



2024

ANNUAL REPORT



TRAFFIC TECHNOLOGIES LTD
ABN 21 080 415 407
AND CONTROLLED ENTITIES

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024



ABN 21 080 415 407
Traffic Technologies Ltd.
address. 320 Darebin Road, Fairfield Victoria 3078 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 and subsidiaries (the Group) for the financial year ended 30 June 2024.

The result for the 2024 financial year was disappointing. Revenue for the year was down 45% on the previous financial year. Operating revenue has been significantly affected by challenging supply chain issues, government delays on projects and capital constraints within the Group's working capital facilities. As a result, the Group incurred a loss of \$15.3m.

The Board's focus this year has been on restructuring its working capital facilities as this has been the primary cause of the poor trading result, with the Group being unable to source sufficient components on a timely basis in order to service its customers and to ensure that the Group is well placed in the future to take advantage of the opportunities in the traffic management and SmartCity markets in which it is a leader.

The Group is currently refinancing its debt facilities to improve access to working capital to fund operations. The refinancing involves a convertible note for USD \$3m and manufacturing service agreement with Season Group, a Hong Kong-based electronic manufacturing services provider, continuation of an invoice finance facility with Earlypay Ltd and conversion of part of the debt facility with First Samuel. An EGM has been called at which shareholders will be asked to approve the refinancing.

The Group's order book and portfolio of long term customer contracts continues to be strong with ongoing investment by all levels of government in road infrastructure. During the year, the Group completed the relocation of its main manufacturing base in Victoria to Fairfield, which will enable it to achieve substantial cost savings in the years ahead. The Group is expanding its cost reduction program; to include offshoring a significant part of its manufacture of electronic components as well as property and other savings.

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 "Cary Stynes", written over a light grey circular stamp or watermark.

Cary Stynes
Chairman



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

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Dear Shareholder,

Operating Result

The Group has reported the following result for the financial year ended 30 June 2024:

	Year to 30 June 2024	Year To 30 June 2023
	\$'m	\$'m
Sales revenue	31.9	58.0
Earnings before Interest, Tax, Depreciation and Amortisation and Impairment (Adjusted EBITDA)	(7.9)	2.1
Depreciation and Amortisation Expense	(2.6)	(2.2)
Impairment Expense	(3.0)	(6.0)
Earnings before Interest and Tax (EBIT)	(13.5)	(6.1)
Finance Costs	(1.8)	(1.8)
Net Loss After Tax (NPAT)	(15.3)	(7.9)

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.

Net assets were a deficit of \$7.6m at 30 June 2024 compared to a surplus of \$6.5m at 30 June 2023. The reduction in net assets reflects the net loss for the year. 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.

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.

Review of Operations

The Group is one of the major participants in the "Intelligent Transport Systems" market in Australia where the Group'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 Group's "Traffic SmartCity Technology" (TST) platform" is pivotal to the next phase of the Group'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 Group 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 especially with the ever increasing volumes of traffic on our roads.

The Group's cost reduction program has delivered positive results to date, reducing the Group's cost base through the consolidation of properties occupied by the Group and the increased efficiency in Victorian manufacturing which will provide a positive impact benefiting FY25 and beyond.

Business Strategies and Prospects

The Group 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 pressure by government for reduction in CO2 emissions and the Group's investment in its "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 is moving to a SaaS business model with annual subscription and service fees.

The Group 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.

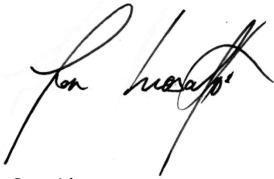
The expansion into the lucrative Intelligent Transport sector has given the Group the ability to supply sophisticated “Smart City” ready electronics and software across Australia, whilst bolstering the Group’s signage business which provides access to councils, road authorities and contractors across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

Outlook

Despite a difficult year the Group is well positioned to benefit in the years ahead from increased investment by government in infrastructure projects, safety initiatives and reduction in Carbon Emission programs. New products and services developed by the Group and the Group’s diversification program into “Smart Cities” IoT and software, underpin the Group’s ability to fulfill government programs and initiatives currently and in the future.

With positive results from our cost reduction initiatives to date our focus continues to be on achieving operating efficiencies, consolidation programs and reduction in finance costs to deliver upon the strategic initiatives the Group has with leading technology, solid order books and long-term customer contracts.

