



Released 27 February 2017

SAFEROADS HOLDINGS LIMITED

RESULTS FOR ANNOUNCEMENT TO THE MARKET HALF-YEAR ENDED 31 DECEMBER 2016

Highlights for the half

- Revenue from product sales and rentals up 12%, or \$894k
- EBITDA up by 110% from \$134k to \$282k
- Gearing levels improve with further core bank debt reduction of \$252k
- Continued R&D program to bring new products into our range with a further \$328k invested, partially offset by an R&D grant contribution of \$237k

FINANCIAL HEADLINES

\$'000	Six months ending		
	Dec 2016	Dec 2015	Variance %
Revenue – Product sales and rentals	8,291	7,397	+12.1%
Revenue – Product royalties	-	310	
Total revenue	8,291	7,707	+7.6%
EBITDA	282	134	+110.4%
EBIT	54	(59)	
Finance costs	102	108	-5.6%
Profit/(loss) before tax	(48)	(167)	-71.2%
Gearing (net debt / net debt + equity)	22.4%	24.8%	

Enquiries/Additional Information:

David Ashmore, Chairman
Ph: 03 5945 6600

ABOUT SAFEROADS

Saferoads is an ASX listed company (ASX: SRH) specialising in providing innovative safety solutions. Headquartered in Pakenham, Victoria, with representation across Australia, New Zealand and the USA, the company provides state government departments, local councils, civil construction and equipment hire companies with a broad range of products and services designed to direct, protect, inform and illuminate for the public's safety.

Appendix 4D

Half year report

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

1. Reporting periods

Half year ended (‘current period’)	Half year ended (‘previous corresponding period’)
31 December 2016	31 December 2015

2. Results for announcement to the market

	Current period	Previous corresponding period	% Change increase / (decrease)	Amount (\$) increase / (decrease)
	\$	\$		\$
Key information				
Revenues from continuing activities	8,291,388	7,707,493	8%	583,895
Profit/(loss) from continuing activities after tax attributable to members	(48,820)	(120,031)	-59%	71,211
Net profit/(loss) for the period attributable to members	(48,820)	(120,031)	-59%	71,211
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 2016.				

3. NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary share (\$)	\$0.12	\$0.12

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

N/A

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 2016.

DIRECTORS

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

David Ashmore (Non-Executive Chairman)

Darren Hotchkin (Chief Executive Officer)

David Cleland (Non-Executive)

REVIEW OF OPERATIONS

The directors report a half-year consolidated EBIT (Earnings Before Interest and Tax) of \$54,161 compared with an EBIT loss of (\$58,547) for the previous corresponding period ("pcp"), a turnaround of \$112,708.

After financing costs, the Company is reporting a minor loss before tax of (\$47,907) compared to a loss of (\$166,769) for the pcp.

Revenue for the half-year from product sales and rentals was up 12% on the pcp. Overall gross trading margin levels are down slightly as a result of our current product mix.

Key points for the half year include;

- Internationally, we had our first order of \$325k under the distributor agreement for our patented Ironman™ barrier in the USA and we will be working on opportunities for our Ironman™ Hybrid barrier in that market. We also had our first sales of our new flexible signage products into Belgium, further orders for our traffic calming products into Malaysia and VMS, flexible guidepost and traffic calming products sold to our New Zealand distributor.
- The continued strength in our temporary barrier portfolio was pleasing with good demand for our licensed T-LOK™ concrete barriers along the East coast. In particular the Pacific Highway upgrade and the more specialised custom barriers for Melbourne's new fully automated container terminal at Webb Dock. Our barriers were also selected to safeguard the 57,000 fans who attended the 2016 Rally Australia event at Coffs Harbour in November.
- Our Public Lighting portfolio continues to go from strength to strength with sales up a further 10% on the pcp. This has been achieved through solid growth from our existing core customer base as well as new customer opportunities in both on-grid and off-grid (solar) requirements. The volume of lighting sales was down on our forecasts as a result of a change in October to the supply arrangements for a significant customer however, our order intake is up 19% compared to the previous six month period, which reflects continuing solid demand for our Lighting solutions.



