



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

**PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023
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 2023	30 June 2022
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Results for announcement to the market

Continuing Operations			A\$'000
Revenues from ordinary activities (<i>item 2.1</i>)	Up	8% to	\$58,048
Earnings before interest and tax	Down	452% to	(\$6,081)
Profit/(loss) from ordinary activities after tax attributable to members (<i>item 2.2</i>)	Down	1517% to	(\$7,889)
Net profit/(loss) for the period attributable to members (<i>item 2.3</i>)	Down	1517% to	(\$7,889)
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		

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 2023	As at 30 June 2022
Net tangible assets per share	(0.1) cents	0.3 cents

2. Dividends

No dividends have been declared in respect of the year ended 30 June 2023 (2022: Nil). Total dividend Nil (2022: 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
Mr. Luke Donnellan

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).

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

2023

ANNUAL REPORT



TRAFFIC TECHNOLOGIES LTD
ABN 21 080 415 407
AND CONTROLLED ENTITIES

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023



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.trafficltd.com.au

Traffic Technologies Ltd and Controlled Entities
Chairman's Letter

Dear Shareholder,

On behalf of the Board of Directors, it is my pleasure to enclose the Annual Report of Traffic Technologies Ltd (Traffic Technologies, or the Company) for the financial year ended 30 June 2023.

Whilst operating revenue improved during the year ended 30 June 2023, EBITDA has been impacted by higher input costs, the depreciation in the Australian dollar which has increased the cost of imported components, significantly higher freight costs and supply chain delays. Delays on government funded road projects have also affected the Company's results.

In light of the weaker than expected result for the year and the increase in interest rates which has impacted the discount rate used in the impairment calculation, we have reviewed the carrying value of intangible assets in the balance sheet. The Board has therefore considered it prudent to record an impairment provision against the value of intangible assets in the 30 June 2023 financial statements. This has unfortunately resulted in a net loss for the financial year.

With a strong order book, the Company expects to deliver an improved result in the 2024 financial year. Demand for the Company's products and services is well placed with the increased infrastructure spend of government and local councils, due to our position as the largest, most established and proactively innovative traffic solutions provider in Australia.

With our focus on safety and innovative safety systems, the Company delivers innovative and cutting-edge Intelligent Transport solutions, Street Lighting and Traffic Signal related systems and technology to government, councils and stakeholders. The Company is well placed to continually service both state and local government in addressing the challenges of today and into the future. Our products and services – from hardware and software solutions to install and service – improve road safety, enhance transport efficiency and lower the impact on our environment.

During the year, the Company refinanced its debt facilities with a 3-year \$10 million invoice finance facility and a \$5 million trade finance facility with Earlypay Ltd and extended the balance of the term loan with First Samuel to December 2025. We recognise however that debt remains high and is a constraint on the Company's share price. Cash flow and the reduction of debt will therefore continue to be a key focus for management and the Board in the year ahead. The Board continues to explore ways to improve shareholder value, including through potential relationships with third parties.

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 light blue 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 2023:

	Year to 30 June 2023	Year To 30 June 2022
	\$'m	\$'m
Sales revenue	58.0	53.8
Earnings before Interest, Tax, Depreciation and Amortisation and Impairment (Adjusted EBITDA)	2.1	4.1
Depreciation and Amortisation Expense	(2.2)	(2.3)
Impairment Expense	(6.0)	-
Earnings before Interest and Tax (EBIT)	(6.1)	1.7
Finance Costs	(1.8)	(2.2)
Net Loss After Tax (NPAT)	(7.9)	(0.5)

Trading revenue increased to \$58m for the year to 30 June 2023 (2022: \$54m). However, EBITDA was impacted by higher input costs, the depreciation in the Australian dollar which has increased the cost of imported components, significantly higher freight costs and supply chain delays along with delays in major projects. Finance costs were lower compared to the previous year following the repayment of the ADM debt in the previous year, whilst NPAT for the year was a loss of \$7.9m (2022: loss \$0.5m), after taking account of an impairment provision.

Despite these challenges, demand for the Company's products and services has seen a significant increase with the upturn in road infrastructure programs announced by Federal and State governments and following several recent contract wins.

The Company has a strong order book with term contracts extending up to 5 years. During the year the Company secured extensions of several of its contracts with power authorities for the supply of its Smart City LED streetlights as well as a contract to install streetlights throughout Tasmania. During the financial year the Company also supplied its Smart City Bus Priority software for the 2022 World Cup in Qatar, where the software creates a digital copy of a virtual representation of the road network enabling more efficient traffic management across multiple transport systems with the latest "Special Priority Engine."

Whilst government mandated lockdowns are now behind us, raw material costs and world-wide supply chain delays for electronic and hardware equipment continue to be a significant factor. The Company is actively managing this with several suppliers through prepayments and other initiatives.

Net assets were \$6.5m at 30 June 2023 compared to \$14.4m at 30 June 2022. The reduction in net assets in 2023 reflects the net loss for the year and the impairment provision recorded as at 30 June 2023. Inventory continues to be maintained at a relatively high level to mitigate the impact of supply chain delays and ongoing market disruptions brought on by previous COVID years.

Net debt, excluding liabilities associated with capitalised property leases, was \$10.9m at 30 June 2023, compared to \$11.2m at 30 June 2022. During the year the Company refinanced its debt facilities with a new 3-year \$10 million invoice finance facility and \$5 million trade finance facility along with the extension of a term loan to December 2025.

Net operating cash inflows were \$3.4m for the year (2022: outflow \$0.6m). Receipts from customers for the year were \$64.8m (2022: \$56.7m). Interest paid in the year was \$1.5m (2022: \$1.7m). Cash flow continues to be affected by the need to prepay overseas suppliers to secure parts required to fulfil the Company's pipeline of new customer contracts. The Company expects to see the benefit of these imported components reflected in sales of the Company's products in the months ahead.

Net investing cash outflow was \$1.6m for the year (2022 outflow \$3.1m), including investment to expand and develop the Company's Smart City software and product portfolio. The Company received net proceeds of \$0.7m on the disposal of a property in Tasmania which has been used to retire debt and net financing cash outflow was \$1.7m for the year (2022: inflow \$2.1m).

Review of Operations

The Company continues to be the major participant in the "Intelligent Transport Systems" market in Australia where the Company's proprietary "Traffic SmartCity Technology" (TST) platform, developed for the road industry, councils and power authorities, enables the integration of streetlights and other traffic management equipment to a central control/management system via remote "Internet of Things" (IoT) sensors.

Integration of urban traffic controllers into the Company's "Traffic SmartCity Technology" (TST) platform" is pivotal to the next phase of the Company's expansion where the in-house design and manufacture of this highly technical Smart City equipment is scaled for the benefit of communities across Asia, Middle East and South America. The Company 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.

