

ANNUAL REPORT 2019

SAFEROADS HOLDINGS LIMITED

ABN 81 116 668 538



IMPROVING PUBLIC SAFETY



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Improving public safety

Saferoads is an ASX listed company 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, road construction companies and equipment hire companies with a broad range of products and services designed to direct, protect, inform and illuminate for the public’s safety.



CHAIRMAN'S OVERVIEW

Dear Shareholder;

FINANCIAL OVERVIEW

On behalf of the Board, it is disappointing to report a minor \$41k loss following promising profit reports for the prior two years.

This was primarily due to an increasingly competitive market environment, particularly in our on-grid lighting, and customer deferrals for some of our domestic product sales, with various project delays resulting in reduced volumes in comparison to the previous financial year.

Total revenue was down \$1.2 million, or 8% to \$17.9 million. There was however an improvement in overall gross margin, which is pleasing given the highly competitive nature of the markets we operate in. This improvement is driven by a progressive strategic change in product mix and supply cost reductions. In FY2019, we also significantly invested in various business development initiatives, in particular to open up export markets. It is our view that these initiatives continue to be a vital component needed for the full commercialisation of our new products, particularly in our target US and NZ markets. These new products take time and patience to achieve customer acceptance and will provide returns for the medium to long term, demonstrated by the recent HV2™ barrier sale to NZ.

The table below summarizes the key metrics over the past three financial years:

	<u>Year ending 30 June</u>		
	2017 \$'000	2018 \$'000	2019 \$'000
Revenue	16,936	19,193	17,946
Gross profit	5,626	6,536	6,571
EBITDA *	800	1,371	1,070
Profit/(loss) after tax	119	710	(41)
Operating cash flows	1,218	1,470	542
Gearing ** (net debt / net debt + equity)	20.2%	15.6%	29.7%

* Incorporating first time adoption of AASB 16 – Leases for FY2019

** Excluding right-of-use asset lease liabilities for FY2019

Whilst the overall financial performance of the company was disappointing, there were some significant milestones achieved during the year.

International sales growth continued over the previous 12 months, up \$700k (or 80%), including our first sale of our new HV2™ temporary barrier system in New Zealand, as well as another order under the distributor agreement for our patented Ironman™ barrier in the USA. We also had additional sales of our flexible signage products into Belgium, and further orders for our solar lighting products to New Zealand, and traffic calming products into New Zealand and Malaysia.



We expanded our equipment rental business during the year, adding T-LOK™ concrete temporary barriers, our proprietary solar powered Variable Message Sign (VMS) trailers, and portable light towers to our existing Ironman™ Hybrid steel temporary barrier system, to provide a broader offering to our key customers for their work zone needs. This growth was facilitated by additional borrowings of \$1.36 million in equipment finance during the year.

Whilst sales of our off-grid (solar) lighting products continued to achieve solid growth, we were unable to replicate the same volumes of the prior year, which included the significant sale of portable solar light towers for the Gold Coast Commonwealth Games.

We have now secured regulatory approvals for our HV2™ temporary barrier system in eight US States, as well as Ontario Province in Canada. We continue to seek opportunities to partner with a local provider to distribute this (and other products) in this vast market region.

OUTLOOK

We have commenced the new financial year with secured work in hand of \$2.2 million at the date of this report. We have initiated a focus on growing key customer accounts and the CEO is leading our sales team to identify and leverage these key relationships.

We have also upgraded our website to enable online purchasing, which will create greater operational efficiencies for some of our smaller volume sales without inhibiting quality or service.

Our equipment rental business expansion will continue to generate strong returns and we will selectively use debt to grow our rental equipment to meet our customers' road safety needs.

Whilst we have now delivered our first sale of the new HV2™ temporary barrier system, we envisage further sales both domestically and overseas in the near future.

We are also finalising commercialisation of our new OmniStop™ portable bollard system and are in discussions with various major events organisers about how this product can assist in meeting their needs and responsibilities in ensuring a high standard of public safety.

We will remain focused on innovations that have the potential to capitalize on both domestic and the significant overseas markets. Accordingly, we are developing strong relationships with key players to take our products to market.

ACKNOWLEDGMENTS

It has been another busy year for the Company. Whilst we are disappointed we have not been able to replicate the ongoing improvement of the previous year, our staff continue to dedicate their efforts towards improving sales, service and returns for all stakeholders.

Finally, I sincerely thank all our shareholders for their ongoing patience and continued support. Our primary focus continues to be the substantial improvement in the financial performance and sustainability of your Company and whilst we didn't quite achieve our targets in FY2019, I am sure you can see that we are striving towards this outcome.



David Ashmore
Chairman of the Board



CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS AND ACTIVITIES

PERFORMANCE DURING 2018-2019

It was pleasing to secure the first sale of our new HV2™ temporary barrier system at the end of the financial year, to a major equipment hire company in New Zealand. This has been a four year journey from conceptual design to full commercialisation and it is highly rewarding to have developed the first MASH (Manual for Assessing Safety Hardware) tested TL-4 freestanding temporary barrier system in the world. Whilst we await initial customer feedback, we expect further orders for this unique product in the new financial year, not only from New Zealand but also Australia, the United States and also Canada.

Domestically, we secured another sale of *Ironman™ Hybrid* temporary barriers to a major equipment hire company and expanded the offering with our exclusively licensed SLED™ end terminal. However, fierce competition in our other traffic products inhibited growth in these areas.

Road Safety Rental, our equipment hire portfolio, broadened its offering during the year (and in so doing, contributed increased revenue), to not only provide our proprietary *Ironman™ Hybrid* temporary barrier system but also our exclusive licensed T-LOK™ concrete temporary barriers, our proprietary *ZONE* Variable Message Sign ("VMS") trailers and also portable light tower trailers. With our specialised knowledge in flexible deployments and expertise in required traffic layouts, we continued to grow our relationships with contractors who have come to rely on this expertise to mobilise their work zones promptly and efficiently and with a broader offering.

Our Public Lighting portfolio did not achieve the growth of previous years, with the new residential housing market slowing in the lead up to the recent Federal Election. In addition, a major customer requested an extension to (unsecured) trading terms that were not acceptable to the Company. This led to reduced volumes, but also reduced reliance on a single large customer in a segment which is experiencing some slowdown. We attempted to mitigate this slowdown with our move into off-grid solar lighting solutions, and were able to secure a number of projects with local government for permanent solar lighting solutions and equipment hire and construction companies with portable solar lighting solutions. Unfortunately, we were not able to replicate the significant sale of the portable solar light trailers that we achieved the previous year for the Gold Coast Commonwealth Games.

Internationally, we almost doubled our revenue from the past financial year. This included further orders from our USA distributor of *Ironman™* barriers and the abovementioned first HV2™ barrier sale to New Zealand. We had additional orders for our flexible signage from a European customer and we continue to sell our Traffic products into New Zealand and Malaysia.



INNOVATION INITIATIVES

The main areas of focus on research and development ("R&D") for FY2019 were the final crash tests for our new HV2™ temporary barrier system and further enhancement to our OmniStop™ pedestrian safety bollard range, particularly the portable bollard system. We invested a further \$336k in R&D during the financial year.

Other projects are in conceptual design stage and as we see commercial merit in these, we will advance to simulation modelling and prototypes to test our assumptions. Ideas come from a wide variety of sources, including customers, staff, and through industry contacts and trade shows.



LOOKING AHEAD

Whilst overall, FY2019 was somewhat of a setback on the financial performance front, we have taken steps to better focus on our key target markets and customers to gain a better understanding of their requirements and ensure we have the products and align services to their needs when required. We are definitely focussed on returning the company to the levels of profitability we achieved in FY2018.

We have upgraded our website and are receiving an increasing number of sales enquiries through this mode. We are also establishing an online store to provide our regular customers with the means to make regular procurement orders in a more efficient and effective manner. We expect this to be live in the current quarter. Of course, we still have the more traditional means of sales through direct contact as well.

We continue to look at optimising our supply chain to ensure we remain price competitive in an ever-increasing competitive world.

We are in negotiations with an industry business partner in North America to enable us to commercialise product in this extensive market more effectively and efficiently.