- Revenue from our Ironman™ Hybrid temporary barrier rental business has grown 39% on pcp with road construction contractors favouring and selecting Saferoads because of our detailed knowledge and expertise in required traffic layouts and barrier deployment and our superior redeployment capability in areas where road authorities require flexible work zone solutions.
- We advised the market in July 2016 when the patent owner of the Energy Absorbing Bollard we marketed as the Omni Bollard terminated, without notice, our exclusive licence to sell that product. At that time we only had six months remaining on the licence and we had been working to renew it. In July we further advised that we were confident that we could replace the projected sales we would lose as a result of this termination with the expansion in our market share of other products. The increase in our overall sales as noted above reflects our success in doing so, however we have suffered a reduction in our overall gross margin as these patented bollard products had attractive margins. We are currently assessing our recourse options resulting from the early termination of that licence.
- We have made the further scheduled \$252k reduction in our core bank debt during the period and we have maintained our other obligations under our current banking facility agreement.

Domestically, we continue to operate in a challenging economic environment with significant competition for sales. Whilst we see budgetary constraints at local government level, we are finding growing opportunities in the civil construction sector and we have been active in positioning ourselves to take advantage of various projects such as the Pacific Highway upgrade in northern NSW (temporary barriers) and major Victorian road works such as the Monash Freeway upgrade with separation kerbing and flexible guideposts. Our rental business has continuous success from our focus on the numerous minor road works projects where our expertise in work zone layout and deployment is increasingly being seen as invaluable to those second tier civil contractors.

We also are finding new opportunities with our recently developed solar lighting solutions from local government and electrical contractors and wholesalers.

We received our Research and Development ("R&D") tax cash rebate (\$237,405) with respect to our innovative R&D activities carried out in the financial year ended 30 June 2016. These funds continue to be invaluable in assisting the business in facilitating its research and development of new and improved public safety solutions, including a next generation Ironman™ Hybrid temporary barrier.

Looking ahead, we have started the new calendar year with over \$2.2 million in secured work in hand at the date of this report, combined January and February performance is better than Budget and we are confident that the second half of FY2017 will show further improvement on the first half. With our diverse range of products and services and expanding overseas sales opportunities we are confident we can continue the improvements made to date to secure a long-awaited profit for the full financial year.

Finally, I would like to acknowledge our dedicated and loyal staff who continue to find ways to win through and who remain focused on further developing and improving this business.



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 2016.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'David Ashmore', is written over a horizontal line.

David Ashmore

Director
27 February 2017

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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 2016, 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, 27 February 2017

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SAFEROADS HOLDINGS LIMITED

ABN 81 116 668 538

CONSOLIDATED FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2016

SAFEROADS HOLDINGS LIMITED

Statement of Profit or Loss and Other Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Notes	CONSOLIDATED	
		December 2016 \$	December 2015 \$
Revenue	2		
Revenue from product sales and rentals		8,291,388	7,397,552
Product royalty income		-	309,941
		8,291,388	7,707,493
Costs of direct materials and labour		(5,484,850)	(4,300,906)
Movement in inventories		(51,590)	(345,810)
Gross profit		2,754,948	3,060,777
Other income	2	76,724	(10,117)
Employee benefits		(1,404,441)	(1,624,691)
Depreciation and amortisation		(227,673)	(192,708)
Occupancy costs		(200,804)	(156,006)
Travel costs		(87,893)	(89,241)
IT & communications costs		(81,482)	(80,150)
Motor vehicle costs		(36,140)	(71,484)
Relocation costs		-	(195,716)
Other expenses		(739,078)	(699,211)
Earnings before interest and tax (EBIT)		54,161	(58,547)
Finance costs		(102,068)	(108,222)
Profit/(loss) before tax		(47,907)	(166,769)
Income tax benefit/(expense)		(913)	46,738
Profit/(loss) after income tax from continuing operations		(48,820)	(120,031)
Net profit/(loss) for the period		(48,820)	(120,031)
Net profit/(loss) attributable to members of parent		(48,820)	(120,031)
Other Comprehensive Income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign controlled entity		-	-
Total other comprehensive income for the period		-	-
Total comprehensive income attributable to members of the parent		(48,820)	(120,031)
Earnings per share (cents per share)			
- basic for profit/(loss) for the half-year (cents)		(0.1)	(0.3)
- diluted for profit/(loss) for the half-year (cents)		(0.1)	(0.3)
- 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 2016

