

ABN 81 116 668 538 CONSOLIDATED FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

RELEASED 19 February 2014

Saferoads specialises in providing innovative road safety solutions.

Headquartered in Drouin, Victoria, and with representation across Australia, the company services State Government Departments, local councils and road construction companies with a broad range of products and services designed to direct, protect, inform and illuminate all road users.

Appendix 4D

Half year report

Name of entityABN ReferenceSAFEROADS HOLDINGS LIMITED81 116 668 538

1. Reporting periods

2. Results for announcement to the market

	Current period	Previous corresponding period	% Change increase / (decrease)	Amount (\$) increase / (decrease)
Key information	\$	\$		\$
Revenues from continuing activities	8,980,041	13,973,373	-36%	(4,993,332)
Profit/(loss) from continuing activities after tax attributable to members	(492,585)	(169,558)	n/a	(323,027)
Net profit/(loss) for the period attributable to members	(492,585)	(169,558)	n/a	(323,027)
Dividends (distributions)			Amount per share	Franked amount per share at 30% tax
Final dividend	Record Date N/A Paid 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 2013.

3. NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary share (\$)	\$0.21	\$0.28

4. Dividends

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

5. Dividend reinvestment plans $\ensuremath{\text{N/A}}$

6. Associates and Joint Ventures

7. Foreign entities N/A



Directors' Report

The directors of Saferoads Holdings Limited present their report for the half-year ended 31 December 2013.

DIRECTORS

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

David Ashmore (Chairman)
Darren Hotchkin (Chief Executive Officer)
David Cleland
Gary Bertuch (resigned 19 August 2013)

REVIEW OF OPERATIONS

The directors of Saferoads Holdings Limited report a half-year consolidated net loss before tax and excluding one-off asset sales of \$688,430 compared with a net loss of \$860,577 for the previous corresponding period ("pcp"). This result is consistent with the guidance provided at the Company's Annual General Meeting in November. Whilst total revenue for the half-year was down 36%, gross margin % increased 4.1% over the previous corresponding period, as we continue to focus on sales of our higher margin products and look to maintain and improve margins. The result for the half year was also significantly affected by the poor performance of our Civil services offering where significant project delays (beyond our control) resulted in the failure to achieve appropriate crew utilisation levels. The trading result continues to be unsatisfactory however, it reflects some of the improvements we are making to return to profits. We continue to operate in a very tough economic environment with constrained government spending at all three levels and significant competition for sales.

Despite the negative result, achievements in the first half included:

- Our "Work-Zone Solutions" offering, providing customers with the choice of purchasing or hiring various work-zone products, grew 31% on the previous corresponding period;
- Sales of our proprietary products SnaplocTM guide posts (up 21% on pcp); Omni-stopTM bollards (up 14% on pcp) continue to grow;
- Our Public lighting portfolio has maintained revenue levels as we continue to build and broaden our customer base, particularly with our proprietary impact-absorbing Safepole product;
- Gross margin % increased from 34.3% to 38.4%, despite the poor contribution from the Civil services offering;
- Overhead costs have reduced 29% on pcp, as we continue to rationalise our business model and its support base; and
- Core debt has reduced by \$225k from 30 June 2013, and we are in compliance with our financial covenants at balance date.



An exciting development for the Company was the successful 100 kph crash-test of Australia's first non-anchored metal temporary safety barrier (IronmanTM Hybrid (patent pending)). The crash testing was done in accordance with the established Australian barrier testing standards and we lodged our application for approval to supply into the Australian market with the regulatory safety barrier authority (Austroads) on 29 October. Disappointingly, to date we have not yet had a response to our submission, but we remain confident of obtaining a successful outcome.

This innovative product was demonstrated to shareholders at the recent Annual General Meeting. We are confident the IronmanTM Hybrid safety barrier creates a new strategic market opportunity for the Company, as an attractive and viable alternative to the existing temporary safety barrier solutions for mainstream work-zones where the protection of both road users and construction zone workers is critical. We are currently exploring and assessing various commercialization options. We have concluded that our current rental barrier asset fleet of IronmanTM barriers would form part of an overarching commercial transaction. This has resulted in the rental barrier assets being designated Assets classified as held for sale on our Balance sheet. This reflects our broader strategy of unlocking value for our shareholders through exploiting our intellectual property. We envisage retaining the intellectual property and achieving an ongoing revenue stream through this commercialization to supplement the loss of rental revenues on disposal, with the intention to utilize a portion of these earnings to further develop and enhance the IronmanTM safety barrier solution.