We will continue to selectively invest further in our *Road Safety Rental* brand, through offering a broader range of work zone products and services for the construction sector, focussing mainly in Victoria.

We will continue to diversify our public lighting business, with particular focus on solar lighting opportunities, which will assist in mitigating any adverse exposure to the uncertain nature of the new residential housing development market.

Finally, I would like to acknowledge the support of all the Saferoads team, who are focussed on returning the company to profitability in the coming year.



Darren Hotchkin
Chief Executive Officer

THE YEAR IN REVIEW

T-LOK BARRIER RENTAL SOLUTION

Saferoads Road Safety Rental team were pleased to be awarded by Fulton Hogan the subcontract to supply temporary barrier deployment and delivery for the amazing transformation of one of the busiest intersections in Australia - Hoddle Street in Melbourne, Victoria.

The works saw a myriad of upgrades and improvements where the end result was a continuous flow intersection. This has improved traffic flow and commuting times in and around this incredibly busy precinct.

With the volume of traffic in the vicinity, the enormity of pedestrians, and extra patrons within Melbourne's sporting hub, the intersection underwent a substantial upgrade.

Saferoads are delighted to have been a part of this project and look forward to continuing to prioritise the stages of this incredibly complex project delivery.



ROAD SAFETY RENTAL

Saferoads equipment rental was successfully rebranded this year and relocated from the head office in Pakenham to new premises located in Nar Nar Goon in July 2018.

General manager of Road Safety Rental, Trent Loveless, said *"It has been an exciting year as the Rental Team relocated to a facility more suited to the demands of the rental business unit. We're situated in Nar Nar Goon, with ease and proximity to the freeway and a yard that allows for quite straight forward loading and unloading operations, as well as simple dispatch of inwards and outwards products."*



ROAD SAFETY RENTAL

"We have enjoyed a year that has seen us grow by an exceptional 80% on the prior year, and, with additional personnel on board for FY19-20, we look forward to continuing to grow our business in the Road Safety Rental space. Our recent re-brand has also been an exciting period with many customers commenting on our name and new identity. Most of the feedback has been centred around high visibility and strength and something that's synonymous with roads and traffic. It's been a very positive step forward for the team and the business unit – Road Safety Rental. Our team is excited about the upcoming year and committed to doing our absolute best."



SAFEROADS PRODUCTS SAVING LIVES

SLED End Terminal

This image shows the result of the first SLED end treatment impact in Australia. The SLED end terminal was hit by a truck and trailer at the beginning of a Saferoads T-LOK barrier deployment at a construction site on the North Coast of New South Wales.

The truck and trailer well exceeded the capacity of the barrier, and importantly the driver of the vehicle was unharmed after the impact. This would be extremely unlikely to have been the case if the SLED end terminal had not been fitted.



IRONMAN HYBRID BARRIER RENTAL SOLUTION

Rokon are undertaking works along Craigieburn Road East, in Wollert, Victoria. These incorporate a new signalised intersection with turning lanes from feeder roads and preparatory works with duplications and separation between east and west bound lanes. The Ironman Hybrid Barrier has offered Rokon the right combination of flexibility, ability to take corners and curves and allowed the contractor additional onsite capacity to temporarily remove and relocate as needed. The Ironman Hybrid Barriers will be out on site for some time and will continue to provide superior work zone protection for the duration of the works.



THE YEAR IN REVIEW

CCTV SOLAR LIGHTING

A new partnership between Energy Australia, Melbourne Cricket Ground and Yarra Park were looking for a lighting and CCTV solution to increase security for pedestrians in Melbourne's sporting and entertainment precinct. These were required to operate 24 hours a day to enhance the safety of Yarra Park, between MCG gates two and three, after dark. Solar lighting solutions were chosen because they were estimated to save 1.3 tonnes of carbon per year, greatly reducing Yarra Park's energy consumption.

Saferoads supplied and installed twelve 30W Ultra CCTV Solar Lights for this project.

Stuart Fox, CEO Melbourne Cricket Club said *"Improving safety in Yarra Park is very important to us and we're pleased to work with Energy Australia on this energy-themed initiative to help deliver a safer environment for local residents, MCG fans and other park users. The lighting produced is 100 per cent sustainable. LED street lights are becoming increasingly popular because not only do they have a long life but they reduce carbon emissions."*



MELBOURNE
CRICKET CLUB



30W DELTA SOLAR LIGHTING SOLUTION

Solar lights were required by the Gympie Regional Council to illuminate a pathway in Gympie, QLD, from Grevillea Gardens to Heather Street. These were required to improve night time use, as the pathway is a trunk pedestrian route for the Southside. A section of the pathway had no street lighting for approximately 500 metres.

The area was not serviced by mains power supply. To install mains power supply would have been expensive and also required the removal of significant vegetation.

Saferoads were able to successfully fulfil this brief with the supply and installation of 30 Watt Delta solar lights, 5.5 metre Promenade Single Outreach In-ground light poles and Rag Bolt Cages.

"We used the Saferoads integrated solar lighting in a location that didn't have an existing network electrical supply. This option provided a solution to illuminating a section of pathway that experienced regular night use. We have experienced positive results."

- G. Alexander, Gympie Regional Council



AUSTRALIAN ROAD SAFETY FOUNDATION PARTNERSHIP



Saferoads was proud to support the Australian Road Safety Foundation this year. The organisation is a not-for-profit seeking to reduce the road toll in Australia. We recently attended one of their many initiatives, the 8th Annual Australian Road Safety Awards Luncheon, to present the Local Government Initiatives Award.

The Australian Road Safety Awards have been designed to acknowledge the achievements of leading road safety stakeholders and provide an opportunity to formally recognise their commitment to improving road safety outcomes. A big congratulations to Strathfield Council who won the local government award. Their prize included a Saferoads voucher, which was used to purchase Kangou Signs, Rubber Speed Cushions and Blockout Barriers.



DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2019.

DIRECTORS

David Ashmore	Non-Executive Chairman	Appointed 22 November 2012
Darren Hotchkin	Executive Director (CEO)	Appointed 21 October 2005
David Cleland	Non-Executive Director	Appointed 1 December 2010

DIRECTOR PROFILES

David Ashmore (Age 67) (FCA GAICD F.FIN) **Non-Executive Chairman**

David Ashmore was appointed to the Board on 22 November 2012 and was re-elected at the November 2013, October 2015 and October 2017 AGM's. He was appointed Chairman of the Board on 19 August 2013. He is Chairman of the Remuneration Committee and a member of the Audit and Risk Committee.

David is a career Chartered Accountant with 40 years of professional public practice experience focused on audit, finance, due diligence, risk and governance advisory. David has worked with many dynamic private and public companies where his experience has assisted them understanding their underlying financial position, their financial management issues and business growth challenges. Those challenges typically included the development of sustainable executive management structures and business value building initiatives. He also has significant experience with the identification and management of financial and business risks and the development of structured business decision-making protocols.

David has considerable experience in a leadership and a chairman role through his work on numerous Audit Committee appointments and as a Senior Partner, Board Member and Practice Leader. He is a Fellow of the Institute Chartered Accountants in Australia, a Graduate member of the Australian Institute of Company Directors and a Fellow of the Financial Services Institute of Australia.

Directorships of other listed companies during the preceding three years: Respi Limited (2014-2016).

Darren Hotchkin (Age 55) **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 and November 2013 AGM's. He was appointed as Chief Executive Officer on 10 April 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 our wholly-owned subsidiary, Saferoads Pty Ltd, to commercialise his invention of a rubber guidepost, manufactured from recycled car tyres.

As Chief Executive Officer, Darren's key contribution to the business is 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 that have the potential to find a sustainable place in the Australian market. Darren is also an eagerly sought-after international expert speaker on road safety barriers, having presented at various International Road Federation conferences.

Darren has not served as a Director of any other listed companies during the preceding three years.



David Cleland (Age 74) (Dip.ME GAICD FIE (retired))
Non-Executive Director

David Cleland was appointed to the Board on 1 December 2010 and was re-elected at the October 2011, November 2014, October 2016 and October 2018 AGM's. He was appointed acting Chief Executive Officer on 28 November 2011, handing over the role to Darren Hotchkin on 10 April 2012. He is Chairman of the Audit and Risk Committee and a member of the Remuneration Committee.

