur Guenther commenced as Company Secretary replacing Bill Cruickshank.

On 28 August 2012, the Company executed a contract for the sale and leaseback of its Drouin, Victoria head office site for consideration of \$1.5 million. Settlement is due on 28 September 2012.

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 CEO'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. The Company does not expect the implementation of a carbon tax or similar to have a significant direct impact, but anticipates there could be some increase in its input costs. In respect of its own activities, the Company is not a major emitter of green house gases and falls well below the reporting thresholds set by the National Greenhouse and Energy Reporting Act 2007.

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 organisations.

REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

NON-EXECUTIVE DIRECTORS

Total remuneration for non-executive Directors for 2011-12 was \$233,175. 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 \$350,000 per annum, and can only be changed at a general meeting.

EXECUTIVE DIRECTORS

Messrs Darren Hotchkin and David Cleland shared acting Chief Executive Officer responsibilities during the period 28 November 2011 to 30 June 2012. During this period they received consulting fees aggregating \$228,825 for their services.

CHIEF EXECUTIVE OFFICER

Mr Wayne Kibbis ceased as Chief Executive Officer effective 28 November 2011. His remuneration package comprised a base annual base salary of \$275,000 including superannuation and car allowance and a short term incentive (STI) based on achievement of performance hurdle rates of EBIT for the period July 2011 to June 2012. As Mr Kibbis left during the year no short term incentive for 2011-12 was paid.

KEY MANAGEMENT PERSONNEL

Key Management Personnel ("KMP") is defined by AASB 124 - Related Party Disclosures. Only Directors and Executive Management that have the authority and responsibility for planning, directing and controlling the activities of Saferoads, directly or indirectly and are responsible for the entity's governance are classified as KMP.

PERFORMANCE-BASED REMUNERATION

As a result of the significant organisational changes in key management personnel during the year 2011-12, there were no performance-based remuneration (bonus incentives) applicable for key management personnel (apart from Mr W. Kibbis) for the year.

The short term incentive scheme in place for the former Chief Executive Officer was based on achieving EBIT performance hurdles. A long term incentive scheme was based on improved market capitalisation and was only payable after the end of FY2013.

EMPLOYMENT CONTRACTS

Executive employment agreements have been entered into with the Chief Executive Officer, the Chief Financial Officer, the National Sales Manager and the National Engineering/Operations 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 KEY MANAGEMENT PERSONNEL

FOR THE YEAR ENDED 30 JUNE 2012

	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	65,998	-	-	-	5,940	-	-	71,938	-
G Keeghan *	31,231	-	-	-	2,811	-	-	34,042	-
D Smith	40,000	-	-	-	3,600	-	-	43,600	-
Executive Directors									
D Hotchkin +	169,600	-	-	-	3,600	-	-	173,200	-
D Cleland #	139,225	-	-	-	-	-	-	139,225	-
Executives									
W Kibbis *	110,259	-	-	63,074	15,128	-	-	188,461	-
T Wyatt *	69,043	-	-	-	6,214	-	-	75,257	-
A Piscopo *	170,092	-	-	26,168	15,308	-	-	211,568	-
P Williams	160,000	-	-	-	14,400	3,020	-	177,420	-
P Fearn ^	91,538	-	-	-	8,238	1,506	-	101,282	-
C McMaster	167,139	-	-	-	15,042	2,841	-	185,022	-
A Connor *	111,382	-	-	-	10,024	-	-	121,406	-
Total	1,325,507	-	-	89,242	100,305	7,367	-	1,522,421	

* departed during the year

^ commenced during the year

+ includes Executive Director fees of \$129,600 for the period 1 December 2011 to 30 June 2012

includes Executive Director fees of \$99,225 for the period 28 November 2011 to 30 June 2012

REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

FOR THE YEAR ENDED 30 JUNE 2011

	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	71,498	-	-	-	6,930	-	-	78,428	-
G Keeghan	40,000	-	-	-	3,600	-	-	43,600	-
D Smith	40,000	-	-	-	3,600	-	-	43,600	-
D Cleland ^	20,082	-	-	-	-	-	-	20,082	-
Executive Directors									
D Hotchkin	164,000	8,088	-	35,219	17,881	-	-	225,188	-
Executives									
W Kibbis ^	101,241	-	67,778	-	9,112	1,647	-	179,779	29%
T Wyatt	176,000	-	-	-	15,840	3,207	-	195,047	-
A Piscopo ^	48,906	-	-	-	4,402	799	-	54,107	-
H Webb *	154,181	9,456	-	78,484	15,125	-	-	257,246	-
V Commadeur *	97,444	-	-	53,755	11,148	-	-	162,346	-
C McMaster	152,500	-	8,407	-	14,246	8,736	-	183,889	7%
A Connor ^	24,465	-	-	-	2,202	398	-	27,065	-
B Cruickshank *	52,119	-	-	14,898	4,691	-	-	71,708	-
Total	1,142,436	17,544	76,185	182,356	108,776	14,788	-	1,542,085	

* departed during the year

^ commenced during the year

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:

Name	Directors		Audit		Remuneration	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Mr G Bertuch	13	13	-	-	1	1
Mr D Hotchkin	13	12	5	5	-	-
Mr D Smith	13	13	5	5	1	1
Mr D Cleland	13	13	5	5	1	1
Mr G Keeghan	10	10	4	4	-	-

DIVERSITY REPORT

Saferoads has developed and set in place a diversity policy that will influence all personnel recruitment. A copy of this policy is located on the Company's web site (www.saferoads.com.au) under the Investor Relations icon.

In respect of gender diversity the Company's goal is to maintain the current level of diversity across the Company and increase this level over time as the business expands.

The Company is an equal opportunity employer recruiting the best available staff from as wide a pool as possible.

The table below shows the gender balance within the Company in August 2011 and the date of this report.

