



Released 25 February 2020

SAFEROADS HOLDINGS LIMITED

**RESULTS FOR ANNOUNCEMENT TO THE MARKET
HALF-YEAR ENDED 31 DECEMBER 2019**

Highlights for the half

- Revenue of \$8.3 million, down 20% on previous corresponding period
- Profit before tax of \$94k down 66% on previous corresponding period
- EBITDA down only 4% to \$782k, from \$811k in previous corresponding period
- Gross margin rate continues to improve due to sales mix
- Expenses down 23% with ongoing focus on cost optimisation
- Secured further sales and orders for the HV2™ temporary barrier system
- Significant demand for our equipment rental services
- Strong operating cashflows reflecting continued optimal working capital management

FINANCIAL HEADLINES

\$'000	Six months ending		
	Dec 2019	Dec 2018*	Variance %
Revenue	8,288	10,329	-20%
EBITDA	782	811	-4%
Depreciation and amortisation	532	413	+29%
Finance costs	156	124	+26%
Profit before tax	94	274	-66%
Gearing (net debt / net debt + equity)	23.5%	16.2%	

* Dec 2018 has been restated to reflect the early adoption of AASB 16 Leases, as disclosed in the Company's 2019 Annual Report.

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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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 2019	31 December 2018

2. Results for announcement to the market

	Current period	Previous corresponding period	% Change increase / (decrease)	Amount (\$) increase / (decrease)
	\$	\$		\$
Key information				
Revenues from continuing activities	8,288,088	10,328,858	(20%)	(2,040,770)
Profit from continuing activities after tax attributable to members	93,758	274,027	(66%)	(180,269)
Net profit for the period attributable to members	93,758	274,027	(66%)	(180,269)
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	N/A N/A	N/A	N/A
Supplementary comments				
Commentary in respect of the results is provided in the Directors' Report, which forms part of the half-year report ended 31 December 2019.				

3. NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary share (\$)	\$0.13	\$0.14

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:	N/A	N/A	N/A	N/A	N/A

5. Dividend reinvestment plans

N/A

6. Associates and Joint Ventures

N/A

7. Foreign entities

N/A



SAFEROADS HOLDINGS LIMITED

Directors' Report

The directors of Saferoads Holdings Limited present their report for the half-year ended 31 December 2019.

DIRECTORS

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

David Ashmore (Non-Executive Chairman)

Darren Hotchkin (Chief Executive Officer)

David Cleland (Non-Executive)

REVIEW OF OPERATIONS

The directors report a modest half-year consolidated Profit after tax of \$93,758 compared with \$274,027 for the previous corresponding period ("pcp"), a decrease of 66%. This was an improvement on the breakeven expectation announced in the Company's trading update on 23 December 2019.

Whilst sales volumes overall were down 20%, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) of \$781,729 was down only 4% 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 (down 23% on pcp). However, product sales volumes were impacted by ongoing delays in projects, with secured orders that we had expected would be delivered in the second quarter having been deferred by customers into the current quarter and beyond.

Key points for the half year include;

- Ongoing revenue and margin growth in our equipment hire business (revenue up 41% on pcp) as we meet increasing demand for our product. As a result, we invested a further \$522,561 in additional fleet during the half.
- Our proprietary variable messaging sign (VMS) trailer and software package sales were higher than the pcp, with volumes from existing and new customers increasing due to a more detailed focus on this product line.
- Internationally, we secured further sales and orders of the new *HV2*TM temporary barrier system to New Zealand and have delivered another order under the distributor agreement for our patented *Ironman*TM barrier product in the USA. We also had additional sales of our flexible signage products into Belgium, and further orders for our temporary solar lighting products into New Zealand.
- We secured our first commercial deployment of our proprietary *OmniStop*TM Portable bollard system at a major community event in southeast Melbourne.

Our balance sheet is strong, with cash balances of over \$1 million at 31 December, on the back of net operating cashflows generated of \$1.6 million in the half, reflecting continued optimal working capital management. Our gearing ratio (net debt to net debt plus equity) is 23.5%.

Internationally, the work to secure an appropriate distributor arrangement in the United States continues. We have secured additional State regulatory approvals (now totalling 15 States) for the HV2™ temporary barrier system during the half. We are also now receiving regular orders for various products (including the HV2™ barrier) from New Zealand.

