



**TRAFFIC TECHNOLOGIES LTD
ABN 21 080 415 407
AND CONTROLLED ENTITIES**

**PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021
PROVIDED TO THE ASX UNDER LISTING RULE 4.3A**

Appendix 4E

Preliminary final report

Name of entity

TRAFFIC TECHNOLOGIES LTD

ABN or equivalent
company reference

Year ended:
current period

Previous corresponding
period

ABN 21 080 415 407	30 June 2021	30 June 2020
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Results for announcement to the market

Continuing Operations			A\$'000
Revenues from ordinary activities (<i>item 2.1</i>)	Up	18% to	\$52,330
Earnings before interest and tax	Up	120% to	\$2,311
Profit/(loss) from ordinary activities after tax attributable to members (<i>item 2.2</i>)	Up	101% to	\$201
Net profit/(loss) for the period attributable to members (<i>item 2.3</i>)	Up	101% to	\$201
Dividends (distributions) (<i>item 2.4</i>)	Amount per security		Franked amount per security
Interim dividend	Nil¢		Nil¢
Final dividend	Nil¢		Nil¢
Previous corresponding period:			
Interim dividend	Nil¢		Nil¢
Final dividend	Nil¢		Nil¢
Record date for determining entitlements to the dividend	N/A		

Traffic Technologies Ltd – Appendix 4E Preliminary Final Report

Other Information

Brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood (item 2.6):

For commentary on the results for the period and review of operations, refer to Managing Director's Operating and Financial Review.

1. Net Tangible Asset Backing

	As at 30 June 2021	As at 30 June 2020
Net tangible assets per share	(0.5) cents	(0.4) cents

2. Dividends

No dividends have been declared in respect of the year ended 30 June 2021 (2020: Nil). Total dividend Nil (2020: Nil).

The Company has adopted a Dividend Reinvestment Plan (DRP) to provide shareholders with the opportunity to reinvest their dividends in ordinary shares in the Company free of brokerage, commissions and other transaction costs. The DRP is governed by the DRP rules. Subject to the DRP rules, participation is open to shareholders with registered addresses in Australia and New Zealand. Participation can be full or partial and can be varied or cancelled at any time. If a shareholder elects to participate in the DRP, the dividend otherwise payable on the shareholder's ordinary shares participating in the DRP will be reinvested in ordinary shares in the Company. These shares will either be issued to the shareholder or acquired on-market and transferred to the shareholder. Shares may be allocated at a discount to the market price of the shares. The Directors will determine a discount of up to 10% for each dividend declared.

3. Status of Audit

The unqualified, signed annual financial report is attached.

4. Corporate Information

Directors

Mr. Mark Hardgrave
Mr. Con Liosatos
Mr. Tim Fry

Company Secretary

Mr. Peter Crafter

Registered Office and Principal Place of Business

Traffic Technologies Ltd
31 Brisbane Street
Eltham VIC 3095

Share Register

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067
Tel: 1300 850 505

Traffic Technologies Ltd shares are listed on the Australian Stock Exchange (stock code: TTI).

Traffic Technologies Ltd – Appendix 4E Preliminary Final Report

Other Information

Lawyers

K&L Gates
Level 25
525 Collins Street
Melbourne VIC 3000

Bankers

Westpac Banking Corporation
Level 6
150 Collins Street
Melbourne VIC 3000

Auditors

Grant Thornton
Collins Square, Tower 5
727 Collins Street
Melbourne VIC 3008

TRAFFIC
TECHNOLOGIES



2021

Annual Report



TRAFFIC TECHNOLOGIES LTD
ABN 21 080 415 407
AND CONTROLLED ENTITIES

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021



ABN 21 080 415 407
Traffic Technologies Ltd.
address. 31 Brisbane Street, Eltham Victoria 3095 Australia
PO Box 828, Eltham Victoria 3095 Australia
phone. + 61 3 9430 0222 facsimile. + 61 3 9430 0244
web. www.traffictld.com.au

Traffic Technologies Ltd and Controlled Entities
Chairman's Letter

Dear Shareholder,

I have pleasure in enclosing the Annual Report for Traffic Technologies Ltd for the financial year ended 30 June 2021.

I am pleased to report a much improved result compared to 2020. Revenue and EBITDA have both improved significantly. The Group has benefitted in particular from growth in sales of LED street lights.

The Group has been able to continue trading in all states and territories throughout the COVID-19 pandemic and associated lockdowns, although export sales have been affected to some extent by international travel bans and there have been supply chain and freight forwarding delays associated with COVID-19.

Two acquisitions were completed during the year. The acquisition of the L&M installation and maintenance business was completed in August 2020. L&M is an accredited provider and installer for Vic Roads involving traffic signal, urban traffic controller, street lighting and electronic speed sign installation and maintenance and is fully approved for installation work by the Department of Transport in Victoria and holds a number of term maintenance contracts with local councils across Victoria.

The acquisition of the ITS business was completed in June 2021. The ITS ('Intelligent Transport Systems') business focuses on the design, development, manufacture and supply of electronic road signage and software systems to customers across Australia and has also enabled the Group to expand its operations in Queensland.

The Group has continued to develop its LED street lighting and "Smart Cities" products which are seen as significant growth areas for the future. Our "Smart City" platform enables users to monitor and control thousands of assets linked through a secure private network to a central control system. Applications include control of traffic management assets such as street lights, as well as detection of traffic flows, parking availability, environmental and waste management.

The outlook for the Group is positive given the increase in government expenditure on infrastructure projects, a strong order book and a portfolio of term contracts. However, the timing of revenue recognition is subject in particular to government expenditure decisions and, more recently, the impact of COVID-19 and associated lockdowns and international travel restrictions on the Group's supply chain and freight forwarding channels.

The Group's loan facility with ADM Capital has been extended to 30 September 2021. The Group is currently in discussions to refinance this facility and expects to make a further announcement when these discussions have been completed.

Along with my fellow Directors, I would like to thank shareholders for their continued support of the Group.

A handwritten signature in black ink, appearing to read "Mark Hardgrave", written over a horizontal line.

Mark Hardgrave
Chairman



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Traffic Technologies Ltd and Controlled Entities
Managing Director's Operating and Financial Review

Dear Shareholder,

Operating Result

The Group has reported the following result for the financial year ended 30 June 2021:

	Year to 30 June 2021	Year To 30 June 2020+
	\$'m	\$'m
Sales revenue	52.3	44.5
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	4.5	1.4
Depreciation Amortisation and Impairment Expense	(2.2)	(12.9)
Earnings before Interest and Tax (EBIT)	2.3	(11.4)
Net Profit/(Loss) After Tax (NPAT)	0.2	(13.8)

The 2021 result represents a significant improvement compared to the previous financial year. Trading revenue improved by 18% to \$52.3m, compared to \$44.5m in 2020 and EBITDA improved by 222% to \$4.5m, compared to EBITDA of \$1.4m in 2020, whilst NPAT was a profit of \$0.2m, compared to a loss of \$13.8m in 2020.

The Group has been able to continue operating in all states throughout the coronavirus (COVID-19) pandemic and associated lockdowns despite major delays in the supply chain caused by lockdowns affecting local and overseas suppliers.

Whilst the Group has taken advantage of Federal and State stimulus programs where possible to mitigate the financial impact of COVID-19, the Group was not eligible for the Federal Government's JobKeeper program as turnover did not fall below the required threshold. The Group however has continued to review its cost base during the lockdown period and has reduced costs along with further increasing manufacturing efficiencies.

Depreciation, amortisation and impairment expenses were \$2.2m (2020 \$12.9m), while finance costs were \$2.1m (2020: \$2.4m). The Group expects to reduce finance costs once it completes a refinance of its debt facilities in the very near future.

The financial statements have been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or to the amounts and classification of liabilities that might be necessary should

the consolidated entity not continue as a going concern, except for the classification of the ADM Capital loan facility as a current liability.

Financial Position

Net assets were \$8.3m at 30 June 2021 compared to \$8.1m at 30 June 2020, reflecting the net profit for the year. Net debt, excluding liabilities associated with capitalised property leases, was \$11.8m at 30 June 2021, compared to \$7.9m at 30 June 2020.

The increase in net debt is due to capitalised interest on the ADM Capital loan and the drawdown of funds from the Group's debtor finance provider as sales activities increased during the year in order to meet increasing demand for the Group's products, along with advance payments to offshore suppliers causing a reduction in cash balances.

Cash Flow

Net operating cash inflows were \$0.9m for the year (2020: inflow \$5.1m); net operating cash flow has been affected by the requirement of overseas suppliers to be paid in advance before shipment of parts. Net investing cash outflow was \$2.8m (2020: outflow \$2.0m), including investment in R&D to further expand and develop the Group's "Smart City Software" and product portfolio and the payment of instalments towards the acquisition of the L&M and ITS businesses during the year. Net financing cash inflow was \$0.9m (2020: outflow \$2.6m), reflecting drawdowns from the Group's debtor finance facility as sales have increased.

Review of Operations

Demand for the Group's products and services has seen an increase despite COVID-19 lockdowns and travel restrictions. The Group's order book has remained strong during the pandemic with the increase in road infrastructure expenditure announced by Federal and State Governments and following a number of contract wins announced recently. We expect to see further improvement as government expenditure on infrastructure is increased and international restrictions are eased.

The Group has continued to develop and roll-out its proprietary "Smart City" software "TST", enabling road authorities, councils and power companies to fully utilise and manage critical assets in real time where possible.

Street and road lighting sales continue to increase with term contracts in place and with infrastructure programs deployed across the country. Expectations are that there will be no slowdown in this area as the trend continues to be positive with demand for LED smart street lights with a lower carbon footprint meeting demanding government requirements.

The Group continues to be a major supplier of traffic signals and road signs to all States and Territories in the domestic market, with the ability to service the requirements of State road authorities, local government and the largest road projects. With the next generation of LED traffic signals being available, the Group anticipates increasing activity in the years ahead with the roll out of large scale infrastructure programs commenced by Federal and State governments.

Export Markets

The Group's export markets, including the UK, New Zealand, Asia, the Middle East and South America, have performed within expectations, whilst the Group's traffic controllers continue to enjoy success despite COVID-19 and restrictions on international travel. Significant traffic controller contracts have been awarded recently from New Zealand, Singapore, China and Qatar where the Group has also identified opportunities to further supply its state-of-the-art "Smart City" software. Our export footprint continues to grow in the UK, Asia and South America and, whilst there have been some project delays due to lockdowns and international travel restrictions, demand has continued despite these restrictions and the outlook is promising when government restrictions ease.

Business Strategies and Prospects

We have continued to invest in research and development with a major emphasis being the roll-out of our “Smart City” platform, “TST”. With travel restrictions and lockdowns in place, the need for remote monitoring in real time of critical assets and infrastructure has never been more important than what is faced in the current environment. Significantly, we have first mover advantage in various aspects of this technology as our “Smart City” platform has multiple applications which are of significant benefit to users. Major customers include road authorities in Australia and overseas and local councils as well as operators of large networks of assets.