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

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. Cary Stynes
Mr. Con Liosatos
Mr. Luke Donnellan

Company Secretary

Mr. Peter Crafter

Chief Financial Officer

Mr. Joerg Poetzinger

Registered Office & 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 Securities Exchange (stock code: "TTI").

Lawyers

Gadens

Level 13, Collins Arch
447 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

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Traffic Technologies Ltd Directors' Report

Your Directors submit their report for the year ended 30 June 2024.

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. Cary Stynes (Age 60) LL.B (Melb.) MAICD

Independent Non-Executive Chairman. Appointed February 2024.

Mr. Stynes is a senior corporate M&A lawyer and holds a current Victorian legal practicing certificate. He specialises in advising early-stage companies, raising seed and later stage capital and arranging ASX company listings. He is currently Executive Chairman of unlisted public company Botanic Wellness Limited and Chief Executive Officer of Botanic Bioplastics Pty Ltd. He was a non-executive director of ASX-listed TZ Limited (TZL) until February 2024.

Mr. Con Liosatos (Age 62) 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 2024.

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.

Mr. Youmin (Peter) Wu

Non-Executive Director. Appointed March 2024. Retired September 2024.

Mr. Wu is Managing Director of Centreland Group and has many years' experience as a leader in property investment and in the development of commercial and residential properties in the Melbourne area. Mr. Wu has not served as a director of any other listed companies during the three years to June 2024.

The following Directors also served on the Company's Board during the year:

Mr. Mark Hardgrave (retired 13 February 2024)

Mr. Tim Fry (retired 17 November 2023)

Traffic Technologies Ltd Directors' Report

DIRECTORS SKILLS AND EXPERIENCE

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

	Cary Stynes	Con Liosatos	Luke Donnellan	Peter Wu
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 67) LL.B (Hons.) MBA FCA CA MCT FAICD FGIA FCG

Appointed March 2004.

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 Company Secretary of Traffic Technologies Ltd in March 2004. He was appointed Chief Financial Officer of Traffic Technologies Ltd in October 2007, retiring in October 2023 but remaining as Company Secretary.

CHIEF FINANCIAL OFFICER

Mr. Joerg Poetzingner (Age 47) CPA MBA

Appointed April 2024.

Mr. Poetzingner is a Certified Practising Accountant and holds a Master of Business Administration from Deakin University. Previously he held various finance, commercial and management accounting positions at Siemens AG Germany, Siemens VDO Automotive Australia and Continental Tyre Group of Australia, followed by 10 years at Linfox Logistics in corporate and financial reporting roles. Mr. Poetzingner joined Traffic Technologies in January 2021 as Group Financial Controller and was promoted Chief Financial Officer in April 2024.

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 2024 (2023: Nil).

Traffic Technologies Ltd Directors' Report

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 Fairfield, 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.

The Group owns and operates several subsidiaries and brands that enhance its offerings in the traffic management and smart city solutions sector. These include:

- Aldridge Traffic Systems: Specializes in the manufacture and supply of traffic signals and LED lighting solutions. It is a significant provider of Smart City LED streetlights and environmentally friendly traffic signaling equipment.
- ITS (Intelligent Transport Systems): Involved in the design, development and supply of electronic road signage and associated software systems.
- TST SmartCity Technology: This proprietary platform integrates various traffic management devices, including streetlights, into a central control system via IoT sensors. It provides real-time data collection and management solutions, aiding road authorities and councils in optimizing traffic flow and enhancing urban infrastructure.
- DeNeefe Signs: Focuses on the design, manufacture, and supply of directional and regulatory traffic signs. DeNeefe Signs provides a range of traffic control products to road traffic authorities, municipal councils, and construction companies across Australia.
- Quick Turn Circuits (QTC): Engages in the manufacture and supply of traffic controllers and software licenses. A traffic controller is an automated device that regulates the sequencing and timing of traffic signals by monitoring vehicular and pedestrian demands and adjusting to meet these requirements.
- L&M Traffic Services: Provides a wide range of traffic management services, including the installation of traffic signals and road safety equipment. L&M Traffic Services supports various road infrastructure projects by ensuring the efficient and safe installation of critical traffic control devices.

