



PRELIMINARY FINAL REPORT FOR

THE YEAR ENDED 30 JUNE 2024



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

**PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024
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 2024	30 June 2023
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Results for announcement to the market

Continuing Operations			A\$'000
Revenues from ordinary activities (<i>item 2.1</i>)	Down	45% to	\$31,858
Earnings before interest and tax	Down	121% to	(\$13,460)
Profit/(loss) from ordinary activities after tax attributable to members (<i>item 2.2</i>)	Down	94% to	(\$15,275)
Net profit/(loss) for the period attributable to members (<i>item 2.3</i>)	Down	94% to	(\$15,275)
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):

Operating Result

The Group has faced a number of significant challenges over the past year including supply chain issues, government delays on projects and capital constraints within the Group's existing working capital facilities, with the result that trading revenue for the year ended 30 June 2024 was \$31.9m, compared to \$58.0m in the previous financial year which led to an EBITDA loss for the 2024 financial year of \$7.9m (2023: profit \$2.1m).

Finance costs remained \$1.8m (2023: \$1.8m) despite lower debt, due to higher interest rates.

In light of the weaker than expected result for the year and higher interest rates which have 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 a further impairment provision against the value of intangible assets in the 30 June 2024 financial statements.

NPAT was a loss of \$15.3m (2023: loss \$7.9m), after allowing for an impairment provision of \$3.0m.

Despite the FY24 result the outlook is positive and the Group is expected to return to its growth path in the year ahead for the following reasons:

- The Group is addressing the composition of its working capital facilities to ensure a more appropriate facility structure in line with the requirements of the business.
- The Company announced on 28 August 2024 that it had entered into binding agreements for the refinancing of its existing debt facilities. The agreement also includes a placement of new shares in the Company to improve its working capital position to fund its ongoing operations (see note 11).
- Demand for the Group's products and services continues to be strong with significant investment in road infrastructure programs announced by Federal and State governments.
- The Group has a strong order book with customer term contracts extending up to 5 years.
- The Group's cost reduction program is enabling the Group's cost base to be reduced and has started to deliver a positive impact.
- The consolidation of properties and reorganization of manufacturing in Victoria has been completed.

Financial Position

Net assets were a deficit of \$7.6m at 30 June 2024 compared to a surplus of \$6.5m at 30 June 2023, reflecting the net loss for the year including the impairment provision. Inventory reduced significantly in the financial year from \$15.1m at 30 June 2023 to \$9.2m at 30 June 2024.

Net debt, excluding liabilities associated with capitalised property leases, reduced by 24% to \$8.3m at 30 June 2024, from \$10.9m at 30 June 2023.

Cash Flow

Net operating cash inflows were \$4.1m for the year (2023: inflow \$3.4m). Receipts from customers for the year were \$40.7m (2023: \$64.8m), reflecting lower sales for the year. Cash flow continues to be affected by the need to prepay overseas suppliers to secure parts required to fulfil the Group's pipeline of new customer contracts.

Net investing cash outflow was \$1.5m for the year (2023 outflow \$1.6m), including investment in the development of the Group's Smart City software and product portfolio.

Net financing cash outflow was \$3.3m for the year (2023: outflow \$1.7m), including net repayment of debt \$4.5m, partially offset by capital raisings of \$1.3m.

Other Information

1. Net Tangible Asset Backing

	As at 30 June 2024	As at 30 June 2023
Net tangible assets per share	(1.2) cents	(0.1) cents

2. Dividends

No dividends have been declared in respect of the year ended 30 June 2024 (2023: Nil). Total dividend Nil (2023: 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 unaudited preliminary financial report is attached.

4. Corporate Information

Directors

Mr. Cary Stynes
Mr. Con Liosatos
Mr. Luke Donnellan
Mr. Youmin (Peter) Wu

Company Secretary

Mr. Peter Crafter

Chief Financial Officer

Mr. Joerg Poetzinger

Registered Office and Principal Place of Business

Traffic Technologies Ltd
320 Darebin Road
Fairfield VIC 3078

Share Register

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

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

Traffic Technologies Ltd – Appendix 4E Preliminary Final Report
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2024