The Company is one of Australia's largest accredited provider and installer involved in traffic signals, urban traffic controllers, street lighting, street and road signage and electronic speed sign installation and maintenance; and is fully approved for installation in several states.

Business Strategies and Prospects

The Company has transitioned from being purely a manufacturer and supplier of traffic management products to an integrated supplier of products, services and software applications to the road industry and government.

With the continued investment in research and development with a major emphasis being the deployment and implementation of our "Smart City" platform, "TST". The system continues to gain traction across several states with local councils and large-scale infrastructure projects. Through data analytics, customers can make informed decisions in real time making roads safer, greener, and adaptable to the needs of communities. These outcomes have led to an increase in adoption of recurring annuity revenue with new and current contracts where the focus has moved to a SaaS with annual subscription and service fees.

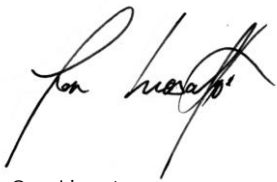
The Company continues to experience significant growth with our "Smart City"- ready lighting products, scaled across Australia and now entering the UK, with future earnings underpinned by long-term customer contracts and orders from state and local government agencies and power companies.

The expansion into the lucrative Intelligent Transport sector has given the Company the ability to supply sophisticated “Smart City” ready electronics and software across Australia, whilst bolstering the Company’s signage business which provides access to councils, road authorities and contractors across the country. The additional capability within the Company to undertake installation and maintenance work has opened new channels to market for our IoT devices and traffic management products.

Outlook

The Company is well positioned to benefit in the years ahead from increased investment by government on infrastructure programs. The new products being developed by the Company and the Company’s diversification program into “Smart Cities” IoT and software are generating annuity streams of income from SaaS subscription and service fees. Reduction in finance costs remains a continued focus, as do operating efficiency initiatives such as savings from consolidation of manufacturing. We expect a positive contribution in the years ahead from these strategic initiatives, a strong order book and long-term customer term contracts.

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

A handwritten signature in black ink, appearing to read 'Con Liosatos', with a stylized flourish at the end.

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

Mr. Luke Donnellan (appointed 20 December 2022)

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

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Traffic Technologies Ltd and Controlled Entities
Financial Report for the year ended 30 June 2023

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Your Directors submit their report for the year ended 30 June 2023.

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 Hardgrave (Age 65) 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 company Pental Limited and was previously a Director of ASX-listed Forbidden Foods 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 Liosatos (Age 61) 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 has not served as a director of any other listed companies during the three years to June 2023.

Mr. Tim Fry (Age 59) 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 has not served as a director of any other listed companies during the three years to June 2023.

Mr. Luke Donnellan (Age 57) GAICD

Independent Non-Executive Director. Appointed December 2022.

Mr. Donnellan is a former Member of the Victorian Parliament. He was a Labor Party member of the Victorian Legislative Assembly from 2002 to 2022, representing Narre Warren North. He was the Minister for Child Protection and the Minister for Disability, Ageing and Carers in the Second Andrews Ministry from December 2018 until October 2021. He also served as the Minister for Roads and Road Safety and Minister for Ports in the First Andrews Ministry from December 2014 to December 2018. Mr. Donnellan received a Bachelor of Commerce from the University of Melbourne in 1987. Mr. Donnellan was appointed a director of ASX listed Future First Technologies Ltd in July 2023.

DIRECTORS SKILLS AND EXPERIENCE

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

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

COMPANY SECRETARY **Mr. Peter Crafter** (Age 66) 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.

SHARE OPTIONS

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

DIVIDENDS

The Directors do not recommend the payment of a dividend for the financial year ended 30 June 2023 (2022: Nil).

OPERATING AND FINANCIAL REVIEW

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 streetlights 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, local councils and construction companies. The Group's ITS ('Intelligent Transport Systems') business focuses on the design, development, manufacture and supply of electronic road signage and software systems to customers across Australia.

REVIEW AND RESULTS OF OPERATIONS

A review of the operations and activities of the Group during the financial year and the results of those operations are set out in the Chairman's Letter and the Managing Directors' Operating and Financial Review.

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:

Supply chain disruption and freight forwarding delays, including disruptions to the worldwide supply chain for electronic and hardware equipment - the Group is actively managing this with our suppliers through prepayments and other initiatives given our strong pipeline of new customer contracts.

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.

Inflationary pressures affecting the cost of raw materials and componentry – the Group constantly monitors its cost base and implements cost savings and operating efficiencies where possible.

Foreign exchange risk - a decrease in the Australian dollar exchange rate can affect import prices: the Group purchases components from a number of overseas countries denominated in US dollars and other currencies. 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.

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.

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 addresses cyber security as part of its risk management strategy in the light of recent well-publicised breaches and increased risk in this area. Measures have included enhanced security over the Group's systems, stronger authentication controls and additional training for all computer users.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The Company refinanced its facilities with Earlypay Ltd in 2023.

SIGNIFICANT EVENTS AFTER REPORTING DATE

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely developments in the operations of the Group and the expected results of those operations are set out in the Chairman's Letter and the Managing Directors' Operating and Financial Review.

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 known significant breaches of the Group's compliance with environmental regulations.

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITORS

During the year, the Group paid premiums of \$188,972 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.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

REMUNERATION REPORT (AUDITED)

The Company's remuneration policy is to ensure that the level of remuneration paid to key personnel is market competitive and will attract and retain the skills and expertise required.

Non-executive Directors

Total remuneration for non-executive directors for FY23 was \$218,015. Non-executive director remuneration packages comprised only Directors' fees plus statutory superannuation and were set within the limits set out in the Company's constitution. Currently this limit is set at \$400,000 per annum and can only be changed at a general meeting.

Executive Director

Mr. Con Liosatos, Managing Director, received total remuneration of \$537,329 in FY23, including statutory superannuation.

Key Management Personnel

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.

Performance-based 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 a short-term incentive based on the Company's financial performance exceeding budget targets for the financial year and a long-term incentive based on the Company's share price performance exceeding the ASX 300 small ordinaries index for the relevant period.

No performance-based remuneration was paid or payable to key management personnel for the year (2022: nil).

A summary of the Company's performance for the past five years is set out below:

	2023	2022	2021	2020	2019
Net profit/(loss) \$'000	(\$7,889)	(\$488)	\$201	(\$13,829)	\$1,263
EPS (cents)	(1.08)	(0.08)	0.04	(2.87)	0.26
Share price (cents)	1.1	1.5	4.0	1.8	2.4

Employment Contracts

The Managing Director, Mr. Liosatos, and the Company Secretary and Chief Financial Officer, Mr. Peter Crafter, are employed under rolling employment contracts. 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.