Our “Smart City” platform enables users to monitor and control thousands of assets linked through a secure private network to a central control system. Applications include control of traffic management assets such as street lights, as well as detection of traffic flows, parking availability, environmental, waste management, theft and critical asset knock down. The Group’s “Smart City” software “TST” is attractive to road authorities, councils and power companies due to its ability to fully utilise and maintain critical assets in real time in a significantly more cost-effective manner, driving financial savings and higher utilisation of assets as well as reduction of greenhouse gases and safety.

With our “TST” system activated and functioning in Victoria, New South Wales, South Australia and Queensland, governments are realising the cost-benefit of “Smart City” systems and the power it delivers. The base structure today has enabled the Group to explore and trial the system on a global scale with an anticipated annuity revenue stream for years to come.

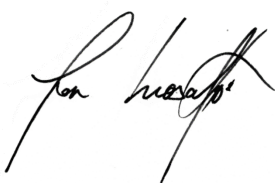
The Group’s LED, “Smart City”-ready lighting products continue to grow across Australia and the UK following contract wins previously released and, with the securing of approvals, long term supply contracts and orders from State and local government agencies, power companies and contractors, we continue to win significant contracts in this area and, subject to COVID restrictions, we anticipate that these contract wins will underpin our growth moving forward.

The recent acquisitions of the L&M and ITS businesses, with accreditations in Victoria, NSW and Queensland, have proven to be positive contributors to the Group. These acquisitions have enhanced the capability within the Group to undertake installation and maintenance work, along with the design, development and manufacture of electronic infrastructure signage and software systems which directly interact with the Group’s “Smart City Platform” TST allowing the Group the ability to further expand into the lucrative Intelligent Transport sector. With further accretive and strategic acquisitions on the horizon the Group is well positioned to grow and benefit from Federal and State government infrastructure projects.

Outlook

We believe the outlook for the Group is positive and buoyant and is well positioned to benefit in the years ahead, taking into account current government expenditure on road infrastructure, the Group beginning FY22 with a strong order book with locked-in contracts underpinning over 40% of forward revenue, the Group’s diversification program into “Smart Cities” technology and IoT together with expectations of increased investment by Federal and State governments in infrastructure programs to assist economic recovery.

I would like to thank all shareholders for their ongoing support, our staff for their relentless commitment to the Group and our financiers who have supported the Group during these challenging times.



Con Liosatos
Managing Director

CORPORATE INFORMATION

This annual report covers both Traffic Technologies Ltd (ABN 21 080 415 407) and its subsidiaries. The Group's functional and presentation currency is AUD (\$).

A description of the Group's operations and of its principal activities is included in the operating and financial review in the Directors' Report.

Directors

Mr. Mark Hardgrave

Mr. Con Liosatos

Mr. Tim Fry (appointed 26 November 2020)

Mr. Garry Lowrey (retired 25 November 2020)

Company Secretary & Chief Financial Officer

Mr. Peter Crafter

Registered Office & Principal Place of Business

Traffic Technologies Ltd

31 Brisbane Street

Eltham VIC 3095

Share Register

Computershare Investor Services Pty Limited

Yarra Falls, 452 Johnston Street

Abbotsford VIC 3067

Tel: 1300 850 505

Traffic Technologies Ltd shares are listed on the Australian Securities Exchange (stock code: "TTI").

Lawyers

K&L Gates

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Melbourne VIC 3000

Bankers

Westpac Banking Corporation

Level 6

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Auditors

Grant Thornton

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Traffic Technologies Ltd Directors' Report

Your Directors submit their report for the year ended 30 June 2021.

DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Mr. Mark W Hardgrave (Age 63) B Com ACA MAICD

Independent Non-Executive Chairman. Appointed January 2013.

Mr. Hardgrave has a corporate advisory and investment management background. He is also a Non-Executive Director of ASX listed companies Forbidden Foods Limited and Pental Limited. He was co-founder and former Joint Managing Director of M&A Partners. Mr. Hardgrave was also previously Chief Executive Officer of Bennelong Group, which specialises in listed equities, property and private equity. Earlier in his career he worked in senior roles in a number of investment groups including Brencorp Group, Merrill Lynch and Thorney Investment Group. Mr. Hardgrave holds a Bachelor of Commerce degree from the University of Queensland. He is a chartered accountant and a member of the Australian Institute of Company Directors. Mr. Hardgrave was appointed non-executive Chairman of the Company in November 2020.

Mr. Con L Liosatos (Age 59) MAICD

Managing Director. Appointed April 2003.

Mr. Liosatos has over 35 years' experience in the construction industry, including over 26 years in the lighting industry specialising in research and design. He also has 18 years' experience in the traffic industry. He has been involved with major design and manufacturing projects for clients such as MCG Lighting, Etihad Stadium, the Melbourne Sport and Aquatic Centre and the Vodafone Arena. He led the VicRoads LED Signals Upgrade, Hong Kong Highways Department (Bus and Roadway Interchange) Upgrade and the WA Main Roads LED Signals Upgrade. Mr. Liosatos has owned and managed a multinational project lighting company, Moonlighting Pty Ltd. Mr. Liosatos has qualifications in Mechanical Design and Lighting Engineering. Mr. Liosatos was Chairman of the ITS World Congress 2016 Sponsorship Committee and is active on Australian Standards AS 2144 and AS 1158. Mr. Liosatos is the Managing Director of Traffic Technologies Ltd. Mr. Liosatos was appointed a Director of Traffic Technologies Ltd in April 2003. Mr. Liosatos is a member of the Risk and Corporate Governance committees. Mr. Liosatos has not served as a director of any other listed companies during the three years to June 2021.

Mr. Peter Timothy James Fry (Age 57) GAICD

Independent Non-Executive Director. Appointed November 2020.

Mr. Fry is an experienced financial professional with established achievements in enabling operational change and improved business outcomes for both internal and external stakeholders. He is currently Chairman of Delre National Food Group and an independent non-executive director of Cloud Paper Group. Previously he was Group Chief Financial Officer of Noske Logistics Group and then Group Financial Controller of Bulla Dairy Foods. Before relocating from the UK to Australia in 2010, Mr. Fry held senior financial positions in the UK, including as Finance Director of Servomex Group Ltd and Seal Analytical Ltd. He holds an accountancy and finance qualification from the University of Sussex in the UK and is a Graduate Member of the Australian Institute of Company Directors. Mr. Fry is Chairman of the Audit, Risk, Nomination & Remuneration and Corporate Governance committees. Mr. Fry is not currently a director of any other listed companies.

The following Director also served on the Company's Board during the year and retired on 25 November 2020:

Mr. Garry P Lowrey

Traffic Technologies Ltd
Directors' Report

Skills and Experience

The following table shows the skills sets of each of the Board members:

	Mark Hardgrave	Con Liosatos	Tim Fry
Corporate Governance	■	■	■
Traffic Management & Infrastructure		■	
ASX Listed Companies	■	■	■
Human Resources	■	■	■
Legal	■	■	■
Finance	■	■	■
Commercial	■	■	■
Manufacture/assembly		■	■
Government Contracts		■	■
Information Technology	■	■	■

Company Secretary

Mr. Peter K Crafter (Age 64) LL.B (Hons.) MBA FCA CA MCT FAICD FGIA FCG

Company Secretary and Chief Financial Officer. Appointed Company Secretary March 2004; appointed Chief Financial Officer October 2007.

Mr. Crafter is a Chartered Accountant in both Australia and the UK and qualified Corporate Treasurer with extensive experience in financial management including several years with KPMG and Touche Ross in the United Kingdom. He holds an honours degree in Law from the University of London and an MBA from Heriot-Watt University, Scotland. He was appointed Chief Financial Officer and Company Secretary of Traffic Technologies Ltd in March 2004 and retired as Chief Financial Officer in February 2006. He was reappointed Chief Financial Officer of Traffic Technologies Ltd in October 2007.

INTEREST IN SHARES

Directors' interests in the shares of the Company were:

	Balance at 1 July 2020	Acquired through On-Market Trades	Other	Balance at 30 June 2021
Directors				
Mr. Mark Hardgrave	3,215,054	-	-	3,215,054
Mr. Con Liosatos	33,726,923	-	-	33,726,923
Mr. Tim Fry	-	-	-	-
Executive				
Mr. Peter Crafter	10,000	-	-	10,000
Total	36,951,977	-	-	36,951,977

DIVIDENDS

The Directors do not recommend the payment of a dividend for the financial year ended 30 June 2021 (2020: Nil).

OPERATING AND FINANCIAL REVIEW

Review of Operations

Traffic Technologies is Australia's premier traffic solutions company. Established in 2004 and listed on ASX in 2005, the Company's head office is in Eltham, Victoria with offices in all States of Australia and one office in England.

The Group specialises in "Smart City" control systems, LED road and street lights along with the design, manufacture and installation of traffic signals, traffic controllers, pedestrian countdown timers, electronic road signs, emergency telephones and road lighting products. The Group also supplies a wide range of directional and regulatory traffic signs and traffic control products to road traffic authorities, municipal councils and construction companies.

The Group's proprietary "Traffic SmartCity Technology" (TST) platform, developed for the road industry, councils and power authorities, enables the integration of street lights and other traffic management equipment to a central control/management system via remote "Internet of Things" (IoT) sensors. Through the Group's subsidiary, Aldridge Traffic Systems, which has been the major participant in the traffic signals market in Australia for over 50 years, customers, mainly State road authorities or contractors building or maintaining traffic intersections for State road authorities, can monitor and analyse assets in real time in order to make informed decisions on our road networks.

Quick Turn Circuits Pty Ltd (QTC), a subsidiary of the Group, is involved in the manufacture of urban traffic controllers. Having designed and supplied urban traffic controllers across Asia, Middle East and South America, QTC is well placed for future improvements in cities requiring "Smart City technology" where the urban traffic controller is automated to regulate the sequencing and timing of traffic signals by monitoring vehicular and pedestrian demands and adjusting to meet these requirements.

In August 2020, the Group completed the acquisition of the business and assets of L&M Traffic Signals Pty Ltd (L&M). L&M is an accredited provider and installer for Vic Roads involving traffic signal, urban traffic controller, street lighting and electronic speed sign installation and maintenance and fully approved for installation work by the Department of Transport in Victoria and holds a number of term maintenance contracts with local councils across Victoria. In June 2021, the Group completed the acquisition of the business and assets of Artcraft Pty Ltd. The ITS ('Intelligent Transport Systems') business focuses on the design, development, manufacture and supply of electronic road signage and software systems to customers across Australia.

The Group is a key supplier to the road signage market across Australia, with customers including State road authorities, local councils and construction companies. The Group's signage products are distributed from depots around Australia with manufacturing focused in Victoria, Western Australia and the Northern Territory.