Working capital continues to be managed tightly, with available cash balances of over \$1 million as at 31 December 2013. Whilst the trading losses of the first half and costs associated with the development of Ironman[™] Hybrid have consumed cash in the first half, the Company has identified surplus operating assets it intends to dispose of in the second half of this financial year to generate additional cash flows (some of which will be utilized to further reduce core debt).

We continue to work constructively with our bankers and note our continued compliance with our lending covenants at balance date.

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

As outlined at the previous Annual General Meeting, trading conditions are still highly competitive and securing sales remains a challenge. Order deferrals are common, highlighting demand for our products and services, but there are funding constraints. We continue to find ways to maintain and build sales, including looking at overseas opportunities, and with our innovative solutions, such as IronmanTM Hybrid, we believe we can continue the momentum of rebuilding this business and returning it to a profitable and sustainable business model.

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



AUDITOR'S INDEPENDENCE DECLARATION

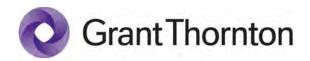
We have obtained the attached independence declaration from our auditors, Grant Thornton, in accordance with s307c of the Corporations Act 2001 for the half year ended 31 December 2013.

Signed in accordance with a resolution of the directors.

David Ashmore

Director

Drouin, 19 February 2014



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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Saferoads Holdings Limited for the half-year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

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

GRANT THORNTON AUDIT PTY LTD

Chartered Accountants

M. A. Cunningham

Partner - Audit & Assurance

Melbourne, 19 February 2014

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Statement of Profit or Loss and Other Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Notes	CONSOLI December 2013 \$	DATED December 2012 \$
Revenue	2	8,980,041	13,973,373
Costs of direct materials and labour	-	(4,827,863)	(6,760,157)
Movement in inventories		(702,213)	(2,423,604)
Gross profit		3,449,965	4,789,612
Other income	2	61,809	74,549
Employee benefits	_	(2,313,987)	(3,202,801)
Depreciation and amortisation		(305,791)	(340,280)
Finance costs		(266,950)	(327,298)
Motor vehicle costs		(270,199)	(456,619)
Occupancy costs		(215,630)	(403,093)
Other expenses		(827,647)	(994,647)
·		(688,430)	(860,577)
Net gain/(loss) on sale of assets		(4,501)	629,132
Profit/(loss) before tax		(692,931)	(231,445)
Income tax benefit/(expense)		200,346	61,887
Profit/(loss) after income tax from continuing operations		(492,585)	(169,558)
Net profit/(loss) for the period		(492,585)	(169,558)
Net profit/(loss) attributable to members of parent		(492,585)	(169,558)
Other Comprehensive Income Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign controlled entity		9,079	6,111
Total comprehensive income for the period		9,079	6,111
Total comprehensive income attributable to members of the parent		(483,506)	(163,447)
Earnings per share (cents per share)			
- basic for profit/(loss) for the half-year (cents)		(1.9)	(0.7)
- diluted for profit/(loss) for the half-year (cents)		(1.9)	(0.7)
- dividends paid per share (cents)		0.0	0.0
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Statement of Financial Position

AS AT 31 DECEMBER 2013

	Notes	CONSOLI	DATED
		December 2013 \$	June 2013 \$
ASSETS		Φ	Ψ
Current Assets			
Cash and cash equivalents		1,026,594	2,240,533
Trade and other receivables		2,289,362	3,291,316
Inventories		3,352,047	4,054,260
Prepayments		596,813	373,567
		7,264,816	9,959,676
Assets classified as held for sale	8	2,560,397	85,567
Total Current Assets		9,825,213	10,045,243
Non-current Assets			
Property, plant and equipment		1,481,127	4,291,833
Intangible assets		596,101	475,178
Deferred tax assets		1,081,985	881,639
Total Non-current Assets		3,159,213	5,648,650
TOTAL ASSETS		12,984,426	15,693,893
LIABILITIES			
Current Liabilities			
Trade and other payables		1,117,355	2,538,491
Unearned income		47,098	223,349
Interest-bearing loans and borrowings		482,329	597,715
Provisions		301,940	603,996
Total Current Liabilities		1,948,722	3,963,551
Non-current Liabilities			
Interest-bearing loans and borrowings		4,965,196	5,175,095
Provisions		30,760	31,993
Total Non-current Liabilities		4,995,956	5,207,088
TOTAL LIABILITIES		6,944,678	9,170,639
NET ASSETS		6,039,748	6,523,254
EQUITY			
Contributed equity	4	4,130,708	4,130,708
Reserves		(55,488)	(64,567)
Retained earnings		1,964,528	2,457,113
TOTAL EQUITY		6,039,748	6,523,254

Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

CONSOLIDATED	Contributed Equity \$	Reserves \$	Retained Earnings \$	Total Equity
At 1 July 2012 Adjustment on correction of error	4,130,708 -	(79,603) -	4,135,745 (289,733)	8,186,850 (289,733)
Restated total equity at 1 July 2012 Net profit/(loss) for the period Other comprehensive income for the period	4,130,708 - -	(79,603) - 6,111	3,846,012 (169,558) -	7,897,117 (169,558) 6,111
At 31 December 2012	4,130,708	(73,492)	3,676,454	7,733,670
		(-, -, -, -, -)		
At 1 July 2013	4,130,708	(64,567)	2,457,113	6,523,254
Net profit/(loss) for the period Other comprehensive income for the period	-	- 9,079	(492,585) -	(492,585) 9,079
At 31 December 2013	4,130,708	(55,488)	1,964,528	6,039,748

Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Notes	CONSOL	IDATED
	110100	December	December
		2013	2012
		\$	\$
Cash flows from operating activities			
Receipts from customers		10,891,569	18,180,353
Payments to suppliers and employees		(11,432,730)	(17,328,830)
		(541,161)	851,523
Interest received		16,111	8,302
Interest paid		(268,678)	(359,982)
Income taxes (paid)/refund received		•	50,151
Net cash flows from operating activities	7	(793,728)	549,994
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		140,768	2,450,000
Purchase of property, plant and equipment		(62,550)	(14,223)
Product development costs		(173,557)	
Net cash flows from investing activities		(95,339)	2,435,777
Cash flows from financing activities			
Repayment of borrowings		(325,285)	(2,598,521)
Net cash flows from financing activities		(325,285)	(2,598,521)
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Net increase/(decrease) in cash and cash equivalents		(1,214,352)	387,250
Cash and cash equivalents at beginning of period		2,240,533	681,944
Effects of exchange rate changes on cash		413	465
Cash and cash equivalents at end of period	7	1,026,594	1,069,659

Notes to the Financial Statements

FOR THE HALF YEAR-ENDED 31 DECEMBER 2013

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 2013, together with any public announcements made by Saferoads Holdings Limited and its controlled entities during the half-year ended 31 December 2013 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and the ASX listing rules.

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

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

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

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

(b) New Accounting Standards

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

- AASB 10 Consolidated Financial Statements - AASB 10 supersedes AASB 127 Consolidated and Separate Financial Statements and Interpretation 112 Consolidation – Special Purpose Entities. AASB 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

Management has reviewed its control assessments in accordance with AASB 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's investees held during the period or comparative periods covered by these financial statements.

(c) Going concern

The consolidated entity has incurred an operating loss before tax of \$692,931 for the half-year ended 31 December 2013.

The Company entered into a revised borrowing facilities agreement with its financier, Commonwealth Bank of Australia, prior to the end of the previous financial year, as previously reported. The financier has agreed a debt repayment plan subject to the Company meeting its financial covenants. At reporting date, and as at the date of this report, the Company has complied with the financial covenants and the agreed debt repayment plan.

The Board acknowledges these matters give rise to an uncertainty that may be material in relation to the consolidated entity's ability to continue as a going concern.

The ability of the consolidated entity to continue as a going concern is dependent on its ability to:

- continue to manage the performance of the business, including increasing sales, maintaining margins and operating cash flows and continuing to control overheads;
- secure further profitable sales contracts for its emerging products; and
- continue to meet the minimum debt repayment plan and financial covenants set by the financier

Notes to the Financial Statements

FOR THE HALF YEAR-ENDED 31 DECEMBER 2013

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Going concern (continued)

At the date of this report and having considered the above factors, the continuance of its banking relationship and the fact the Company maintains a solid share of the road safety market, the directors are confident that the consolidated entity will be able to continue as a going concern.

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

(d) Significant Accounting Policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2013 and the corresponding interim reporting period, except as specified in note 1(b).

