



SAFEROADS HOLDINGS LIMITED

ABN 81 116 668 538

CONSOLIDATED FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2012

RELEASED
26 February 2013

Saferoads specialises in providing road safety solutions.

Headquartered in Drouin, Victoria, and with offices across Australia, 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.

Appendix 4D

Half year report

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

1. Reporting periods

31 DECEMBER 2012	Half year ended (‘current period’)	Half year ended (‘previous corresponding period’)
31 December 2012		31 December 2011

2. Results for announcement to the market

	Current period	Previous corresponding period	% Change increase / (decrease)	Amount (\$) increase / (decrease)
Key information	\$	\$		\$
Revenues from continuing activities	13,973,373	19,435,314	-28%	(5,461,941)
Profit/(loss) from continuing activities after tax attributable to members	(169,558)	(6,366,987)	n/a	6,197,429
Net profit/(loss) for the period attributable to members	(169,558)	(6,366,987)	n/a	6,197,429
Dividends (distributions)			Amount per share	Franked amount per share at 30% tax
Final dividend	Record Date Paid	N/A N/A	N/A	N/A
Interim dividend	Record Date Payable	N/A N/A	N/A	N/A
Supplementary comments				
Commentary in respect of the results is provided in the Directors' Report, which forms part of the half-year report ended 31 December 2012.				

3. NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary share (\$)	\$0.28	\$0.39

4. Dividends

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

5. Dividend reinvestment plans

The dividend reinvestment plan shown below is currently not in operation.

The dividend reinvestment plan (DRP) commenced on listing with the ASX and is available to eligible shareholders.

6. Associates and Joint Ventures

N/A

7. Foreign entities

N/A



SAFEROADS HOLDINGS LIMITED

Directors' Report

The directors of Saferoads Holdings Limited present their report for the half-year ended 31 December 2012.

DIRECTORS

The names of the Company's directors in office during the half-year and until the date of this report are:

Gary Bertuch (Chairman)
Darren Hotchkin (Chief Executive Officer)
David Ashmore (appointed 22 November 2012)
David Cleland
Duncan Smith (resigned 21 November 2012)

REVIEW OF OPERATIONS

The directors of Saferoads Holdings Limited report a half-year consolidated net loss after tax of \$169,558 compared with a net loss of \$6,366,987 for the previous corresponding period. Total sales for the half-year were \$13,973,373 compared with \$19,435,314 for the previous corresponding period, a decrease of 28%, which was consistent with the updated guidance provided to the ASX on 21 December 2012.

This result, whilst significantly improved on the previous corresponding period, was less than satisfactory. After an encouraging first quarter trading performance, the Company incurred challenging trading conditions in the second quarter, particularly in the civil installation sector where project overruns and reworks significantly impacted margin.

As a result, the directors and management have agreed to:

- significant changes to the go-forward Civil services business model whereby the Company will selectively scale-back its civil installation offering to be more aligned with our existing product range and progressively move to an outsourced, contract management model;
- improve product sales and rentals through a dedicated "Workzone Solutions" offering, providing customers with the choice of buying or renting various workzone products provided by the Company;
- apply greater sales focus to existing products with the greater customer demand potential and superior overall margin contribution.

With Government spend on road infrastructure reducing due to budgetary constraints, the challenge is to target strategic demand and foster alliances with our customers and ensure we are providing the desired value-added products and services that allow our customers to complete their road projects on time and within budget. We believe these initiatives will lead to an improved operating performance in the second half, positioning the Company to be primarily a product sales and rental business, with complementary installation services.



The half year result includes the disposal of the Company's Traffic Signals product portfolio and the sale and leaseback of the head office site in Drouin, Victoria, with the combined transactions realising a net gain of \$592,132. These transactions have freed up capital, enabled the reduction of core debt of \$2.4 million, from \$8.2 million at 30 June 2012 to \$5.8 million at 31 December 2012, and allowed us to focus on core business activities and opportunities.

Whilst the trading result was less than satisfactory, it has been pleasing to maintain strong cashflows for the six months, with \$549,994 generated from operations after interest paid of \$359,982 ensuring working capital needs are comfortably managed and met. The Company has progressively improved its cash balances to \$1,069,659 at balance date.