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.

Traffic Technologies Ltd Directors' Report

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 completed a placement to a sophisticated investor in March 2024.

The Company completed a share purchase plan (SPP) in May 2024 and a shortfall placement of shares offered under the SPP in June 2024.

SIGNIFICANT EVENTS AFTER REPORTING DATE

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.

An Extraordinary General Meeting of shareholders has been called for 9 October to seek the necessary approvals to give effect to the refinancing, which the directors believe will be obtained.

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 \$62,568 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.

Traffic Technologies Ltd
Directors' Report

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.

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.

The key management personnel of the Company consisted of the following Directors and executives during the year:

Board

Mr. Cary Stynes (appointed 13 February 2024)	Non-Executive Chairman
Mr. Con Liosatos	Managing Director
Mr. Luke Donnellan	Non-Executive Director
Mr. Youmin (Peter) Wu (appointed 26 March 2024; retired 26 September 2024)	Non-Executive Director
Mr. Mark Hardgrave (retired 13 February 2024)	Former Non-Executive Chairman
Mr. Tim Fry (retired 17 November 2023)	Former Non-Executive Director

Executives

Mr. Peter Crafter (retired as CFO 25 October 2023)	Company Secretary
Mr. Joerg Poetzinger (appointed CFO 23 April 2024)	Chief Financial Officer
Mr. Anthony Alembakis (appointed CFO 2 October 2023, retired 11 April 2024)	Former Chief Financial Officer

Remuneration of Directors and Key Management Personnel

Non-Executive Directors

Total remuneration for non-executive directors for FY24 was \$226,641. Non-executive director remuneration packages comprised only Directors' fees plus statutory superannuation (where applicable) 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 \$539,915 in FY24, including statutory superannuation.

Performance-based Remuneration

No performance-based remuneration was paid or payable to key management personnel for the year (2023: nil).

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

	2024	2023	2022	2021	2020
Net profit/(loss) (\$'000)	(\$15,275)	(\$7,889)	(\$488)	\$201	(\$13,829)
EPS (cents)	(1.91)	(1.08)	(0.08)	0.04	(2.87)
Share price (cents)	0.3	1.1	1.5	4.0	1.8

Traffic Technologies Ltd Directors' Report

Employment Contracts

Executive employment agreements have been entered into with the Managing Director and senior executives. These agreements are of a standard form containing provisions of confidentiality and restraint of trade usually required in such agreements. Payments to be made on termination of an executive employment contract have been clearly detailed and are limited to payout of accrued leave entitlements and up to two months' salary in lieu of notice and statutory redundancy entitlements as termination pay. The Company retains the right to terminate such contracts at any time without notice in the case of serious misconduct.

The Managing Director, Mr. Liosatos, is employed under a rolling employment contract. 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.

Response to the vote against the 2023 Remuneration Report

At the Company's Annual General Meeting (AGM) in November 2023, 59.38% of the total vote received from shareholders supported the 2023 Remuneration Report. As this was less than a 75% majority, the Company received a 'first strike' against its Remuneration Report.

Following the first strike, the Board has spoken to many shareholders and their advisers to understand their concerns. The Board has reflected deeply on this feedback, and has considered this feedback when determining remuneration outcomes for 2024.

In these circumstances, the Corporations Act requires the Company to include in this year's Remuneration Report an explanation of the Board's proposed action in response to that first strike or, alternatively, if the Board does not propose any action, the Board's reason for such inaction.

Following the 2023 AGM, the Nomination & Remuneration Committee has taken a number of steps to address shareholder concerns regarding the Company's remuneration policies, including:

- applying downward discretion on any performance-based incentives that were subject to Board discretion regarding the satisfaction of relevant performance-based milestones;
- reviewing the appropriateness of the Company's remuneration policies with a particular focus on aligning executive reward with the Company's long-term performance and shareholder value creation;
- formalising a new short term incentive (**STI**) plan to align more closely the relationship between executive and the Company's performance;
- developing a long term incentive (**LTI**) plan to align more closely the relationship between executive performance and sustainable shareholder return over the longer term; and
- reviewing the format and content of the Remuneration Report to improve disclosure of remuneration policies and outcomes.

We believe these steps reflect our commitment to ensuring that executive remuneration outcomes are aligned to the Company's performance and the value created for all our stakeholders.