2 REVENUES

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

	CONSOLIDATED		
	December	December	
	2013	2012	
	\$	\$	
Revenue			
Sale of goods	8,980,041	13,973,373	
	8,980,041	13,973,373	
Other income			
Royalty income	37,737	32,628	
Interest	16,111	8,302	
Other	7,961	33,619	
	61,809	74,549	

3 DIVIDENDS PAID AND PROPOSED

Equity dividends on ordinary shares: Dividends paid during the half year: Final franked dividend for the financial year 30 June 2013 (0.0 cents) (2012 : 0.0 cents)	-	<u>-</u>
Dividends proposed and not recognised as a liability:		
Interim franked divided for financial year 30 June 2014 (0.0 cents) (2013: 0.0 cents)	-	-

Notes to the Financial Statements

FOR THE HALF YEAR-ENDED 31 DECEMBER 2013

4 ISSUED CAPITAL

Ordinary shares Issued and fully paid

December 2013 \$	June 2013 \$
4,130,708	4,130,708
4,130,708	4,130,708

5 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.

6 CONTINGENT ASSETS AND LIABILITIES

A subsidiary has given guarantees pursuant to performance of various projects and security for leased premises to third parties in the normal course of business. Where there is a likelihood of a claim and a reliable estimate of an amount can be made, provision has been raised elsewhere in the financial report.

7 ADDITIONAL CASHFLOW INFORMATION

Reconciliation of Cash

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

	CONSOLIDATED	
	December 2013 \$	December 2012 \$
Cash at bank and in hand	1,026,594	1,069,659
Reconciliation from net profit/(loss) after tax to the net cash flows from operations Profit/(loss) after tax for the period		(160 559)
Adjustments for:	(492,585)	(169,558)
Depreciation and amortisation	305,791	340,280
Net (profit)/loss on disposal of plant and equipment	4,501	(629,132)
Changes in assets and liabilities:		
(Increase)/decrease in receivables	1,001,954	2,513,965
(Increase)/decrease in inventories	702,213	1,678,665
(Increase)/decrease in other assets	(223,246)	(300,203)
(Increase)/decrease in deferred tax assets	(200,346)	(61,887)
(Decrease)/increase in payables	(1,412,470)	
(Decrease)/increase in unearned income	(176,251)	(64,778)
(Decrease)/increase in provisions	(303,289)	(197,070)
(Increase)/decrease in income tax receivable	-	50,151
Net cash from operating activities	(793,728)	549,994

Notes to the Financial Statements

FOR THE HALF YEAR-ENDED 31 DECEMBER 2013

8 ASSETS CLASSIFIED AS HELD FOR SALE

During the half-year the directors identified certain assets as available for sale other than in the ordinary course of business. These include the Company's rental barrier assets which will form part of a pending commercialisation of the IronmanTM Hybrid portable safety barrier solution, and certain Plant and equipment associated with the Company's civil installation services portfolio.

The prior period included assets associated with the Company's production facility and Civil services assets surplus to the Company's operational requirements.

The major classes of assets and liabilities are as follows:

December 2013 \$	June 2013 \$
2,560,397	85,567
2,560,397	85,567

Property, plant and equipment

9 EVENTS AFTER THE END OF THE INTERIM PERIOD

There has been no matter or circumstance, which has arisen since 31 December 2013 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:

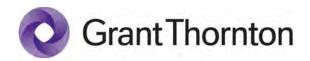
In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) give a true and fair view of the financial position as at 31 December 2013 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) comply with Accounting Standard AASB 134 Interim Financial Reporting; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

David Ashmore Director

Drouin, 19 February 2014



Grant Thornton Audit Pty Ltd ACN 130 913 594

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Independent Auditor's Review Report To the Members of Saferoads Holdings Limited

We have reviewed the accompanying half-year financial report of Saferoads Holdings Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Saferoads Holdings Limited consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Saferoads Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Material uncertainty regarding going concern

Without qualification to the conclusion expressed above, we draw attention to Note 1(c) to the financial statements which notes an operating loss before tax of \$692,931 for the half-year ended 31 December 2013. This condition, along with other matters set forth in Note 1(c), indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

GRANT THORNTON AUDIT PTY LTD

Chartered Accountants

M. A. Cunningham

Partner - Audit & Assurance

Melbourne, 19 February 2014