	Note	Consolidated 2024 \$'000	Consolidated 2023 \$'000
Revenue	2	31,858	58,048
Other income	2	116	697
Changes in inventories of finished goods and work in progress		(5,901)	(91)
Raw materials and consumables used		(14,226)	(36,881)
Employee benefits expense		(14,876)	(15,847)
Occupancy costs		(1,984)	(1,596)
Advertising and marketing expense		(36)	(36)
Other expenses		(2,836)	(2,205)
Depreciation and amortisation expense		(2,575)	(2,170)
Impairment expense	6	(3,000)	(6,000)
Earnings/(loss) before interest and tax (EBIT)		(13,460)	(6,081)
Finance costs		(1,812)	(1,805)
Net loss for the year before income tax		(15,272)	(7,886)
Income tax expense		(3)	(3)
Net loss for the year		(15,275)	(7,889)
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year		(15,275)	(7,889)
Loss per share		Cents	Cents
- Basic (cents per share)	3	(1.91)	(1.08)
- Diluted (cents per share)	3	(1.91)	(1.08)

The accompanying notes form part of these financial statements.

Traffic Technologies Ltd – Appendix 4E Preliminary Final Report
Consolidated Statement of Financial Position as at 30 June 2024

	Note	Consolidated 2024 \$'000	Consolidated 2023 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	10	455	1,182
Trade and other receivables	4	4,058	10,007
Inventories	5	9,171	15,072
Total Current Assets		13,684	26,261
Non-Current Assets			
Property, plant and equipment		3,423	2,504
Intangible assets	6	3,920	7,140
Total Non-Current Assets		7,343	9,644
TOTAL ASSETS		21,027	35,905
LIABILITIES			
Current Liabilities			
Trade and other payables	7	14,491	12,709
Interest bearing loans and borrowings	8	5,281	9,383
Provisions		2,740	3,207
Total Current Liabilities		22,512	25,299
Non-Current Liabilities			
Interest bearing loans and borrowings	8	5,899	3,935
Provisions		202	211
Total Non-Current Liabilities		6,101	4,146
TOTAL LIABILITIES		28,613	29,445
NET ASSETS/(LIABILITIES)		(7,586)	6,460
EQUITY			
Contributed equity	9	62,481	61,252
Accumulated losses		(70,067)	(54,792)
TOTAL EQUITY		(7,586)	6,460

The accompanying notes form part of these financial statements.

Traffic Technologies Ltd – Appendix 4E Preliminary Final Report
Consolidated Statement of Changes in Equity For the year ended 30 June 2024

	Contributed Equity \$'000	Accumulated Losses \$'000	Total \$'000
Consolidated			
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
Loss for the year	-	(15,275)	(15,275)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	(15,275)	(15,275)
Transactions with owners in their capacity as owners:			
Placement	705	-	705
Share Purchase Plan	329	-	329
Shortfall Placement	300	-	300
Share issue costs	(105)	-	(105)
At 30 June 2024	62,481	(70,067)	(7,586)

The accompanying notes form part of these financial statements.

Traffic Technologies Ltd – Appendix 4E Preliminary Final Report
Consolidated Statement of Cash Flows For the year ended 30 June 2024

		Consolidated 2024 \$'000	Consolidated 2023 \$'000
Cash flows from operating activities			
Receipts from customers		40,733	64,843
Payments to suppliers and employees		(35,274)	(59,953)
Interest received		23	13
Interest paid		(1,398)	(1,488)
Income tax paid		(3)	(3)
Net cash from operating activities	10	4,081	3,412
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		98	747
Purchase of property, plant and equipment		(323)	(61)
Purchase of intangible assets		(1,319)	(2,248)
Purchase of businesses		-	(23)
Net cash from investing activities		(1,544)	(1,585)
Cash flows from financing activities			
Proceeds from issues of equity securities		1,333	-
Transaction costs relating to issues of equity securities		(104)	(37)
Proceeds from borrowings		700	9,013
Repayment of borrowings		(4,116)	(9,391)
Repayment of finance leases		(1,077)	(909)
Payment of borrowing costs		-	(333)
Net cash from financing activities		(3,264)	(1,657)
Net increase/(decrease) in cash and cash equivalents		(727)	170
Cash and cash equivalents at beginning of the financial year		1,182	1,012
Cash and cash equivalents at end of the financial year	10	455	1,182

The accompanying notes form part of these financial statements.

Traffic Technologies Ltd – Appendix 4E Preliminary Final Report
Notes to the Consolidated Financial Statements
For the year ended 30 June 2024

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

a) Basis of Preparation of Preliminary Final Report

This financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full report.