As a result of the net loss recorded in the period, the Company was again in breach of its reporting covenants with its banker at 31 December 2012. The relevant accounting standard requires all core debt to be classified as a current liability at balance date however it is important to understand that the Company has not defaulted on any debt servicing payments to the bank. We have constructively worked with our bankers to review the structure of our existing banking facilities and position the Company for profitable growth whilst developing an agreed plan to further reduce debt. The Company has established a revised facility with its bankers and is confident of compliance with the lending covenants in the future.

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

On balance, the directors and management believe that, with the above mentioned initiatives being undertaken, the second half of the financial year will see an improved financial performance in what is still anticipated to be very a challenging economic environment. The Company continues to focus on its core business, of providing quality, world-leading safety solutions for all road-users.

Finally, I would like to acknowledge our dedicated staff, who have continued to work tirelessly on the company's ongoing transformation and I look forward to their support in taking the business forward.

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained the attached independence declaration from our auditors, Grant Thornton, in accordance with S307c of the Corporations Act 2001 for the half year ended 31 December 2012.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, reading "Gary Bertuch". The signature is written in a cursive, flowing style.

Gary Bertuch

Director
Drouin
26/02/2013

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**Auditor's Independence Declaration
To The Directors of Saferoads Holdings Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Saferoads Holdings Limited for the half-year ended 31 December 2012, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M. A. Cunningham
Partner - Audit & Assurance

Melbourne, 26 February 2013

SAFEROADS HOLDINGS LIMITED

Statement of Profit or Loss and Other Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Notes	CONSOLIDATED December 2012 \$	December 2011 \$
Revenue	2	13,973,373	19,435,314
Cost of sales		(9,183,761)	(13,981,672)
Gross profit		4,789,612	5,453,642
Other income	2	703,681	130,495
Employee benefits		(3,202,801)	(3,718,285)
Depreciation and amortisation		(340,280)	(434,170)
Finance costs		(327,298)	(378,254)
Impairment of goodwill	2	-	(4,967,561)
Other expenses		(1,854,359)	(3,041,508)
Profit/(loss) before tax		(231,445)	(6,955,641)
Income tax benefit/(expense)		61,887	588,654
Profit/(loss) after income tax from continuing operations		(169,558)	(6,366,987)
Net profit/(loss) for the period		(169,558)	(6,366,987)
Net profit/(loss) attributable to members of parent		(169,558)	(6,366,987)
Other Comprehensive Income			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign controlled entity		6,111	(15,519)
Total comprehensive income for the period		6,111	(15,519)
Total comprehensive income attributable to members of the parent		(163,447)	(6,382,506)
Earnings per share (cents per share)			
- basic for profit/(loss) for the half-year (cents)		(0.7)	(24.5)
- diluted for profit/(loss) for the half-year (cents)		(0.7)	(24.5)
- dividends paid per share (cents)		0.0	0.0

The accompanying notes form part of these financial statements

SAFEROADS HOLDINGS LIMITED

Statement of Financial Position

AS AT 31 DECEMBER 2012

	Notes	CONSOLIDATED	
		December 2012 \$	June 2012 \$
ASSETS			
Current Assets			
Cash and cash equivalents		1,069,659	681,944
Trade and other receivables		4,124,342	6,638,307
Income tax receivable		3,331	53,482
Inventories		4,043,782	6,467,386
Prepayments		902,635	602,432
		10,143,749	14,443,551
Assets classified as held for sale		-	1,023,617
Total Current Assets		10,143,749	15,467,168
Non-current Assets			
Property, plant and equipment		4,335,540	4,682,481
Intangible assets		536,317	567,745
Deferred tax assets		420,699	358,812
Total Non-current Assets		5,292,556	5,609,038
TOTAL ASSETS		15,436,305	21,076,206
LIABILITIES			
Current Liabilities			
Trade and other payables		1,188,737	3,869,600
Interest-bearing loans and borrowings		291,680	1,384,246
Provisions		328,989	517,587
		1,809,406	5,771,433
Borrowings classified as current	8	5,800,000	7,200,000
Total Current Liabilities		7,609,406	12,971,433
Non-current Liabilities			
Interest-bearing loans and borrowings		64,576	170,531
Provisions		28,653	37,125
Total Non-current Liabilities		93,229	207,656
TOTAL LIABILITIES		7,702,635	13,179,089
NET ASSETS		7,733,670	7,897,117
EQUITY			
Contributed equity	4	4,130,708	4,130,708
Reserves		(73,492)	(79,603)
Retained earnings		3,676,454	3,846,012
TOTAL EQUITY		7,733,670	7,897,117