Traffic Technologies Ltd
Directors' Report

Interest in Shares

Directors' interests in the shares of the Company were:

	Balance at 1 July 2022	Acquired through On-Market Trades	Other	Balance at 30 June 2023
Directors				
Mr. Mark Hardgrave	5,965,592	-	-	5,965,592
Mr. Con Liosatos	43,782,637	1,530,000	-	45,312,637
Mr. Tim Fry	-	-	-	-
Mr. Luke Donnellan	-	-	-	-
Executive				
Mr. Peter Crafter	10,000	-	-	10,000
Total	49,758,229	1,530,000	-	51,288,229

Transactions with Directors or Director-related entities

Managing Director Mr. Liosatos and Chairman Mr. Hardgrave have provided unsecured loans of \$100,000 each to the Company; the loans are repayable on 28 February 2025 and carry an interest rate of 13%. In addition, an entity associated with Mr. Con Liosatos has provided a short-term loan of \$500,000 to the Company. After the on-charge of interest costs and bank charges, no profit has been made by the related party.

Inventory was purchased from an entity associated with Mr. Liosatos amounting to \$14,704 (2022: nil), with \$14,704 included in trade payables at 30 June 2023 (2022: nil).

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 2022

Non-executive Directors

Mr. Mark Hardgrave	108,674	-	-	10,867	-	-	-	119,541	-
Mr. Tim Fry	57,750	-	-	5,775	-	-	-	63,525	-
<i>Executives</i>									
Mr. Con Liosatos	492,827	15,971	-	27,500	-	10,524	-	546,822	-
Mr. Peter Crafter	247,921	19,714	-	24,792	-	5,349	-	297,776	-
Total	907,172	35,685	-	68,934	-	15,873	-	1,027,664	-

Year to 30 June 2023

Non-executive Directors

Mr. Mark Hardgrave	108,674	-	-	11,411	-	-	-	120,085	-
Mr. Tim Fry	57,750	-	-	6,064	-	-	-	63,814	-
Mr. Luke Donnellan (appointed 20 December 2022)	30,874	-	-	3,242	-	-	-	34,116	-
<i>Executives</i>									
Mr. Con Liosatos	495,192	14,637	-	27,500	-	12,293	-	549,622	-
Mr. Peter Crafter	247,921	27,071	-	26,032	-	6,089	-	307,113	-
Total	940,411	41,708	-	74,249	-	18,382	-	1,074,750	-

END OF AUDITED REMUNERATION REPORT

Traffic Technologies Ltd
Directors' 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	13	13	2	2	4	4	1	1	1	1
Mr. Con Liosatos	13	13	2	2	4	4	1	1	1	1
Mr. Tim Fry	13	13	2	2	4	4	1	1	1	1
Mr. Luke Donnellan	7	7	1	1	2	2	1	1	1	1

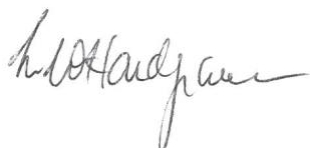
ROUNDING

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 DECLARATION

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
24 August 2023
Melbourne

Grant Thornton Audit Pty Ltd

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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 2023, 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, 24 August 2023

www.grantthornton.com.au
ACN-130 913 594

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Traffic Technologies Ltd
Corporate Governance Statement

The Board of Directors 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 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 during the financial year ended 30 June 2023. The Corporate Governance Statement was approved by the Board on 24 August 2023.

The Company's Corporate Governance Statement is available for review 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 2023

	Note	Consolidated 2023 \$'000	Consolidated 2022 \$'000
Revenue	2	58,048	53,750
Other income	2	697	120
Changes in inventories of finished goods and work in progress		(91)	2,987
Raw materials and consumables used		(36,881)	(33,840)
Employee benefits expense	3	(15,847)	(15,803)
Occupancy costs		(1,596)	(1,300)
Advertising and marketing expense		(36)	(40)
Other expenses	3	(2,205)	(1,811)
Depreciation and amortisation expense	3	(2,170)	(2,333)
Impairment expense	3	(6,000)	-
Earnings/(loss) before interest and tax (EBIT)		(6,081)	1,730
Finance costs	3	(1,805)	(2,214)
Net loss for the year before income tax		(7,886)	(484)
Income tax expense	4	(3)	(4)
Net loss for the year		(7,889)	(488)
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year		(7,889)	(488)
Loss per share		Cents	Cents
- Basic (cents per share)	5	(1.08)	(0.08)
- Diluted (cents per share)	5	(1.08)	(0.08)

The accompanying notes form part of these financial statements.

Traffic Technologies Ltd and Controlled Entities
Consolidated Statement of Financial Position as at 30 June 2023

	Note	Consolidated 2023 \$'000	Consolidated 2022 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	17	1,182	1,012
Trade and other receivables	6	10,007	11,774
Inventories	7	15,072	15,163
Total Current Assets		26,261	27,949
Non-Current Assets			
Property, plant and equipment	8	2,504	2,251
Goodwill	9	-	1,144
Intangible assets	10	7,140	10,799
Total Non-Current Assets		9,644	14,194
TOTAL ASSETS		35,905	42,143
LIABILITIES			
Current Liabilities			
Trade and other payables	11	12,709	11,285
Interest bearing loans and borrowings	12	9,383	12,157
Provisions	14	3,207	3,221
Total Current Liabilities		25,299	26,663
Non-Current Liabilities			
Interest bearing loans and borrowings	12	3,935	861
Provisions	14	211	233
Total Non-Current Liabilities		4,146	1,094
TOTAL LIABILITIES		29,445	27,757
NET ASSETS		6,460	14,386
EQUITY			
Contributed equity	15	61,252	61,289
Accumulated losses		(54,792)	(46,903)
TOTAL EQUITY		6,460	14,386

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 2023

	Contributed Equity \$'000	Accumulated Losses \$'000	Total \$'000
Consolidated			
At 30 June 2021	54,755	(46,415)	8,340
Loss for the year	-	(488)	(488)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	(488)	(488)
Transactions with owners in their capacity as owners:			
Placement	2,170	-	2,170
Rights issue	3,400	-	3,400
Shortfall placement	1,629	-	1,629
Share issue costs	(665)	-	(665)
At 30 June 2022	61,289	(46,903)	14,386
Loss for the year	-	(7,889)	(7,889)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	(7,889)	(7,889)
Transactions with owners in their capacity as owners:			
Share issue costs	(37)	-	(37)
At 30 June 2023	61,252	(54,792)	6,460

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 2023

	Note	Consolidated 2023 \$'000	Consolidated 2022 \$'000
Cash flows from operating activities			
Receipts from customers		64,843	56,746
Payments to suppliers and employees		(59,953)	(55,624)
Interest received		13	-
Interest paid		(1,488)	(1,686)
Income tax paid		(3)	(4)
Net cash from operating activities	17	3,412	(568)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		747	29
Purchase of property, plant and equipment		(61)	(173)
Purchase of intangible assets		(2,248)	(2,193)
Purchase of businesses		(23)	(762)
Net cash from investing activities		(1,585)	(3,099)
Cash flows from financing activities			
Proceeds from issues of equity securities		-	7,198
Transaction costs relating to issues of equity securities		(37)	(665)
Proceeds from borrowings		9,013	7,857
Repayment of borrowings		(9,391)	(11,039)
Repayment of finance leases		(909)	(953)
Payment of borrowing costs		(333)	(321)
Net cash from financing activities		(1,657)	2,077
Net increase/(decrease) in cash and cash equivalents		170	(1,590)
Cash and cash equivalents at beginning of the financial year		1,012	2,602
Cash and cash equivalents at end of the financial year	17	1,182	1,012

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 2023

Traffic Technologies Ltd (the Company) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX).