	August 2011		September 2012	
	Male (%)	Female (%)	Male (%)	Female (%)
Board of Directors	100.0%	0.0%	100.0%	0.0%
Senior management *	85.7%	14.3%	75.0%	25.0%
Non-senior management	89.2%	10.8%	90.2%	9.8%
Total Company wide	89.3%	10.7%	89.8%	10.2%

* Senior Management is defined as direct reports to the CEO and the Company Secretary

AUDITOR'S 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



Duncan Smith
Director

Drouin
25 September 2012

**AUDITORS INDEPENDENCE DECLARATION TO THE BOARD OF SAFEROADS
HOLDINGS LIMITED**

In relation to our audit of the financial report of Saferoads Holdings Limited and its controlled entities, for the financial year ended 30 June 2012, 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)

RWigglesworth
Rochelle Wrigglesworth
Partner
Place: Sale
Date: 25 September 2012

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 ASX Corporate Governance Principles and Recommendations (“ASX Governance Principles”) and reports on compliance with these Principles.

This Corporate Governance Statement is based on the 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 located on the Company’s website (www.saferoads.com.au) under the Investor Relations icon.

The Board advises that it complies with the ASX Corporate Governance Principles set out below on the “if not – why not” basis.

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 Chief Executive Officer 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.

Recommendation 1.2

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

The Chief Executive Officer, the Chief Financial Officer, the National Sales Manager and the National Engineering/Operations Manager are performance-evaluated by the Board on an annual basis against key performance indicators (KPIs) clearly stated in position descriptions and as updated annually.

The KPIs are primarily growth and earnings related but also address non-financial measures including quality, safety, environmental and 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.

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. However, circumstances during the past financial year have led to a situation where the majority of the board are no longer classified as independent directors. 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 of having at least two independent Directors.

Up until November 2011, the Board comprised five non-executive directors. In November 2011, following the departure of Mr W Kibbis as Chief Executive Officer, Mr D Cleland was appointed acting Chief Executive Officer. In April 2012, Mr G Keeghan resigned from the Board and Mr D Hotchkin was appointed acting Chief Executive Officer, with Mr Cleland remaining in the capacity of Executive Director on a part-time basis up to 30 June 2012. The Board now consists of two independent directors and two non-independent directors. As CEO of the company, Mr D Hotchkin is not considered independent. Under the criteria set out in the ASX Corporate Governance Principles, Mr D Smith is not deemed to be an independent director for the reasons set out below.

Mr Smith is a major shareholder, and is a partner in a public accounting firm that was previously engaged by the Company. He was a founding partner of the business when it was established 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.

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 judgement. 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.

The skills, experience and expertise of each of the directors are included in the Directors' Report. It is noted that all directors have served or are serving on other Boards.

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 or pose any conflict of interest.

Recommendation 2.3

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

The Chairman of the Board is Mr G Bertuch and the Chief Executive Officer 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 a nomination committee. Given the size of the Board and the Company, it was determined that the all members of the Board would execute the functions of a nomination committee and that a separate nomination committee was unnecessary. 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 into account the Company's Diversity and Equality Policy. 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 ASX Corporate Governance Principles and provides for additional comment from each of the directors. The results of the questionnaire are consolidated, and then discussed by the Board. The Board confirms that the evaluation process for the 2011-12 year took place in July 2012.

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.

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 Chief Financial Officer, the National Sales Manager, and the National Engineering/Operations Manager 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 diversity and disclose the policy or a summary of the policy.

The Company has established a Diversity and Equality Policy which enshrines diversity and equality of employment throughout all levels of the Company.

In respect to gender diversity the Company notes that it is a small to medium sized enterprise that operates largely in a manufacturing/civil installations environment. The Company recognises that a talented and diverse workforce is a key element in ongoing growth and business success and endeavours to employ the best available personnel to manage and service the Company.

A copy of the Company's Diversity and Equality Policy is located on the Company's website (www.saferoads.com.au) under the Investor Relations icon.

Recommendation 3.3

Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board and progress towards achieving them.

Having regard to the Company's size and operations and recent executive recruitments, the objectives of the Board are to maintain the current levels of gender diversity across the Company. As the opportunity to recruit across the Company arises, new appointments will be made in accordance with the Company's Diversity and Equality Policy.

Performance to this objective is contained in the Directors' Report.

Recommendation 3.4

Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

This information is contained in the Directors' Report.

Recommendation 3.5

Companies should disclose the information indicated in the Guide to reporting on Principle 3.

The Board confirms that the information required in this section of the Corporate Governance Principles and Guidelines is provided.

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 Audit (Vic) 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 comprised of Mr G Keeghan (non-executive Director and Chairman of the committee up to his resignation in April 2012), Mr D Smith (non-executive Director and Chairman of the committee from April 2012), Mr D Hotchkin and Mr D Cleland (deemed Executive Directors for part of the year).

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.

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.

Recommendation 4.3

Charter of the Audit Committee.

The Audit and Risk 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 Audit and Risk Committee's charter is contained within the Company's Corporate Governance Charter (Section 5), a copy of which is located on the Company's website (www.saferoads.com.au) under the Investor Relations icon.

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 2011-12 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.

The Company annually considers the skills and independence of its external auditor. The Company's external audit engagement partner is rotated every five years.

A copy of the Company's Corporate Governance Charter, which includes the Audit and Risk Committee Charter, is located on the Company's web site (www.saferoads.com.au) under the Investor Relations icon.

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 2011-12 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.

A copy of the Company's Continuous Disclosure Policy is located on the Company's web site (www.saferoads.com.au) under the Investor Relations icon.

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.

Recommendation 6.2

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

A copy of the Company's Corporate Governance Charter is located on the Company's website (www.saferoads.com.au) under the Investor Relations icon.

PRINCIPLE 7 RECOGNISE AND MANAGE RISK

Recommendation 7.1

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

The Audit and Risk 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.

The Company has a Risk Management Policy, a copy of which is located on the Company's web site (www.saferoads.com.au) under the Investor Relations icon.

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 those risks rated “Very High” are to be reported to the Board on monthly basis. Risks that have been evaluated and rated “High” are reported to the Board/ Audit and Risk Committee every two months. Risks rated at less than “High” are reported to the Board/ Audit and Risk Committee as required and at least annually.

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.

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 Chief Executive Officer and the Chief Financial Officer 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.

A copy of the Company’s Risk Management Policy is located on the Company’s web site (www.saferoads.com.au) under the Investor Relations icon.

PRINCIPLE 8 REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1

The Board should establish a Remuneration Committee.