This financial report should be read in conjunction with the annual financial report of Traffic Technologies Limited and its controlled entities (the Group) as at 30 June 2023. The annual financial report of the Group is a general purpose financial report prepared in accordance with Australian Accounting Standards and the Corporations Act 2001. It is also recommended that this financial report be considered together with any public announcements made by Traffic Technologies Limited and its controlled entities during the year ended 30 June 2024 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001. The financial report has been prepared on an accruals basis and under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies. The significant accounting policies adopted by the Group are contained within the annual financial report of the Group.

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 incurred a loss for the year and is reliant on capital raising and external funding facilities to ensure it can pay its debts as and when they fall due. Although the Directors are satisfied that necessary funding facilities are likely to be available, this represents a material uncertainty that may cast significant 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 consolidated entity has a significant order book and a significant number of long-term customer contracts.
- The Company announced on 28 August 2024 that it had entered into binding agreements for the refinancing of its existing debt facilities. The agreement also includes a placement of new shares in the Company to improve its working capital position to fund its ongoing operations. The key terms of the refinancing of the debt facility and placement can be summarised as follows:
 - TTI entering a 3-year convertible note agreement for US\$3m (approx. AUD \$4.5m) and a manufacturing service agreement with a Hong Kong-based electronic manufacturing services provider, the Season Group.
 - Season Group taking a share placement in TTI of A\$904,783 through the issue of approximately 146 million shares at A\$0.0062 (0.62 cents) per share.
 - TTI entering a 3-year convertible note agreement for A\$1m, a A\$0.5m equity conversion and a A\$0.5m debt facility with First Samuel Ltd to replace its existing \$2m term loan.
- The consolidated entity is in discussions regarding the potential divestment of certain parts of its business to streamline its operations and enable the redirection of capital to the core parts of its business operations.
- The consolidated entity is actioning a cost reduction program to reduce its cost base.
- The consolidated entity has a demonstrable ability to raise additional capital with significant additional equity having been raised over the past 20 years.

The Company will call an Extraordinary General Meeting of shareholders to seek the necessary approvals to give effect to the refinancing.

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Notes to the Consolidated Financial Statements
For the year ended 30 June 2024

2. REVENUE AND OTHER INCOME

	Consolidated 2024 \$'000	Consolidated 2023 \$'000
Revenue		
Sale of goods – recognised at point in time	28,243	53,008
Sale of services – recognised over time	3,361	4,879
Other revenue	254	161
Revenue from contracts with customers	31,858	58,048
Other income		
Net profit on disposal of fixed assets	42	681
Other income	74	16
Total other income	116	697

3. EARNINGS PER SHARE

	Consolidated 2024 \$'000	Consolidated 2023 \$'000
Earnings used in calculating earnings per share		
For basic and diluted earnings per share:		
Net loss attributable to ordinary equity holders of the parent	(15,275)	(7,889)

Weighted average number of shares

	Consolidated 2024 Thousands	Consolidated 2023 Thousands
Weighted average number of ordinary shares used in calculating basic earnings per share	798,637	733,355
Weighted average number of ordinary shares adjusted for the effect of dilution	798,637	733,355

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For the year ended 30 June 2024

4. TRADE AND OTHER RECEIVABLES

	Consolidated 2024 \$'000	Consolidated 2023 \$'000
Trade receivables	3,028	8,339
Allowance for impairment loss	(186)	(186)
	2,842	8,153
Prepaid stock	412	671
Other prepayments	243	640
Other receivables	561	543
	4,058	10,007

5. INVENTORIES

	Consolidated 2024 \$'000	Consolidated 2023 \$'000
Raw materials	3,062	6,230
Work in progress and sub-assemblies	2,470	2,958
Finished goods	3,639	5,884
	9,171	15,072

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For the year ended 30 June 2024

6. INTANGIBLE ASSETS

Consolidated	Development Costs \$'000	Software Costs \$'000	Patents & Trademarks \$'000	Total \$'000
Movement in Carrying Amounts				
At 1 July 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
Additions	1,185	115	19	1,319
Amortisation	(1,363)	(155)	(21)	(1,539)
Impairment	(3,000)	-	-	(3,000)
At 30 June 2024 net book value	3,843	42	35	3,920
Carrying Amounts				
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
At 30 June 2024				
Cost	16,285	2,656	612	19,553
Accumulated amortisation	(12,442)	(2,614)	(577)	(15,633)
Carrying amounts at 30 June 2024	3,843	42	35	3,920

Impairment of Intangible Assets

The Group performed impairment testing as at 30 June 2024 and 30 June 2023. 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 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.