Material Business Risks

The material business risks faced by the Group that could have a significant impact on the financial prospects of the Group and how the Group manages these risks include:

- Changes or delays in Federal or State government expenditure on road infrastructure – the Group maintains regular contact with State road authorities to ensure that it can plan the resources required for major projects as far ahead as possible or allow for the deferral of major projects in times of economic slowdown.
- Supply chain disruption and freight forwarding delays due to the COVID-19 pandemic and associated lockdowns.
- Adverse change in economic conditions affecting demand for the Group's products or services – the Group plans as far ahead as possible to adjust its cost base in times of economic uncertainty.

OPERATING AND FINANCIAL REVIEW (continued)

- Technological obsolescence – the Group works closely with road traffic authorities and incurs significant research and development expenditure to ensure that its products are state-of-the-art and competitive.
- Foreign exchange risk - a decrease in the Australian dollar exchange rate can affect import prices: the Group purchases components from a number of Asian countries denominated in US dollars. Conversely, an increase in the Australian dollar exchange rate can affect export opportunities as the Group sells its products to a number of countries around the world. The Group has a foreign exchange exposure through its term loan which is denominated in US dollars and a forward exchange contract has been taken out to hedge its currency exposure.
- General inflation risk, including labour costs – the Group constantly monitors its cost base and implements cost savings and operating efficiencies where possible.
- Availability of financing facilities – the Group is reliant on the continued availability of its financing facilities in order to conduct its operations. The Group ensures compliance with its facility agreements and negotiates extensions to its financing facilities when required.
- Competition – the Group maintains its competitive position by investing in research and development to ensure its products are state-of-the-art and by ensuring its products are priced competitively.
- Cyber security – the Group has been addressing cyber security as part of its risk management strategy in the light of recent well-publicised breaches and increased risk in this area.
- Climate change – the Group is not significantly exposed to climate change issues unless a carbon tax is reintroduced. A significant number of the Group's products use LED technology which is energy saving and reduces greenhouse gas emissions.
- COVID-19 – the Group has been able to continue trading during the pandemic having implemented a variety of measures including enhanced hygiene, social distancing and COVID Safe plans.

Significant Changes in State of Affairs

On 28 August 2020 the Group acquired the business and assets of L&M Traffic Signals Pty Ltd (L&M). L&M is an accredited provider and installer for Vic Roads and several local councils across Victoria.

On 16 June 2021 the Group acquired the business and assets of the ITS business of Artcraft Pty Ltd. The ITS ('Intelligent Transport Systems') business focuses on the design, development, manufacture and supply of electronic road signage and software systems to customers across Australia.

Environmental Regulation and Performance

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a State or Territory. There have been no significant known breaches of the Group's compliance with environmental regulations.

Share Options

As at the date of this report, there were no unissued ordinary shares of the Company under option.

Indemnification and Insurance of Directors, Officers and auditors

During the financial year ended 30 June 2021, the Group paid premiums of \$130,879 in respect of a Directors' and Officers' insurance policy insuring Directors and Officers in respect of claims which may be brought against them. The contract of insurance prohibits disclosure of the nature of the liability. The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or any related body corporate against a liability incurred as such by an officer or auditor.

REMUNERATION REPORT (AUDITED)

This Remuneration Report for the financial year ended 30 June 2021 outlines non-executive director and executive remuneration arrangements for Traffic Technologies Ltd (Company) in accordance with the requirements of the Corporations Act 2001 (Cth) (Corporations Act) and its Regulations.

For the purposes of this report, Key Management Personnel (KMP) of the Company are defined as those persons having authority and responsibility for planning, directing and controlling all activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

For the purposes of this report, the term 'executive' includes the Managing Director and the Chief Financial Officer.

The disclosures in this Remuneration Report have been audited.

1. Persons covered by this Remuneration Report

This Remuneration Report applies to the following persons.

Non-executive directors

Mr. Mark Hardgrave	Independent Non-executive Chairman
Mr. Tim Fry	Independent Non-executive Director (appointed 26 November 2020)
Mr. Garry Lowrey	Former Non-executive Chairman (retired 25 November 2020)

Executives

Mr. Con Liosatos	Managing Director
Mr. Peter Crafter	Chief Financial Officer and Company Secretary

2. Overview of the Company's remuneration policy

The Company seeks to attract, retain and motivate skilled non-executive directors and executives of the highest calibre. The Company aims to ensure that the remuneration packages of non-executive directors and executives are appropriate and reflect a person's duties and responsibilities.

In this regard, the Company has put in place a Nomination & Remuneration Committee which supports and advises the Board in fulfilling its responsibilities to shareholders. The Nomination & Remuneration Committee is responsible for ensuring that the Board is appropriately remunerated, structured and comprised of individuals who are best able to discharge the responsibilities of directors.

The remuneration policy of the Company has been designed to align KMP objectives with shareholder and business objectives by providing a fixed remuneration component and offering incentives to reward sustainable long-term performance and shareholder value creation.

KMP or closely related parties of KMP are prohibited from entering into hedge arrangements that would have the effect of limiting the risk exposure relating to their remuneration.

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

3. Details of executive remuneration structure

3.1. Objective

The Company's objective is to ensure that executive remuneration is designed to promote sustainable long-term performance and shareholder value creation. In this regard, the Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company so as to:

- a) reward executives for the Company's and individual performance;
- b) align the interests of executives with those of shareholders;
- c) link reward with the strategic goals and performance of the Company; and
- d) ensure total remuneration is competitive by market standards.

3.2. Approach to setting remuneration

Remuneration levels are determined annually through a remuneration review that considers market data, remuneration trends, performance of the Company, individual responsibilities, individual performance and the broader economic environment.

a) Fixed remuneration

The objective of fixed remuneration is to provide a base level of remuneration which is appropriate and reasonable given the executive's experience, qualifications, core duties and responsibilities. Additionally, an executive's remuneration is determined with reference to remuneration paid by similar sized companies in similar industry sectors.

Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash, superannuation contributions and non-monetary benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

An executive's remuneration is reviewed annually by the Nomination & Remuneration Committee.

b) Variable remuneration

Performance based components of an executive's remuneration seek to align the executive's reward with the achievement of the Company's long-term objectives and the creation of shareholder value over the short and long term. The relevant performance-based components are STI and LTI (as described below).

3.3. The current structure of executive remuneration

The executive remuneration structure, including performance hurdles and performance targets, is outlined below:

a) Combination of fixed and variable remuneration

Remuneration	Components	Purpose	Link to Performance
Total Fixed Remuneration (TFR)	Comprises base salary, non-monetary benefits, and superannuation contributions.	To provide competitive fixed remuneration taking account of the role, market, experience and performance.	Company and individual performance are assessed during the annual remuneration review.
Short term incentives (STIs)	The Company operates an STI at the discretion of the Board which is accessed based on the Company's performance above budget plan. Bonuses are paid in cash.	To reward executives for their contribution to achievement of Company outcomes according to specified KPI's.	Linked to achievement of operational targets and KPI's. Where actual financial performance exceeds budget plan by up to 100%, the Company makes payment of an STI bonus up to 20%.
Long term incentives (LTIs)	The Company operates an LTI at the discretion of the Board. Options are allotted in accordance with our LTI plan.	To reward executives for their contribution to the creation of shareholder value over the longer term.	The grant by the Company of the options will be dependent on the share price performance of the Company relative to the ASX 300 small ordinaries index. If the Company's share price performance exceeds the ASX 300 small ordinaries index for the relevant period, the LTI may be awarded for that financial year. Subsequent to being granted, the LTI options will only vest if the executive does not resign or is not terminated for cause within a two-year period (after the end of the relevant financial year in which the options are granted). The exercise price of the options will be equivalent to the Company's share price on the last day of the relevant financial year.

b) Performance hurdles

Performance hurdles are thresholds which are required to be met for an executive's remuneration to vest.

(i) The following performance hurdles are used to determine whether variable remuneration vests for executives:

	STI Targets	LTI Targets
Managing Director	<p>10% of base salary if targeted EBIT is exceeded by 50%.</p> <p>20% of base salary if targeted EBIT is exceeded by 100%.</p> <p>Targets are based on achievement of KPI's set annually by the Nomination & Remuneration Committee. A summary of the KPIs is outlined below.</p>	<p>10% of base salary if the Company's share price performance exceeds the ASX 300 small ordinaries index by 10% for the relevant financial year.</p> <p>20% of base salary if the Company's share price performance exceeds the ASX 300 small ordinaries index by 25% for the relevant financial year.</p> <p>40% of base salary if the Company's share price performance exceeds the ASX 300 small ordinaries index by 50% for the relevant financial year.</p>
Chief Financial Officer	<p>5% of base salary if targeted EBIT is exceeded by 50%.</p> <p>10% of base salary if targeted EBIT is exceeded by 100%.</p> <p>Targets are based on achievement of KPI's set annually by the Nomination & Remuneration Committee. A summary of the KPIs is outlined below.</p>	<p>5% of base salary if the Company's share price performance exceeds the ASX 300 small ordinaries index by 10% for the relevant financial year.</p> <p>10% of base salary if the Company's share price performance exceeds the ASX 300 small ordinaries index by 25% for the relevant financial year.</p> <p>20% of base salary if the Company's share price performance exceeds the ASX 300 small ordinaries index by 50% for the relevant financial year.</p>

(ii) What are the KPIs and why were they chosen?

STIs

The Company has chosen Earnings before Interest and Tax (EBIT) as its STI performance measure. EBIT is a common operational performance measure used by many companies. The Board considers this financial measure to be appropriate as it is reflective of the performance of the Company and aligns the Company's objective of delivering profitable growth and, ultimately, improved shareholder returns.

LTIs

The Company has chosen its share price performance relative to the ASX 300 small ordinaries index as its LTI performance measure. This is an external, relative, market-based performance measure against competing companies. It provides a direct link between senior executive reward and returns to shareholders.

(iii) What is the performance period?

The performance hurdle for STI's is measured over a 12-month period. There will be no re-testing of performance hurdles.

The performance hurdle for LTI targets is measured over three years, being the relevant 12-month period and a requirement for the executive to remain with the Company for a further two years. There will be no re-testing of performance hurdles.

(iv) When are performance hurdles not considered to be met?

Performance hurdles will not be considered to be met where an executive achieves the performance hurdle as a result of an acquisition by the Company.

c) Claw back

The Company has the ability to reduce, cancel or claw back performance-based remuneration in the event of serious misconduct or material financial misstatement.

4. Details of Non-Executive remuneration structure

4.1 Objective

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

4.2 Approach to setting remuneration

Each non-executive director receives a fixed fee for being a director and a fee for the additional time commitment made when serving as Chair. Non-executive Directors do not receive retirement benefits, other than statutory superannuation, nor do they participate in any incentive programs.