David is a mechanical engineer with extensive experience as Chief Executive Officer 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 was formerly an inaugural trust member of the Greater Metropolitan Cemeteries Trust and is a Director of a privately owned company.

David has not served as a Director of any other listed companies during the preceding three years.

COMPANY SECRETARY

Peter Fearn (CPA, BBus (Acctg))

Peter joined Saferoads in December 2011 as Chief Financial Officer and was appointed Company Secretary on 22 December 2016. He has over 20 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 former ASX listed UXC Limited. Prior to Saferoads, he was Chief Financial Officer of a national privately owned urban planning and property advisory business.

Peter is a Certified Practising Accountant (CPA) and holds a Bachelor of Business degree majoring in Accounting.

INTEREST IN SHARES

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

Name	Shares
David Ashmore	1,341,807
Darren Hotchkin	8,641,655
David Cleland	508,610

DIVIDENDS

No interim or final dividend was paid or declared for the financial year ended 30 June 2019.

No interim or final dividend was declared or paid for the financial year ended 30 June 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Group continued to be the provision of road safety products and solutions primarily to end users.

Products and services the Company provides includes flexible guide posts and signage; rubber-based traffic calming products including separation kerbing and wheel stops; variable messaging sign boards; decorative and standard street and major road light poles and permanent and temporary public solar lighting poles; permanent and temporary crash cushions including bollards and safety barriers.

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



DIRECTORS' REPORT

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 2018-19 year, there has been no significant change in the Company's state of affairs other than as disclosed in this financial report.

SIGNIFICANT EVENTS AFTER REPORTING DATE

There has been no matter or circumstance which has arisen since 30 June 2019 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.

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 Chief Executive Officer's Review of Operations and Activities.

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITORS

During the year, Directors' and Officers' insurance premiums were paid for any person who was a Director and/or Officer of the Company.

The Group has not agreed to indemnify its auditors, Grant Thornton.

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. In respect of its own activities, the Company is not a major emitter of greenhouse gases and falls well below the reporting thresholds set by the National Greenhouse and Energy Reporting Act 2007.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

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 salary information provided by various professional organisations.

REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

NON-EXECUTIVE DIRECTORS

Total remuneration for non-executive Directors for 2018-19 was \$147,500. Their remuneration packages comprised only fixed Directors' fees plus statutory superannuation (where applicable) 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 DIRECTOR

Mr Darren Hotchkin, Chief Executive Officer, received total remuneration of \$361,635, including statutory superannuation. In addition, Mr Hotchkin was eligible for a discretionary bonus of \$50,000 based on the Company's financial performance exceeding budget targets for FY2019. This did not eventuate.

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

No performance-based remuneration (bonus incentives) were paid or payable to key management personnel, including the CEO, for the year (FY2018: \$55,000). The criteria for discretionary bonuses were the Company's financial performance exceeding budget targets for FY2019. This did not eventuate.

A summary of Company performance for the past five financial years is below.

	2019	2018	2017	2016	2015
EPS (cents)	(0.1)	1.9	0.3	(0.3)	(0.2)
Net profit/(loss) (\$)	(41,586)	709,692	118,847	(116,082)	(72,228)
Share price (\$)	\$0.22	\$0.20	\$0.11	\$0.13	\$0.10

EMPLOYMENT CONTRACTS

Executive employment agreements have been entered into with the Chief Executive Officer and the Chief Financial Officer as disclosed. 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 four months' salary as redundancy or termination pay.



DIRECTORS' REPORT

REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

30 June 2019

	Short Term					Long Term	Share Based Payment	Total	Performance Related
	Salaries & Fees	Non-monetary	Cash Bonus	Termination Payment	Super-annuation	Long Service Leave	Options		
	\$	\$	\$	\$	\$	\$	\$	\$	%
Non Executive Directors									
D Ashmore	75,342	-	-	-	7,158	-	-	82,500	-
D Cleland	42,798	-	-	-	22,202	-	-	65,000	-
Executive Director									
D Hotchkin	323,333	17,771	-	-	20,531	-	-	361,635	-
Executive *									
P Fearn	168,250	-	-	-	22,554	3,652	-	194,456	-
Total	609,723	17,771	-	-	72,445	3,652	-	703,591	

* Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

30 June 2018

	Short Term					Long Term	Share Based Payment	Total	Performance Related
	Salaries & Fees	Non-monetary	Cash Bonus	Termination Payment	Super-annuation	Long Service Leave	Options		
	\$	\$	\$	\$	\$	\$	\$	\$	%
Non Executive Directors									
D Ashmore	69,092	-	-	-	13,408	-	-	82,500	-
D Cleland	65,000	-	-	-	-	-	-	65,000	-
Executive Director									
D Hotchkin	240,000	-	45,000	-	20,049	-	-	305,049	15%
Executive *									
P Fearn	166,250	-	10,000	-	24,554	4,619	-	205,423	5%
Total	540,342	-	55,000	-	58,011	4,619	-	657,972	



SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

Shares held in Saferoads Holdings Limited:

	Balance at 1 July 2018	Acquired through On-Market trade	Acquired through Off-Market trade	Sold	Balance at 30 June 2019
Directors					
D Hotchkin	7,641,655	-	1,000,000	-	8,641,655
D Ashmore	1,326,807	15,000	-	-	1,341,807
D Cleland	508,610	-	-	-	508,610
Executive					
P Fearn	33,000	-	-	-	33,000
Total	9,510,072	15,000	1,000,000	-	10,525,072

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.

DIRECTORS' MEETINGS

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

Names	Directors		Audit & Risk		Remuneration/Nomination	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Mr D Ashmore	13	13	3	3	1	1
Mr D Hotchkin	13	13	-	-	-	-
Mr D Cleland	13	13	3	3	1	1

NON-AUDIT SERVICES

During the year, Grant Thornton, the Company's auditors, performed certain other services in addition to their statutory audit duties.

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Risk Committee to ensure they do not impact upon the impartiality and objectivity of the auditor
- the non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditors of the Company, Grant Thornton, and its related practices for audit and non-audit services provided during the year are set out in Note 21 to the financial statements.



DIRECTORS' REPORT

ROUNDING OF AMOUNTS

Saferoads Holdings Limited is a type of Company that is referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest dollar.

AUDITORS' INDEPENDENCE DECLARATION

The attached independence declaration has been obtained from the Company's auditors, Grant Thornton.

Signed in accordance with a resolution of Directors



David Ashmore

Director

9 August 2019



AUDITOR'S INDEPENDENCE DECLARATION



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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 audit of Saferoads Holdings Limited for the year ended 30 June 2019, 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 audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

A stylized, handwritten-style signature of "Grant Thornton" in purple ink.

Grant Thornton Audit Pty Ltd
Chartered Accountants

A handwritten signature in purple ink, appearing to read "M Climpson".

Michael Climpson
Partner - Audit & Assurance
Melbourne, 9 August 2019

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

The Board’s objective is to ensure investor confidence in the Company and its operations given its size, stage of development and complexity.

The Group’s Corporate Governance Statement for the financial year ending 30 June 2019 is dated as at 30 June 2019 and was approved by the Board on 17 July 2019. The Board advises that it complies with the ASX Corporate Governance Principles set out in the Company’s Corporate Governance Statement, which is located on the Company’s website (www.saferoads.com.au/investors/corporate-governance).



