



Release 26 February 2021

SAFEROADS HOLDINGS LIMITED
RESULTS FOR ANNOUNCEMENT TO THE MARKET
HALF-YEAR ENDED 31 DECEMBER 2020

A Good result in a difficult half year.

FINANCIAL SUMMARY

\$'000	Six months ending		
	Dec-20	Dec-19	Variance %
Revenue	7,703	8,288	-7%
Gross Profit	3,211	3,095	4%
EBITDA	1,577	782	101%
Depreciation and amortisation	558	532	4%
Finance costs	119	156	-23%
Profit after tax	901	94	860%
Operating Cash Flow	652	1,648	
Gearing (net debt / net debt + equity)	27.1%	23.5%	

Key points for the half

- Revenue from ongoing operations was up 14% on previous corresponding period after excluding the on-grid lighting sales.
- Underlying Profit before tax of \$579k up 516% on the previous corresponding period and inline with our forecast at the Annual General Meeting.
- Government COVID-19 employment support for the period amounted to \$324k and has been accounted for as a component of our Employee Benefits expense on the consolidated statement of
- Gross margin rate continues to remain strong due to improved sales mix mainly attributable to the wind down of the on-grid lighting business
- Expenses down with ongoing focus on cost optimisation and business restructuring
- New financing arrangements have been negotiated to support rental fleet expansion and the core bank facility extended to 2024.
- Significant demand continues for our equipment rental services with sales up 26% on the previous corresponding period.
- International sales have been significantly affected by Covid 19 and are 26% down on the previous corresponding period.
- The on grid lighting assets were contracted for sale on 23 December 2020 for \$1,050k and settled in February 2021.

Outlook for H2

The ongoing effects of the COVID-19 pandemic on the Australian and Global economies remain a significant uncertainty and in particular its effect on our international sales. Our product supply channels remain effective however additional time needs to be allowed for in shipping.

The rental business expansion is moving forward with the securing of a suitable site on the outskirts of Sydney and the recruitment of a NSW manager to operate that business component. We continue to build our rental fleet and a suitable portion of that fleet will move to NSW.

The sale of the low margin On-Grid lighting business has injected funds that will assist with the rental business expansion and assist in keeping good cash reserves and our debt gearing low in these uncertain times.

The directors are confident that we can maintain our overall profitability to build on this good first half however we are not currently in a position to provide a profit guidance. As business conditions become clearer in the coming months we should be in a position to better forecast for the second half.

This release is authorized by the Saferoads Holdings Limited Board.

Enquiries/Additional Information:

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ABOUT SAFEROADS

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.

Saferoads Holdings Limited

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ABN 81 116 668 538

Appendix 4D
Half year report

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

1. Reporting periods

Half year ended (‘current period’)	Half year ended (‘previous corresponding period’)
31 December 2020	31 December 2019

2. Results for announcement to the market

	Current period	Previous corresponding period	% Change increase / (decrease)	Amount (\$) increase / (decrease)
	\$	\$		\$
Key information				
Revenues from operations	7,703,913	8,288,088	(7%)	(584,175)
Profit from continuing activities after tax attributable to members	900,540	93,758	860%	806,782
Net profit for the period attributable to members	900,540	93,758	860%	806,782
Dividends (distributions)			Amount per share	Franked amount per share
Final dividend	Record Date Paid	N/A N/A	N/A	N/A
Interim dividend	Record Date Payable	11 November 2020 19 November 2020	\$ 0.01	\$0.0026
Supplementary comments				
Commentary in respect of the results is provided in the Directors' Report, which forms part of the half-year report ended 31 December 2020.				

3. NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary share (\$)	\$0.164	\$0.148

4. Dividends

	Date paid/payable	Amount per share	Franked amount per share	Amount per share of foreign source dividend	Amount \$
Final dividend:	N/A	N/A	N/A	N/A	N/A
Interim dividend:	19 November 2020	\$ 0.01	\$0.0026	N/A	\$ 364,000

5. Dividend reinvestment plans

An amount of \$244,214 of the total dividend paid was reinvested through the DRP.