Traffic Technologies Ltd
Directors' Report

REMUNERATION OF KEY MANAGEMENT PERSONNEL

	Short-term benefits			Post-employment benefits	Termination Benefits	Long-term benefits	Share based payments		
	Salary & fees	Non-monetary	Cash Bonus	Superannuation		Long service leave	Options	Total	Performance related
	\$	\$	\$	\$	\$	\$	\$	\$	%
<u>Year to 30 June 2023</u>									
<i>Non-executive Directors</i>									
Mr. Mark Hardgrave	108,674	-	-	11,411	-	-	-	120,085	-
Mr. Tim Fry	57,750	-	-	6,064	-	-	-	63,814	-
Mr. Luke Donnellan	30,874	-	-	3,242	-	-	-	34,116	-
<i>Executive Director</i>									
Mr. Con Liosatos	495,192	14,637	-	27,500	-	12,293	-	549,622	-
<i>Executive</i>									
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	-
<u>Year to 30 June 2024</u>									
<i>Non-executive Directors</i>									
Mr. Cary Stynes	45,260	-	-	-	-	-	-	45,260	-
Mr. Luke Donnellan	57,750	-	-	6,353	-	-	-	64,103	-
Mr. Youmin (Peter) Wu	16,026	-	-	-	-	-	-	16,026	-
Mr. Mark Hardgrave	67,155	-	-	7,387	-	-	-	74,542	-
Mr. Tim Fry	24,063	-	-	2,647	-	-	-	26,710	-
<i>Executives</i>									
Mr. Con Liosatos	497,559	14,856	-	27,500	-	10,191	-	550,106	-
<i>Executive Director</i>									
Mr. Peter Crafter	247,921	23,153	-	27,271	-	5,271	-	303,616	-
Mr. Joerg Poetzinger	32,038	1,029	-	3,524	-	-	-	36,591	-
Mr. Anthony Alembakis	146,094	-	-	15,878	-	-	-	161,972	-
Total	1,133,866	39,038	-	90,560	-	15,462	-	1,278,926	-

Traffic Technologies Ltd
Directors' Report

Shareholdings of Key Management Personnel

Shares held in Traffic Technologies Ltd:

	Balance at 1 July 2023	Acquired through On-Market Trades	Other	Balance at 30 June 2024
Directors				
Mr. Cary Stynes	-	-	-	-
Mr. Con Liosatos	45,312,637	-	2,016,128	47,328,765
Mr. Luke Donnellan	-	-	-	-
Mr. Youmin (Peter) Wu	-	-	113,650,528	113,650,528
Mr. Mark Hardgrave+	5,965,592	-	(5,965,592)	-
Mr. Tim Fry+	-	-	-	-
Executives				
Mr. Peter Crafter	10,000	-	-	10,000
Mr. Joerg Poetzinger	-	-	-	-
Mr. Anthony Alembakis+	-	1,000,000	(1,000,000)	-
Total	51,288,229	1,000,000	108,701,064	160,989,293

+ Represents shareholding at time of retirement.

Other Transactions with Directors or Director-related entities

Chairman Mr. Stynes provided legal services to the Company during the year. The Company paid Mr. Stynes \$10,073 (including GST) for these services during the financial year ended 30 June 2024.

Managing Director Mr. Liosatos provided unsecured loans of \$600,000 to the Company in a previous year; the loan is repayable on 28 February 2025 and carries an interest rate of 13%. Former director, Mr. Hardgrave provided an unsecured loan of \$100,000 on the same terms.

Inventory was purchased from an entity associated with Mr. Liosatos amounting to \$20,350 (including GST) (2023: \$14,704), with \$20,350 included in trade payables at 30 June 2024 (2023: \$14,704).

The Company completed a placement of 113,650,528 shares at \$0.0062 per share (\$700,000) to an entity associated with director Mr. Wu on 27 March 2024. A placement fee of \$46,506 (including GST) is owed by the Company to Mr. Wu.

An entity associated with Mr. Wu has provided an unsecured loan of \$700,000 to the Company; the loan is repayable on 7 June 2028 and carries an interest rate of 12%.