At 30 June 2024, in light of the weaker than expected result for the year and higher interest rates which have impacted the discount rate used in the impairment calculation, the carrying value of intangible assets in the balance sheet has been reviewed. The Group calculated the recoverable amount of each cash generating unit and recorded an impairment expense of \$3.0m against the value of development costs. At 30 June 2023, the Group recorded an impairment expense of \$4.9m against the value of development costs and \$1.1m against goodwill.

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Notes to the Consolidated Financial Statements
For the year ended 30 June 2024

7. TRADE AND OTHER PAYABLES

	Consolidated 2024 \$'000	Consolidated 2023 \$'000
Trade creditors	8,704	9,066
Sundry creditors and accruals	5,787	3,643
	<u>14,491</u>	<u>12,709</u>

8. INTEREST BEARING LOANS AND BORROWINGS

	Consolidated 2024 \$'000	Consolidated 2023 \$'000
Current borrowings		
Debtor & trade finance facility (Early Pay)	4,021	7,258
Term loan (First Samuel)	-	1,000
Unsecured loans	700	500
Equipment lease liabilities	172	158
Property lease liabilities	388	467
	<u>5,281</u>	<u>9,383</u>
Non-current borrowings		
Trade finance facility (Early Pay)	961	840
Term loan (First Samuel)	2,000	2,000
Unsecured loans	700	200
Equipment lease liabilities	375	390
Property lease liabilities	2,039	791
Capitalised borrowing costs	(176)	(286)
	<u>5,899</u>	<u>3,935</u>

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Notes to the Consolidated Financial Statements
For the year ended 30 June 2024

9. CONTRIBUTED EQUITY

	No. of Shares '000	\$'000
Ordinary shares		
At 30 June 2023	757,670	61,252
Placement	113,651	705
Share Purchase Plan	53,177	329
Shortfall Placement	48,387	300
Share issue costs	-	(105)
At 30 June 2024	972,885	62,481

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.

The Company completed a placement of 113,650,528 shares at \$0.0062 per share to an entity associated with director Mr. Youmin (Peter) Wu on 27 March 2024.

The Company completed a Share Purchase Plan to eligible shareholders, issuing 53,177,375 shares at \$0.0062 per share on 3 May 2024.

The Company completed a Shortfall Placement, issuing 48,387,097 shares at \$0.0062 per share on 7 June 2024.

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Notes to the Consolidated Financial Statements
For the year ended 30 June 2024

10. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of cash	Consolidated 2024 \$'000	Consolidated 2023 \$'000
Cash at bank and on hand	455	1,182
Reconciliation of loss after tax to net cash flows from operations		
Net loss	(15,275)	(7,889)
Adjustments for:		
Depreciation and amortisation of non-current assets	2,575	2,170
Impairment of goodwill and intangible assets	3,000	6,000
Profit on sale of fixed assets	(42)	(681)
Foreign exchange loss/(gain)	(21)	(4)
Amortisation of capitalised borrowing costs	111	46
Doubtful debts expense	-	94
Stock obsolescence (benefit)/expense	1,003	(3)
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	5,949	1,768
(Increase)/decrease in inventories	5,901	91
Increase/(decrease) in trade and other payables	1,356	1,856
Increase/(decrease) in provisions	(476)	(36)
Net cash from operating activities	4,081	3,412

11. SUBSEQUENT EVENTS

The Company announced on 28 August 2024 that it had entered into binding agreements for the refinancing of its existing debt facilities. The agreement also includes a placement of new shares in the Company to improve its working capital position to fund its ongoing operations. The key terms of the refinancing of the debt facility and placement can be summarised as follows:

- TTI entering a 3-year convertible note agreement for US\$3m (approx. AUD \$4.5m) and a manufacturing service agreement with a Hong Kong-based electronic manufacturing services provider, the Season Group.
- Season Group taking a share placement in TTI of A\$904,783 through the issue of approximately 146 million shares at A\$0.0062 (0.62 cents) per share.
- TTI entering a 3-year convertible note agreement for A\$1m, a A\$0.5m equity conversion and a A\$0.5m debt facility with First Samuel Ltd to replace its existing \$2m term loan.

The Company will call an Extraordinary General Meeting of shareholders to seek the necessary approvals to give effect to the refinancing.