	Notes	CONSOLIDATED	
		December 2016 \$	June 2016 \$
ASSETS			
Current Assets			
Cash and cash equivalents		818,794	808,395
Trade and other receivables		2,349,014	3,462,035
Inventories		2,598,349	2,649,939
Prepayments		292,133	176,297
Total Current Assets		6,058,290	7,096,666
Non-current Assets			
Property, plant and equipment		3,390,055	3,474,070
Intangible assets		861,210	771,802
Deferred tax assets		1,291,627	1,292,540
Other non-current assets		17,917	17,917
Total Non-current Assets		5,560,809	5,556,329
TOTAL ASSETS		11,619,099	12,652,995
LIABILITIES			
Current Liabilities			
Trade and other payables		1,778,704	2,640,738
Unearned income		60,242	5,603
Interest-bearing loans and borrowings		688,853	659,333
Provisions		408,061	387,434
Total Current Liabilities		2,935,860	3,693,108
Non-current Liabilities			
Interest-bearing loans and borrowings		2,030,589	2,285,066
Provisions		65,795	39,146
Total Non-current Liabilities		2,096,384	2,324,212
TOTAL LIABILITIES		5,032,244	6,017,320
NET ASSETS		6,586,855	6,635,675
EQUITY			
Contributed equity		5,353,905	5,353,905
Retained earnings		1,232,950	1,281,770
TOTAL EQUITY		6,586,855	6,635,675

The accompanying notes form part of these financial statements

SAFEROADS HOLDINGS LIMITED

Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

CONSOLIDATED	Contributed Equity \$	Reserves \$	Retained Earnings \$	Total Equity \$
At 1 July 2015	5,353,905	-	1,397,852	6,751,757
Net profit/(loss) for the period	-	-	(120,031)	(120,031)
At 31 December 2015	5,353,905	-	1,277,821	6,631,726
At 1 July 2016	5,353,905	-	1,281,770	6,635,675
Net profit/(loss) for the period	-	-	(48,820)	(48,820)
At 31 December 2016	5,353,905	-	1,232,950	6,586,855

The accompanying notes form part of these financial statements

SAFEROADS HOLDINGS LIMITED

Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Notes	CONSOLIDATED December 2016 \$	December 2015 \$
Cash flows from operating activities			
Receipts from customers		10,212,321	9,957,340
Payments to suppliers and employees		(9,886,059)	(9,124,628)
		326,262	832,712
Interest received		2,392	3,966
Interest paid		(103,171)	(108,851)
Net cash flows from operating activities	5	225,483	727,827
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		25,546	25,288
Purchase of property, plant and equipment		(32,353)	(102,537)
Product development costs		(120,514)	(164,828)
R&D tax rebate received		237,405	-
Net cash flows from investing activities		110,084	(242,077)
Cash flows from financing activities			
Repayment of borrowings		(325,168)	(283,956)
Net cash flows from financing activities		(325,168)	(283,956)
		10,399	201,794
Net increase/(decrease) in cash and cash equivalents		808,395	720,184
Cash and cash equivalents at beginning of period			
Cash and cash equivalents at end of period	5	818,794	921,978

The accompanying notes form part of these financial statements

SAFEROADS HOLDINGS LIMITED

Notes to the Financial Statements

FOR THE HALF YEAR-ENDED 31 DECEMBER 2016

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 2016, together with any public announcements made by Saferoads Holdings Limited and its controlled entities during the half-year ended 31 December 2016 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.