The Company's Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive Directors shall be determined from time to time by a general meeting. The notice convening a general meeting at which it is proposed to seek approval to increase that maximum aggregate sum must specify the proposed new maximum aggregate sum and the amount of the proposed increase. The latest determination was at the AGM held in 2005 when shareholders approved an aggregate remuneration of \$400,000 per year. The amount of remuneration paid to non-executive directors is reviewed annually against remuneration paid to non-executive directors of comparable companies. The board did not use external consultants during the financial year ended 30 June 2021.

It is considered good governance for Directors to have a stake in the Company on whose Board they sit. Non-executive Directors are encouraged to hold shares in the Company (purchased by the Director on market).

4.3 Non-executive Director Agreements

The non-executive Directors have entered into non-executive Director Agreements with the Company. The non-executive Director agreements:

- a) entrench a Director's rights to be indemnified by the Company to the maximum extent permitted by law;
- b) require the Company to take out an appropriate Directors' and officers' insurance policy to protect the Director from liability (to the extent permitted by law); and
- c) provides the non-executive Director with access to the Company's books and records relating to the period the Director acted as a Director of the Company. After resignation as a Director, the Director can only use this information for the purposes of defending a claim.

5. Performance outcomes

5.1 Executives

a) Managing Director – Mr. Con Liosatos

The Managing Director, Mr. Liosatos, is employed under a rolling employment contract. A summary of Mr. Liosatos' entitlements for the financial year ended 30 June 2021 is as follows:

Traffic Technologies Ltd
Directors' Report

- TFR for the financial year ended 30 June 2021 was \$534,721.
- No STI was awarded to Mr. Liosatos for the 2021 financial year.
- No LTI was awarded to Mr. Liosatos for the 2021 financial year.
- Employment may be terminated by the giving, by either party, of twelve months' notice, or by the payment or forfeiture of an equivalent amount of pay in lieu of notice from any monies owing. The Company retains the right to terminate the contract at any time without notice in the case of serious misconduct.
- Further details of the executives' remuneration for the financial years ended 30 June 2020 and 30 June 2021 are included in the table below.

b) Chief Financial Officer – Mr. Peter Crafter

The Company Secretary and Chief Financial Officer, Mr. Peter Crafter, is employed under a rolling employment contract. A summary of Mr. Crafter's entitlements is as follows:

- TFR for the financial year ended 30 June 2021 was \$288,863.
- No STI was awarded to Mr. Crafter for the 2021 financial year.
- No LTI was awarded to Mr. Crafter for the 2021 financial year.
- Employment may be terminated by the giving, by either party, of twelve months' notice, or by the payment or forfeiture of an equivalent amount of pay in lieu of notice from any monies owing. The Company retains the right to terminate the contract at any time without notice in the case of serious misconduct.
- Further details of the executives' remuneration for the financial years ended 30 June 2020 and 30 June 2021 are set out in the table below.

c) Performance against targets

- No STI's were awarded for the 2021 financial year.
- No LTI's were awarded for the 2021 financial year.

5.2 Non-executive Directors

Details of non-executive Directors' remuneration for the financial years ended 30 June 2020 and 30 June 2021 are set out in the table below. The Company considers the non-executive Directors' remuneration to be reasonable taking into account their duties, responsibilities, market, experience and performance.

5.3 Company Performance and Shareholder Returns

	2021	2020	2019	2018	2017
Net profit/(loss) \$'000	\$201	(\$13,829)	\$1,263	\$6,072	\$1,011
EPS (cents)	0.04	(2.87)	0.26	1.88	0.37
Share price (cents)	4.0	1.8	2.4	3.3	3.6

Management remuneration is not related to the Company's performance and shareholder returns except to the extent disclosed above.

Traffic Technologies Ltd
Directors' Report

REMUNERATION OF KEY MANAGEMENT PERSONNEL

	Short-term benefits			Post-employment benefits	Termination Benefits	Long-term benefits	Share based payments	Total	
	Salary & fees \$	Non-monetary \$	Cash Bonus \$	Superannuation \$		Long service leave \$	Options \$	\$	% Performance related

Year to 30 June 2020

Non-executive Directors

Mr. Garry Lowrey	108,674	-	-	10,324	-	-	-	118,998	-
Mr. Mark Hardgrave	57,750	-	-	5,486	-	-	-	63,236	-
<i>Executives</i>									
Mr. Con Liosatos	492,962	12,973	-	25,000	-	9,111	-	540,046	-
Mr. Peter Crafter	247,921	19,022	-	23,552	-	4,781	-	295,276	-
Total	907,307	31,995	-	64,362	-	13,892	-	1,017,556	-

Year to 30 June 2021

Non-executive Directors

Mr. Mark Hardgrave	87,847	-	-	8,346	-	-	-	96,193	-
Mr. Tim Fry	34,354	-	-	3,263	-	-	-	37,617	-
Mr. Garry Lowrey	45,281	-	-	4,302	-	-	-	49,583	-
<i>Executives</i>									
Mr. Con Liosatos	492,962	16,759	-	25,000	-	9,237	-	543,958	-
Mr. Peter Crafter	247,921	17,390	-	23,552	-	4,841	-	293,704	-
Total	908,365	34,149	-	64,463	-	14,078	-	1,021,055	-

END OF AUDITED REMUNERATION REPORT

DIRECTORS' MEETINGS

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

	Directors' Meetings		Audit Committee		Risk Committee		Nomination & Remuneration Committee		Corporate Governance Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mr. Mark Hardgrave	14	14	2	2	4	4	2	2	1	1
Mr. Con Liosatos	14	14	2	2	4	4	2	2	1	1
Mr. Tim Fry	8	8	1	1	2	2	2	2	1	1
Mr. Garry Lowrey	6	6	1	1	2	2	-	-	-	-

BOARD COMMITTEES

As at the date of this report the Company had an Audit Committee, a Nomination & Remuneration Committee, a Corporate Governance Committee and a Risk Committee of the Board of Directors. The eligibility and attendance of each of the Directors is disclosed in the table above. The chairman of each committee was:

- Audit – Mr. Tim Fry
- Nomination & Remuneration – Mr. Tim Fry
- Corporate Governance – Mr. Tim Fry
- Risk - Mr. Tim Fry

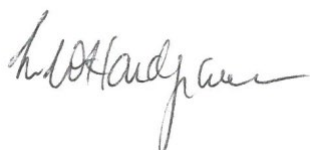
ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which the Instrument applies.

AUDITOR'S INDEPENDENCE AND NON-AUDIT SERVICES

A copy of the auditor's independence declaration in relation to the audit for the financial year is provided immediately following this report.

Signed in accordance with a resolution of the Directors.



Mr. Mark Hardgrave
Independent Non-Executive Chairman
27 August 2021
Melbourne

Auditor's Independence Declaration

To the Directors of Traffic Technologies Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Traffic Technologies Limited for the year ended 30 June 2021, 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.



Grant Thornton Audit Pty Ltd
Chartered Accountants



Michael Climpson
Partner

Melbourne, 27 August 2021

Grant Thornton Audit Pty Ltd ACN 130 913 594
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Traffic Technologies Ltd
Corporate Governance Statement

The Board and management of Traffic Technologies Ltd are committed to conducting the Group's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) (**Recommendations**) to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed and provides reasons for not following such Recommendations (**Corporate Governance Statement**).

The Corporate Governance Statement is accurate and up to date as at 27 August 2021 and has been approved by the Board.

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement is available for review on the Company's website (www.trafficltd.com.au) and will be lodged together with an Appendix 4G at the same time that this Annual Report is lodged with ASX.

Appendix 4G identifies each Recommendation that needs to be reported against by the Company and provides shareholders with information as to where relevant governance disclosures can be found.

The Company's corporate governance policies and charters are all available on the Company's website (www.trafficltd.com.au).

Traffic Technologies Ltd and Controlled Entities
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2021

	Note	Consolidated 2021 \$'000	Consolidated Amended 2020 \$'000
Revenue	2	52,330	44,522
Cost of materials and direct labour		(37,028)	(31,402)
Gross profit		15,302	13,120
Other income	2	999	591
Employee benefits expense	3	(7,964)	(7,902)
Occupancy costs		(1,094)	(1,161)
Advertising and marketing expense		(34)	(72)
Impairment loss on financial assets		(164)	(397)
Loss on derivatives held for trading		(468)	(525)
Other expenses	3	(2,043)	(2,247)
Depreciation and amortisation expense	3	(2,223)	(2,297)
Impairment expense	3	-	(10,554)
Earnings before interest and tax (EBIT)		2,311	(11,444)
Finance costs	3	(2,106)	(2,381)
Net profit/(loss) for the year before income tax		205	(13,825)
Income tax expense	4	(4)	(4)
Net profit/(loss) for the year		201	(13,829)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		201	(13,829)
Earnings/(loss) per share		Cents	Cents
- Basic (cents per share)	5	0.04	(2.87)
- Diluted (cents per share)	5	0.04	(2.87)

The accompanying notes form part of these financial statements.

Traffic Technologies Ltd and Controlled Entities
Consolidated Statement of Financial Position as at 30 June 2021

	Note	Consolidated 2021 \$'000	Consolidated Amended 2020 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	18	2,602	3,636
Trade and other receivables	6	9,927	7,863
Inventories	7	12,176	10,117
Total Current Assets		24,705	21,616
Non-Current Assets			
Property, plant and equipment	8	1,749	2,319
Goodwill	9	1,144	-
Intangible assets	10	9,796	9,177
Total Non-Current Assets		12,689	11,496
TOTAL ASSETS		37,394	33,112
LIABILITIES			
Current Liabilities			
Trade and other payables	11	10,724	8,752
Interest bearing loans and borrowings	12	11,259	8,566
Provisions	15	3,158	2,730
Derivative financial instrument	14	-	525
Total Current Liabilities		25,141	20,573
Non-Current Liabilities			
Interest bearing loans and borrowings	12	3,709	4,197
Provisions	15	204	203
Total Non-Current Liabilities		3,913	4,400
TOTAL LIABILITIES		29,054	24,973
NET ASSETS		8,340	8,139
EQUITY			
Contributed equity	16	54,755	54,755
Accumulated losses		(46,415)	(46,616)
TOTAL EQUITY		8,340	8,139

The accompanying notes form part of these financial statements.

Traffic Technologies Ltd and Controlled Entities
Consolidated Statement of Changes in Equity
For the year ended 30 June 2021

	Contributed Equity \$'000	Accumulated Losses \$'000	Total \$'000
Consolidated			
At 1 July 2019	54,755	(33,595)	21,160
Adjustment from the adoption of AASB 16	-	(37)	(37)
Prior period adjustment - deferred tax (see note 1h)	-	845	845
At 1 July 2019 adjusted	54,755	(32,787)	21,968
Loss for the year	-	(13,985)	(13,985)
Prior period adjustment - deferred tax (see note 1h)	-	156	156
Loss for the year adjusted	-	(13,829)	(13,829)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	(13,829)	(13,829)
At 30 June 2020	54,755	(46,616)	8,139
Profit for the year	-	201	201
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	201	201
At 30 June 2021	54,755	(46,415)	8,340

The accompanying notes form part of these financial statements.