The Company was not included in the S&P/ASX 300 Index at the beginning of the financial year and therefore is not required to meet the requirements of Listing Rule 12.8 to have a Remuneration Committee. However, the Board is committed to ensuring that appropriate remuneration practices are established and followed within the Company, and that they are aligned with its Corporate Strategy. For this reason the Company 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 2011-12 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 D Cleland (non-executive Director). Mr Bertuch and Mr Cleland are independent directors. Mr Smith is not an independent director.

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 that the committee comprises a majority of independent Directors.

Recommendation 8.3

Companies should clearly distinguish the structure of non-executive Directors remuneration 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.

The remuneration of the non-executive directors comprises only directors' fees and statutory superannuation. They have no other entitlement. The remuneration of the senior managers comprises a base salary, car allowance, statutory superannuation and a performance bonus based on the company achieving more than the Net Profit Before Tax (NPBT) 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 scheme 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 which is located on the Company's website (www.saferoads.com.au) under the Investor Relations icon.

FINANCIAL STATEMENTS

SAFEROADS HOLDINGS LIMITED
 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 30 JUNE 2012

		CONSOLIDATED	
		2012	2011
		\$	\$
	Notes		
Revenue	4	35,384,612	45,682,498
Cost of sales		(25,178,652)	(29,437,918)
Gross profit		10,205,960	16,244,580
Other income	4	106,814	48,550
Employee benefits		(7,208,855)	(8,307,117)
Depreciation and amortisation		(853,406)	(857,112)
Finance costs		(754,845)	(646,007)
Impairment of goodwill		(4,967,561)	-
Other expenses		(5,834,124)	(5,463,437)
Profit/(loss) before income tax	4	(9,306,017)	1,019,457
Income tax (expense)/benefit	5	376,388	(271,785)
Net profit/(loss) for the period		(8,929,629)	747,672
Net profit/(loss) attributable to members of the parent		(8,929,629)	747,672
Other comprehensive income			
Exchange differences on translating foreign controlled entities		(28,633)	(20,545)
Total comprehensive income for the period		(8,958,262)	727,127
Total comprehensive income attributable to members of the parent		(8,958,262)	727,127
Earnings per share (cents per share)			
- basic for profit/(loss) for the full year	6	(34.3)	2.9
- diluted for profit/(loss) for the full year	6	(34.3)	2.9
- dividends paid per share	7	-	-

The accompanying notes form part of these financial statements

SAFEROADS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

		CONSOLIDATED	
		2012	2011
		\$	\$
	Notes		
ASSETS			
Current Assets			
Cash and cash equivalents	8	681,944	954,174
Trade and other receivables	9	6,704,517	8,958,683
Income tax receivable		53,482	-
Inventories	11	6,626,131	10,664,349
Prepayments		667,210	478,110
		14,733,284	21,055,316
Assets classified as held for sale	24	1,023,617	-
Total Current Assets		15,756,901	21,055,316
Non-current Assets			
Property, plant and equipment	12	4,682,481	6,047,331
Intangible assets and goodwill	13	567,745	5,880,328
Deferred tax assets	5	358,812	-
Total Non-current Assets		5,609,038	11,927,659
TOTAL ASSETS		21,365,939	32,982,975
LIABILITIES			
Current Liabilities			
Trade and other payables	14	3,869,600	6,230,839
Current tax liabilities		-	114,100
Interest-bearing loans and borrowings	15	1,384,246	1,380,473
Provisions	16	517,587	480,088
		5,771,433	8,205,500
Borrowings classified as current	15	7,200,000	-
Total Current Liabilities		12,971,433	8,205,500
Non-current Liabilities			
Deferred tax liabilities	5	-	24,845
Interest-bearing loans and borrowings	15	170,531	7,534,287
Provisions	16	37,125	73,231
Total Non-current Liabilities		207,656	7,632,363
TOTAL LIABILITIES		13,179,089	15,837,863
NET ASSETS		8,186,850	17,145,112
EQUITY			
Contributed equity	17	4,130,708	4,130,708
Reserves	17	(79,603)	(50,970)
Retained earnings	17	4,135,745	13,065,374
TOTAL EQUITY		8,186,850	17,145,112

The accompanying notes form part of these financial statements

SAFEROADS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

		CONSOLIDATED	
		2012	2011
Notes		\$	\$
Cash flows from operating activities			
		41,367,115	43,352,430
		(40,166,306)	(42,285,072)
		1,200,809	1,067,358
		13,582	18,435
		(759,051)	(646,007)
		(174,851)	(143,468)
	8	280,489	296,318
Cash flows from investing activities			
		30,768	230,240
		(261,834)	(2,911,652)
		(60,869)	(214,184)
		(291,935)	(2,895,596)
Cash flows from financing activities			
		131,364	1,781,786
		(392,518)	(236,333)
		(261,154)	1,545,453
		(272,600)	(1,053,825)
		954,174	2,007,999
		370	-
	8	681,944	954,174

The accompanying notes form part of these financial statements

SAFEROADS HOLDINGS LIMITED
 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 30 JUNE 2012

CONSOLIDATED	Contributed Equity \$	Reserves \$	Retained Earnings \$	Total Equity \$
At 1 July 2010	4,130,708	(30,425)	12,317,702	16,417,985
Comprehensive income for period	-	(20,545)	747,672	727,127
At 30 June 2011	4,130,708	(50,970)	13,065,374	17,145,112
At 1 July 2011	4,130,708	(50,970)	13,065,374	17,145,112
Comprehensive income for period	-	(28,633)	(8,929,629)	(8,958,262)
At 30 June 2012	4,130,708	(79,603)	4,135,745	8,186,850

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

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.

Saferoads Holdings Limited is a for-profit entity for the purposes of preparing the financial statements.

(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 ended 30th June 2012. The impact of the adoption in the future is not expected to be material.

The financial statements were authorised for issue by the Directors on 25 September 2012. The Directors have the power to amend and reissue the financial statements.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the legal parent entity, Saferoads Holdings Limited and its subsidiaries ('the Group'). The separate financial statements of the parent entity have not been presented within this financial report as permitted by the Corporations Act 2001.

The 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 on 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 2012 as a continuation of the legal subsidiary, Saferoads Pty Ltd, with comparative information for the year ended 30 June 2011, using consistent accounting policies.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Saferoads Holdings Limited has control.

(d) Business Combinations

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

(e) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

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

Group companies

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

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

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

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.