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.

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. The consolidated entity has significantly reduced its exposure to debt; however, it continues to be reliant on external funding facilities to ensure it can pay its debts as and when they fall due. Although the Directors are confident that necessary funding facilities will remain in place for the foreseeable future, this represents a material uncertainty that may cast doubt regarding going concern.

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

- The trading results for the period were affected by increased costs (including unfavourable foreign exchange movements) which could not be recouped through immediate sales price rises, and supply chain delays impacting workflow. Margins are expected to improve in future periods.
- A significant part of the loss for the financial year ended 30 June 2023 related to the non-cash impairment provision against goodwill and intangible assets.
- The consolidated entity is expected to generate positive earnings before interest, tax, depreciation and amortisation (EBITDA) in the 2024 financial year.
- The consolidated entity has a strong order book and long-term customer term contracts.
- During the year the Company refinanced its facilities with a 36-month \$10 million invoice finance facility and \$5 million trade finance facility with Earlypay Ltd and extended the balance of the term loan with First Samuel to December 2025.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent entity (Traffic Technologies Ltd) and its subsidiaries. Subsidiaries are consolidated from the date on which control is obtained by the Group and cease to be consolidated 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 are consistent with the accounting policies adopted by the Group.

Business combinations are accounted for using the acquisition method. The acquisition method involves recognising at acquisition date 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.

Any contingent consideration to be transferred by the acquirer is 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 are recognised in the statement of comprehensive income. Transaction costs incurred in relation to business combinations 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 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.

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. Goodwill and intangible assets that are not yet available for use are tested annually, or more frequently if events or changes in circumstances indicate impairment. Impairment testing 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition of deferred tax assets

The extent to which deferred tax assets, temporary differences and tax losses are recognised is based on an assessment whether future taxable profits will be available to offset deductible temporary differences and tax loss carry-forwards.

Allowance for impairment loss on receivables

Where receivables are outstanding beyond the normal trading terms, the likelihood of recovery of these receivables is assessed. 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 is based on historical experience (for plant and equipment) and lease terms (for leased assets). In addition, the condition of assets is assessed 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, judgements are made 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 is used in determining this provision.

f) Revenue

Revenue from the sale of goods and the rendering of services is recognised as follows. To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and
5. Recognising revenue when performance obligations are satisfied.

Revenue is recognised either at a point in time or over time as the Group satisfies performance obligations by transferring the goods or services to its customers, as follows:

Sale of goods

Revenue from the 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.

Other income

Other income is recognised when the right to receive the income is established.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Finance costs

Finance costs are recognised using 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.

h) Income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. Current income tax expense is the tax payable on taxable income, after taking account of tax losses and other tax credits.

Deferred income tax assets are recognised for deductible temporary differences, unused tax losses and tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and 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.

i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

j) Trade and other receivables

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate 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.

k) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials – weighted average cost.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Property, plant and equipment

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:

Right-of-use assets: lease term

Plant and equipment: 10 years.

Office equipment: 5 years

Motor vehicles: 10 years

Leasehold improvements: 10 years

m) Goodwill

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 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. 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). If an impairment exists, the recoverable amount of the asset is determined. Impairment testing involves value in use calculations, which incorporate a number of key estimates and assumptions.

n) Intangible assets

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.

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.

Patents and trademarks

Patents and trademarks are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Patents and trademarks are assessed to have a finite life and are amortised over a period of 5 years.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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).

o) Trade and other payables

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 30-60 days of recognition.

p) Interest-bearing loans and borrowings

Interest-bearing 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 interest-bearing loans and borrowings. Interest-bearing loans and 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.

q) Leases

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

The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group.

The Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.

The Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease payments included in the measurement of the lease liability are made up of fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

r) Provisions

Employee benefits

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

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.

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2023

2. REVENUE AND OTHER INCOME

	Consolidated 2023 \$'000	Consolidated 2022 \$'000
Revenue		
Sale of goods – recognised at point in time	53,008	48,927
Sale of services – recognised over time	4,879	4,685
Other revenue	161	138
Revenue from contracts with customers	<u>58,048</u>	<u>53,750</u>
Other income		
Net profit on disposal of fixed assets	681	21
Other income	16	99
Total other income	<u>697</u>	<u>120</u>

3. EXPENSES

	Consolidated 2023 \$'000	Consolidated 2022 \$'000
Employee related expenses		
Wages and salaries	11,606	11,874
Superannuation (defined contribution)	1,295	1,186
Other employee benefits expense	2,946	2,743
	<u>15,847</u>	<u>15,803</u>
Other expenses		
Administrative costs	1,834	1,496
Public company costs	277	315
Impairment loss on financial assets	94	-
	<u>2,205</u>	<u>1,811</u>
Depreciation, amortisation and impairment expenses		
Depreciation	1,120	1,142
Amortisation	1,050	1,191
Impairment	6,000	-
Total depreciation amortisation and impairment expenses	<u>8,170</u>	<u>2,333</u>
Finance costs		
Interest on loans	1,488	1,758
Lease interest	191	135
Borrowing costs	80	321
Amortisation of capitalised transaction costs	46	-
Total finance costs	<u>1,805</u>	<u>2,214</u>

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2023

4. INCOME TAX

	Consolidated 2023 \$'000	Consolidated 2022 \$'000
Income Tax Expense		
Current income tax	3	4
Deferred income tax	-	-
Income tax expense reported in the statement of comprehensive income	3	4

Reconciliation of income tax expense applicable to accounting loss before income tax calculated at the statutory tax rate to aggregate income tax expense

Accounting loss before income tax	(7,886)	(484)
Income tax benefit at the Group's statutory income tax rate of 30% (2022: 30%)	(2,366)	(145)
Non-deductible expenditure	1,821	23
Other deductible expenditure	(2)	-
Non-refundable foreign tax	3	4
Prior year under/over provision	(9)	(61)
Net benefit of R&D tax incentive	626	486
Set-off of deferred tax liability	(344)	(303)
Unrecognised DTA on current year tax losses	274	-
Aggregate income tax expense	3	4