The Company rents a property in Fairfield, Victoria from an entity associated with Mr. Wu on arm's length commercial terms. Charges associated with this property in the financial year ended 30 June 2024 were \$78,831 (including GST), with \$34,594 included in trade payables at 30 June 2024.

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. Cary Stynes	7	7	1	1	1	1	1	1	1	1
Mr. Con Liosatos	16	16	2	2	4	4	1	1	1	1
Mr. Luke Donnellan	16	16	2	2	4	4	1	1	1	1
Mr. Youmin (Peter) Wu	4	3	0	0	1	1	1	1	1	1
Mr. Mark Hardgrave	9	9	1	1	3	3	0	0	0	0
Mr. Tim Fry	4	3	1	1	2	1	0	0	0	0

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. Cary Stynes
Independent Non-Executive Chairman
30 September 2024
Melbourne

Grant Thornton Audit Pty Ltd

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Collins Square
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Melbourne VIC 3008
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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 2024, 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



M J Climpson
Partner – Audit & Assurance

Melbourne, 30 September 2024

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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 2024. The Corporate Governance Statement was approved by the Board on 30 September 2024.

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 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	3	(14,876)	(15,847)
Occupancy costs		(1,984)	(1,596)
Advertising and marketing expense		(36)	(36)
Other expenses	3	(2,836)	(2,205)
Depreciation and amortisation expense	3	(2,575)	(2,170)
Impairment expense	3	(3,000)	(6,000)
Earnings/(loss) before interest and tax (EBIT)		(13,460)	(6,081)
Finance costs	3	(1,812)	(1,805)
Net loss for the year before income tax		(15,272)	(7,886)
Income tax expense	4	(3)	(3)
Net loss for the year		(15,275)	(7,889)
Other comprehensive income		-	-
Total comprehensive loss for the year		(15,275)	(7,889)
Loss per share		Cents	Cents
- Basic (cents per share)	5	(1.91)	(1.08)
- Diluted (cents per share)	5	(1.91)	(1.08)

The accompanying notes form part of these financial statements.

Traffic Technologies Ltd and Controlled Entities
Consolidated Statement of Financial Position as at 30 June 2024

	Note	Consolidated 2024 \$'000	Consolidated 2023 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	16	455	1,182
Trade and other receivables	6	4,058	10,007
Inventories	7	9,171	15,072
Total Current Assets		13,684	26,261
Non-Current Assets			
Property, plant and equipment	8	3,423	2,504
Intangible assets	9	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	10	14,491	12,709
Interest bearing loans and borrowings	11	5,281	9,383
Provisions	13	2,740	3,207
Total Current Liabilities		22,512	25,299
Non-Current Liabilities			
Interest bearing loans and borrowings	11	5,899	3,935
Provisions	13	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	14	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 and Controlled Entities
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 and Controlled Entities
Consolidated Statement of Cash Flows
For the year ended 30 June 2024

	Note	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	16	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	16	455	1,182

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 2024

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 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- The consolidated entity has a demonstrable ability to raise additional capital with significant additional equity having been raised over the past 20 years.

An Extraordinary General Meeting of shareholders has been called for 9 October to seek the necessary approvals to give effect to the refinancing, which the directors believe will be obtained.

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:

Identifying the contract with a customer;

1. Identifying the performance obligations;
2. Determining the transaction price;
3. Allocating the transaction price to the performance obligations; and
4. 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 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	<u>31,858</u>	<u>58,048</u>
Other income		
Net profit on disposal of fixed assets	42	681
Other income	74	16
Total other income	<u>116</u>	<u>697</u>

3. EXPENSES

	Consolidated 2024 \$'000	Consolidated 2023 \$'000
Employee related expenses		
Wages and salaries	11,011	11,606
Superannuation (defined contribution)	1,288	1,295
Other employee benefits expense	2,577	2,946
	<u>14,876</u>	<u>15,847</u>
Other expenses		
Administrative costs	2,233	1,834
Public company costs	603	277
Impairment loss on financial assets	-	94
	<u>2,836</u>	<u>2,205</u>
Depreciation, amortisation and impairment expenses		
Depreciation	1,036	1,120
Amortisation	1,539	1,050
Impairment	3,000	6,000
Total depreciation amortisation and impairment expenses	<u>5,575</u>	<u>8,170</u>
Finance costs		
Interest on loans	1,306	1,488
Lease interest	295	191
Borrowing costs	100	80
Amortisation of capitalised transaction costs	111	46
Total finance costs	<u>1,812</u>	<u>1,805</u>