SAFEROADS HOLDINGS LIMITED

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	CONSOLIDATED 2019 \$	2018 \$
Revenue			
Revenue from product sales and services	4	17,946,570	19,192,803
Cost of direct materials and labour		(11,629,058)	(12,896,121)
Movement in inventories		253,336	239,194
Gross profit		6,570,848	6,535,876
Other income	4	162,248	124,315
Employee benefits		(3,926,670)	(3,590,726)
Motor vehicle costs		(173,173)	(128,789)
Occupancy costs		(85,634)	(337,787)
Travel and accommodation costs		(283,664)	(173,411)
IT & Communications costs		(138,195)	(151,400)
Warehouse costs		(128,126)	(120,103)
Impairment gain of financial assets	9	30,000	-
Other expenses		(957,682)	(786,433)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		1,069,952	1,371,542
Depreciation and amortisation	4	(869,687)	(515,454)
Earnings before interest and tax (EBIT)		200,265	856,088
Finance costs	4	(255,292)	(143,496)
Profit/(loss) before income tax		(55,027)	712,592
Income tax benefit/(expense)	5	13,441	(2,900)
Net profit/(loss) for the period		(41,586)	709,692
Net profit/(loss) attributable to members of the parent		(41,586)	709,692
Other comprehensive income		-	-
Total comprehensive income/(loss) for the period		(41,586)	709,692
Total comprehensive income/(loss) attributable to members of the parent		(41,586)	709,692
Earnings per share		Cents	Cents
- Basic for profit/(loss) for the full year	6	(0.11)	1.95
- Diluted for profit/(loss) for the full year	6	(0.11)	1.95
Dividend paid per share (cents)	7	-	-

The accompanying notes form part of these financial statements



SAFEROADS HOLDINGS LIMITED
Consolidated Statement of Financial Position
AS AT 30 JUNE 2019

	Notes	CONSOLIDATED	
		2019	2018
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	8	529,231	1,074,808
Trade and other receivables	9	2,412,465	2,537,306
Inventories	10	3,325,701	3,072,365
Prepayments		197,353	272,218
Total Current Assets		6,464,750	6,956,697
Non-current Assets			
Property, plant and equipment	11	5,982,324	3,619,210
Intangible assets	12	1,642,231	1,438,943
Deferred tax assets	5	1,267,853	1,254,412
Other non-current assets		17,937	17,935
Total Non-current Assets		8,910,345	6,330,500
TOTAL ASSETS		15,375,095	13,287,197
LIABILITIES			
Current Liabilities			
Trade and other payables	13	2,336,266	2,648,032
Contract liabilities		76,509	-
Unearned income		-	118,128
Interest-bearing loans and borrowings	14	79,773	76,400
Lease liabilities	15	687,759	229,318
Provisions	16	487,037	516,486
Total Current Liabilities		3,667,344	3,588,364
Non-current Liabilities			
Interest-bearing loans and borrowings	14	1,704,286	1,781,424
Lease liabilities	15	2,644,548	367,063
Provisions	16	17,403	86,132
Total Non-current Liabilities		4,366,237	2,234,619
TOTAL LIABILITIES		8,033,581	5,822,983
NET ASSETS		7,341,514	7,464,214
EQUITY			
Contributed equity	17	5,353,905	5,353,905
Retained earnings	17	1,987,609	2,110,309
TOTAL EQUITY		7,341,514	7,464,214

The accompanying notes form part of these financial statements



SAFEROADS HOLDINGS LIMITED
Consolidated Statement of Changes in Equity
FOR THE YEAR ENDED 30 JUNE 2019

	Contributed Equity \$	Retained Earnings \$	Total Equity \$
CONSOLIDATED			
At 1 July 2017	5,353,905	1,400,617	6,754,522
Net profit/(loss) for the period	-	709,692	709,692
Other comprehensive income for the period	-	-	-
At 30 June 2018	5,353,905	2,110,309	7,464,214
At 1 July 2018	5,353,905	2,110,309	7,464,214
Adjustment from adoption of AASB 16 (refer note 2(b))	-	(81,114)	(81,114)
Net profit/(loss) for the period	-	(41,586)	(41,586)
Other comprehensive income for the period	-	-	-
At 30 June 2019	5,353,905	1,987,609	7,341,514

The accompanying notes form part of these financial statements

SAFEROADS HOLDINGS LIMITED
Consolidated Statement of Cash Flows
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	CONSOLIDATED	
		2019	2018
		\$	\$
Cash flows from operating activities			
Receipts from customers		19,739,579	21,439,479
Payments to suppliers and employees		(19,197,256)	(19,968,933)
Net cash flows from operating activities	8	542,323	1,470,546
Cash flows from investing activities			
Proceeds from sale of plant and equipment		-	9,479
Purchase of plant and equipment		(339,689)	(88,785)
Product development costs		(336,702)	(758,067)
R&D tax rebate received		212,414	281,630
Net cash flows from investing activities		(463,977)	(555,743)
Cash flows from financing activities			
Proceeds from lease liabilities		356,386	-
Repayment of loans and borrowings		(73,765)	(134,176)
Repayment of lease liabilities		(653,832)	(227,041)
Interest received		2,582	727
Interest paid		(255,294)	(145,420)
Net cash flows from financing activities		(623,923)	(505,910)
Net increase/(decrease) in cash and cash equivalents		(545,577)	408,893
Cash and cash equivalents at beginning of period		1,074,808	665,915
Cash and cash equivalents at end of period	8	529,231	1,074,808

The accompanying notes form part of these financial statements



SAFEROADS HOLDINGS LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

1 CORPORATE INFORMATION

Saferoads Holdings Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX).

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 has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

New and revised standards that are effective for these financial statements

A number of new and revised standards were effective for annual reporting periods beginning on or after 1 July 2018. The impact on the Group of these new and revised standards is outlined below.

AASB 16 - Leases

The Group has adopted *AASB 16 Leases* as of 1 July 2018, but has not restated comparatives for the 2018 reporting period as permitted under the specific transition provisions in the standard. On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate applicable to debt of similar characteristics with the same underlying security as of 1 July 2018. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2018 was 5.05%.

The adoption of this new Standard has resulted in the Group recognising a right-of-use asset of \$1,381,277 and related lease liability of \$1,524,231 in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting AASB 16 being recognised in equity as a reduction to the opening balance of retained earnings of \$81,114 for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from AASB 117 and has not applied AASB 16 to arrangements that were previously not identified as a lease under AASB 117.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straightline basis over the remaining lease term.

AASB 9 - Financial Instruments

AASB 9 *Financial Instruments* replaces AASB 109 *Financial Instruments: Recognition and Measurement*. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

When adopting AASB 9, the Group has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 July 2018.

The adoption of AASB 9 has impacted the following areas:

Impairment of financial assets

For trade receivables and contract assets under AASB 15 the Group applies a simplified approach of recognising lifetime expected credit losses as these items do not have a significant financing component. There was no change to impairment allowance at 1 July 2018.



SAFEROADS HOLDINGS LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and several revenue-related interpretations. The new Standard has been applied as at 1 July 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 July 2018 and comparatives are not restated. In accordance with the transition guidance, AASB 15 has only been applied to contracts that are incomplete as at 1 July 2018.

While this represents significant new guidance, the implementation of this new guidance had no impact on the timing or amount of revenue recognised by the Group during the financial year. The adoption of AASB 15 had no impact on the Group's statement of cash flows.

Accounting standards issued but not yet effective and not been adopted early by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods and have not been early adopted by the group. The group's initial assessment of the impact of these new standards and interpretations is that there will be no material impact upon future application.

The financial statements were authorised for issue by the Directors on 9 August 2019. 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 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) 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 profit or loss and other 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 profit or loss and other 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 profit or loss and other comprehensive income in the period in which the operation is disposed.

(e) 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 diminishing value basis over the estimated useful life, except for leasehold improvements and rental assets which are depreciated using the prime cost method.

Plant and equipment - 5% to 50%

(f) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(g) 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.

(h) Goodwill and intangible assets

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated :

- represents the lowest level within the group at which the goodwill is monitored for internal management purposes, and
- is not larger than a segment based on either the group's primary or the group's secondary reporting format determined in accordance with AASB 8 *Operating Segments*.

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



Intangibles

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

The useful lives of these intangible assets are assessed to be either finite (10 years) or indefinite.

Where amortisation is charged on assets with finite lives, this expense is taken to the statement of profit or loss and other 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 each development project 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 profit or loss and other comprehensive income when the asset is derecognised.

Any Research and Development tax rebates received or receivable are offset against the respective capitalised development costs to the extent to which they relate to the claim.

(i) 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.

(j) Trade and other receivables

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Group assesses impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due.

Accounting policy applicable prior to 1 July 2018

Trade receivables, which generally have 30-60 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectable 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.



(k) Cash and cash equivalents

Cash in the statement of financial position comprises cash at bank and on hand.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdrafts.

(l) 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.