Traffic Technologies Ltd and Controlled Entities
Consolidated Statement of Cash Flows
For the year ended 30 June 2021

	Note	Consolidated 2021 \$'000	Consolidated 2020 \$'000
Cash flows from operating activities			
Receipts from customers		55,596	50,512
Payments to suppliers and employees		(53,344)	(43,813)
Interest received		12	16
Interest paid		(1,389)	(1,459)
Income tax paid		(4)	(4)
Acquisition costs	19	(9)	(82)
Net cash from operating activities	18	862	5,170
Cash flows from investing activities			
Proceeds from sale of plant and equipment		56	44
Purchase of property, plant and equipment		(247)	(406)
Purchase of intangible assets		(1,824)	(1,638)
Purchase of businesses	19	(764)	-
Net cash from investing activities		(2,779)	(2,000)
Cash flows from financing activities			
Proceeds from borrowings		1,726	7,500
Repayment of borrowings		(44)	(9,580)
Repayment of finance leases		(799)	(472)
Payment of borrowing costs		-	(89)
Net cash from financing activities		883	(2,641)
Net (decrease)/increase in cash and cash equivalents		(1,034)	529
Cash and cash equivalents at beginning of the financial year		3,636	3,107
Cash and cash equivalents at end of the financial year	18	2,602	3,636

The accompanying notes form part of these financial statements.

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2021

The financial report of Traffic Technologies Ltd (the Company) for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the Directors on 27 August 2021. The Company is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are described in the Directors' Report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

This financial report is a general purpose financial report that 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) and AASB Interpretations. The consolidated financial statements of Traffic Technologies Ltd and its subsidiaries also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The financial report has been prepared on an accruals basis and under the historical cost convention. The financial report covers Traffic Technologies Ltd and its subsidiaries (the Group). Traffic Technologies Ltd is a for profit Australian listed public company limited by shares, incorporated and domiciled in Australia. The nature and operations and principal activities of the Group are described in the Directors' Report. The following is a summary of material accounting policies adopted by the Group in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Rounding

The amounts contained in the financial report have been rounded to the nearest thousand dollars (\$'000) (unless otherwise stated) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which the Instrument applies.

b) New Standards Adopted by the Group

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

c) Going concern

The financial statements have been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern, except for the classification of the ADM loan facility as a current liability.

The ADM loan facility falls due on 30 September 2021. Because this is less than 12 months after the balance date of 30 June 2021, there is material uncertainty that may cast significant doubt whether the Group can continue as a going concern if this loan is not refinanced by that date.

In assessing the appropriateness of the going concern concept the following factors have been taken into consideration by the Directors:

- The consolidated entity has been able to continue trading throughout COVID-19 lockdown periods.
- The consolidated entity is expected to continue to generate positive earnings before interest, tax, depreciation and amortisation (EBITDA) in the 2022 financial year.
- The Directors are working on a strategy to refinance the debt facility with ADM Capital.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Basis of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Traffic Technologies Ltd) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group. Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

Business combinations are accounted for using the acquisition method. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through the statement of comprehensive income. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in the statement of comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred. The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

e) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and other factors it believes to be reasonable under the circumstances. Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Significant accounting judgements

Impairment testing of non-financial assets

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product and service delivery expectations. If an impairment trigger exists the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

Capitalised development costs

Development costs are only capitalised by the Group when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Taxation

The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised in the statement of financial position. Deferred tax assets, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. Judgements are also required about the application of income tax legislation.

g) Significant accounting estimates and assumptions

Allowance for impairment loss on receivables

Where receivables are outstanding beyond the normal trading terms, the likelihood of recovery of these receivables is assessed by management. Debts that are considered to be uncollectible are written off when identified.

Estimation of useful lives of assets

The estimation of useful lives of assets has been based on historical experience (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of assets is assessed at least once a year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Any change in the useful life or residual lives is treated as a change in accounting estimate and recognised in the statement of comprehensive income.

Maintenance warranties

In determining the level of the provision required for warranties, the Group has made judgements in respect of the expected performance of the products and any liability resulting from installation works. Historical experience and current knowledge of the performance of products has been used in determining this provision.

h) Prior period error

The Group had previously recognised a deferred tax liability in previous periods. However, because the Group has available tax loss carry forwards and R&D tax credits, the prior period deferred tax liability of \$1,001,000 has been derecognised. This has resulted in a credit to opening reserves as at 1 July 2019 of \$845,000 and a credit to tax expense of \$156,000 in the income statement for the year ended 30 June 2020. See also note 4.

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2021

2. REVENUE

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
Revenue		
Sale of goods – recognised at point in time	47,484	44,522
Sale of services – recognised over period of time	4,846	-
Revenue from contracts with customers	52,330	44,522
Other income		
Net (loss)/profit on disposal of fixed assets	(7)	8
Net exchange gain/(loss) on foreign currency borrowings	420	534
Cash boost (COVID-19 Federal Government incentive)	500	-
Other income	86	49
Total other income	999	591

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Sale of goods

Revenue from sale of goods is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expected to be entitled in exchange for those goods.

Rendering of services

Revenue is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided (performance obligations satisfied over time). When the contract outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest income

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Finance and other income

Finance and other income are recognised when the right to receive the income is established.

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2021

3. EXPENSES

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
Employee related expenses		
Wages and salaries	11,174	10,151
Superannuation (defined contribution)	1,078	1,010
Other employee benefits expense	2,648	2,588
	14,900	13,749
Analysed as follows:		
Direct labour	6,936	5,847
Indirect labour	7,964	7,902
	14,900	13,749
Other expenses		
Administrative costs	1,693	2,037
Public company costs	350	210
	2,043	2,247
Depreciation, amortisation and impairment expenses		
Depreciation	1,011	907
Amortisation	1,212	1,390
Total depreciation and amortisation	2,223	2,297
Impairment	-	10,554
Total	2,223	12,851
Finance costs		
Interest on loans – paid or payable	1,908	2,106
Lease interest	166	215
Amortisation of borrowing costs	32	60
Total finance costs	2,106	2,381
Research and development costs		
Research costs expensed	10	24

Finance costs

Finance costs are recognised according to the effective interest rate method which is the rate that discounts estimated future cash payments through the estimated life of the financial liability to the amortised cost of the financial liability.

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For the year ended 30 June 2021

4. INCOME TAX

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
Income Tax Expense		
The major components of income tax expense are:		
Statement of Comprehensive Income		
<i>Current income tax</i>		
Current income tax charge	4	4
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	-	-
Income tax expense reported in the statement of comprehensive income	4	4
Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory tax rate		
Accounting profit/(loss) before income tax	205	(13,825)
Prima facie income tax expense/(benefit) at the Group's statutory income tax rate of 30% (2020: 30%)	61	(4,147)
Non-deductible expenditure	24	3,233
Non-assessable income	(150)	-
Non-refundable Foreign Tax	4	4
Prior year under/over provision	(45)	67
Net benefit of R&D tax incentive	296	566
Set-off of deferred tax liability	(186)	(156)
Variance in deferred tax adjustments	-	63
Unrecognised deferred tax asset on current year tax losses	-	374
Aggregate income tax expense	4	4

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4. INCOME TAX (continued)

Deferred Tax Balances	Statement of Financial Position		Statement of Profit or Loss Income	
	Consolidated	Consolidated	Consolidated	Consolidated
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<i>Temporary differences</i>				
Intangible assets	(2,430)	(2,317)	(113)	(204)
Right to use assets	27	32	(5)	32
Plant and equipment	(103)	(163)	60	26
Inventory	95	60	35	-
Employee provisions	1,080	927	153	(9)
Warranty provisions	14	14	-	2
Credit notes	17	5	12	(9)
Doubtful debts	32	209	(177)	200
Foreign exchange	-	(3)	3	(6)
Other capital expenditure	40	209	(169)	(172)
Other accruals and provisions	41	26	15	-
Deferred tax asset/(liability)	(1,187)	(1,001)	(186)	(140)
Set-off of deferred tax assets & liabilities	1,187	1,001	186	140
Net deferred tax assets & liabilities	-	-	-	-

Tax losses	Consolidated	Consolidated
	2021	2020
	\$'000	\$'000
The following tax losses have not been recognised as a deferred tax asset:		
Tax losses – revenue	1,202	1,202
Tax losses – capital	-	-
Potential tax benefit @ 30.0%	361	361
Carried forward tax offsets	890	707
Unrecognised deferred tax assets	1,251	1,068

4. INCOME TAX (continued)

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Current income tax expense charged to profit or loss is the tax payable on taxable income. Current and deferred income tax expense/(income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, to the extent that is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance 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 tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Tax Consolidation

Traffic Technologies Ltd and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 July 2005 and are therefore taxed as a single entity from that date. The head entity within the tax consolidated group is Traffic Technologies Ltd. Each wholly owned subsidiary of Traffic Technologies Ltd is a member of the tax consolidated group, as identified at note 20.

Tax Funding Arrangements and Tax Sharing Agreements

The Group has entered into a tax funding agreement that sets out its funding obligations of the tax consolidated group in respect of tax amounts. Contributions to fund the current tax liabilities are payable in accordance with the tax funding agreement and reflect the timing of the head entity's obligation to make payments for the tax liabilities to the relevant taxation authority.

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
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5. EARNINGS PER SHARE

Earnings used in calculating earnings per share	Consolidated 2021 \$'000	Consolidated 2020 \$'000
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For basic and diluted earnings per share:

Net profit/(loss) attributable to ordinary equity holders of the parent	201	(13,829)
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Weighted average number of shares

	Consolidated 2021 Thousands	Consolidated 2020 Thousands
Weighted average number of ordinary shares used in calculating basic earnings per share	482,225	482,225
Weighted average number of ordinary shares adjusted for the effect of dilution	482,225	482,225

Basic earnings per share is calculated as net profit/loss attributable to members of the parent entity divided by the weighted average number of ordinary shares. Diluted earnings per share is calculated as net profit/loss attributable to members of the parent entity divided by the weighted average number of ordinary shares and dilutive potential ordinary shares. The following reflects the income and share data used in the basic and diluted earnings per share computations:

There are no instruments excluded from the calculation of diluted earnings per share that could potentially dilute earnings per share in the future because they are anti-dilutive for 2021 (2020: nil). There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

Traffic Technologies Ltd and Controlled Entities
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6. TRADE AND OTHER RECEIVABLES

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
Trade receivables	7,165	6,495
Allowance for impairment loss	(104)	(397)
	7,061	6,098
Prepaid stock	1,899	692
Other prepayments	577	400
Other receivables	390	673
	9,927	7,863
Ageing of trade receivables:		
Due within 30 days	5,471	3,852
Overdue up to 30 days	1,529	1,631
Overdue more than 30 days	165	1,012
	7,165	6,495
Movement in provision for impairment loss:		
Balance at the beginning of the year	397	30
Charge for the year	164	393
Amounts recovered during the year	-	(2)
Allowance no longer required	-	(17)
Amounts written off as uncollectible	(457)	(7)
Balance at the end of the year	104	397

Trade receivables, which generally have 30-day terms, are recognised initially at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method, less an allowance for any uncollectible amounts. Trade receivables are non-interest bearing. Collectability of trade receivables is reviewed on an ongoing basis. Amounts over 60 days are deemed overdue. Credit is stopped until full payment is made.