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2024

4. INCOME TAX

	Consolidated 2024 \$'000	Consolidated 2023 \$'000
Income Tax Expense		
Current income tax	3	3
Deferred income tax	-	-
Income tax expense reported in the statement of comprehensive income	<u>3</u>	<u>3</u>
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	(15,272)	(7,886)
Prima facie income tax benefit at the Group's statutory income tax rate of 30% (2023: 30%)	(4,581)	(2,366)
Non-deductible expenditure	17	1,821
Other deductible expenditure	(9)	(2)
Non-refundable foreign tax	3	3
Prior year under/over provision	(90)	(9)
Net benefit from R&D tax incentive	360	626
Set-off of deferred tax liability (prior year)	1,800	(344)
Unrecognised DTA on current year tax losses	2,503	274
Aggregate income tax expense	<u>3</u>	<u>3</u>

Deferred Tax Balances	Statement of Financial Position		Statement of Profit or Loss	
	Consolidated 2024 \$'000	Consolidated 2023 \$'000	Consolidated 2024 \$'000	Consolidated 2023 \$'000
<i>Temporary differences</i>				
Intangible assets	(809)	(2,978)	2,169	(364)
Right of use assets	123	1	122	(14)
Plant and equipment	(74)	(81)	7	12
Inventory	376	75	301	(1)
Employee provisions	868	1,011	(143)	(11)
Warranty provisions	14	14	-	-
Credit notes	19	19	-	1
Prepayments	-	-	-	4
Doubtful debts	56	56	-	24
Other capital expenditure	35	30	5	(10)
Other accruals and provisions	177	134	43	16
Deferred tax liability	<u>785</u>	<u>(1,719)</u>	<u>2,504</u>	<u>(343)</u>
Set-off of deferred tax assets and liabilities	<u>(785)</u>	<u>1,719</u>	<u>(2,504)</u>	<u>343</u>
Net deferred tax assets and liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2024

4. INCOME TAX (continued)

	Consolidated 2024 \$'000	Consolidated 2023 \$'000
The following tax losses have not been recognised as a deferred tax asset:		
Tax losses - revenue	10,740	-
Tax losses - capital	-	-
Potential tax benefit @ 30%	3,222	-
Carried forward tax offsets	4,246	1,726
Unrecognised deferred tax assets	7,468	1,726

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 18.

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:

	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

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 2024 (2023: nil).

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
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6. TRADE AND OTHER RECEIVABLES

	Consolidated 2024 \$'000	Consolidated 2023 \$'000
Trade receivables	3,028	8,339
Allowance for credit loss	(186)	(186)
	<u>2,842</u>	<u>8,153</u>
Prepaid stock	412	671
Other prepayments	243	640
Other receivables	561	543
	<u>4,058</u>	<u>10,007</u>
Ageing of trade receivables:		
1- 30 days	2,079	5,942
31-60 days	697	1,562
61-90 days	176	440
91 days and over	76	395
	<u>3,028</u>	<u>8,339</u>
Movement in provision for credit loss:		
Balance at the beginning of the year	186	106
Charge for the year	-	94
Amounts recovered during the year	-	(1)
Amounts written off as uncollectible	-	(13)
Balance at the end of the year	<u>186</u>	<u>186</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 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
	<u>9,171</u>	<u>15,072</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 2024

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 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
Additions	220	2,024	322	2,566
Disposals	(24)	(557)	(30)	(611)
Depreciation expense	(131)	(707)	(198)	(1,036)
At 30 June 2024 net book value	630	2,015	778	3,423
Carrying amounts				
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
At 30 June 2024				
Cost	1,252	3,050	8,008	12,310
Accumulated depreciation	(622)	(1,035)	(7,230)	(8,887)
Carrying amounts at 30 June 2024	630	2,015	778	3,423

The Group's property, plant and equipment is pledged as security against the Group's borrowings - see note 11.
Leased assets are pledged as security for the related lease liabilities – see note 12.

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

Consolidated	Development Costs \$'000	Software Costs \$'000	Patents & Trademarks \$'000	Total \$'000
Movement in carrying amounts				
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
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.