6. Associates and Joint Ventures

N/A

7. Foreign entities

N/A



SAFEROADS HOLDINGS LIMITED

ABN 81 116 668 538

CONSOLIDATED FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2020



SAFEROADS HOLDINGS LIMITED

Directors' Report

The directors of Saferoads Holdings Limited present their report for the half-year ended 31 December 2020.

DIRECTORS

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

- David Ashmore (Non-Executive Chairman)
- Darren Hotchkin (Chief Executive Officer)
- David Cleland (Non-Executive) – retired November 2020
- Hayden Wallace (Non-Executive)

REVIEW OF OPERATIONS

The directors report a pleasing half-year consolidated Profit after tax of \$900,540 compared with \$93,758 for the previous corresponding period ("pcp"), an increase of 860%. This profit is inclusive of \$374,000 of Covid related support for the half year.

The profit is in line with the expectation announced in the Company's trading update at the November AGM.

Whilst sales volumes overall were down 7%, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) of \$1,577,056 was up 101% on pcp, underpinned by improved sales in higher margin product lines and services, particularly in our equipment rental business – *Road Safety Rental*, and an ongoing focus on expense optimisation. However, product sales volumes were impacted by Covid related measures especially in the International sales arena.

Key points for the half year include;

- Ongoing revenue and margin growth in our equipment hire business (revenue up 26% on pcp) as we meet increasing demand for our product.
- There was a strong customer move towards solar lighting solutions away from gridded lighting options.
- A dividend of 1c per share was paid in November.
- The sale of our low margin, heavy working capital On Grid lighting business will be finalised in the second half with a pleasing financial outcome.
- New finance arrangements have been negotiated to fund the business and in particular the future growth in the Rental fleet. We have commenced the establishment of a Sydney based rental site and we expect to be renting product within the next few months.

Our balance sheet is strong, with a continued focus on managing working capital, with targeted stock management. Our gearing ratio at 31 December (net debt to net debt plus equity) was 27.1% and that will continue to be managed at a relatively low level following the receipt of the proceeds from the On-Grid lighting sale.

OUTLOOK

Looking ahead to the remainder of FY2021, the directors anticipate expanded demand for our equipment rental products bolstered by the establishment of a rental base in NSW as part of the rental operation investment.

On this basis, we are forecasting a good profit for the full year however it is not possible at this point to provide a more detailed guidance range.

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained the attached independence declaration from our auditors, Grant Thornton, in accordance with S307c of the Corporations Act 2001 for the half year ended 31 December 2020.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, consisting of a stylized initial 'D' followed by a long horizontal line.

David Ashmore
Director
24-February-2021

Auditor's Independence Declaration

To the Directors of Saferoads Holdings Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Saferoads Holdings Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



M J Climpson
Partner – Audit & Assurance

Melbourne, 24 February 2021

SAFEROADS HOLDINGS LIMITED

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Notes	CONSOLIDATED	
		December 2020 \$	December 2019 \$
Revenue			
Revenue from product sales and services	2	7,703,913	8,288,088
Cost of direct materials and contract labour		(4,499,759)	(5,194,039)
Movement in inventories		6,780	951
Gross profit		3,210,934	3,095,000
Operating Expenses			
Other income	2	41,318	22,990
Employee benefits		(1,254,961)	(1,616,748)
Travel and accommodation costs		(3,137)	(77,641)
IT & communications costs		(51,937)	(68,829)
Motor vehicle costs		(6,698)	(71,845)
Warehouse costs		(101,078)	(165,240)
Asset sale costs incurred	6	(52,514)	-
Other expenses		(204,871)	(335,958)
Total Expenses		(1,633,878)	(2,313,271)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		1,577,056	781,729
Depreciation and amortisation		(557,602)	(532,226)
Earnings before interest and tax (EBIT)		1,019,455	249,503
Finance costs		(118,914)	(155,745)
Profit before income tax		900,540	93,758
Income tax benefit (expense)	7	-	-
Profit after income tax from continuing operations		900,540	93,758
Net profit for the period		900,540	93,758
Net profit attributable to members of parent		900,540	93,758
Total other comprehensive income for the period		-	-
Total comprehensive income attributable to members of the parent		900,540	93,758
Earnings per share (cents per share)			
- basic profit for the half-year (cents)		2.4	0.3
- diluted profit for the half-year (cents)		2.4	0.3
- dividends paid per share (cents)		1.0	0.0