(i) Goodwill and intangible assets (continued)***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 statement of comprehensive income through the amortisation line item.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite life intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Research and development costs

Research costs are expensed as incurred.

Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Any expenditure carried forward is amortised over the period of expected future sales from the related project.

The carrying value of 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 statement of comprehensive income 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 30-60 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) Assets classified as held for sale

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

(n) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

Interest expense is recognised as it accrues.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

(o) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and benefits of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at fair value, or, if lower, at an amount equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly against income. Finance leased assets are amortised over the estimated useful life of the asset.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

(p) Provisions

Provisions are recognised when the Group has a present obligation (legal and constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

(q) 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.

(r) 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.

(s) 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.

(t) 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.

(u) 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.

(v) 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.

(w) 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.

(x) Derivative Financial Instruments

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

(y) 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**Impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the recoverable amount of cash-generating unit(s), being the higher of fair value less costs to sell and value in use of the cash-generating unit(s). The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit(s) and a suitable discount rate in order to calculate present value. Details of the impairment review are provided in Note 13.

Key Judgements**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.

(z) Going Concern

The consolidated entity has incurred an operating loss before tax of \$9,306,017 for the financial year ended 30 June 2012 and was in breach of one of its reporting covenants with its financier as at 30 June 2012.

Consequently, the financier has considered the current financial and operating position together with management's forward projections for the next 12 months. The financier has reserved its rights in relation to the facilities and has not waived or altered those rights. They have agreed to forebear on acting on the default subject to additional terms and conditions, including the provision of debt reduction.

The Board acknowledges these matters give rise to a material uncertainty over the consolidated entity's ability to continue as a going concern.

The ability of the consolidated entity to continue as a going concern is dependent on its ability to:

- Continue to manage the performance of the business, including increasing operating cash flows and reducing overheads
- Derive sufficient revenue from its existing operations
- Secure further profitable sales contracts
- Meet the additional conditions of forbearance set by the financier, in relation to the default, including debt reduction.

At the date of this report and having considered the above factors, the continuance of its banking relationship and the fact the Company maintains a share of the road safety market, the directors are confident that the consolidated entity will be able to continue as a going concern.

3. SEGMENT INFORMATION

The consolidated entity predominantly operates in the road safety products market in Australia.

4. REVENUES AND EXPENSES

(a) Specific Items

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

	CONSOLIDATED	
	2012 \$	2011 \$
(i) Revenue		
Sale of goods	35,384,612	45,682,498
(ii) Other income		
Interest	13,582	18,435
Profit/(loss) on sale of plant & equipment	(11,180)	(160,740)
Other	104,412	190,855
	106,814	48,550
	35,491,426	45,731,048
(iii) Expenses		
Rental expense on operating leases	939,281	952,956
Bad and doubtful debts	136,801	77,323
Write-down of product development costs previously capitalised	341,074	-
Motor vehicle costs	1,005,256	1,000,622
Occupancy costs	854,477	786,585
IT & Communications costs	409,262	316,824

5. INCOME TAX

Major components of income tax expense for the year ended 30 June 2012 are:

	CONSOLIDATED	
	2012 \$	2011 \$
Statement of Comprehensive Income		
Current income tax charge	(1,332,986)	241,580
Deferred income tax	(24,845)	56,792
Adjustments in respect of current income tax of previous period	7,269	(26,587)
Current year tax losses not brought to account	974,174	-
Income tax expense/(benefit) reported in statement of comprehensive income	(376,388)	271,785

Reconciliation

A reconciliation of income tax expense applicable to accounting profit/(loss) before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows:

Accounting profit/(loss) before income tax	(9,306,017)	1,019,457
At the statutory income tax rate of 30%	(2,791,805)	305,837
Adjustments in respect of current income tax of previous period	7,269	(26,587)
Tax concessional items	-	(16,064)
Expenditure allowable for income tax purposes	(16,964)	8,599
Non-deductible expenses	1,370,302	-
Current year tax losses not brought to account	974,174	-
Deferred tax assets relating to temporary differences not brought to account	80,636	-
	(376,388)	271,785

Deferred income tax

Deferred income tax at 30 June 2012 relates to the following:

	CONSOLIDATED			
	Statement of Financial Position		Statement of Comprehensive Income	
	2012 \$	2011 \$	2012 \$	2011 \$
Deferred income tax asset/(liability)				
Employee entitlements	128,601	160,686	32,085	23,628
Research & Development Costs	(163,114)	(264,818)	(101,704)	41,768
Other	115,149	79,287	(35,862)	(8,604)
Deferred tax assets relating to temporary differences not brought to account	(80,636)	-	80,636	-
Carry forward tax losses brought to account	358,812	-	-	-
Gross deferred income tax (liability)/asset	358,812	(24,845)		
Deferred income tax charge			(24,845)	56,792

5. INCOME TAX (continued)

As at 30 June 2012, the consolidated entity has carry forward tax losses of \$1,332,986 (tax effect). Carry forward tax losses of \$358,812 have been brought to account as a deferred tax asset on the basis that it is probable that taxable profit will be available against which the carry forward tax losses will be utilised. Carry forward tax losses of \$974,174 and deferred tax assets relating to temporary differences of \$80,636 have not been brought to account as it is not probable that they will be utilised.

6. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit/(loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit/(loss) attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options).

The following reflects the income and share data used in the total operation's basic and diluted earnings per share computations:

	CONSOLIDATED	
	2012	2011
	\$	\$
Net profit/(loss) attributable to equity holders from continuing operations	(8,929,629)	747,672
Net profit/(loss) attributable to equity holders of the parent	(8,929,629)	747,672
Net profit/(loss) attributable to ordinary shareholders for diluted earnings per share	(8,929,629)	747,672
Weighted average number of ordinary shares for basic earnings per share	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

Equity dividends on ordinary shares:

Interim franked dividend for 2012: 0.0 cents (2011: 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 2012: 0.0 cents (2011: 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.