OUTLOOK

Looking ahead to the remainder of FY2020, the directors anticipate continued strong demand for our equipment rental products. Our international expansion should also continue with total sales for FY2020, based on already committed HV2™ temporary barrier orders, expected to exceed that of FY2019. At the date of this report, we have \$3.0 million in secured orders.


On this basis, we are forecasting a profit for the full year.

In April, we will be participating in the biennial *Intertraffic* international trade show in Amsterdam, the world's leading trade exhibition for traffic professionals. As with prior years, we will be showcasing our key products we believe have the potential to be of interest to overseas markets. It also allows us to view what's new and innovative from around the globe and determine if it could have some benefit in the Australian market.

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 2019.

Signed in accordance with a resolution of the directors.

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

David Ashmore

Director

25 February 2020



SAFEROADS HOLDINGS LIMITED

ABN 81 116 668 538

CONSOLIDATED FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2019

SAFEROADS HOLDINGS LIMITED

Statement of Profit or Loss and Other Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Notes	CONSOLIDATED	
		December 2019 \$	December 2018 \$
Revenue			
Revenue from product sales and services	2	8,288,088	10,328,858
Cost of direct materials and labour		(5,194,039)	(6,683,933)
Movement in inventories		951	157,782
Gross profit		3,095,000	3,802,707
Other income	2	22,990	23,082
Employee benefits		(1,616,748)	(2,081,137)
Travel and accommodation costs		(77,641)	(167,460)
IT & communications costs		(68,829)	(69,766)
Motor vehicle costs		(71,845)	(94,146)
Warehouse costs		(165,240)	(165,649)
Other expenses		(335,958)	(436,978)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		781,729	810,653
Depreciation and amortisation		(532,226)	(412,985)
Earnings before interest and tax (EBIT)		249,503	397,668
Finance costs		(155,745)	(123,641)
Profit before income tax		93,758	274,027
Income tax benefit (expense)		-	-
Profit after income tax from continuing operations		93,758	274,027
Net profit for the period		93,758	274,027
Net profit attributable to members of parent		93,758	274,027
Total other comprehensive income for the period		-	-
Total comprehensive income attributable to members of the parent		93,758	274,027
Earnings per share (cents per share)			
- basic profit for the half-year (cents)		0.3	0.8
- diluted profit for the half-year (cents)		0.3	0.8
- dividends paid per share (cents)		0.0	0.0

The accompanying notes form part of these financial statements

SAFEROADS HOLDINGS LIMITED

Statement of Financial Position

AS AT 31 DECEMBER 2019

	Notes	CONSOLIDATED	
		December 2019 \$	June 2019 \$
ASSETS			
Current Assets			
Cash and cash equivalents		1,066,128	529,231
Trade and other receivables		2,012,535	2,412,465
Inventories		3,326,652	3,325,701
Prepayments		422,298	197,353
Total Current Assets		6,827,613	6,464,750
Non-current Assets			
Property, plant and equipment		5,028,769	4,553,893
Right-of-use assets		1,187,565	1,428,431
Intangible assets		1,594,690	1,642,231
Deferred tax assets		1,267,853	1,267,853
Other non-current assets		17,938	17,937
Total Non-current Assets		9,096,815	8,910,345
TOTAL ASSETS		15,924,428	15,375,095
LIABILITIES			
Current Liabilities			
Trade and other payables		2,774,839	2,336,266
Contract liabilities		541,571	76,509
Interest-bearing loans and borrowings		151,059	79,773
Lease liabilities		691,696	687,759
Provisions		406,463	487,037
Total Current Liabilities		4,565,628	3,667,344
Non-current Liabilities			
Interest-bearing loans and borrowings		1,583,359	1,704,286
Lease liabilities		2,300,538	2,644,548
Provisions		39,631	17,403
Total Non-current Liabilities		3,923,528	4,366,237
TOTAL LIABILITIES		8,489,156	8,033,581
NET ASSETS		7,435,272	7,341,514
EQUITY			
Contributed equity		5,353,905	5,353,905
Retained earnings		2,081,367	1,987,609
TOTAL EQUITY		7,435,272	7,341,514

The accompanying notes form part of these financial statements

SAFEROADS HOLDINGS LIMITED

Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

CONSOLIDATED	Contributed Equity \$	Retained Earnings \$	Total Equity \$
At 1 July 2018	5,353,905	2,110,309	7,464,214
Adjustment from adoption of AASB 16 (refer note 1(b))	-	(81,114)	(81,114)
Net profit for the period	-	274,027	274,027
At 31 December 2018	5,353,905	2,303,222	7,657,127
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