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2024

10. 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>

11. INTEREST BEARING LOANS AND BORROWINGS

	Note	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	12	172	158
Property lease liabilities	12	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	12	375	390
Property lease liabilities	12	2,039	791
Capitalised borrowing costs		(176)	(286)
		<u>5,899</u>	<u>3,935</u>

Financing facilities available

Total facilities at reporting date

Early Pay facilities	15,000	14,000
Term loan (First Samuel)	2,000	3,000
Unsecured loans	1,400	700
Bank guarantee facility (Westpac)	78	254
	<u>18,478</u>	<u>17,954</u>

Facilities used at reporting date

Early Pay facilities	4,982	8,098
Term loan (First Samuel)	2,000	3,000
Unsecured loans	1,400	700
Bank guarantee facility (Westpac)	78	254
	<u>8,460</u>	<u>12,052</u>

Facilities unused at reporting date

Early Pay facilities	10,018	5,902
Term loan (First Samuel)	-	-
Unsecured loans	-	-
Bank guarantee facility (Westpac)	-	-
	<u>10,018</u>	<u>5,902</u>

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2024

11.INTEREST BEARING LOANS AND BORROWINGS (continued)

Terms and conditions relating to the above financial instruments

Lender	Early Pay	First Samuel	Unsecured loans
Facility Amount	\$15.0m	\$2.0m	\$1.4m+
Facility Type	Debtor and trade finance and term loan	Term loan	Related party loans
Interest	11.4%-16.9% + fees	12%	13%
Expiry	17 January 2026	15 December 2025	\$0.7m – 28 Feb 2025 \$0.7m - 7 June 2028
Security	First ranking charge	Second ranking charge	Unsecured

+ Includes \$1.3m related party loans, see note 18.

12.LEASE LIABILITIES

	Consolidated 2024 \$'000	Consolidated 2023 \$'000
Current		
Equipment leases	172	158
Property leases	388	467
	<u>560</u>	<u>625</u>
Non-current		
Equipment leases	375	390
Property leases	2,039	791
	<u>2,414</u>	<u>1,181</u>
Total	<u>2,974</u>	<u>1,806</u>
Lease liability commitments payable		
Less than one year	817	815
Later than one year but less than five years	3,200	1,375
	<u>4,017</u>	<u>2,190</u>
Less future finance charges	(1,043)	(384)
Total lease liabilities	<u>2,974</u>	<u>1,806</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 2024 \$'000	Consolidated 2023 \$'000
Short-term property lease expense	<u>1,106</u>	<u>669</u>

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2024

13. PROVISIONS

	Consolidated 2024 \$'000	Consolidated 2023 \$'000
Current		
Employee benefits	2,693	3,160
Warranty provision	47	47
	<hr/> 2,740	<hr/> 3,207
Non-current		
Employee benefits	202	211
	<hr/>	<hr/>

14. 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)
	<hr/>	<hr/>
At 30 June 2024	972,885	62,481
	<hr/>	<hr/>

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.

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2024

15. 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 2024 \$'000	Consolidated 2023 \$'000
Financial assets		
Cash and cash equivalents	455	1,182
Trade and other receivables	4,058	10,007
Total financial assets	4,513	11,189
Financial liabilities		
Trade and other payables	(14,491)	(12,709)
Financial liabilities at amortised cost	(11,180)	(13,318)
Total financial liabilities	(25,671)	(26,027)

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 2024 \$'000	Consolidated 2023 \$'000
Financial assets		
Cash and cash equivalents	455	1,182
Total financial assets	455	1,182
Financial liabilities		
Loan facilities	(3,400)	(3,700)
Debtor and trade finance	(4,982)	(8,098)
Equipment lease liabilities	(547)	(548)
Property lease liabilities	(2,427)	(1,258)
Capitalised borrowing costs	176	286
Total financial liabilities	(11,180)	(13,318)

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2024

15. 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 2024, 45% of the Group's borrowings were at a variable rate of interest (2023: 61%). Details of the Group's debt are disclosed in note 11.