	CONSOLIDATED	
	2012	2011
	\$	\$
Interim franked dividend for 2012: 0.0 cents (2011: 0.0 cents)	-	-
Final franked dividend for 2012: 0.0 cents (2011: 0.0 cents)	-	-
Franking Credit Balance:		
The amount of franking credits available for future reporting periods after the payment of income tax payable and the impact of dividends proposed.	5,391,073	5,242,341

8. CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2012 \$	2011 \$
Cash at bank and in hand	681,944	954,174

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:

	CONSOLIDATED	
	2012 \$	2011 \$
Cash at bank and in hand	681,944	954,174
Reconciliation from the net profit/(loss) after tax to the net cash flows from operations		
Profit/(loss) after tax for the year	(8,929,629)	747,672
Adjustments for:		
Depreciation and amortisation	853,406	857,112
Impairment of goodwill	4,967,561	-
Impairment of plant and equipment	49,907	-
Product development costs write-down	341,074	-
Net (profit)/loss on disposal of plant and equipment	11,180	160,740
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	2,254,166	(2,520,923)
(Increase)/decrease in inventories	3,760,841	(1,227,376)
(Increase)/decrease in prepayments	(141,411)	(12,091)
Decrease/(increase) in deferred tax asset	(358,812)	31,947
(Decrease)/increase in deferred tax liability	(24,845)	24,845
(Decrease)/increase in trade and other payables	(2,390,242)	2,223,927
(Decrease)/increase in provisions	1,393	(61,060)
(Decrease)/increase in tax provision	(114,100)	71,525
Net cash from operating activities	280,489	296,318

9. TRADE AND OTHER RECEIVABLES (CURRENT)

	CONSOLIDATED	
	2012	2011
	\$	\$
Trade receivables	6,954,517	9,133,683
Provision for impairment	(250,000)	(175,000)
	6,704,517	8,958,683
Ageing of trade and other receivables not impaired		
1 - 30 days	3,505,850	4,929,418
31 - 60 days	2,460,049	2,835,329
61 - 90 days	364,376	606,306
91 days and over	374,242	587,630
	6,704,517	8,958,683
Trade receivables are non-interest bearing.		
Movement in provision for impairment		
Balance at the beginning of financial year	175,000	100,000
Amounts written off	(86,792)	-
Additional impairment provision recognised	161,792	75,000
	250,000	175,000

10. ECONOMIC DEPENDENCY

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

11. INVENTORIES

	CONSOLIDATED	
	2012	2011
	\$	\$
Stock on hand	6,626,131	10,664,349

12. PROPERTY, PLANT AND EQUIPMENT

Land	-	57,000
Buildings at cost	-	817,284
Less accumulated depreciation	-	(390,157)
	-	427,127
Plant & equipment at cost	7,949,862	8,773,132
Less accumulated depreciation	(3,267,381)	(3,209,928)
	4,682,481	5,563,204
Total property, plant & equipment	4,682,481	6,047,331

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Movements in Carrying Amounts

	Land	Buildings	Plant & Equipment	Total
Balance at 1 July 2011	57,000	427,127	5,563,204	6,047,331
Additions	-	2,185	259,649	261,834
Assets transferred from inventory	-	-	277,377	277,377
Depreciation expense	-	(35,532)	(753,057)	(788,589)
Impairment	-	-	(49,907)	(49,907)
Reclassified as held for sale (refer Note 24)	(57,000)	(393,780)	(572,837)	(1,023,617)
Disposals	-	-	(41,948)	(41,948)
Carrying amount at 30 June 2012	-	-	4,682,481	4,682,481
Balance at 1 July 2010	57,000	464,029	3,782,727	4,303,756
Additions	-	-	2,911,652	2,911,652
Depreciation expense	-	(36,902)	(740,195)	(777,097)
Disposals	-	-	(390,980)	(390,980)
Carrying amount at 30 June 2011	57,000	427,127	5,563,204	6,047,331

13. INTANGIBLE ASSETS & GOODWILL

	CONSOLIDATED	
	2012	2011
	\$	\$
Goodwill	-	4,967,561
Licence agreements at cost	73,677	73,677
Less accumulated amortisation	(49,645)	(43,637)
	24,032	30,040
Product development costs	609,246	1,092,742
Less accumulated amortisation	(65,533)	(210,015)
	543,713	882,727
	567,745	5,880,328

13. INTANGIBLE ASSETS & GOODWILL (continued)

(a) Movement in carrying amounts

	Goodwill	License Agreement	Product Development Costs	Total
Balance at 1 July 2010	4,967,561	35,099	743,499	5,746,159
Capitalisation of costs	-	-	214,184	214,184
Amortisation expense	-	(5,059)	(74,956)	(80,015)
Carrying amount at 30 June 2011	4,967,561	30,040	882,727	5,880,328
Balance at 1 July 2011	4,967,561	30,040	882,727	5,880,328
Capitalisation of costs	-	-	60,869	60,869
Amortisation expense	-	(6,008)	(58,809)	(64,817)
Impairment losses	(4,967,561)	-	(341,074)	(5,308,635)
Carrying amount at 30 June 2012	-	24,032	543,713	567,745

(b) Impairment test for goodwill

Goodwill is allocated to the relevant cash-generating unit(s). The recoverable amount of the cash-generating unit(s) 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 post-tax discount rate of 9.64% which is the Company's WACC.

At 31 December 2011, an assessment of the carrying amount of goodwill was conducted, which determined that the carrying amount of goodwill exceeded the recoverable amount and an impairment loss of \$4,967,561 was recognised. An impairment loss recognised for goodwill cannot be reversed in a subsequent period.

14. TRADE AND OTHER PAYABLES (CURRENT)

	CONSOLIDATED	
	2012	2011
	\$	\$
Trade payables	2,762,248	5,540,130
Accrued expenses	993,041	571,192
GST payable	114,311	119,517
	3,869,600	6,230,839

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

15. INTEREST-BEARING LOANS AND BORROWINGS

	CONSOLIDATED	
	2012	2011
	\$	\$
Current		
Hire purchase	384,246	380,473
Bank loans	1,000,000	1,000,000
	1,384,246	1,380,473
Bank loans classified as current	7,200,000	-
	8,584,246	1,380,473
Non-current		
Hire purchase	170,531	435,458
Bank loans	-	7,098,829
	170,531	7,534,287

The Group's borrowing facilities are provided by Commonwealth Bank of Australia ("CBA") under an agreement dated 30 August 2011. As a result of the reduction in earnings for the financial year ended 30 June 2012, the Group breached one of its reporting covenants with the CBA as at 30 June 2012, however, as at 30 June 2012 and as at the date of this report, the Group has not defaulted on any payments or disclosures under this agreement. Nonetheless, Australian Accounting Standard AASB 101 - Presentation of Financial Statements, requires that the non-current portion of these borrowings be classified as a current liability for this reporting period.