(m) Interest-bearing loans and borrowings

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

Interest expense is recognised as it accrues.

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

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

(n) Leases

As described in Note 2(b), the Group has applied AASB 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under AASB 117.

For any new contracts entered into on or after 1 July 2018, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.



SAFEROADS HOLDINGS LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

Accounting policy applicable prior to 1 July 2018

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.

(o) 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 profit or loss and other 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.

(p) 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.

(q) Revenue

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

In all transactions, the total price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group's future obligation to transfer goods or services to a customer for which the Group has received consideration from the customer is recognised as a contract liability, and reports these amounts as such in its statement of financial position, until such time as the performance obligations are satisfied. If the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Sales of goods

Revenue from sales of goods for a fixed fee with no significant service obligation is recognised when or as the Group has transferred control of the assets to the customer. Control of the asset is considered to transfer to the buyer at the time of delivery of the goods to the customer.

Rendering of services

Revenue from the provision of services is recognised over time on a straight line basis. The Group utilises the output method to measure the progress of the services provided.

Accounting policy applicable prior to 1 July 2018

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.



SAFEROADS HOLDINGS LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

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.

Equipment rental income

The Group also earns rental income from hiring out certain plant and equipment on variable terms. Equipment rental income is recognised on a straight-line basis over the term of the hire.

(r) Income Tax

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

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 future unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting 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 reporting date.

(s) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

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

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

(t) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits expected to be settled wholly within one year have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. All other employee benefit liabilities are measured at the present value of the estimated future cash outflows to be made for those benefits.

(u) Trade and other payables

Trade payables and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(v) Derivative Financial Instruments

The group 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 profit or loss and other comprehensive income for the year.



(w) Critical Accounting Estimates and Judgements

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

Key Judgements

(i) Provision for impairment of receivables

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

(ii) Intangible assets - capitalised development costs

Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Determining whether the recognition requirements for the capitalisation of these development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

(iii) Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised.

3 SEGMENT INFORMATION

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.

The Group operates predominantly in Australia. In the current year the Group considers there to be one material segment being the operations within Australia.

During 2019, \$2,363,107 or 13% (2018: \$4,017,036 or 21%) of the Group's revenues depended on a single customer.

SAFEROADS HOLDINGS LIMITED
Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2019

4 REVENUES AND EXPENSES

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	
	2019	2018
	\$	\$
(i) Revenue		
Revenue from product sales - point in time	15,862,949	17,843,127
Revenue from provision of services - over time	2,083,621	1,349,676
	17,946,570	19,192,803
(ii) Other income		
R&D tax rebate	88,191	116,597
Product royalty income - International	56,362	-
Net gain/(loss) on sale of assets	-	4,377
Interest	2,582	727
Government grant (export market development)	20,348	-
Other	(5,235)	2,614
	162,248	124,315
	18,108,818	19,317,118
(iii) Expenses		
Depreciation and amortisation		
- Property, plant & equipment	523,506	390,717
- Right-of-use assets	237,159	-
- Intangible assets	109,022	124,737
	869,687	515,454
Impairment of assets	3,585	-
Finance costs		
- Bank borrowings	102,954	109,895
- Leasing arrangements	152,338	33,601
	255,292	143,496
Bad debts written off	-	-
Provision (writeback) for doubtful debts	(30,000)	-

SAFEROADS HOLDINGS LIMITED
Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2019

5 INCOME TAX

Major components of income tax expense for the year ended 30 June 2019 are:

	CONSOLIDATED	
	2019	2018
	\$	\$
Statement of Profit or Loss and Other Comprehensive income		
Current income tax charge/(benefit)	(13,441)	2,900
Income tax expense/(benefit) reported in statement of profit or loss and other comprehensive income	(13,441)	2,900
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	(55,027)	712,592
At the statutory income tax rate of (2019: 27.5%; 2018: 27.5%)	(15,132)	195,963
Non-deductible expenses	1,691	2,900
Recognition of prior year unbooked tax losses	-	(195,963)
	(13,441)	2,900

	Statement of Financial Position		Statement of Profit or Loss and Other Comprehensive Income	
	2019	2018	2019	2018
	\$	\$	\$	\$
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
CONSOLIDATED				
<i>Deferred income tax asset/(liability)</i>				
Employee entitlements	138,721	148,714	9,993	(15,565)
Capitalised Research & Development Costs	(369,749)	(333,668)	36,081	87,813
Other	11,144	42,882	31,738	2,840
Effect of change in income tax rates on deferred tax assets	-	-	-	107,711
Deferred tax assets relating to other temporary differences	219,884	142,072	(77,812)	(378,762)
Carry forward tax losses brought to account	1,267,853	1,254,412	-	195,963
Gross deferred income tax (liability)/asset	1,267,853	1,254,412		
Deferred income tax charge			-	-

As at 30 June 2019, the consolidated entity has carry forward tax losses with a tax effect of \$2,218,661, measured at the current corporate tax rate of 27.5%. Carry forward tax losses with a tax effect of \$1,267,853 have been brought to account as a deferred tax asset. Carry forward tax losses with a tax effect of \$950,808 relating to a prior year have not been brought to account.

The consolidated entity has realised capital losses with a gross amount of \$1,832,149 that is available for offset against any future taxable capital gains.



SAFEROADS HOLDINGS LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

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	
	2019	2018
	\$	\$
Net profit/(loss) attributable to equity holders from continuing operations	(41,586)	709,692
Net profit/(loss) attributable to equity holders of the parent	(41,586)	709,692
Net profit/(loss) attributable to ordinary shareholders for diluted earnings per share	(41,586)	709,692
Weighted average number of ordinary shares for basic earnings per	36,400,000	36,400,000
Adjusted weighted average number of ordinary shares for diluted earnings per share	36,400,000	36,400,000
	Cents	Cents
- Basic for profit/(loss) for the full year	(0.11)	1.95
- Diluted for profit/(loss) for the full year	(0.11)	1.95

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 36,400,000 shares on issue.

7 DIVIDENDS PAID AND PROPOSED

	CONSOLIDATED	
	2019	2018
	\$	\$
Equity dividends on ordinary shares:		
Interim franked dividend for 2019: 0.0 cents (2018: 0.0 cents)	-	-
Dividends proposed and not recognised as a liability:		
Final franked dividend for 2019: 0.0 cents (2018: 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.	4,347,400	4,629,030



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Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2019

8 NOTES TO THE STATEMENT OF CASH FLOWS

	CONSOLIDATED	
	2019	2018
	\$	\$
Reconciliation of cash		
For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 30 June:		
Cash at bank and on hand	529,231	1,074,808
Reconciliation from the net profit/(loss) after tax to the net cash flows from operations		
Profit/(loss) after tax for the year	(41,586)	709,692
Adjustments for:		
Depreciation and amortisation	866,102	515,454
Net (profit)/loss on disposal of plant and equipment	-	(4,377)
Impairment of assets	3,585	-
Provision for doubtful debts	(30,000)	-
Interest received	(2,582)	(727)
Interest paid	255,292	143,496
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	69,728	374,264
(Increase)/decrease in inventories	(253,336)	(239,194)
(Increase)/decrease in other assets	74,865	(186,690)
Decrease/(increase) in deferred tax asset	(13,441)	2,900
(Decrease)/increase in trade and other payables	(308,347)	(36,411)
(Decrease)/increase in unearned income	(41,619)	74,977
(Decrease)/increase in provisions	(36,338)	117,162
Net cash from operating activities	542,323	1,470,546

Non-cash financing and investing activities

During the year, the Group acquired plant and equipment (excluding right-of-use assets) with an aggregate value of \$1,253,652 (2018: \$441,065) by means of leases.

9 TRADE AND OTHER RECEIVABLES (CURRENT)

	CONSOLIDATED	
	2019	2018
	\$	\$
Trade receivables	2,225,146	2,351,980
Other receivables	187,319	215,326
Provision for impairment	-	(30,000)
	2,412,465	2,537,306

Ageing of trade receivables not impaired

1 - 30 days	1,525,734	1,657,254
31 - 60 days	628,207	664,726
61 - 90 days	71,205	-
91 days and over	-	-
	2,225,146	2,321,980

Trade receivables are non-interest bearing.