The accompanying notes form part of these financial statements

SAFEROADS HOLDINGS LIMITED

Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

CONSOLIDATED	Contributed Equity \$	Reserves \$	Retained Earnings \$	Total Equity \$
At 1 July 2011	4,130,708	(50,970)	13,065,374	17,145,112
Net profit/(loss) for the period	-	-	(6,366,987)	(6,366,987)
Other comprehensive income for the period	-	(15,519)	-	(15,519)
At 31 December 2011	4,130,708	(66,489)	6,698,387	10,762,606
At 1 July 2012	4,130,708	(79,603)	4,135,745	8,186,850
Adjustment on correction of error (refer note 9)	-	-	(289,733)	(289,733)
Restated total equity at 1 July 2012	4,130,708	(79,603)	3,846,012	7,897,117
Net profit/(loss) for the period	-	-	(169,558)	(169,558)
Other comprehensive income for the period	-	6,111	-	6,111
At 31 December 2012	4,130,708	(73,492)	3,676,454	7,733,670

The accompanying notes form part of these financial statements

SAFEROADS HOLDINGS LIMITED

Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Notes	CONSOLIDATED	
		December 2012 \$	December 2011 \$
Cash flows from operating activities			
Receipts from customers		18,180,353	23,827,010
Payments to suppliers and employees		(17,328,830)	(23,131,611)
		851,523	695,399
Interest received		8,302	8,455
Interest paid		(359,982)	(392,594)
Income taxes (paid)/refund received		50,151	(278,138)
Net cash flows from operating activities	7	549,994	33,122
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		2,450,000	30,768
Purchase of property, plant and equipment		(14,223)	(287,337)
Product development costs		-	(30,859)
Net cash flows from investing activities		2,435,777	(287,428)
Cash flows from financing activities			
Proceeds from borrowings		-	131,364
Repayment of borrowings		(2,598,521)	(203,308)
Net cash flows from financing activities		(2,598,521)	(71,944)
Net increase/(decrease) in cash and cash equivalents		387,250	(326,250)
Cash and cash equivalents at beginning of period		681,944	954,174
Effects of exchange rate changes on cash		465	(2,961)
Cash and cash equivalents at end of period	7	1,069,659	624,963

The accompanying notes form part of these financial statements

SAFEROADS HOLDINGS LIMITED

Notes to the Financial Statements

FOR THE HALF YEAR-ENDED 31 DECEMBER 2012

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of the half-year financial report

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore does not provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. It is therefore recommended that the half-year financial report should be read in conjunction with the annual Financial Report of Saferoads Holdings Limited as at 30 June 2012, together with any public announcements made by Saferoads Holdings Limited and its controlled entities during the half-year ended 31 December 2012 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and the ASX listing rules.

The consolidated financial statements comprise the financial statements of the parent entity, Saferoads Holdings Limited and its subsidiaries ('the Group').

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Accounting Standards including *AASB 134 - Interim Financial Reporting*. Compliance with *AASB 134* ensures that the financial statements and notes comply with International Financial Reporting Standard *IAS 34 - Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The half-year financial report has been prepared on a historical cost basis.

For the purposes of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) New Accounting Standards

The Group has adopted all new and revised Australian Accounting Standards and Interpretations that became effective for the first time and are relevant to the Group, including:

- *AASB 2011-9 Amendments to Australian Accounting Standards - presentation of Items of Other Comprehensive Income*, which requires entities to group items presented in Other Comprehensive Income on the basis of whether they are potentially re-classifiable to profit or loss subsequently, and changes the title of *Statement of Comprehensive Income* to *Statement of Profit or Loss and Other Comprehensive Income*.