The accompanying notes form part of these financial statements

SAFEROADS HOLDINGS LIMITED

Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Notes	CONSOLIDATED	
		December 2019	December 2018
		\$	\$
Cash flows from operating activities			
Receipts from customers		9,925,557	11,863,309
Payments to suppliers and employees		(8,277,442)	(10,945,738)
Net cash flows from operating activities	4	1,648,115	917,571
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		45,454	-
Purchase of plant and equipment		(546,976)	(268,525)
Product development costs		(65,401)	(101,568)
R&D tax rebate received		-	212,414
Net cash flows from investing activities		(566,923)	(157,679)
Cash flows from financing activities			
Repayment of loans and borrowings		(49,641)	(36,004)
Repayment of lease liabilities		(340,073)	(265,369)
Interest received		1,164	1,554
Interest paid		(155,745)	(123,642)
Net cash flows from financing activities		(544,295)	(423,461)
Net increase/(decrease) in cash and cash equivalents		536,897	336,431
Cash and cash equivalents at beginning of period		529,231	1,074,808
Cash and cash equivalents at end of period	4	1,066,128	1,411,239

The accompanying notes form part of these financial statements

SAFEROADS HOLDINGS LIMITED

Notes to the Financial Statements

FOR THE HALF YEAR-ENDED 31 DECEMBER 2019

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 2019, together with any public announcements made by Saferoads Holdings Limited and its controlled entities during the half-year ended 31 December 2019 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and the ASX listing rules.

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

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

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

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

(b) New Accounting Standards

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

AASB 16 - Leases

The Group adopted *AASB 16 Leases* as of 1 July 2018, but did not adopt AASB 16 in its December 2018 half-year financial statements. The December 2018 comparatives have been restated in these financial statements. 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 adoption of this new Standard 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 was 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 prior corresponding period. The prior corresponding period has been restated.

For contracts in place at the date of initial application, the Group elected to apply the definition of a lease from AASB 117 and did not apply 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 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.

(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 2019 and the corresponding interim reporting period.

SAFEROADS HOLDINGS LIMITED

Notes to the Financial Statements

FOR THE HALF YEAR-ENDED 31 DECEMBER 2019

2 REVENUES

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

	CONSOLIDATED	
	December 2019	December 2018
	\$	\$
(i) Revenue		
Revenue from product sales - point in time	6,733,285	9,263,804
Revenue from provision of services - over time	1,554,803	1,065,054
	8,288,088	10,328,858
(ii) Other income		
Interest	1,165	1,554
Export market development grant	-	20,348
Net gain/(loss) on sale of assets	6,387	-
Other	15,438	1,180
	22,990	23,082

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 2019	December 2018
	\$	\$
Cash at bank and in hand	1,066,128	1,411,239
b) Reconciliation from net profit after tax to the net cash flows from operations		
Profit after tax for the period	93,758	274,027
Adjustments for:		
Depreciation and amortisation	532,226	412,985
Net (profit)/loss on disposal of plant and equipment	(6,387)	-
Interest received	(1,165)	(1,554)
Interest paid	155,745	123,642
Changes in assets and liabilities:		
(Increase)/decrease in receivables	431,880	574,830
(Increase)/decrease in inventories	(46,636)	(157,782)
(Increase)/decrease in other assets	(224,945)	(142,841)
(Decrease)/increase in payables	306,923	(68,955)
(Decrease)/increase in contract liabilities	465,062	(69,916)
(Decrease)/increase in provisions	(58,346)	(26,865)
Net cash from operating activities	1,648,115	917,571

c) Non-cash financing and investing activities

During the half-year, the Group acquired property, plant and equipment with an aggregate value of \$nil (December 2018: \$634,539) by means of finance leases.

SAFEROADS HOLDINGS LIMITED

Notes to the Financial Statements

FOR THE HALF YEAR-ENDED 31 DECEMBER 2019

5 CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or liabilities as at 31 December 2019.

6 EVENTS AFTER THE END OF THE INTERIM PERIOD

There has been no matter or circumstance, which has arisen since 31 December 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 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 2019 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 be 'David Ashmore', written in a cursive style.

David Ashmore
Director

25 February 2020