Movement in provision for impairment

Balance at the beginning of financial year	30,000	30,000
Amounts written off	-	-
Additional impairment provision recognised/(released)	(30,000)	-
	-	30,000



SAFEROADS HOLDINGS LIMITED
Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2019

		CONSOLIDATED	
		2019	2018
		\$	\$
10 INVENTORIES			
Stock on hand		3,325,701	3,072,365

11 PROPERTY, PLANT AND EQUIPMENT

		CONSOLIDATED	
		2019	2018
		\$	\$
Property, plant & equipment at cost		9,671,215	6,583,682
Less accumulated depreciation		(3,688,891)	(2,964,472)
Total plant & equipment		5,982,324	3,619,210

Movements in Carrying Amounts	Property/ Leasehold improvements \$	Plant & equipment \$	Motor vehicles \$	Rental equipment \$	Total \$
Balance at 1 July 2017	117,421	773,674	358,979	2,255,164	3,505,238
Additions	3,507	59,478	235,715	232,861	531,561
Depreciation expense	(13,878)	(118,720)	(84,998)	(173,121)	(390,717)
Assets transferred to product development costs	-	-	(11,559)	-	(11,559)
Disposals	-	(7,305)	(6,296)	(1,712)	(15,313)
Carrying amount at 30 June 2018	107,050	707,127	491,841	2,313,192	3,619,210
Balance at 1 July 2018	107,050	707,127	491,841	2,313,192	3,619,210
Adjustment on transition of AASB 16* (refer note 2(b))	1,381,277	-	-	-	1,381,277
Additions	163,331	134,549	237,714	1,285,573	1,821,167
Depreciation expense	(246,805)	(135,303)	(122,994)	(255,563)	(760,665)
Assets transferred to product development costs	-	-	(14,718)	-	(14,718)
Assets transferred to inventories	-	-	-	(60,362)	(60,362)
Impairment	-	-	-	(3,585)	(3,585)
Carrying amount at 30 June 2019	1,404,853	706,373	591,843	3,279,255	5,982,324

* First time recognition of right-of-use assets

Included in the net carrying amount of Property, plant and equipment are right-of-use assets as follows:

	Initial recognition \$	Additions \$	Depreciation \$	Net carrying amount \$
2019				
Property	1,381,277	133,425	(227,007)	1,287,695
Plant & equipment	-	30,455	(10,152)	20,303
Total right-of-use assets	1,381,277	163,880	(237,159)	1,307,998

SAFEROADS HOLDINGS LIMITED
Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2019

12 INTANGIBLE ASSETS

	CONSOLIDATED			
	2019	2018		
	\$	\$		
Product development costs	1,745,821	1,518,400		
Less accumulated amortisation	(401,280)	(305,062)		
	1,344,541	1,213,338		
Website development costs	49,077	32,914		
Less accumulated amortisation	(15,737)	(2,932)		
	33,340	29,982		
Patents and product approvals	264,350	195,623		
	1,642,231	1,438,943		
Movement in carrying amounts	Website dev't costs	Patents/ Product approvals	Product dev't costs	Total
	\$	\$	\$	\$
Balance at 1 July 2017	-	124,982	819,517	944,499
Capitalisation of costs	32,914	70,641	654,512	758,067
Assets transferred from plant & equipment	-	-	11,559	11,559
R&D tax rebate allocation	-	-	(150,445)	(150,445)
Amortisation expense	(2,932)	-	(121,805)	(124,737)
Carrying amount at 30 June 2018	29,982	195,623	1,213,338	1,438,943
Balance at 1 July 2018	29,982	195,623	1,213,338	1,438,943
Capitalisation of costs	16,162	68,727	251,813	336,702
Assets transferred from plant & equipment	-	-	14,718	14,718
R&D tax rebate allocation	-	-	(39,110)	(39,110)
Amortisation expense	(12,804)	-	(96,218)	(109,022)
Carrying amount at 30 June 2019	33,340	264,350	1,344,541	1,642,231

Patents/product approvals predominantly relate to various applications for new products that have yet to be commercialised and so have not been amortised as they have indefinite future benefit to the Group. Once the related asset is in use, then the relevant patent/product approval will be amortised over its expected useful life.

SAFEROADS HOLDINGS LIMITED
Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2019

13 TRADE AND OTHER PAYABLES (CURRENT)

	CONSOLIDATED	
	2019	2018
	\$	\$
Trade payables	2,056,581	2,155,386
Accrued expenses	217,105	413,969
GST payable	62,580	78,677
	2,336,266	2,648,032

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

14 INTEREST-BEARING LOANS AND BORROWINGS

	CONSOLIDATED	
	2019	2018
	\$	\$
Current		
Bank loans	79,773	76,400
Non-current		
Bank loans	1,704,286	1,781,424
	1,784,059	1,857,824

The Group was in compliance with its facility covenants at 30 June 2019.

Financing facilities available

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

	CONSOLIDATED	
	2019	2018
	\$	\$
Total facilities:		
- term loan	1,784,059	1,857,824
- overdraft	500,000	250,000
- bank charge card	75,000	75,000
Facilities used at reporting date		
- term loan	1,784,059	1,857,824
- overdraft	-	-
- bank charge card	54,000	67,000
Facilities unused at reporting date		
- overdraft	500,000	250,000
- bank charge card	21,000	8,000

The bank facilities are secured by a registered charge over certain assets and undertakings, and also a registered charge over the assets and undertakings of Saferoads Holdings Ltd.

Saferoads Pty Ltd is required to provide the Commonwealth Bank with quarterly financial information.

SAFEROADS HOLDINGS LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

15 LEASE LIABILITIES

	CONSOLIDATED	
	2019	2018
	\$	\$
Current		
Hire purchase (refer note 2(n))	465,035	229,318
Right-of-use asset leases* (refer note 2(b))	222,724	-
	687,759	229,318
Non-current		
Hire purchase (refer note 2(n))	1,378,730	367,063
Right-of-use asset leases* (refer note 2(b))	1,265,818	-
	2,644,548	367,063

* First time recognition of right-of-use asset leases

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

	CONSOLIDATED	
	2019	2018
	\$	\$
Lease liability commitments payable:		
- less than one year	886,491	265,942
- later than one year but less than five years	2,670,571	415,340
- later than five years	380,027	-
	3,937,089	681,282
Less future finance charges	(604,782)	(84,901)
Total lease liabilities	3,332,307	596,381

Lease payments not recognised as a liability

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	2019
	\$
Short-term leases	30,533
Leases of low value assets	6,468
	37,001

The following is a reconciliation of total operating lease commitments at 30 June 2018 (as disclosed in the financial statements to 30 June 2018) to the lease liabilities recognised at 1 July 2018:

	\$
Total operating lease commitments disclosed at 30 June 2018	1,888,842
Discounted using the Group's incremental borrowing rate of 5.05%	(303,750)
Add: finance lease liabilities recognised as at 30 June 2018	596,381
(less): short-term leases recognised on a straight-line basis as an expense	(15,618)
(less): low-value leases recognised on a straight-line basis as an expense	(12,639)
(less): other adjustments relating to commitment disclosures	(32,604)
Lease liability recognised as at 1 July 2018	2,153,216

The Group leases its head office and warehouse facility and other warehouse sites with terms ranging from 3 to 10 years.

The Group leases warehouse plant and equipment with a term of 3 years.

There are no material make good obligations with leases, individually or in the aggregate.

The Group has leases for the main warehouse and related facilities, an office and production building, equipment rental assets, company motor vehicles, production equipment and office equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 11).

There are no other commitments or contingent liabilities of the Group.



SAFEROADS HOLDINGS LIMITED
Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2019

16 PROVISIONS

	CONSOLIDATED	
	2019	2018
	\$	\$
Current		
Employee benefits	487,037	516,486
	487,037	516,486
Non-Current		
Employee benefits	17,403	24,292
Deferred rent liability	-	61,840
	17,403	86,132

17 EQUITY

	CONSOLIDATED	
	2019	2018
	\$	\$
Contributed Equity		
Ordinary shares		
Balance at beginning of period	5,353,905	5,353,905
Issued and fully paid	5,353,905	5,353,905
Movements in ordinary shares on issue (legal parent)	No. of shares	
Balance at beginning of the period	36,400,000	36,400,000
At 30 June	36,400,000	36,400,000

There were no ordinary share movements during the year.