The accompanying notes form part of these financial statements

SAFEROADS HOLDINGS LIMITED
Consolidated Statement of Financial Position
AS AT 31 DECEMBER 2020

	Notes	CONSOLIDATED	
		December 2020 \$	June 2020 \$
ASSETS			
Current Assets			
Cash and cash equivalents		168,863	1,257,468
Trade and other receivables		2,066,354	1,725,092
Inventories		2,092,383	3,057,902
Assets held for sale	6	1,050,282	-
Prepayments		528,226	256,048
Total Current Assets		5,906,108	6,296,510
Non-current Assets			
Property, plant and equipment		5,951,232	4,882,961
Right-of-use assets		946,700	1,067,132
Intangible assets		1,291,476	1,272,622
Deferred tax assets		1,198,697	1,198,697
Other non-current assets		17,938	17,939
Total Non-current Assets		9,406,044	8,439,351
TOTAL ASSETS		15,312,152	14,735,861
LIABILITIES			
Current Liabilities			
Trade and other payables		1,684,197	1,856,926
Contract liabilities		58,456	200,710
Interest-bearing loans and borrowings		151,059	155,347
Lease liabilities		854,552	726,728
Provisions		340,432	312,593
Total Current Liabilities		3,088,696	3,252,304
Non-current Liabilities			
Interest-bearing loans and borrowings		1,444,865	1,502,934
Lease liabilities		2,099,846	2,071,089
Provisions		35,448	46,991
Total Non-current Liabilities		3,580,159	3,621,014
TOTAL LIABILITIES		6,668,855	6,873,318
NET ASSETS		8,643,297	7,862,543
EQUITY			
Contributed equity		5,598,119	5,353,905
Retained earnings		3,045,178	2,508,638
TOTAL EQUITY		8,643,297	7,862,543

The accompanying notes form part of these financial statements

SAFEROADS HOLDINGS LIMITED

Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

CONSOLIDATED	Contributed Equity \$	Retained Earnings \$	Total \$
At 1 July 2019	5,353,905	1,987,609	7,341,514
Net profit for the period	-	93,758	93,758
At 31 December 2019	5,353,905	2,081,367	7,435,272
Net Profit for the H2 2020 period	-	427,271	427,271
At 1 July 2020	5,353,905	2,508,638	7,862,543
Dividends Paid and DRP shares issued	244,214	(364,000)	(119,786)
Net profit for the period	-	900,540	900,540
At 31 December 2020	5,598,119	3,045,178	8,643,298

The accompanying notes form part of these financial statements

SAFEROADS HOLDINGS LIMITED
Consolidated Statement of Cash Flows
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Notes	CONSOLIDATED	
		December 2020 \$	December 2019 \$
Cash flows from operating activities			
Receipts from customers		7,897,429	9,925,557
Payments to suppliers and employees		(7,245,405)	(8,277,442)
Net cash flows from operating activities	4	652,024	1,648,115
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		8,571	45,454
Purchase of plant and equipment		(1,458,489)	(546,976)
Product development costs		(143,791)	(65,401)
R&D tax rebate received		-	-
Net cash flows from investing activities		(1,593,709)	(566,923)
Cash flows from financing activities			
Repayment of loans and borrowings		(62,357)	(49,641)
Repayment of lease liabilities		(396,556)	(340,073)
Proceeds from borrowings	6	550,624	-
Dividends Paid		(119,786)	-
Interest received		69	1,164
Interest paid		(118,914)	(155,745)
Net cash flows from financing activities		(146,920)	(544,295)
Net increase/(decrease) in cash and cash equivalents		(1,088,605)	536,897
Cash and cash equivalents at beginning of period		1,257,468	529,231
Cash and cash equivalents at end of period	4	168,863	1,066,128

The accompanying notes form part of these financial statements

SAFEROADS HOLDINGS LIMITED

Notes to the Financial Statements

FOR THE HALF YEAR-ENDED 31 DECEMBER 2020

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore does not provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. It is therefore recommended that the half-year financial report should be read in conjunction with the annual Financial Report of Saferoads Holdings Limited as at 30 June 2020, together with any public announcements made by Saferoads Holdings Limited and its controlled entities during the half-year ended 31 December 2020 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and the ASX listing rules.