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 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 number of days past due.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2021

7. INVENTORIES

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
Raw materials	4,934	3,874
Work in progress	172	199
Finished goods	7,070	6,044
	<u>12,176</u>	<u>10,117</u>

Inventories including raw materials, work-in-progress and finished goods 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. The cost of purchase comprises the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), transport, handling and other costs directly attributable to the acquisition of raw materials and volume discounts and rebates.
- *Finished goods and work-in-progress* – cost of direct materials and labour and a proportion of variable and fixed 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.

Inventory write-downs recognised as an expense totaled \$60,000 (2020: \$56,565).

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8. PROPERTY, PLANT AND EQUIPMENT

Consolidated	Right of Use Assets Equipment \$'000	Right of Use Assets Property \$'000	Plant & Equipment \$'000	Total \$'000
Movement in Carrying Amounts				
At 1 July 2019 net book value	320	1,488	904	2,712
Additions	144	244	162	550
Disposals	(26)	-	(10)	(36)
Depreciation expense	(87)	(614)	(206)	(907)
At 30 June 2020 net book value	351	1,118	850	2,319
Acquisition of businesses	50	-	166	216
Additions	68	62	158	288
Disposals	(59)	-	(4)	(63)
Depreciation expense	(95)	(689)	(227)	(1,011)
At 30 June 2021 net book value	315	491	943	1,749
Carrying Amounts				
At 30 June 2020				
Cost	692	2,037	8,193	10,922
Accumulated depreciation	(341)	(919)	(7,343)	(8,603)
Carrying amount at 30 June 2020	351	1,118	850	2,319
At 30 June 2021				
Cost	640	2,037	8,439	11,116
Accumulated depreciation	(325)	(1,546)	(7,496)	(9,367)
Carrying amount at 30 June 2021	315	491	943	1,749

Property, plant and equipment is stated at historical cost less accumulated depreciation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

	2021	2020
Right of use assets	Lease term	-
Plant and equipment	1 to 15 years	1 to 15 years

The Group's property, plant and equipment is pledged as security against the Group's borrowings - see note 12.

Leased assets are pledged as security for the related lease liabilities – see note 13.

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
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9. GOODWILL

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
Carrying amount of goodwill allocated to each cash-generating unit		
<u>Signals</u>		
Carrying amount brought forward	-	10,535
Acquisition (see note 19)	18	-
Impairment expense	-	(10,535)
Carrying amount carried forward	18	-
<u>Controllers</u>		
Carrying amount brought forward	-	19
Impairment expense	-	(19)
Carrying amount carried forward	-	-
<u>Installation and maintenance</u>		
Acquisition (see note 19)	1,126	-
Carrying amount carried forward	1,126	-
Total carrying amount	1,144	-

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

Impairment of Goodwill

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

During the previous financial year, as at 31 December 2019, the market capitalisation of the Group was below the book value of its equity, indicating a potential impairment of goodwill. The Group calculated the recoverable amount of the Signals and Controllers CGUs at that date and recognised an impairment expense (\$10.6m) to write-off the balance of goodwill so that each CGU was measured at its recoverable amount.

Traffic Technologies Ltd and Controlled Entities
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10. INTANGIBLE ASSETS

Consolidated	Development Costs \$'000	Software Costs \$'000	Patents & Trademarks \$'000	Total \$'000
Movement in Carrying Amounts				
At 1 July 2019 net book value	8,836	33	60	8,929
Additions	1,453	169	16	1,638
Amortisation	(1,180)	(180)	(30)	(1,390)
At 30 June 2020 net book value	9,109	22	46	9,177
Acquisition of businesses	-	7	-	7
Additions	1,630	176	18	1,824
Amortisation	(1,019)	(165)	(28)	(1,212)
At 30 June 2021 net book value	9,720	40	36	9,796
Carrying Amounts				
At 30 June 2020				
Cost	17,316	2,037	532	19,885
Accumulated amortisation	(8,207)	(2,015)	(486)	(10,708)
Carrying amounts at 30 June 2020	9,109	22	46	9,177
At 30 June 2021				
Cost	18,946	2,152	549	21,647
Accumulated amortisation	(9,226)	(2,112)	(513)	(11,851)
Carrying amounts at 30 June 2021	9,720	40	36	9,796

Intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

Development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. 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 so capitalised is amortised over the period of expected benefit from the related project which is generally 5 years (2020: 5 years). The amortisation is recognised in the statement of comprehensive income in the line item 'depreciation, amortisation and impairment expense'.

Software costs

Software costs are carried at cost less any accumulated amortisation and any accumulated impairment losses. Purchased software development is assessed to have a finite life and is amortised over a period of 1-4 years (2020: 1-4 years).

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10. INTANGIBLE ASSETS (continued)

Patents and trademarks

Patents and trademarks acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets that are not yet available for use are not subject to amortisation but are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Assets have been allocated to the signals and controllers cash-generating units.

The recoverable amount of the Signals cash-generating unit, which exceeds the carrying value of \$7.9m, has been determined based on a value in use calculation using cash flow projections based on financial budget forecasts prepared by management covering a one-year period, with the following key assumptions:

	2021	2020
Growth rate beyond budget period	5%	5%
Growth rate beyond 5 years	3%	3%
Pre-tax discount rate (WACC)	14.1%	14.3%

The key assumptions used in the value in impairment calculations represent management's best estimates at 30 June 2021. Management has considered the sensitivity of the value in use calculations to changes in assumptions, including sensitivity to changes in revenue.

The recoverable amount of the Controllers cash-generating unit, has been determined based on estimated fair value less costs of disposal.

The Group performed impairment testing at 30 June 2021 and 30 June 2020. Management has considered the sensitivity of fair value less costs of disposal calculations to changes in assumptions. There was no impairment of intangible assets at those dates.

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11. TRADE AND OTHER PAYABLES

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
Trade creditors	5,539	6,511
Sundry creditors and accruals	5,185	2,241
	10,724	8,752

Trade and other payables are carried at amortised cost due to their short-term nature and are not discounted. They 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. The amounts are unsecured and are usually paid within 60 days of recognition. Trade payables are non-interest bearing and are normally settled on 30-60 day terms.

12. INTEREST BEARING LOANS AND BORROWINGS

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
Current borrowings		
Term facility (ADM Capital)	6,274	5,139
Debtor & trade finance facility (Octet Finance)	4,382	2,625
Equipment lease liabilities	107	110
Property lease liabilities	496	692
	11,259	8,566
Non-current borrowings		
Note facility (First Samuel)	3,500	3,500
Equipment lease liabilities	124	164
Property lease liabilities	85	533
	3,709	4,197

Loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

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12. INTEREST BEARING LOANS AND BORROWINGS (continued)

Terms and conditions relating to the above financial instruments

Lender	Octet Finance	ADM Capital	First Samuel
Facility Amount (AUD)	\$5.5m	\$6.3m	\$3.5m
Facility Type	Debtor & trade finance	Term loan	Note deed
Interest	BBSW + 6.25%	7% cash; 12% capitalised	11%
Expiry	31 August 2022	30 September 2021	18 October 2022
Security	Second ranking charge First ranking charge over trade receivables	First ranking charge Second ranking charge over trade receivables	Third ranking charge
Currency of loan	AUD	USD	AUD
Hedging	-	Derivative rolled over to 30 September 2021 (see note 14)	-
Contingent liability	-	USD \$247,000 margin on derivative	-

Financing facilities available	Consolidated 2021 \$'000	Consolidated 2020 \$'000
<i>Total facilities at reporting date</i>		
Term debt facility (ADM Capital)	6,274	5,139
Debtor & trade finance facility (Octet)	5,500	5,500
Note facility (First Samuel)	3,500	3,500
Bank guarantee facility (Westpac)	265	265
	15,539	14,404
<i>Facilities used at reporting date</i>		
Term debt facility (ADM Capital)	6,274	5,139
Debtor & trade finance facility (Octet)	4,382	2,657
Note facility (First Samuel)	3,500	3,500
Bank guarantee facility (Westpac)	153	133
	14,309	11,429
<i>Facilities unused at reporting date</i>		
Term debt facility (ADM Capital)	-	-
Debtor & trade finance facility (Octet)+	1,118	2,843
Note facility (First Samuel)	-	-
Bank guarantee facility (Westpac)	112	132
	1,230	2,975

+ The amount of debtor financing available at any point in time is based on the amount of eligible invoicing.

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13. LEASE LIABILITIES

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
Current		
Equipment leases	107	110
Property leases	496	692
	603	802
Non-current		
Equipment leases	124	164
Property leases	85	533
	209	697
Lease liability commitments payable		
Less than one year	658	946
Later than one year but less than five years	224	763
	882	1,709
Less future finance charges	(70)	(210)
Total lease liabilities	812	1,499

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:

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
Short-term property lease expense	631	647

Equipment lease liabilities

Leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

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For the year ended 30 June 2021

13. LEASE LIABILITIES (continued)

Property lease liabilities

The Group leases a number of warehouses, factory and office facilities under operating leases. The leases typically run for periods up to 5 years with an option to renew the lease after that date. The Group leases plant and equipment and motor vehicles with terms up to 4 years. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see note 8).

On adoption of AASB 16 at the start of the previous financial year, the Group recognised lease liabilities in relation to property leases which had previously been classified as operating leases under the previous standard AASB 117. These liabilities have been 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 at 1 July 2019. The adoption of AASB 16 resulted in the Group recognising a right-of-use asset and related lease liability 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.

14. DERIVATIVE FINANCIAL INSTRUMENT

	2021	2020
	\$'000	\$'000
Derivative financial liability for foreign currency forward contracts	-	(525)

Derivatives are only used for economic hedging purposes and not speculative instruments. Derivatives are classified as held for trading and accounted for at fair value through profit or loss unless they are designated as hedges. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting year. Because the derivatives used by the Group are not traded in an active market, fair value is determined using valuation techniques which maximise the use of observable market data and do not rely on entity-specific estimates. The fair value of foreign currency forward contracts is determined using forward exchange rates at balance sheet date. The fair value of derivatives is estimated at the amount that the Group would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties.

There was no liability at 30 June 2021 because the derivative financial instrument was rolled over on that date to 30 September 2021.