Deferred Tax Balances

	Statement of Financial Position		Statement of Profit or Loss	
	Consolidated 2023 \$'000	Consolidated 2022 \$'000	Consolidated 2023 \$'000	Consolidated 2022 \$'000
<i>Temporary differences</i>				
Intangible assets	(2,978)	(2,614)	(364)	(184)
Right of use assets	1	15	(14)	(12)
Plant and equipment	(81)	(93)	12	10
Inventory	75	76	(1)	(19)
Employee provisions	1,011	1,022	(11)	(58)
Warranty provisions	14	14	-	-
Credit notes	19	18	1	1
Prepayments	-	(4)	4	(4)
Doubtful debts	56	32	24	-
Foreign exchange	-	-	-	-
Other capital expenditure	30	40	(10)	-
Other accruals and provisions	134	118	16	77
Deferred tax liability	(1,719)	(1,376)	(343)	(189)
Set-off of deferred tax assets and liabilities	1,719	1,376	343	189
Net deferred tax assets and liabilities	-	-	-	-

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2023

4. INCOME TAX (continued)

Consolidated 2023 \$'000	Consolidated 2022 \$'000
--------------------------------	--------------------------------

The following tax losses have not been recognised as a deferred tax asset:

Carried forward tax offsets	1,726	1,280
Unrecognised deferred tax assets	1,726	1,280

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 19.

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.

5. EARNINGS PER SHARE

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:

Earnings used in calculating earnings per share	Consolidated 2023 \$'000	Consolidated 2022 \$'000
For basic and diluted earnings per share:		
Net loss attributable to ordinary equity holders of the parent	(7,889)	(488)

Weighted average number of shares

	Consolidated 2023 Thousands	Consolidated 2022 Thousands
Weighted average number of ordinary shares used in calculating basic earnings per share	733,355	620,218
Weighted average number of ordinary shares adjusted for the effect of dilution	733,355	620,218

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 2023 (2022: nil).

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2023

6. TRADE AND OTHER RECEIVABLES

	Consolidated 2023 \$'000	Consolidated 2022 \$'000
Trade receivables	8,339	9,418
Allowance for credit loss	(186)	(106)
	<u>8,153</u>	<u>9,312</u>
Prepaid stock	671	1,447
Other prepayments	640	697
Other receivables	543	318
	<u>10,007</u>	<u>11,774</u>
Ageing of trade receivables:		
1- 30 days	5,942	5,857
31-60 days	1,562	2,469
61-90 days	440	882
91 days and over	395	210
	<u>8,339</u>	<u>9,418</u>
Movement in provision for credit loss:		
Balance at the beginning of the year	106	104
Charge for the year	94	2
Amounts recovered during the year	(1)	-
Amounts written off as uncollectible	(13)	-
Balance at the end of the year	<u>186</u>	<u>106</u>

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, the Group's credit loss experience over the previous five years and the overall quality of the Group's trade receivables.

7. INVENTORIES

	Consolidated 2023 \$'000	Consolidated 2022 \$'000
Raw materials	6,230	6,501
Work in progress and sub-assemblies	2,958	2,518
Finished goods	5,884	6,144
	<u>15,072</u>	<u>15,163</u>

Raw materials comprise stock items and components purchased for use in the manufacturing process. Work in progress and sub-assemblies comprise partially manufactured goods at various stages of the manufacturing process. Finished goods are completed goods available for sale.

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2023

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 2021 net book value	315	491	943	1,749
Additions	435	1,044	173	1,652
Disposals	(7)	-	(1)	(8)
Depreciation expense	(115)	(792)	(235)	(1,142)
At 30 June 2022 net book value	628	743	880	2,251
Additions	52	1,326	60	1,438
Disposals	-	-	(66)	(66)
Depreciation expense	(115)	(814)	(190)	(1,119)
At 30 June 2023 net book value	565	1,255	684	2,504
Carrying amounts				
At 30 June 2022				
Cost	1,068	2,492	8,456	12,016
Accumulated depreciation	(440)	(1,749)	(7,576)	(9,765)
Carrying amounts at 30 June 2022	628	743	880	2,251
At 30 June 2023				
Cost	1,121	3,817	8,180	13,118
Accumulated depreciation	(556)	(2,562)	(7,496)	(10,614)
Carrying amounts at 30 June 2023	565	1,255	684	2,504

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
For the year ended 30 June 2023

9. GOODWILL

	Consolidated 2023 \$'000	Consolidated 2022 \$'000
Carrying amounts of goodwill allocated to each cash-generating unit		
<u>Signals</u>		
Carrying amount brought forward	18	18
Less: Impairment expense (see note 10)	(18)	-
Carrying amount carried forward	-	18
<u>Installation and maintenance</u>		
Carrying amount brought forward	1,126	1,126
Less: Impairment expense (see note 10)	(1,126)	-
Carrying amount carried forward	-	1,126
Total carrying amount	-	1,144

Impairment of Goodwill and Intangible Assets

The Group performed impairment testing as at 30 June 2023 and 30 June 2022. Management has considered the sensitivity of value in use calculations to changes in assumptions.

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).

The Group identified three cash-generating units (CGU's) which are Signals, Installation and Maintenance, and Controllers. Signals CGU specialises in the design, manufacture and installation of traffic signals, portable roadside technology, variable message signs (VMS) emergency telephones and road lighting. Controllers CGU develops and manufactures traffic controllers. Installation and maintenance CGU provides installation and maintenance traffic products.

The recoverable amount of each cash-generating unit has been determined based on a value in use calculation using post-tax cash flow projections based on financial budget revenue forecasts prepared by management covering a one-year period, with the following key assumptions for all three CGU's referred to below:

	2023	2022
Growth rate beyond budget period (years 2-5)	5%	5%
Growth rate beyond 5 years	3%	3%
Post-tax discount rate (WACC)	16.3%	13.3%

As at 30 June 2023, the market capitalisation of the Group was below the book value of its equity and operating profit from the CGU's was lower than budget, indicating potential impairment of goodwill and intangible assets. The Group calculated the recoverable amount of each CGU at that date and recognised an impairment expense (\$6.0m) against the carrying value of goodwill and intangible assets so that each CGU was measured at its recoverable amount.

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2023

9. GOODWILL (continued)

The CGU's affected by impairment testing were:

Signals - \$2.3m impairment of development costs (see notes 9 and 10)

Installation and maintenance – \$1.1m impairment of goodwill (see note 9)

Controllers – \$2.6m impairment of development costs and software costs (see note 10)

.