(c) Going concern

The consolidated entity has incurred a \$47,907 operating loss before tax for the half-year ended 31 December 2016.

The Company continues to meet its commitments under the agreed debt repayment plan with its financier, having reduced core bank debt by a further 10% or \$252,000 during the half-year.

The Company further progressed its financial turnaround during the half-year generating a minor loss before tax. It also delivered its first major overseas sale under a distribution agreement during the period.

The Company should continue to secure further profitable sales contracts for its emerging products in existing and new markets and continue to meet the minimum debt repayment plan set by the financier.

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 solid share of the road safety market, the directors are confident that the consolidated entity will be able to continue as a going concern. Accordingly, the accounts have been prepared on this basis.

(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 2016 and the corresponding interim reporting period.

SAFEROADS HOLDINGS LIMITED

Notes to the Financial Statements

FOR THE HALF YEAR-ENDED 31 DECEMBER 2016

2 REVENUES

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

	CONSOLIDATED	
	December 2016 \$	December 2015 \$
(i) Revenue		
Revenue from product sales and rentals	8,291,388	7,397,552
Product royalty income	-	309,941
	8,291,388	7,707,493
(ii) Other income		
R&D tax rebate	54,792	-
Net gain/(loss) on sale of assets	(9,030)	(20,118)
Interest	2,392	3,966
Export market development grant	18,355	-
Other	10,215	6,035
	76,724	(10,117)

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 2016 (0.0 cents)
(2015 : 0.0 cents)

	CONSOLIDATED	
	December 2016 \$	December 2015 \$
	-	-
	-	-
Dividends proposed and not recognised as a liability:		
Interim franked dividend for financial year 30 June 2017 (0.0 cents) (2016: 0.0 cents)	-	-

4 SEGMENT REPORTING

The Group's chief operating decision maker (Chief Executive Officer) reviews financial information on a consolidated basis and makes strategic decisions based on this consolidated information.

SAFEROADS HOLDINGS LIMITED

Notes to the Financial Statements

FOR THE HALF YEAR-ENDED 31 DECEMBER 2016

5 ADDITIONAL CASHFLOW INFORMATION

a) Reconciliation of Cash

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

	CONSOLIDATED	
	December 2016 \$	December 2015 \$
Cash at bank and in hand	818,794	921,978
b) Reconciliation from net profit/(loss) after tax to the net cash flows from operations		
Profit/(loss) after tax for the period	(48,820)	(120,031)
Adjustments for:		
Depreciation and amortisation	227,673	192,708
Impairment of property, plant and equipment	-	52,537
Net (profit)/loss on disposal of plant and equipment	9,030	20,118
Changes in assets and liabilities:		
(Increase)/decrease in receivables	933,225	1,374,438
(Increase)/decrease in inventories	57,611	345,810
(Increase)/decrease in other assets	(115,836)	(361,856)
(Increase)/decrease in deferred tax assets	913	(46,738)
(Decrease)/increase in payables	(940,228)	(849,693)
(Decrease)/increase in unearned income	54,639	39,863
(Decrease)/increase in provisions	47,276	80,671
Net cash from operating activities	225,483	727,827

c) Non-cash financing and investing activities

During the half-year, the Group acquired property, plant and equipment with an aggregate value of \$120,211 (December 2015: \$289,249) by means of finance leases.

6 CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or liabilities as at 31 December 2016.

7 EVENTS AFTER THE END OF THE INTERIM PERIOD

There has been no matter or circumstance, which has arisen since 31 December 2016 that has significantly affected or may significantly affect the operations of the consolidated entity or the results of those operations or the state of affairs of the consolidated entity.

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) giving a true and fair view of the financial position as at 31 December 2016 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



David Ashmore
Director

27 February 2017

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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 (the Company), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2016, and the statement of profit or loss and other 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 controls 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 2016 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.

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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 2016 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*.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M. A. Cunningham
Partner - Audit & Assurance

Melbourne, 27 February 2017