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15. PROVISIONS

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
Current		
Employee benefits	3,111	2,682
Warranty provision	47	48
	3,158	2,730
Non-current		
Employee benefits	204	203

Employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. Provision is made for employees' long service leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service; such long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Warranty provision

A provision has been recognised for expected warranty claims on products supplied by the Group, based on current sales levels, current information available about past returns and repairs and the warranty period for products sold. Based on past experience, the Group does not expect the full balance of the current provision to be settled within 12 months. However, as the Group does not have an unconditional right of deferral, the balance is presented as current.

16. CONTRIBUTED EQUITY

	No. of Shares '000	\$'000
Ordinary shares		
At 30 June 2020	482,225	54,755
At 30 June 2021	482,225	54,755

Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

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17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk management objectives and policies

The Group's principal financial instruments comprise term loan facilities, debtor and trade finance, leases, hire purchase contracts, forward contracts to purchase foreign currency and cash and short-term deposits.

The totals for each category of financial instruments are as follows:

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
Financial assets		
Cash and cash equivalents	2,602	3,636
Trade and other receivables	9,927	7,863
Financial liabilities		
Trade and other payables	(10,724)	(8,752)
Financial liabilities at amortised cost	(14,968)	(12,763)
Derivative financial instrument	-	(525)
Net exposure	(13,163)	(10,541)

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security. The Group has various financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is the Group's policy that no trading in financial instruments shall be undertaken. The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective fair values. The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk.

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's long-term debt obligations. At balance date the Group had the following financial assets and liabilities exposed to market 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. At 30 June 2021 71% of the Group's borrowings were at a fixed rate of interest (2020: 79%). Details of the Group's debt are disclosed in note 12.

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2021

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group trades only with recognised, creditworthy third parties and, as such, collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation.

Risk limits are set for each individual customer in accordance with parameters set by the Board. These risk limits are regularly monitored.

Receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of senior management.

There are no significant concentrations of credit risk within the Group.

Liquidity risk

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

Maturity analysis of financial liabilities

Year ended 30 June 2021	≤ 6 months \$'000	6-12 months \$'000	1 – 5 years \$'000	> 5 years \$'000	Total \$'000
Payables	10,724	-	-	-	10,724
Interest bearing loans & borrowings	11,377	423	3,705	-	15,505
Finance lease liabilities	329	329	224	-	882
Bank guarantees	-	-	153	-	153
Total financial liabilities	22,430	752	4,082	-	27,264

Year ended 30 June 2020	≤ 6 months \$'000	6-12 months \$'000	1 – 5 years \$'000	> 5 years \$'000	Total \$'000
Payables	8,752	-	-	-	8,752
Interest bearing loans & borrowings	3,426	5,908	4,339	-	13,673
Finance lease liabilities	473	473	763	-	1,709
Bank guarantees	-	-	133	-	133
Total financial liabilities	12,651	6,381	5,235	-	24,267

The gross amount of the derivative financial instrument hedging the ADM loan facility was US \$5.1m (2020: US \$3.9m) (see note 14). The derivative financial instrument and associated loan were rolled over on 30 June 2021 with no net gain or loss recorded on that date.

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2021

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign exchange risk

Exposure to foreign exchange risk arises where the Group purchases certain components denominated in foreign currency.

The Group's borrowing facility with ADM Capital is denominated in US dollars. To manage the risk associated with the exposure of this balance to exchange rate fluctuations the Group entered into a foreign currency forward contract. This foreign currency forward contract is accounted for as held for trading with gains (losses) recognised in the statement of comprehensive income. The exchange gain or loss on foreign currency transactions is recognised directly in the statement of comprehensive income.

The Group's exposure to foreign currency risk on its foreign currency borrowings and associated forward exchange contracts, expressed in Australian dollars, was as follows:

	2021	2020
	AUD	AUD
	\$'000	\$'000
Loan (USD exposure)	6,274	5,139
Forward exchange contracts (USD exposure)	-	(525)

During the financial year, the following foreign-exchange related amounts were recognised in profit or loss:

	2021	2020
	AUD	AUD
	\$'000	\$'000
<i>Amounts recognised in profit or loss</i>		
Net foreign exchange loss on foreign currency derivatives not qualifying as hedges	(468)	(525)
Exchange gain on foreign currency borrowing included in other income	420	534
Total net foreign exchange (loss)/gain recognised in profit before income tax for the period	(48)	9

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2021

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Sensitivity Analysis

At 30 June 2021 29% of the Group's borrowings were at a variable rate of interest (2020: 21%). If interest rates were to increase or decrease by 1%, the net change in finance costs would be approximately \$21,000 (2020: \$27,000).

The Group is primarily exposed to changes in the US dollar exchange rate. The sensitivity of profit or loss to changes in the exchange rates arises mainly from US dollar-denominated financial instruments is illustrated in the table below.

	2021	2020
	USD	USD
	\$'000	\$'000
<i>Impact on post tax profit</i>		
US/\$exchange rate – increase 5%	(447)	(402)
US/\$exchange rate – decrease 5%	391	348

The Group has taken out a forward exchange contract to hedge its currency exposure (see note 14).

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2021

18. NOTES TO THE STATEMENT OF CASH FLOWS

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Reconciliation of cash	Consolidated 2021 \$'000	Consolidated 2020 \$'000
Cash at bank and on hand	2,602	3,636

Reconciliation of net profit/(loss) after tax to net cash flows from operations

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
Net profit/(loss)	201	(13,829)
Adjustments for:		
Depreciation, amortisation of non-current assets	2,223	2,297
Impairment of goodwill	-	10,554
(Loss)/profit on sale of fixed assets	7	(8)
Foreign exchange gain	(265)	(12)
Amortisation of capitalised borrowing costs	32	57
Doubtful debts expense/ (written off)	164	393
Stock obsolescence expense	53	-
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(2,063)	548
(Increase)/decrease in inventories	(2,059)	2,448
Increase/(decrease) in trade and other payables	2,140	2,677
(Increase)/decrease in deferred tax assets	-	-
Increase/(decrease) in provisions	429	45
Net cash provided by operating activities	862	5,170

Non cash financing and investing activities

During the year the Group acquired property, plant and equipment with an aggregate value of \$43,000 (2020: \$144,185) by means of leases. These acquisitions are not reflected in the Statement of Cash Flows.

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2021

19. BUSINESS COMBINATIONS

Summary of Acquisitions

On 28 August 2020 the Group acquired the business and assets of L&M Traffic Signals Pty Ltd (L&M). L&M is an accredited provider and installer for Vic Roads involving traffic signal installation and maintenance and fully approved for installation work by the Department of Transport in Victoria and holds a number of term maintenance contracts with local councils across Victoria. The acquisition has added a capability within the Group to undertake installation and maintenance work. The L&M business contributed revenue of \$4.8m and EBITDA of \$0.2m to the Group during the financial year ended 30 June 2021 since acquisition. Acquisition costs associated with the acquisition were \$9,000.

On 16 June 2021 the Group acquired the business and assets of the ITS business of Artcraft Pty Ltd. The ITS ('Intelligent Transport Systems') business focuses on the design, development, manufacture and supply of electronic road signage and software systems to customers across Australia. The acquisition of the ITS business will significantly enhance the Group's position in the ITS sector. The ITS business did not contribute a material amount of revenue or EBIT to the Group during the financial year ended 30 June 2021 as acquisition occurred shortly before balance date of 30 June 2021. Acquisition costs associated with the acquisition were \$Nil.

Details of the purchase consideration and net assets acquired are as follows:

	L&M \$'000	ITS \$'000
Purchase consideration		
Cash instalments paid	648	117
Balance payable in instalments	480	545
Total purchase consideration	1,128	662

The assets and liabilities recognised as a result of the acquisitions are as follows:

	L&M Fair value \$'000	ITS Fair value \$'000
Property, plant and equipment	103	113
Intangible assets	-	7
Inventory	65	545
Prepayments	-	97
Accruals	-	(30)
Employee entitlements	(115)	(88)
Finance lease liabilities	(51)	-
Goodwill and other intangible assets	1,126	18
Net assets acquired	1,128	662

Goodwill represents the excess of purchase price over the fair value of net assets acquired and represents the benefit of existing trading relationships of the acquired businesses prior to acquisition by the Group.

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2021

20. CLAIMS AND CONTINGENCIES

Guarantees

The Company is party to a deed of cross guarantee with its wholly-owned subsidiaries. The extent to which an outflow of funds will be required is dependent on the future operations of the entities that are party to the deed of cross guarantee. No liability is expected to arise. The deed of cross guarantee will continue to operate indefinitely. As detailed in note 12, the Company is party to finance facility agreements with its financiers to which the Company's subsidiaries are guarantors. The extent to which an outflow of funds will be required is dependent on the risk of default under the finance facility agreement. The Directors do not expect default to occur.

21. SUBSIDIARIES

The consolidated financial statements include the financial statements of Traffic Technologies Ltd and the subsidiaries listed in the following table.

Name of Subsidiary	Principal Place of Business	Principal Activity	Ownership Held by 2021 %	Interest the Group 2020 %
Traffic Technologies Signal & Hardware Division Pty Ltd	Australia	Non-trading	100	100
Traffic Technologies Traffic Management Division Pty Ltd	Australia	Non-trading	100	100
De Neefe Pty Ltd	Australia	Manufacture signs	100	100
Traffic Technologies Traffic Hire Pty Ltd	Australia	Non-trading	100	100
Sunny Sign Company Pty Ltd	Australia	Manufacture signs	100	100
Pro-Tech Traffic Management Pty Ltd	Australia	Non-trading	100	100
KJ Aldridge Investments Pty Ltd	Australia	Non-trading	100	100
Aldridge Traffic Group Pty Ltd	Australia	Non-trading	100	100
Excelsior Diecasting Pty Limited	Australia	Non-trading	100	100
Aldridge Traffic Systems Pty Ltd	Australia	Manufacture signals, lights etc.	100	100
Aldridge Plastics Pty Ltd	Australia	Non-trading	100	100
Quick Turn Circuits Pty Ltd	Australia	Manufacture controllers	100	100
Traffic Technologies International Limited	Hong Kong	Non-trading	100	100
Telensa Pty Ltd	Australia	Non-trading	100	100
Telensa Australia Pty Ltd	Australia	Non-trading	100	100
L&M Traffic Services Pty Ltd	Australia	Maintenance	100	-

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2021

22. RELATED PARTY TRANSACTIONS

a) Transactions with Shareholders

First Samuel Limited (one of the Company's lenders – see note 12) has disclosed that it owns 21,977,207 ordinary shares in the Company.

b) Transactions with Directors or Director-related entities

c) The Company entered into a related party transaction with an entity associated with the Company's Managing Director, Mr. Con Liosatos. Inventory was purchased by the related entity and sold to the Company at cost price. The related party transaction was on arm's length commercial terms and, after the application of foreign exchange and interest costs, no profit was made by the related party. As a result, the related party transaction was within the arm's length exception under Part 2E of the Corporations Act 2001.

d) Inventory purchases and associated finance charges from the related entity amounted to \$69,000 (2020: \$71,000), with \$Nil included in trade payables at 30 June 2021 (2020: \$130,000).

e) As at 30 June 2020, there was a loan outstanding from Mr. Con Liosatos of \$73,000 in respect of insurance premiums paid by the Company on his behalf. Interest was charged on the loan at the Company's average cost of funds. The loan has been repaid in full.