The adoption of the new and revised Australian Accounting Standards and Interpretations has no significant impact on the Group's accounting policies or the amounts reported during the current half-year period. The adoption of *AASB 2011-9* has resulted in changes to the Group's presentation of its half-year financial statements.

(c) Going concern

The consolidated entity has incurred an operating loss before tax of \$231,445 for the half-year ended 31 December 2012 and, as a result of the reduction in earnings, was in breach of its reporting covenants with its financier as at 31 December 2012. However, as at 31 December 2012 and as at the date of this report, the consolidated entity has not defaulted on any payments or disclosures under this agreement.

Consequently, the financier has considered the current financial and operating position together with management's forward projections for the next six 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 an acceptable debt reduction proposal.

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:

- 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 an acceptable debt reduction proposal

SAFEROADS HOLDINGS LIMITED

Notes to the Financial Statements

FOR THE HALF YEAR-ENDED 31 DECEMBER 2012

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Going concern (continued)

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 reasonable share of the road safety market, the directors are confident that the consolidated entity will be able to continue as a going concern.

In the unlikely event that the above factors do not eventuate then the going concern basis may not be appropriate and as a result that the consolidated entity may have to realise assets and discharge its liabilities other than in the ordinary course of business and at amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

(d) Significant Accounting Policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2012 and the corresponding interim reporting period.

(e) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Saferoads Holdings Limited and its subsidiaries ('the Group').

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.

(f) Deferred tax asset

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward or unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except:

- when the deferred 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.

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 are measured at the tax rates that are expected to apply to the year when the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

SAFEROADS HOLDINGS LIMITED

Notes to the Financial Statements

FOR THE HALF YEAR-ENDED 31 DECEMBER 2012

2 REVENUES AND EXPENSES

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

	CONSOLIDATED	
	December 2012 \$	December 2011 \$
Revenue		
Sale of goods	13,973,373	19,435,314
	13,973,373	19,435,314
Other income		
Net gain on sale of assets	629,132	-
Interest	8,302	8,455
Other	66,247	122,040
	703,681	130,495
Expenses		
Impairment of goodwill	-	4,967,561
Writedown of inventories to net realisable value	-	727,221
Writedown of product development costs	-	243,354

3 DIVIDENDS PAID AND PROPOSED

Equity dividends on ordinary shares:

Dividends paid during the half year:

Final franked dividend for the financial year 30 June 2012 (0.0 cents) (2011 : 0.0 cents)

-	-
-	-

Dividends proposed and not recognised as a liability:

Interim franked dividend for financial year 30 June 2013 (0.0 cents) (2012: 0.0 cents)

-	-
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4 ISSUED CAPITAL

Ordinary shares

Issued and fully paid

December 2012 \$	June 2012 \$
4,130,708	4,130,708
4,130,708	4,130,708

5 SEGMENT REPORTING

The Group predominantly operates in the road safety solutions market in Australia.

SAFEROADS HOLDINGS LIMITED

Notes to the Financial Statements

FOR THE HALF YEAR-ENDED 31 DECEMBER 2012

6 CONTINGENT ASSETS AND LIABILITIES

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.

7 ADDITIONAL INFORMATION

Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 31 December:

	CONSOLIDATED	
	December 2012 \$	December 2011 \$
Cash at bank and in hand	1,069,659	624,963
Reconciliation from net profit/(loss) after tax to the net cash flows from operations		
Profit/(loss) after tax for the period	(169,558)	(6,366,987)
Adjustments for:		
Depreciation and amortisation	340,280	434,170
Impairment of goodwill	-	4,967,561
Product development costs writedown	-	243,354
Net (profit)/loss on disposal of plant and equipment	(629,132)	(540)
Changes in assets and liabilities:		
(Increase)/decrease in receivables	2,513,965	1,684,366
(Increase)/decrease in inventories	1,678,665	1,739,429
(Increase)/decrease in other assets	(300,203)	(196,229)
(Increase)/decrease in deferred tax assets	(61,887)	(610,492)
(Decrease)/increase in current tax liabilities	-	(231,445)
(Decrease)/increase in deferred income tax liability	-	(24,845)
(Decrease)/increase in payables	(2,675,217)	(1,434,814)
(Decrease)/increase in provisions	(197,070)	(170,406)
(Increase)/decrease in income tax receivable	50,151	-
Net cash from operating activities	549,994	33,122