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

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

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

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

(b)

New Accounting Standards

The Group has adopted all of the new and revised standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) which are mandatory to apply to the current interim period. Disclosures required by these standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

(c)

Significant Accounting Policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2020 and the corresponding interim reporting period.

When preparing the Interim Financial Statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. The judgements, estimates and assumptions applied in the Interim Financial Statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2020.

SAFEROADS HOLDINGS LIMITED

Notes to the Financial Statements

FOR THE HALF YEAR-ENDED 31 DECEMBER 2020

2 REVENUES

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

	CONSOLIDATED	
	December 2020	December 2019
	\$	\$
(i) Revenue		
Revenue from product sales - point in time	5,763,717	6,733,285
Revenue from provision of services - over time	1,940,196	1,554,803
	7,703,913	8,288,088
(ii) Other income		
Interest	69	1,165
Exchange gains / (losses)	(16,796)	-
Net gain/(loss) on sale of assets	6,057	6,387
Government Grant (COVID-19 cash boost)	50,000	
Other	1,988	15,438
	41,318	22,990

3 SEGMENT REPORTING

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

4 ADDITIONAL CASH FLOW INFORMATION

a) Reconciliation of Cash

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

	CONSOLIDATED	
	December 2020	December 2019
	\$	\$
Cash at bank and in hand	168,863	1,066,128
b) Reconciliation from net profit after tax to the net cash flows from operations		
Profit after tax for the period	900,540	93,758
Adjustments for:		
Depreciation and amortisation	557,602	532,226
Net (profit)/loss on disposal of plant and equipment	(1,958)	(6,387)
Interest received	(69)	(1,165)
Interest paid	118,914	155,745
Changes in assets and liabilities:		
(Increase)/decrease in receivables	(341,262)	431,880
(Increase)/decrease in inventories	965,519	(46,636)
(Increase)/decrease in other assets	(1,322,460)	(224,945)
(Decrease)/increase in payables	(98,845)	306,923
(Decrease)/increase in contract liabilities	(142,254)	465,062
(Decrease)/increase in provisions	16,296	(58,346)
Net cash from operating activities	652,024	1,648,115

SAFEROADS HOLDINGS LIMITED

Notes to the Financial Statements

FOR THE HALF YEAR-ENDED 31 DECEMBER 2020

c) Non-cash financing and investing activities

During the half-year, the Group acquired property, plant and equipment with an aggregate value of \$550,624 (December 2019: \$nil) by means of finance leases.

5 CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or liabilities as at 31 December 2020.

6 EVENTS AFTER THE END OF THE INTERIM PERIOD

Other than the two items noted below there has been no matter or circumstance, which has arisen since 31 December 2020 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.

- The amount of \$593,456 was drawn down on 8 January 2021 from our equipment finance facility to reimburse amounts paid in November and December 2020 to increase our rental fleet.

- The consolidated entity finalised the sale of the on grid lighting assets in February 2021. The gross proceeds are \$1,050,282 and that represents a minor loss after selling costs. The gross proceeds will be received in two tranches with \$800,000 received in February 2021 and \$250,282 to be received in April 2021.

7 INCOME TAX

As as 31 December 2020, the consolidated entity has carry forward tax losses in excess of the reported profit sufficient that no income tax expenses is recognised for the period. Carry forward tax losses with a tax effect of \$1,198,697 have been brought to account as a deferred tax asset. Carry forward tax losses with a tax effect of \$460,596 relating to prior years have not been brought to account.

Directors' Declaration

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

In the opinion of the directors:

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

(i) giving a true and fair view of the financial position as at 31 December 2020 and the performance for the half-year ended on that date of the consolidated entity; and

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

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

On behalf of the Board

A handwritten signature in black ink, appearing to read 'David Ashmore', with a long horizontal line extending to the right.

David Ashmore
Director

24 February 2021

Independent Auditor's Review Report

To the Members of Saferoads Holdings Limited

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Saferoads Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, and 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 half-year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibility for the half-year financial report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



M J Climpson
Partner – Audit & Assurance

Melbourne, 24 February 2021