10. INTANGIBLE ASSETS

Consolidated	Development Costs \$'000	Software Costs \$'000	Patents & Trademarks \$'000	Total \$'000
Movement in carrying amounts				
At 1 July 2021 net book value	9,720	40	36	9,796
Additions	2,015	156	23	2,194
Amortisation	(994)	(175)	(22)	(1,191)
At 30 June 2022 net book value	10,741	21	37	10,799
Additions	1,996	232	20	2,248
Amortisation	(861)	(170)	(20)	(1,051)
Impairment	(4,855)	(1)	-	(4,856)
At 30 June 2023 net book value	7,021	82	37	7,140
Carrying amounts				
At 30 June 2022				
Cost	20,961	2,308	573	23,842
Accumulated amortisation	(10,220)	(2,287)	(536)	(13,043)
Carrying amounts at 30 June 2022	10,741	21	37	10,799
At 30 June 2023				
Cost	22,955	2,540	593	26,088
Accumulated amortisation	(15,934)	(2,458)	(556)	(18,948)
Carrying amounts at 30 June 2023	7,021	82	37	7,140

11. TRADE AND OTHER PAYABLES

	Consolidated 2023 \$'000	Consolidated 2022 \$'000
Trade creditors	9,066	6,927
Sundry creditors and accruals	3,643	4,358
	<u>12,709</u>	<u>11,285</u>

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2023

12. INTEREST BEARING LOANS AND BORROWINGS

		Consolidated 2023 \$'000	Consolidated 2022 \$'000
Note			
Current borrowings			
Term loan (ADM Capital)		-	1,274
Debtor & trade finance facility (Early Pay)		7,258	-
Debtor & trade finance facility (Timelio)		-	6,907
Term loan (First Samuel)		1,000	3,500
Unsecured loan (Directors)		500	-
Equipment lease liabilities	13	158	113
Property lease liabilities	13	467	363
		<u>9,383</u>	<u>12,157</u>
Non-current borrowings			
Trade finance facility (Early Pay)		840	-
Term loan (First Samuel)		2,000	-
Unsecured loans (Directors)		200	-
Equipment lease liabilities	13	390	431
Property lease liabilities	13	791	430
Capitalised borrowing costs		(286)	-
		<u>3,935</u>	<u>861</u>
Financing facilities available			
<i>Total facilities at reporting date</i>			
Term debt facility (ADM Capital)		-	1,274
Debtor & trade finance facility (Timelio)		-	9,000
Debtor & trade finance facility (Early Pay)		14,000	-
Term loan (First Samuel)		3,000	3,500
Unsecured loans (Directors)		700	-
Bank guarantee facility (Westpac)		254	265
		<u>17,954</u>	<u>14,039</u>
<i>Facilities used at reporting date</i>			
Term debt facility (ADM Capital)		-	1,274
Debtor & trade finance facility (Timelio)		-	6,907
Debtor & trade finance facility (Early Pay)		8,098	-
Term loan (First Samuel)		3,000	3,500
Unsecured loans (Directors)		700	-
Bank guarantee facility (Westpac)		254	181
		<u>12,052</u>	<u>11,862</u>
<i>Facilities unused at reporting date</i>			
Term debt facility (ADM Capital)		-	-
Debtor & trade finance facility (Timelio)		-	2,093
Debtor & trade finance facility (Early Pay)		5,902	-
Term loan (First Samuel)		-	-
Unsecured loans (Directors)		-	-
Bank guarantee facility (Westpac)		-	84
		<u>5,902</u>	<u>2,177</u>

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2023

12. INTEREST BEARING LOANS AND BORROWINGS (continued)

Terms and conditions relating to the above financial instruments

Lender	Early Pay	First Samuel	Unsecured loans
Facility Amount	\$14.0m+	\$3.0m+	\$0.7m
Facility Type	Debtor & trade finance	Term loan	Related party loans
Interest	11.1%-12.65% + fees	12%	13%
Expiry	17 January 2026	15 December 2025	28 February 2025
Security	First ranking charge	Second ranking charge	Unsecured

+ First Samuel loan reducing to \$2.0m in July and October 2023 with a further \$1.0m to be refinanced by Early Pay.

Previous facilities with ADM Capital and Timelio were extinguished during the year.

13. LEASE LIABILITIES

	Consolidated 2023 \$'000	Consolidated 2022 \$'000
Current		
Equipment leases	158	113
Property leases	467	363
	<u>625</u>	<u>476</u>
Non-current		
Equipment leases	390	431
Property leases	791	430
	<u>1,181</u>	<u>861</u>
Total	<u>1,806</u>	<u>1,337</u>
Lease liability commitments payable		
Less than one year	815	589
Later than one year but less than five years	1,375	947
	<u>2,190</u>	<u>1,536</u>
Less future finance charges	(384)	(199)
Total lease liabilities	<u>1,806</u>	<u>1,337</u>

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 2023 \$'000	Consolidated 2022 \$'000
Short-term property lease expense	669	767

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2023

14. PROVISIONS

	Consolidated 2023 \$'000	Consolidated 2022 \$'000
Current		
Employee benefits	3,160	3,174
Warranty provision	47	47
	<hr/> 3,207	<hr/> 3,221
Non-current		
Employee benefits	211	233
	<hr/>	<hr/>

15. CONTRIBUTED EQUITY

	No. of Shares '000	\$'000
Ordinary shares		
At 30 June 2022	722,170	61,289
Placement	35,500	-
Share issue costs	-	(37)
	<hr/>	<hr/>
At 30 June 2023	757,670	61,252
	<hr/>	<hr/>

In March 2023 the Company entered into an At-The-Market (ATM) subscription facility with Dolphin Corporate Investments (DCI). The ATM facility provides TTI with up to \$3,000,000 of standby equity over the next 3 years. The Company issued DCI with 35,500,000 shares as collateral under the ATM agreement from its LR7.1 capacity at nil consideration to DCI. The Company may, at any time, buy back the collateral shares for no consideration (subject to shareholder approval).

In the event the Company utilises the ATM facility, the Company is able to set its own floor price and the final issue price will be calculated as the greater of the floor price set or a 5.5% discount to the Volume Weighted Average Price (VWAP) achieved by DCI over a period of the Company's election and sole discretion.

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.

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2023

16. 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 facilities, equipment and property leases, hire purchase contracts, cash and short-term deposits. The totals for each category of financial instruments are as follows:

	Consolidated 2023 \$'000	Consolidated 2022 \$'000
Financial assets		
Cash and cash equivalents	1,182	1,012
Trade and other receivables	10,007	11,854
Total financial assets	11,189	12,866
Financial liabilities		
Trade and other payables	(12,709)	(11,365)
Financial liabilities at amortised cost	(13,318)	(13,018)
Total financial liabilities	(26,027)	(24,383)

Fair values

The carrying amount of financial assets and liabilities recorded in the financial statements represents their respective fair values, determined in accordance with the accounting policies disclosed in note 1 to the financial statements.