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

	CONSOLIDATED	
	2019	2018
	\$	\$
Movements in retained earnings are as follows:		
Balance at beginning of period	2,110,309	1,400,617
Adjustment from the adoption of AASB 16 (refer note 2(b))	(81,114)	-
Net profit/(loss) for the year	(41,586)	709,692
Balance at 30 June	1,987,609	2,110,309

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise a term loan, lease liabilities, 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	
	2019 \$	2018 \$
Financial Assets		
- Cash and cash equivalents	529,231	1,074,808
- Financial assets at fair value through profit & loss	2,412,465	-
- Loans and receivables	-	2,537,306
Total Financial Assets	2,941,696	3,612,114
Financial Liabilities		
- Financial liabilities at amortised cost	7,452,632	5,102,237
Total Financial Liabilities	7,452,632	5,102,237

The Group has various 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.

SAFEROADS HOLDINGS LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(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	2 to 5 years	Later than 5 years	
2019	%	\$	\$	\$	\$	\$	\$
Financial Assets							
- Cash	1.06%	-	529,231	-	-	-	529,231
- Receivables	N/A	2,412,465	-	-	-	-	2,412,465
Total Financial Assets		2,941,696	529,231	-	-	-	3,470,927
Financial Liabilities							
- Payables	N/A	2,336,266	-	-	-	-	2,336,266
- Bank borrowings	5.05%	-	1,784,059	-	-	-	1,784,059
- Lease liabilities	6.78%	-	-	687,759	2,276,804	367,744	3,332,307
Total Financial Liabilities		4,120,325	1,784,059	687,759	2,276,804	367,744	7,452,632
2018	%	\$	\$	\$	\$	\$	\$
- Cash	0.70%	-	1,074,808	-	-	-	1,074,808
- Receivables	N/A	2,537,306	-	-	-	-	2,537,306
Total Financial Assets		2,537,306	1,074,808	-	-	-	3,612,114
Financial Liabilities							
- Payables	N/A	2,648,032	-	-	-	-	2,648,032
- Bank borrowings	5.05%	-	1,857,824	-	-	-	1,857,824
- Lease liabilities	6.74%	-	-	229,318	367,063	-	596,381
Total Financial Liabilities		2,648,032	1,857,824	229,318	367,063	-	5,102,237

(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 and pre-agreed credit limits.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is managed closely.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date recognised as financial assets is the carrying amount, net of any provisions for doubtful debts which is \$nil at 30 June 2019 (2018: \$30,000), 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 \$71,205 (2018: \$23,125).

The Group does not have any material unmanaged credit risk to any single debtor or group of debtors under financial instruments entered into by the company.



SAFEROADS HOLDINGS LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of current working capital, bank loans, and lease liabilities.

Maturity analysis of financial liabilities:

	Within 1 Year	1 to 5 Years	Over 5 Years	Total
	\$	\$	\$	\$
2019				
- Payables	2,336,266	-	-	2,336,266
- Bank borrowings	79,773	1,704,286	-	1,784,059
- Lease liabilities	687,759	2,276,804	367,744	3,332,307
Total Financial Liabilities	3,103,798	3,981,090	367,744	7,452,632
	Within 1 Year	1 to 5 Years	Over 5 Years	Total
	\$	\$	\$	\$
2018				
- Payables	2,648,032	-	-	2,648,032
- Bank borrowings	76,400	1,781,424	-	1,857,824
- Lease liabilities	229,318	367,063	-	596,381
Total Financial Liabilities	2,953,750	2,148,487	-	5,102,237

(d) Fair Values

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

(e) Foreign Exchange Risk

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

At reporting date, the Group did not hold any significant financial instruments denominated in foreign currencies other than the Group's functional currency (AUD).

(f) Sensitivity Analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates on borrowings and exchange rates on purchases. The table indicates the impact on how profit and equity values reported at reporting 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 2019	\$	\$
+/-2% in interest rates	+/-35,000	+/-35,000
+/-5c in AUD / USD	+/-160,000	+/-160,000
Year Ended 30 June 2018	\$	\$
+/-2% in interest rates	+/-40,000	+/-40,000
+/-5c in AUD / USD	+/-250,000	+/-250,000



SAFEROADS HOLDINGS LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

19 SUBSIDIARIES

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	
		2019	2018
Saferoads Pty Ltd	Australia	100%	100%

20 RELATED PARTIES

Transactions with Key Management Personnel

During the financial year the Company acquired certain consumable manufacturing materials from an entity related to Mr D. Hotchkin at normal commercial rates aggregating \$92,700 (2018: \$36,801), with \$50,939 included in Trade payables at 30 June 2019 (2018: \$8,959).

During the financial year the Company received professional consulting services from an entity related to Mr D. Hotchkin at normal commercial rates aggregating \$9,900 (2018: nil), with \$1,430 included in Trade payables at 30 June 2019 (2018: nil).

21 AUDITORS' REMUNERATION

	2019 \$	2018 \$
Amounts received or due and receivable by:		
- Current auditors: Grant Thornton, for the audit of the financial report	72,000	70,500
Other services (R&D tax rebate): Grant Thornton	11,000	24,500
Other services: Grant Thornton	-	2,500

22 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of Management Personnel

(i) Directors

David Ashmore	Non-Executive Chairman
Darren Hotchkin	Chief Executive Officer
David Cleland	Non-Executive

(ii) Executives

Peter Fearn	Chief Financial Officer / Company Secretary
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(b) Compensation of Key Management Personnel

Details of the nature and amount of each element of the remuneration of Key Management Personnel ("KMP") are disclosed in the Remuneration Report section of the Directors' Report.

	2019 \$	2018 \$
Compensation of Key Management Personnel by category:		
- Short-term employee benefits	627,494	595,342
- Post-employment benefits	72,445	58,011
- Long-term employee benefits	3,652	4,619
	703,591	657,972



SAFEROADS HOLDINGS LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

23 PARENT ENTITY DISCLOSURES

	2019 \$	2018 \$
Current assets	-	-
Total assets	5,359,929	5,359,929
Current liabilities	-	-
Total liabilities	-	-
Net assets	5,359,929	5,359,929
Issued capital	5,353,905	5,353,905
Retained earnings	6,024	6,024
Profit/(loss) of the parent entity	-	-
Total comprehensive income of the parent entity	-	-
Guarantees entered into by the parent entity in relation to debts of its subsidiaries	1,222,290	141,239

24 SUBSEQUENT EVENTS

There has been no matter or circumstance which has arisen since 30 June 2019 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 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 2019 and of its performance for the year ended that date; and
 - ii) complying with Accounting Standards and *Corporations Regulations 2001*.
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (c) The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as reported in Note 2.

This declaration has been made after receiving the declarations required to be made to the Directors by the 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.



David Ashmore

Director

9 August 2019



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Independent Auditor's Report

To the Members of Saferoads Holdings Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Saferoads Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter

How our audit addressed the key audit matter

Intangible Assets – Note 12

As disclosed in Note 12 to the consolidated financial statements, as at 30 June 2019 the carrying value of capitalised development costs and patents was \$1.6 million.

During the year management capitalised \$336,702 of patent and development related expenditure. No impairment loss in relation to intangible assets was recognised.

In accordance with AASB 138 *Intangible Assets* only directly attributable costs incurred during the development phase may be capitalised and recognised as an asset.

AASB 136 *Impairment of Assets* requires that an entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any indication exists, the entity shall estimate the recoverable amount of the asset.

Determining whether research and development costs should be expensed or capitalised together with the process undertaken by management to forecast future performance and the viability of products and the assessment of impairment triggers involves an element of management judgement.

This area is a key audit matter due to the inherent subjectivity that is involved in the entity making judgements in relation to the capitalisation of their development costs under the requirements of AASB 138 *Intangible Assets*, as well as the evaluation for any impairment indicators.