At the previous reporting date of 29 August 2011 for the financial year ended 30 June 2011, the Group was in compliance with its required reporting covenants, therefore in accordance with Australian Accounting Standard AASB 101, the company's long term loans were classified as current and non-current according to those amounts due within 12 months and those due after 12 months.

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

15. INTEREST BEARING LOANS AND BORROWINGS (continued)

Financing facilities available

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

	CONSOLIDATED	
	2012 \$	2011 \$
Total facilities		
- bank bills	7,200,000	7,200,000
- bank overdraft	300,000	300,000
- bank charge card	300,000	300,000
- trade facilities including bank guarantees	2,800,000	2,800,000
Facilities used at reporting date		
- bank bills	7,200,000	7,098,829
- bank overdraft	-	-
- bank charge card	211,500	222,000
- trade facilities	1,000,000	1,000,000
- bank guarantee	994,529	377,887
Facilities unused at reporting date		
- bank bills	-	101,171
- bank overdraft	300,000	300,000
- bank charge card	88,500	78,000
- trade facilities including bank guarantees	805,471	1,422,113

The bank facilities are secured by a registered mortgage by Saferoads Pty Ltd over commercial property situated at 39 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.

Saferoads Pty Ltd is required to report to the Commonwealth Bank at the end of each calendar quarter regarding its compliance with Financial Covenants.

On 2 July 2012, the Company entered into a new borrowing facilities agreement with Commonwealth Bank of Australia. In so doing, the Company's overdraft facility was cancelled and the Company is subject to a number of revised financial and non-financial covenants.

16. PROVISIONS

	CONSOLIDATED	
	2012 \$	2011 \$
Current		
Employee benefits	393,032	480,088
Redundancies	84,555	-
Other	40,000	-
	517,587	480,088
Non-Current		
Employee benefits	37,125	73,231

17. EQUITY

	CONSOLIDATED	
	2012	2011
Contributed Equity	\$	\$
<i>Ordinary shares</i>		
Issued and fully paid	4,130,708	4,130,708
<i>Movements in ordinary shares on issue (legal parent)</i>	NUMBER OF SHARES	
At 1 July	26,000,000	26,000,000
At 30 June	26,000,000	26,000,000

Ordinary shares carry one vote per share, either in person or by proxy, at a meeting of the Company, and carry the rights to dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

There is no current on-market buy-back of ordinary shares.

Retained Earnings

Movements in retained earnings are as follows:

	CONSOLIDATED	
	2012	2011
	\$	\$
Balance at 1 July	13,065,374	12,317,702
Net profit/(loss) for the year	(8,929,629)	747,672
Balance at 30 June	4,135,745	13,065,374

Reserves

Foreign Currency Translation Reserve

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

18. 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:

	CONSOLIDATED	
	2012	2011
	\$	\$
Financial Assets		
- Cash and cash equivalents	681,944	954,174
- Loans and receivables	6,704,517	8,958,683
Total Financial Assets	7,386,461	9,912,857
Financial Liabilities		
- Financial liabilities at amortised cost	12,624,377	15,145,599
Total Financial Liabilities	12,624,377	15,145,599

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 5 years	
2012	%	\$	\$	\$	\$	\$
Financial Assets						
- Cash	4.22%	-	681,944	-	-	681,944
- Receivables	N/A	6,704,517	-	-	-	6,704,517
Total Financial Assets		6,704,517	681,944	-	-	7,386,461
Financial Liabilities						
- Payables	N/A	3,869,600	-	-	-	3,869,600
- Bank borrowings	8.23%	-	1,000,000	-	7,200,000	8,200,000
- Hire purchase	8.47%	-	-	384,246	170,531	554,777
Total Financial Liabilities		3,869,600	1,000,000	384,246	7,370,531	12,624,377
2011	%	\$	\$	\$	\$	\$
Financial Assets						
- Cash	4.66%	-	954,174	-	-	954,174
- Receivables	N/A	8,958,683	-	-	-	8,958,683
Total Financial Assets		8,958,683	954,174	-	-	9,912,857
Financial Liabilities						
- Payables	N/A	6,230,839	-	-	-	6,230,839
- Bank borrowings	8.34%	-	1,000,000	-	7,098,829	8,098,829
- Hire purchase	8.23%	-	-	380,473	435,458	815,931
Total Financial Liabilities		6,230,839	1,000,000	380,473	7,534,287	15,145,599

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(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.

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 \$250,000 at 30 June 2012 (2011: \$175,000), 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 \$3,198,667 (2011: \$4,215,376).

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
2012				
- Payables	3,869,600	-	-	3,869,600
- Bank borrowings	1,000,000	7,200,000	-	8,200,000
- Hire purchase	384,246	170,531	-	554,777
Total Financial Liabilities	5,253,846	7,370,531	-	12,624,377
2011				
- Payables	6,230,839	-	-	6,230,839
- Bank borrowings	1,000,000	7,098,829	-	8,098,829
- Hire purchase	380,473	435,458	-	815,931
Total Financial Liabilities	7,611,312	7,534,287	-	15,145,599

(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.

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(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	EUR	USD
2012			
Functional Currency of Group Entity	\$	\$	\$
Australian Dollar	184,121	(556)	(22,759)
2011			
Functional Currency of Group Entity			
Australian Dollar	(19,858)	-	(1,300,911)

(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	
	Profit/(loss) \$	Equity \$
Year Ended 30 June 2012		
+/-2% in interest rates	+/-40,000	+/-40,000
+/-5c in \$A/\$US	+/-90,000	+/-90,000
Year Ended 30 June 2011		
+/-2% in interest rates	+/-40,000	+/-40,000
+/-5c in \$A/\$US	+/-900,000	+/-900,000

19. COMMITMENTS AND CONTINGENCIES

	CONSOLIDATED	
	2012 \$	2011 \$
Operating Leases - properties		
Non-cancellable operating leases:		
- less than one year	644,477	428,080
- later than one year but less than five years	565,765	392,198
	1,210,242	820,278
Operating Leases - vehicles		
Non-cancellable operating leases:		
- less than one year	45,734	192,880
- later than one year but less than five years	29,350	33,175
	75,084	226,055
Total operating lease commitments	1,285,326	1,046,333
Hire Purchases		
Hire purchase commitments payable:		
- less than one year	414,407	432,617
- later than one year but less than five years	176,839	461,198
	591,246	893,815
Less future finance charges	(36,469)	(77,884)
Total hire purchase liability	554,777	815,931
Reconciled to:		
Current liability	384,246	380,473
Non-current liability	170,531	435,458
	554,777	815,931

A subsidiary has given guarantees pursuant to performance of various projects and security for leased premises to third parties in the normal course of business. Where there is a likelihood of a claim and a reliable estimate of an amount can be made, provision has been raised elsewhere in the financial report.