8 BORROWINGS CLASSIFIED AS CURRENT

The consolidated entity's borrowing facilities are provided by Commonwealth Bank of Australia ("CBA") under an agreement dated 30 October 2012. As a result of the reduction in earnings for the six months ended 31 December 2012, the consolidated entity breached its reporting covenants with the CBA as at 31 December 2012, however, as at 31 December 2012 and as at the date of this report, the consolidated entity 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 and the previous corresponding period.

SAFEROADS HOLDINGS LIMITED

Notes to the Financial Statements

FOR THE HALF YEAR-ENDED 31 DECEMBER 2012

9 CORRECTION OF ERROR

A detailed review of the Company's Trade receivables, Inventories and Prepayments has identified some items that had been incorrectly accounted for at the previous reporting date (30 June 2012).

The effect of these prior period errors is material to the understanding of the current period financial statements.

The errors have been corrected by restating each of the affected financial statement line items for the prior period as follows:

	CONSOLIDATED		
	June 2012	Increase/ (Decrease)	June 2012 (Restated)
	\$	\$	\$
Statement of Financial Position (extract)			
Trade and other receivables	6,704,517	(66,210)	6,638,307
Inventories	6,626,131	(158,745)	6,467,386
Prepayments	667,210	(64,778)	602,432
Total assets	21,365,939	(289,733)	21,076,206
Net assets	8,186,850	(289,733)	7,897,117
Retained earnings	4,135,745	(289,733)	3,846,012
Total equity	8,186,850	(289,733)	7,897,117

	CONSOLIDATED		
	12 months June 2012	Profit Increase/ (Decrease)	12 months June 2012 (Restated)
	\$	\$	\$
Statement of Profit or Loss and Other Comprehensive Income (extract)			
Revenue	35,384,612	(66,210)	35,318,402
Cost of sales	(25,178,652)	(203,563)	(25,382,215)
Other expenses	(5,834,124)	(19,960)	(5,854,084)
Profit/(loss) before tax	(9,306,017)	(289,733)	(9,595,750)
Net profit/(loss) for the period	(9,306,017)	(289,733)	(9,595,750)

Basic and diluted earnings per share for the prior period (30 June 2012) have also been restated. The amount of the correction for both basic and diluted earnings per share was a decrease of 2.6 cents per share.

10 EVENTS AFTER THE END OF THE INTERIM PERIOD

On 26 February 2013, the Company entered into a revised borrowing facilities agreement with its financier, Commonwealth Bank of Australia. In so doing, the Company has renegotiated terms, including revised financial covenants that better reflect the scale of business operations and, based on current management forecasts, allows the Company to achieve the necessary financial covenants.

Other than the matters raised above and in note 1(c), no other significant event has occurred after the end of the interim period.

Directors' Declaration

In accordance with a resolution of the directors of Saferoads Holdings Limited, I state that:

In the opinion of the directors:

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

(i) give a true and fair view of the financial position as at 31 December 2012 and the performance for the half-year ended on that date of the consolidated entity; and

(ii) comply with Accounting Standard *AASB 134 - Interim Financial Reporting*; and

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

On behalf of the Board



Gary Bertuch

Director
Drouin

26 February 2013

Grant Thornton Audit Pty Ltd
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Independent Auditor's Review Report To the Members of Saferoads Holdings Limited

We have reviewed the accompanying half-year financial report of Saferoads Holdings Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of Saferoads Holdings Limited are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Saferoads Holdings Limited consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Saferoads Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Saferoads Holdings Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Material uncertainty regarding going concern

Without qualification to the conclusion expressed above, we draw attention to Note 1(c) to the financial statements which notes an operating loss before tax of \$231,445 for the half-year ended 31 December 2012. This condition, along with other matters set forth in Note 1(c), indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M. A. Cunningham
Partner - Audit & Assurance

Melbourne, 26 February 2013