Our procedures included, amongst others:

- Obtaining an understanding of management's policies relating to the capitalisation of development costs;
- Evaluating the appropriateness of expenses capitalised, on a sample basis, by agreeing to underlying supporting documentation and consideration of the criteria within AASB 138;
- Assessing the valuation methodology applied in management's value in use calculations which were prepared to assess impairment for intangibles not available for use, including:
 - challenging the reasonableness of key assumptions based on our knowledge of the business and industry;
 - Reviewing sales results and identifying any discontinued products through discussions with management;
 - Performing sensitivity analysis on the impairment model using varied discount rates and growth projections; and
- Assessing the adequacy of the financial statement disclosures.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

The Directors of the Company 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 15 to 16 of the Directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Saferoads Holdings Limited, for the year ended 30 June 2019 complies with section 300A of the Corporations Act 2001.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A stylized, handwritten-style signature of "Grant Thornton" in purple ink.

Grant Thornton Audit Pty Ltd
Chartered Accountants

A handwritten signature in purple ink that appears to read "M. Climpson".

Michael Climpson
Partner – Audit & Assurance

Melbourne, 9 August 2019



ASX ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 30 August 2019. At this date, the Company had on issue 36,400,000 ordinary shares in the company held by 526 shareholders.

SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act.

Holder name	No. of ordinary shares in which interest is held
MR DARREN JOHN HOTCHKIN & MRS JENNIFER ANN HOTCHKIN	9,259,025
RUMINATOR PTY LTD and related entities	4,555,897
MR STEVEN DI FABRIZIO	3,703,315

TWENTY LARGEST SHAREHOLDERS

Name	No. of shares	% Held
MR DARREN JOHN HOTCHKIN & MRS JENNIFER ANN HOTCHKIN <GIPSY CREEK SUPER FUND A/C>	7,598,955	20.88
CAON PTY LTD <NRT A/C>	3,653,315	10.04
RUMINATOR PTY LTD	3,208,163	8.81
MR DARREN JOHN HOTCHKIN & MRS JENNIFER ANN HOTCHKIN	1,660,070	4.56
NLKM PTY LTD <THOMPSON FAMILY S/F A/C>	1,362,359	3.74
MR DAVID ALBERT McCLURE ASHMORE & MRS NOLA JOY ASHMORE <DANJAY SUPERANNUATION A/C>	1,341,807	3.69
MR DUNCAN FRANCIS SMITH	1,277,428	3.51
MR GLENN SCOTT WADSWORTH & MR RICKI MARK WADSWORTH	1,128,450	3.10
CARRIER INTERNATIONAL PTY LTD <SUPER FUND A/C>	904,055	2.48
MR PHILIP BOMFORD	900,000	2.47
CONTEMPLATOR PTY LTD <ARG PENSION FUND A/C>	844,522	2.32
LIVINGSTONE SERVICES PTY LTD <LIVINGSTONE SERVICES S/F A/C>	508,610	1.40
STITCHING PTY LTD <SSG SUPERANNUATION FUND A/C>	503,212	1.38
MR ROSS GEORGE YANNIS	434,000	1.19
ELFIC INDUSTRIES PTY LTD <ELFIC SUPER FUND A/C>	320,000	0.88
MRS JANET GRIFFITHS	302,900	0.83
MR BRUCE ALLAN HEAD & MRS BETH ALISON HEAD	291,624	0.80
ROADWORX GROUP PTY LTD	279,925	0.77
MR PETER FROST	275,000	0.76
C J CORNWELL & SON PTY LTD <C J CORNWELL EXEC SF A/C>	250,009	0.69
	27,044,404	74.30

DISTRIBUTION OF SHAREHOLDINGS

Holdings Ranges	Holders	Total Units	%
1-1,000	101	50,717	0.14
1,001-5,000	168	507,291	1.39
5,001-10,000	81	667,558	1.83
10,001-100,000	131	4,592,073	12.62
100,001-and over	45	30,582,361	84.02
	526	36,400,000	100.00

The number of shareholders' holdings less than a marketable parcel is 189.

VOTING RIGHTS

All ordinary shares carry one vote per share.

NUMBER OF ORDINARY SHARES SUBJECT TO ESCROW

Nil.



CORPORATE DIRECTORY

Directors

David Ashmore (Chairman)
Darren Hotchkin (Chief Executive Officer)
David Cleland

Company Secretary

Peter Fearn

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Auditors

Grant Thornton
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727 Collins Street
Melbourne VIC 3008

ASX Code

SRH

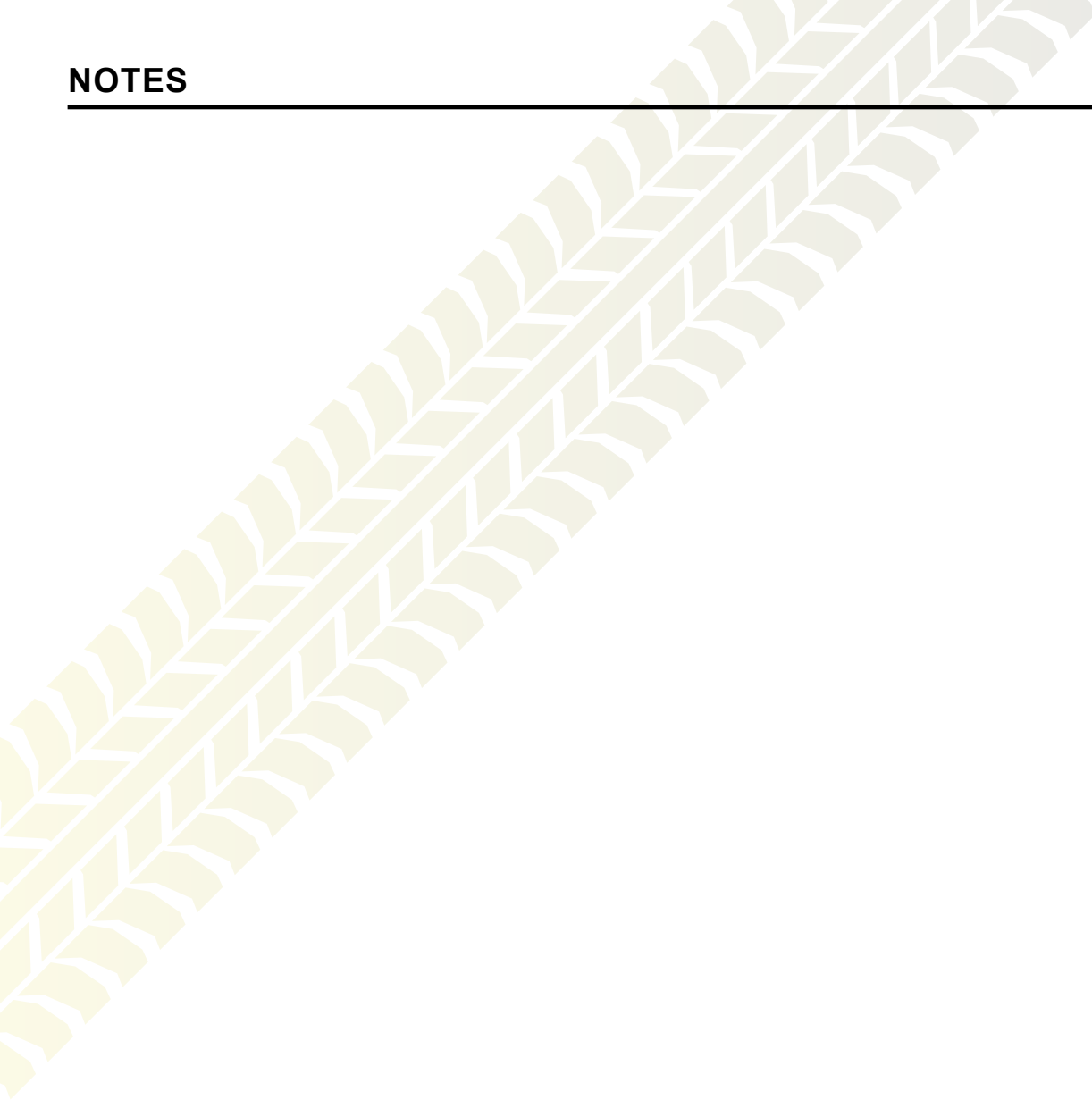
ISO CERTIFICATIONS:



PROFESSIONAL AFFILIATIONS:











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