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:

	Consolidated 2023 \$'000	Consolidated 2022 \$'000
Financial assets		
Cash and cash equivalents	1,182	1,012
Total financial assets	1,182	1,012
Financial liabilities		
Loan facilities	(3,700)	(4,774)
Debtor and trade finance	(8,098)	(6,907)
Equipment lease liabilities	(548)	(544)
Property lease liabilities	(1,258)	(793)
Capitalised borrowing costs	286	-
Total financial liabilities	(13,318)	(13,018)

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2023

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt and debtor and trade finance obligations. At 30 June 2023 61% of the Group's borrowings were at a variable rate of interest (2022: 53%). 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.

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, debtor and trade finance and lease liabilities.

Maturity analysis of financial liabilities

	≤ 6 months \$'000	6-12 months \$'000	1 – 5 years \$'000	> 5 years \$'000	Total \$'000
Year ended 30 June 2023					
Payables	12,709	-	-	-	12,709
Interest bearing loans & borrowings	9,089	360	3,464	-	12,913
Finance lease liabilities	313	313	1,181	-	1,807
Bank guarantees	-	-	254	-	254
Total financial liabilities	22,111	673	4,899	-	27,683
Year ended 30 June 2022					
Payables	11,285	-	-	-	11,285
Interest bearing loans & borrowings	12,220	363	385	-	12,968
Finance lease liabilities	589	474	474	-	1,537
Bank guarantees	-	-	181	-	181
Total financial liabilities	24,094	837	1,040	-	25,971

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2023

16. 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.

Sensitivity Analysis

The following table illustrates sensitivities to the Group's exposure to changes in interest rates on borrowings and exchange rates on purchases.

	Profit/(loss)	Equity
	\$'000	\$'000
Year ended 30 June 2023		
+/- 1% change in interest rates	+/- 81	+/- 81
+/- 5% change in AUD/USD exchange rate	+/- 1,228	+/- 1,228
Year ended 30 June 2022		
+/-1% change in interest rates	+/- 72	+/- 72
+/- 5% change in AUD/USD exchange rate	+/- 978	+/- 978

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2023

17. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of cash	Consolidated 2023 \$'000	Consolidated 2022 \$'000
Cash at bank and on hand	1,182	1,012
Reconciliation of loss after tax to net cash flows from operations		
Net loss	(7,889)	(488)
Adjustments for:		
Depreciation and amortisation of non-current assets	2,170	2,333
Impairment of goodwill and intangible assets	6,000	-
Profit on sale of fixed assets	(681)	(21)
Foreign exchange loss/(gain)	(4)	(7)
Amortisation of capitalised borrowing costs	46	-
Doubtful debts expense	94	-
Stock obsolescence (benefit)/expense	(3)	(64)
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	1,768	(2,299)
(Increase)/decrease in inventories	91	(2,987)
Increase/(decrease) in trade and other payables	1,856	2,874
Increase/(decrease) in provisions	(36)	91
Net cash from operating activities	3,412	(568)

Non-cash financing and investing activities

During the year the Group acquired property, plant and equipment (excluding property right-of-use assets) with an aggregate value of \$52,122 (2022: \$435,012) by means of leases.

18. CLAIMS AND CONTINGENCIES

Guarantees

The Company was a party to a deed of cross guarantee with its wholly-owned subsidiaries. However, none of the subsidiaries meet the large companies threshold. At this stage, the deed has no effect. 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.

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2023

19. 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 2023 %	Interest the Group 2022 %
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, streetlights 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	Installation & maintenance	100	100

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2023

20. RELATED PARTY TRANSACTIONS

Transactions with Shareholders

First Samuel Limited (one of the Company's lenders – see note 12) holds 36,947,085 ordinary shares in the Company.

Transactions with Directors or Director-related entities

Managing Director Mr. Liosatos and Chairman Mr. Hardgrave have provided unsecured loans of \$100,000 each to the Company; the loans are repayable on 28 February 2025 and carry an interest rate of 13%. In addition, an entity associated with Mr. Con Liosatos has provided a short-term loan of \$500,000 to the Company. After the on-charge of interest costs and bank charges, no profit has been made by the related party.

Inventory was purchased from an entity associated with Mr. Liosatos amounting to \$14,704 (2022: nil), with \$14,704 included in trade payables at 30 June 2023 (2022: nil).

21. SUBSEQUENT EVENTS

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

22. AUDITOR'S REMUNERATION

	Consolidated 2023 \$	Consolidated 2022 \$
Amounts received or due and receivable by:		
Grant Thornton, for the audit of the financial report	108,500	99,000

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2023

23. 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 2023 \$	Consolidated 2022 \$
<i>Compensation by Category:</i>		
<i>Key Management Personnel</i>		
Short-term employee benefits	982,119	942,857
Post-employment benefits	74,249	68,934
Other long-term benefits	18,382	15,873
Total	<u>1,074,750</u>	<u>1,027,664</u>

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 2023 or at the date of this report (2022: 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

There were no loans to key management personnel.

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2023

24. SEGMENT INFORMATION

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.

Revenue from government agencies accounted for 21% of sales (2022: 26%). Revenue from the largest non-government customer accounted for 9% (2022: 6%) of sales.

The Group operates predominately in Australia.

Revenue by geographic location:

	Consolidated 2023 \$'000	Consolidated 2022 \$'000
Australia	53,910	48,674
Overseas	4,138	5,076
Total	58,048	53,750

25. PARENT ENTITY DISCLOSURES

	2023 \$'000	2022 \$'000
Current assets	4,787	3,169
Total assets	52,723	51,012
Current liabilities	72,571	66,326
Total liabilities	76,055	71,165
Issued capital	61,252	61,289
Retained earnings	(84,584)	(81,442)
Total shareholders' equity	(23,332)	(20,153)
Loss of the parent entity	(3,141)	(3,598)
Total comprehensive income of the parent entity	(3,141)	(3,598)
Guarantees entered into by the parent entity in relation to debts of its subsidiaries	9,740	6,907

Traffic Technologies Ltd
Directors' Declaration
For the year ended 30 June 2023

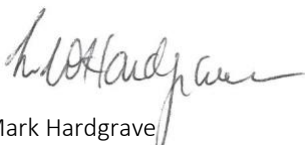
DIRECTORS' DECLARATION

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 2023 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.