20. 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	
		2012	2011	2012	2011
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

Refer Note 22(d) for other related party disclosures.

21. AUDITOR'S REMUNERATION

	2012 \$	2011 \$
Amounts received or due and receivable by WHK Audit (Vic) for the audit of the financial report.	100,000	67,800

22. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Management Personnel

(i) Directors

Gary Bertuch	Non-Executive Chairman
Darren Hotchkin	Chief Executive Officer from 10 April 2012
Duncan Smith	Non-Executive
David Cleland	Chief Executive Officer from 28 November 2011 to 10 April 2012
Gerard Keeghan	Non-Executive to 13 April 2012

(ii) Executives

Paul Williams	National Sales Manager
Peter Fearn	Chief Financial Officer (appointed 19 December 2011)
Casey McMaster	National Engineering/Operations Manager
Wayne Kibbis	Chief Executive Officer (to 28 November 2011)
Tony Wyatt	Chief Financial Officer (to 14 October 2011)
Anthony Piscopo	National Sales and Marketing Manager (to 30 June 2012)
Anthony Connor	National OHS&E Manager (to 3 May 2012)

(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.

22. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(ii) Compensation of Key Management Personnel

FOR THE YEAR ENDED 30 JUNE 2012

	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	65,998	-	-	-	5,940	-	-	71,938	-
G Keeghan *	31,231	-	-	-	2,811	-	-	34,042	-
D Smith	40,000	-	-	-	3,600	-	-	43,600	-
Executive Directors									
D Hotchkin +	169,600	-	-	-	3,600	-	-	173,200	-
D Cleland #	139,225	-	-	-	-	-	-	139,225	-
Executives									
W Kibbis *	110,259	-	-	63,074	15,128	-	-	188,461	-
T Wyatt *	69,043	-	-	-	6,214	-	-	75,257	-
A Piscopo *	170,092	-	-	26,168	15,308	-	-	211,568	-
P Williams	160,000	-	-	-	14,400	3,020	-	177,420	-
P Fearn ^	91,538	-	-	-	8,238	1,506	-	101,282	-
C McMaster	167,139	-	-	-	15,042	2,841	-	185,022	-
A Connor *	111,382	-	-	-	10,024	-	-	121,406	-
Total	1,325,507	-	-	89,242	100,305	7,367	-	1,522,421	

* departed during the year

^ commenced during the year

+ includes Executive Director fees of \$129,600 for the period 1 December 2011 to 30 June 2012

includes Executive Director fees of \$99,225 for the period 28 November 2011 to 30 June 2012

22. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)
(ii) Compensation of Key Management Personnel (continued)

FOR THE YEAR ENDED 30 JUNE 2011

	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	71,498	-	-	-	6,930	-	-	78,428	-
G Keeghan	40,000	-	-	-	3,600	-	-	43,600	-
D Smith	40,000	-	-	-	3,600	-	-	43,600	-
D Cleland ^	20,082	-	-	-	-	-	-	20,082	-
Executive Directors									
D Hotchkin	164,000	8,088	-	35,219	17,881	-	-	225,188	-
Executives									
W Kibbis ^	101,241	-	67,778	-	9,112	1,647	-	179,779	29%
T Wyatt	176,000	-	-	-	15,840	3,207	-	195,047	-
A Piscopo ^	48,906	-	-	-	4,402	799	-	54,107	-
H Webb *	154,181	9,456	-	78,484	15,125	-	-	257,246	-
V Commadeur *	97,444	-	-	53,755	11,148	-	-	162,346	-
C McMaster	152,500	-	8,407	-	14,246	8,736	-	183,889	7%
A Connor ^	24,465	-	-	-	2,202	398	-	27,065	-
B Cruickshank *	52,119	-	-	14,898	4,691	-	-	71,708	-
Total	1,142,436	17,544	76,185	182,356	108,776	14,788	-	1,542,085	

* departed during the year

^ commenced during the year

22. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(c) Shareholdings of Key Management Personnel

Shares held in Saferoads Holdings Limited:

2012	Balance at 1 July 2011	Acquired	Sold	Balance 30 June 2012
Directors				
Gary Bertuch	20,000	-	-	20,000
Darren Hotchkin	5,192,775	-	-	5,192,775
Duncan Smith	1,227,580	-	-	1,227,580
Gerard Keeghan*	100,000	-	-	100,000
David Cleland	19,500	-	-	19,500
Executives				
Peter Fearn	-	-	-	-
Paul Williams	-	-	-	-
Casey McMaster	-	-	-	-
Total	6,559,855	-	-	6,559,855

* up to resignation date

Shares held in Saferoads Holdings Limited:

2011	Balance at 1 July 2010	Acquired	Sold	Balance 30 June 2011
Directors				
Gary Bertuch	20,000	-	-	20,000
Darren Hotchkin	5,027,775	165,000	-	5,192,775
Duncan Smith	1,200,000	27,580	-	1,227,580
Gerard Keeghan*	100,000	-	-	100,000
David Cleland	-	19,500	-	19,500
Executives				
Bill Cruickshank	66,114	25,000	-	91,114
Hamish Webb	140,000	-	(140,000)	-
Tony Wyatt	1,500	-	-	1,500
Total	6,555,389	237,080	(140,000)	6,652,469

* Shareholding restated from 50,000 to 100,000 as a result of inadvertent exclusion of an indirect holding in the prior year

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 \$31,000 (2011: \$58,700) to the Group during the year.

Darren Hotchkin provided consulting services of \$9,600 (2011: nil) to the Group during the year.