23. SUBSEQUENT EVENTS

Subsequent to balance date there have been no significant events which have affected the operations of the Group.

24. AUDITOR'S REMUNERATION

Amounts received or due and receivable by:

	Consolidated 2021 \$	Consolidated 2020 \$
Audit or review of the financial report of the entity and any other entity in the Group		
Half Year Review – Shine Wing Australia	35,000	26,000
Final Audit:		
- Shine Wing	-	147,689
- Grant Thornton	67,000	-
Total	102,000	173,689

Shine Wing Australia conducted the half year review and final audit for the financial year ended 30 June 2020 and the half year review for the financial year ended 30 June 2021. Grant Thornton conducted the final audit for the financial year ended 30 June 2021.

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2021

25. KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Compensation of Key Management Personnel

Details of the nature and amount of each element of the remuneration of key management personnel are disclosed in the Remuneration Report section of the Directors' Report.

	Consolidated	Consolidated
	2021	2020
	\$	\$
<i>Compensation by Category:</i>		
<i>Key Management Personnel</i>		
Short-term employee benefits	942,514	939,302
Post-employment benefits	64,463	64,362
Other long-term benefits	14,078	13,892
	<hr/> 1,021,055	<hr/> 1,017,556

b) Shares issued on exercise of remuneration options

No shares have been issued to key management personnel as a result of the exercise of remuneration options.

c) Option holdings of Key Management Personnel

There were no share options outstanding at 30 June 2021 or at the date of this report (2020: nil). No shares have been issued to key management personnel as a result of the exercise of remuneration options.

d) Loans to Key Management Personnel

Details of a loan to Mr. Con Liosatos at the previous balance date (since repaid) are set out in note 22.

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2021

26. OPERATING SEGMENTS

The Group has only one operating segment: Traffic Products. The Group's chief operating decision maker (the Managing Director) reviews financial information on a consolidated basis and makes strategic decisions based on this consolidated information.

Major customers

Sales revenue from government agencies was \$15.6m (2020: \$13.5m). Revenue from the largest non-government customer was \$3.5m (2020: \$3.0m).

Geographical information

The Group operates in one principal geographical location, namely Australia.

Revenue by geographic location:

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
Australia	47,178	39,854
Overseas	5,152	4,668
Total	52,330	44,522

All the Group's non-current assets are located in Australia.

27. PARENT ENTITY DISCLOSURES

	2021 \$'000	2020 \$'000
Current assets	2,503	3,222
Total assets	50,332	51,171
Current liabilities	63,621	61,766
Total liabilities	73,421	70,395
Issued capital	54,755	54,755
Retained earnings	(77,844)	(73,979)
Total shareholders' equity	(23,089)	(19,224)
Loss of the parent entity	(3,840)	(3,979)
Total comprehensive income of the parent entity	(3,840)	(3,979)
Guarantees entered into by the parent entity in relation to debts of its subsidiaries	153	133

Traffic Technologies Ltd
Directors' Declaration
For the year ended 30 June 2021

DIRECTORS' DECLARATION

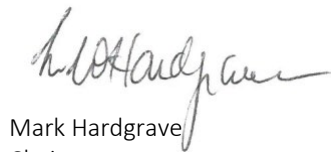
The Directors of the Company declare that:

1. The consolidated financial statements and notes of Traffic Technologies Ltd are in accordance with the *Corporations Act 2001* and:
 - a) comply with Australian Accounting Standards and the Corporations Regulations 2001; and
 - b) give a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the year ended on that date.
2. The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
4. The Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

The members of the Closed Group identified in note 21 are parties to the deed of cross guarantee under which each company guarantees the debts of the others. At the date of this declaration there are reasonable grounds to believe that the companies which are parties to this deed of cross guarantee will as a consolidated entity be able to meet any obligations or liabilities to which they are, or may become, subject to, by virtue of the deed of cross guarantee described in note 20.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

On behalf of the Board



Mark Hardgrave
Chairman

Melbourne
27 August 2021

ASX Additional Information
As at 11 August 2021

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 11 August 2021.

a) Distribution of Shareholdings

<u>Ordinary Shares</u>		
	Number of Holders	Number of Shares
1 - 1,000	158	23,576
1,001 - 5,000	34	94,043
5,001 - 10,000	55	476,075
10,001 - 100,000	431	19,471,482
100,001 and over	324	462,159,519
	1,002	482,224,695
Holdings less than a marketable parcel	256	687,982

b) Twenty Largest Shareholders

	Name	No. of Shares	% Held
1	RSAM INVESTMENTS PTY LTD <RM INVESTMENT A/C>	50,148,883	10.40%
2	FIRST SAMUEL LTD ACN 086243567 <ANF ITS MDA CLIENTS A/C>	21,977,207	4.56%
3	ANNLEW INVESTMENTS PTY LTD <ANNLEW INVESTMENTS PL SF A/C>	20,000,000	4.15%
4	MR LAMBROU LIOSATOU*	19,844,761	4.12%
5	BANNABY INVESTMENTS PTY LTD <BANNABY SUPER FUND A/C>	17,606,063	3.65%
6	BROWNLOW PTY LTD	14,709,208	3.05%
7	PETHOL (VIC) PTY LTD <MACDY NO 5 SUPER FUND A/C>	14,137,739	2.93%
8	LIOSATOS SUPERANNUATION PTY LTD <LIOSATOS S/F A/C>*	13,882,162	2.88%
9	GP MANAGEMENT P/L <G&R S/F A/C>	12,895,249	2.67%
10	CLAPSY PTY LTD <BARON SUPER FUND A/C>	11,848,360	2.46%
11	MR ROBERT SCOTT ANTHONY MINNEY	10,644,630	2.21%
12	DOLPHIN CAPITAL PARTNERS PTY LTD	9,500,000	1.97%
13	CAMPBELL KITCHENER HUME & ASSOCIATES PTY LTD <C K H SUPERFUND A/C>	8,620,000	1.79%
14	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	8,599,028	1.78%
15	MORGRAE PTY LTD <HUMPHREY S/F A/C>	7,000,000	1.45%
16	MR PETER VELDHUIZEN	6,000,000	1.24%
17	MRS TRUDI MILNE	5,500,000	1.14%
18	FIRAH CREEK PTY LTD <THOMPSON SUPER FUND A/C>	5,070,000	1.05%
19	DE LA HAYE SUPER FUND PTY LTD <DE LA HAYE SUPER FUND A/C>	5,000,000	1.04%
20	MR MORGAN LITTLEWOOD	4,709,613	0.98%
	Total	267,692,903	55.51%

* Associated with Directors.

ASX Additional Information
As at 11 August 2021

c) Substantial Shareholders (greater than 5%)

Holder Name	Ordinary Shares	
	Number	%
Mr. Con Liosatos	33,726,923	6.99
Mr. Robert Minney	60,793,513	12.61

d) Voting Rights

All ordinary shares carry one vote per share without restriction.

e) Ordinary shares subject to voluntary escrow restrictions

None.

Independent Auditor's Report

To the Members of Traffic Technologies Ltd and its Controlled entities

Report on the audit of the financial report

Opinion

We have audited the financial report of Traffic Technologies Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, 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 2021 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.

Material uncertainty related to going concern

We draw attention to Note 1(c) in the financial statements, which indicates that part of the Group's debt is due for repayment on 30 September 2021. As stated in Note 1(c), these events or conditions indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter

How our audit addressed the key audit matter

Impairment of goodwill and other non-financial assets (Note 9, 10)

The Group has recorded goodwill of \$1,144,000, capitalised development costs of \$9,720,000, patents of \$36,000 and software costs of \$40,000 at 30 June 2021 assigned to Cash Generating Units (CGUs). Goodwill is required to be assessed for impairment annually by Management as prescribed in AASB 136 *Impairment of Assets*. In addition, Management are required to perform annual impairment testing for intangible assets not yet available for use regardless of whether indicators exist.

Non-financial assets of the Group including goodwill and other intangible assets are allocated to appropriate CGUs for impairment testing.

Management tests each CGU for impairment by comparing the carrying amount against the recoverable amount determined by either, the greater of its fair value less costs to sell and its value in use.

This area is a key audit matter due to the significant balance carried by the Group that Management have assessed using estimates and judgement. The Group use the discounted cash flow model (value in use) to determine their recoverable value, in doing so, include significant estimates and judgements.

Our procedures included, amongst others:

- Understanding and documenting Management's process and controls related to the assessment of impairment, including Management's identification of CGUs and the calculation of the recoverable amount for each CGU;
- Evaluating the value-in-use models against the requirements of AASB 136;
- Challenging the appropriateness of Management's revenue and cost forecasts by comparing the forecast cash flows to the actual growth rates achieved historically;
- Reviewing Management's value-in-use calculations to:
 - Test the mathematical accuracy of the calculations;
 - Evaluated the forecast cash inflows and outflows for reasonableness;
 - Assess estimates and judgements for growth rates applied; and
 - Assess discount rates applied to forecast future cash flows.
- Performing sensitivity analysis on the significant inputs and assumptions made by Management in preparing its calculations;
- Where Management have opted to apply the fair value less cost of disposal model, obtaining and evaluating assumptions and methodology applied; and
- Assessing the adequacy of financial statement disclosures.

Capitalised development costs (Note 10)

The Group capitalises costs that are directly attributable to the development of traffic products in accordance with AASB 138 *Intangible Assets*.

AASB 138 provides that an entity may only capitalise costs that meet specific capitalisation criteria.

This area is a key audit matter due to the inherent judgement involved in determining projects and costs which satisfy the requirements of AASB 138.

Our procedures included, amongst others:

- Documenting our understanding of internal processes and controls including review of Management's capitalisation policy for compliance with AASB 138;
- Sampling costs capitalised in the year and vouching to supporting documentation and against the criteria of AASB 138;
- Evaluating the Group's position that the underlying assets is in the development phase, as well as the entity's ability to demonstrate technical feasibility, that the asset will generate probable future economic benefits, the ability to bring the asset to completion for use or sale, amongst other requirements of AASB 138;
- Holding discussions with Management to understand the nature and status of key projects;
- Obtaining Management's assessment of impairment indicators for intangible assets previously capitalised;
- Reviewing a schedule of open projects to investigate projects over budget and/or behind schedule for possible indicators of impairment;
- Assessing Management's useful economic life including amortisation charge for consistency with accounting policies adopted; and
- Assessing the adequacy of relevant 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 2021, 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_2020.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 5 to 11 of the Directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Traffic Technologies Ltd, for the year ended 30 June 2021 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.



Grant Thornton Audit Pty Ltd
Chartered Accountants



Michael Climpson
Partner

Melbourne, 27 August 2021





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