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
24 August 2023

ASX Additional Information
As at 11 August 2023

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 2023.

a) Distribution of Shareholdings

	<u>Ordinary Shares</u>	
	Number of Holders	Number of Shares
1 - 1,000	157	22,205
1,001 - 5,000	30	80,148
5,001 - 10,000	39	343,292
10,001 - 100,000	549	25,416,914
100,001 and over	499	731,807,629
	1,274	757,670,188
Holdings less than a marketable parcel	530	8,116,885

b) Twenty Largest Shareholders

	Name	No. of Shares	% Held
1	RSAM INVESTMENTS PTY LTD <RM INVESTMENT A/C>	50,148,883	6.62%
2	FIRST SAMUEL LTD ACN 086243567 <ANF ITS MDA CLIENTS A/C>	36,947,085	4.88%
3	DOLPHIN CORPORATE INVESTMENTS PTY LTD	35,500,000	4.69%
4	ANNLEW INVESTMENTS PTY LTD <ANNLEW INVESTMENTS PL SF A/C>	34,400,000	4.54%
5	MR LAMBROU LIOSATOU*	27,950,475	3.69%
6	MR ROBERT SCOTT ANTHONY MINNEY	20,257,821	2.67%
7	MR PETER GEOFFREY HOLLICK + MS HELEN THERESE PATTINSON <MACDY NO 5 SUPER FUND A/C>	20,000,000	2.64%
8	BROWNLOW PTY LTD	17,722,499	2.34%
9	BANNABY INVESTMENTS PTY LTD <BANNABY SUPER FUND A/C>	17,606,063	2.32%
10	LIOSATOS SUPERANNUATION PTY LTD <LIOSATOS S/F A/C>*	17,362,162	2.29%
11	GP MANAGEMENT P/L <G&R S/F A/C>	16,174,890	2.13%
12	MR MOHAMMED ABOU-EID	15,500,000	2.05%
13	CLAPSY PTY LTD <BARON SUPER FUND A/C>	14,848,359	1.96%
14	MRS TRUDI MILNE	12,500,000	1.65%
15	DOLPHIN CAPITAL PARTNERS PTY LTD	12,000,000	1.58%
16	MORGRAE PTY LTD <HUMPHREY S/F A/C>	11,500,000	1.52%
17	BERKSHIRE NOMINEES PTY LTD <BERKSHIRE FAMILY A/C>	11,064,003	1.46%
18	MR MORGAN LITTLEWOOD	8,006,343	1.06%
19	HEDDERWICK PTY LTD	6,569,139	0.87%
20	MR VINCENT GALANTE + MRS RUTH ELIZABETH LEAMING	6,446,356	0.85%
	Total	392,504,078	51.80%

* Associated with Directors.

ASX Additional Information
As at 11 August 2023

c) Substantial Shareholders (greater than 5%)

Holder Name	Ordinary Shares	
	Number	%
Mr. Robert Minney	70,406,704	9.29
Mr. Con Liosatos	45,312,637	5.98

d) Voting Rights

All ordinary shares carry one vote per share without restriction.

e) Ordinary shares subject to voluntary escrow restrictions

None.

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Independent Auditor's Report

To the Members of Traffic Technologies Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Traffic Technologies Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, 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 2023 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 (including Independence Standards)* (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.

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Material uncertainty related to going concern

We draw attention to Note 1(c) in the financial statements, which indicates that the Group has incurred a trading loss and continues to be reliant on external funding. As stated in Note 1(c), these events or conditions, along with other matters as set forth in Note 1(c), 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 intangible assets (Note 9, 10)	
<p>As at 30th June 2023, prior to the recorded provision for impairment, the Group carried goodwill at \$1,144,000, capitalised development costs at \$11,874,000, patents and trademarks at \$38,900 and software costs at \$83,400 at 30 June 2023.</p> <p>Management recorded a provision for impairment of intangible assets of \$6,000,000 which comprises impairment of goodwill of \$1,144,000, development costs of \$4,855,000 and software costs of \$1,000.</p> <p>AASB 136 <i>Impairment of Assets</i> prescribes Goodwill to be assessed for impairment annually by Management and, in addition, requires Management to perform annual impairment testing for intangible assets not yet available for use.</p> <p>Per AASB 136, management must allocate non-financial assets, including goodwill and other intangible assets, to CGUs for impairment testing. Management evaluates each CGU for impairment by comparing the carrying amount with the recoverable amount. The recoverable amount is determined by the higher value of its fair value less costs of disposal and its value-in-use.</p> <p>The Group determined the recoverable amount using a discounted cash flow model (value-in-use). This method involves making significant estimates and judgements, including forecasting future cash flows.</p> <p>This area is a key audit matter due to the significant balance carried by the Group and the complexity, subjectivity, and estimation uncertainty involved in estimating the recoverable amount.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none">• 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;• Evaluate Management's assessment of impairment indicators for intangible assets previously capitalised;• Evaluating Management's value-in-use models by:<ul style="list-style-type: none">– Testing the mathematical accuracy of the calculations;– Challenging the appropriateness of Management's revenue and cost forecasts including comparing the forecast cash flows to historical growth rates achieved;– Assessing management's estimates and judgements for growth rates applied; and– Assessing the appropriateness of discount rates applied to forecasted future cash flows.• Performing sensitivity analysis on the significant inputs and assumptions within the models; and• Comparing the recorded impairment provision to the model and evaluating if it is reasonable;• Assessing the adequacy of financial statement disclosures• Assessing the appropriateness of discount rates applied to forecasted future cash flows. We have tested that the discount rate used is within the range advised by our Corporate Finance expert for this group, adjusted for movements in the cash rate during the year.

Capitalised development costs (Note 10)

The Group capitalises costs directly attributable to traffic product development in accordance with AASB 138 *Intangible Assets*.

Development costs are directly attributable to the development of new products are capitalised and presented as intangible assets on the consolidated statement of financial position. The carrying development costs as at 30 June 2023 amounts to \$11,874,000.

Judgement is required in determining whether the costs meet the capitalisation criteria under AASB 138 *Intangible Assets*. The measurement of capitalised development costs by the Group is based on the time and overhead costs associated with individuals employed by the Group for the specific purpose of developing new products. Capitalised development costs are amortised over a useful life of five years.

Product development is core to the Group's operations, and it is a key asset on the Group's consolidated statement of financial position. Given the subjectivity and judgement applied by the Group to meet the requirements of AASB 138 with respect to capitalisable expenditure, we determined this area a key audit matter.

Our procedures included, amongst others:

- Obtaining an understanding of internal processes and controls, including reviewing Management's capitalisation policy for compliance with AASB 138;
- Testing a sample of costs capitalised in the year and vouching to supporting documentation against the criteria of AASB 138;
- Evaluating the Group's position that the underlying assets are in the development phase, are technically feasible, will generate probable future economic benefits, and the ability to bring the asset to completion for use or sale, amongst other requirements of AASB 138;
- Inquiring of Management to understand the nature and status of key projects;
- Assessing Management's useful economic life determination, including amortisation charge for consistency with accounting policies adopted; and
- Assessing the adequacy of 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 2023, 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

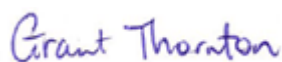
Opinion on the remuneration report

We have audited the Remuneration Report included in pages 10 to 12 of the Directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Traffic Technologies Limited, for the year ended 30 June 2023 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, 24 August 2023





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