23. PARENT ENTITY DISCLOSURES

	2012 \$	2011 \$
Current assets	2,923	6,199
Total assets	27,036,766	27,036,907
Current liabilities	-	-
Total liabilities	-	-
Net assets	27,036,766	27,036,907
Issued capital	27,030,708	27,030,708
Retained earnings	6,058	6,199
Profit/(loss) of the parent entity	(141)	(101)
Total comprehensive income of the parent entity	(141)	(101)
Guarantees entered into by the parent entity in relation to debts of its subsidiaries	-	-

24. ASSETS CLASSIFIED AS HELD FOR SALE

During the financial year the directors identified certain non-current assets as available for sale. These included Land and Buildings and certain Plant and Equipment associated with one product portfolio (disposal group). The major classes of assets and liabilities are as follows:

	CONSOLIDATED	
	2012 \$	2011 \$
Property, plant and equipment	1,023,617	-

25. SUBSEQUENT EVENTS

On 2 July 2012, the Company entered into a new borrowing facilities agreement with Commonwealth Bank of Australia. In so doing, the Company's overdraft facility was cancelled and the Company is subject to a number of revised financial and non-financial covenants.

On 18 July 2012, Fleur Guenther commenced as Company Secretary, replacing Bill Cruickshank.

On 28 August 2012, the Company executed a contract for the sale and leaseback of its Drouin, Victoria head office site for consideration of \$1.5 million. Settlement is due on 28 September 2012.

DIRECTORS' DECLARATION

In the opinion of the Directors of Saferoads Holdings Limited and its controlled entities:

- (a) the financial statements and notes of the consolidated entity and the remuneration disclosures that are contained in the Remuneration Report that forms part of the Directors' Report are in accordance with the *Corporations Act 2001* (Cth), including:
 - i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 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 consolidated entity will be able to pay its debts as and when they become due and payable;
- (c) The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as reported in Note 2.

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

Signed in accordance with a resolution of the Directors.

On behalf of the Board.



Duncan Smith
Director

Drouin
25 September 2012

INDEPENDENT AUDITOR'S REPORT

To the Members of Saferoads Holdings Limited

Report on the Financial Report

www.whk.com.au

WHK Audit (Vic)
ABN 27 621 602 883

We have audited the accompanying financial report of Saferoads Holdings Limited and controlled entities (the consolidated entity), which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 consolidated entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 judgement, 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 of the financial report that gives a true and fair view 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 confirm that we complied with the independence requirements of the *Corporations Act 2001* and a copy of the independence declaration provided to the directors is attached to the financial report.

Auditor's Opinion

In our opinion:

- a) the financial report of Saferoads Holdings Limited and controlled entities is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

www.whk.com.au

WHK Audit (Vic)
ABN 27 621 602 883

Emphasis of matter on significant uncertainty - Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As indicated at Note 1(z), there is significant uncertainty whether the consolidated entity will be able to continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. Notwithstanding the current year's operating losses incurred, the financial report has been prepared on a going concern basis.


Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. The directors of the consolidated entity 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 2012 complies with section 300A of the *Corporations Act 2001*.


WHK Audit (Vic)


Rochelle Wrigglesworth
Partner
Place: Sale
Date:

25 September 2012

ASX ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 30 August 2012. At this date the Company had on issue 26,000,000 ordinary shares in the company held by 830 shareholders.

SUBSTANTIAL SHAREHOLDERS

Holder name	Number of ordinary shares in which interest is held
MR DARREN HOTCHKIN	5,192,775
RUMINATOR PTY LTD	1,545,343

TWENTY LARGEST SHAREHOLDERS

Name	Number of shares	% Held
MR DARREN HOTCHKIN	5,192,775	19.97
RUMINATOR PTY LTD	1,545,343	5.94
MR DUNCAN SMITH	1,227,580	4.72
WAVET FUND NO 2 PTY LTD	1,214,503	4.67
NLKM PTY LTD	808,016	3.11
CONTEMPLATOR PTY LTD	603,230	2.32
MR DANIEL SPILLMAN	458,505	1.76
MR ROSS YANNIS	434,000	1.67
BELL POTTER NOMINEES LTD	388,506	1.49
ATKONE PTY LTD	384,776	1.48
MR GLENN WADSWORTH & MR RICKI WADSWORTH	377,436	1.45
KOONUNG NOMINEES PTY LTD	350,000	1.35
MARTRE PROPERTIES PTY LIMITED	280,000	1.08
FLST PTY LTD	269,510	1.04
CIMTECK PTY LTD	231,367	0.89
ROADWORX GROUP PTY LTD	215,375	0.83
MRS MARINA SNYMAN	215,200	0.83
BUSINESS MANAGEMENT & INVESTMENT PTY LTD	204,726	0.79
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	200,000	0.77
MR JAMES BEVERIDGE & MR ANTHONY EDWARD	185,900	0.72
	14,786,748	56.87

DISTRIBUTION OF SHAREHOLDINGS

Holdings Ranges	Holders	Total Units	%
1-1,000	144	87,118	0.34
1,001-5,000	283	903,226	3.47
5,001-10,000	145	1,250,977	4.81
10,001-100,000	223	6,937,450	26.68
100,001-and over	35	16,821,229	64.70
	830	26,000,000	100.00

The number of shareholders' holdings less than a marketable parcel is 343.

VOTING RIGHTS

All ordinary shares carry one vote per share.

NUMBER OF ORDINARY SHARES SUBJECT TO ESCROW

Nil.

CORPORATE DIRECTORY

Directors

Gary Bertuch (Chairman)
Darren Hotchkin (CEO)
Duncan Smith
David Cleland

Company Secretary

Fleur Guenther

Registered Office

39 Weerong Rd
Drouin VIC 3818

Telephone: 03 5625 6600
Facsimile: 03 5625 4986

Share Registry

Boardroom Pty Limited
Level 7, 207 Kent St
Sydney NSW 2000

GPO Box 3993
Sydney NSW 2001

Telephone: 02 9290 9600
Facsimile: 02 9279 0664

Solicitors

Maddocks
140 William Street
Melbourne VIC 3000

Bankers

Commonwealth Bank of Australia
Warragul VIC 3820

Auditors

WHK Audit (Vic)
445 Raymond Street
Sale VIC 3850

ASX Code

SRH