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 2024					
Payables	14,491	-	-	-	14,491
Interest bearing loans & borrowings	4,288	1,175	3,619	-	9,082
Finance lease liabilities	280	280	2,414	-	2,974
Bank guarantees	-	-	78	-	78
Total financial liabilities	19,059	1,455	6,111	-	26,625
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

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2024

15. 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 2024		
+/- 1% change in interest rates	+/- 50	+/- 50
+/- 5% change in AUD/USD exchange rate	+/- 272	+/- 272
Year ended 30 June 2023		
+/- 1% change in interest rates	+/- 81	+/- 81
+/- 5% change in AUD/USD exchange rate	+/- 1,228	+/- 1,228

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2024

16. 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

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 \$167,874 (2023: \$52,122) by means of leases.

17. 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 11, 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 2024

18. RELATED PARTY TRANSACTIONS

Transactions with Shareholders

First Samuel Limited (one of the Company's lenders – see note 11) holds 47,753,517 ordinary shares in the Company.

Transactions with Directors or Director-related entities

Chairman Mr. Stynes provided legal services to the Company during the year. The Company paid Mr. Stynes \$10,073 (including GST) for these services during the financial year ended 30 June 2024.

Managing Director Mr. Liosatos provided unsecured loans of \$600,000 to the Company in a previous year; the loan is repayable on 28 February 2025 and carries an interest rate of 13%. Former director, Mr. Hardgrave provided an unsecured loan of \$100,000 on the same terms.

Inventory was purchased from an entity associated with Mr. Liosatos amounting to \$20,350 (including GST) (2023: \$14,704), with \$20,350 included in trade payables at 30 June 2024 (2023: \$14,704).

The Company completed a placement of 113,650,528 shares at \$0.0062 per share (\$700,000) to an entity associated with director Mr. Wu on 27 March 2024. A placement fee of \$46,506 (including GST) is owed by the Company to Mr. Wu.

An entity associated with Mr. Wu has provided an unsecured loan of \$700,000 to the Company; the loan is repayable on 7 June 2028 and carries an interest rate of 12%.

The Company rents a property in Fairfield, Victoria from an entity associated with Mr. Wu on arm's length commercial terms. Charges associated with this property in the financial year ended 30 June 2024 were \$78,831 (including GST), with \$34,594 included in trade payables at 30 June 2024.

19. 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.

An Extraordinary General Meeting of shareholders has been called for 9 October to seek the necessary approvals to give effect to the refinancing, which the directors believe will be obtained.

Traffic Technologies Ltd and Controlled Entities
Notes to the Consolidated Financial Statements
For the year ended 30 June 2024

20. AUDITOR'S REMUNERATION

	Consolidated 2024 \$	Consolidated 2023 \$
Amounts received or due and receivable by:		
Grant Thornton Audit Pty Ltd, for the audit of the financial report	142,611	108,500
Grant Thornton Australia Limited, for other advisory services	50,000	-
Total	192,611	108,500

21. 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 2024 \$	Consolidated 2023 \$
<i>Compensation by Category:</i>		
<i>Key Management Personnel</i>		
Short-term employee benefits	1,172,904	982,119
Post-employment benefits	90,560	74,249
Other long-term benefits	15,462	18,382
Total	1,278,926	1,074,750

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 2024 or at the date of this report (2023: 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.

22. 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 28% of sales (2023: 21%). Revenue from the largest non-government customer accounted for 4% (2023: 9%) of sales.

The Group operates predominately in Australia.

Revenue by geographic location:

	Consolidated 2024 \$'000	Consolidated 2023 \$'000
Australia	29,582	53,910
Overseas	2,276	4,138
Total	31,858	58,048

Traffic Technologies Ltd and Controlled Entities
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For the year ended 30 June 2024

23. PARENT ENTITY DISCLOSURES

	2024	2023
	\$'000	\$'000
Current assets	5,197	4,787
Total assets	54,687	52,723
Current liabilities	75,799	72,571
Total liabilities	80,670	76,055
Issued capital	62,481	61,252
Retained earnings	(88,464)	(84,584)
Total shareholders' equity	(25,983)	(23,332)
Loss of the parent entity	(3,881)	(3,141)
Total comprehensive income of the parent entity	(3,881)	(3,141)
Guarantees entered into by the parent entity in relation to debts of its subsidiaries	5,245	9,740

Traffic Technologies Ltd and Controlled Entities
Consolidated entity disclosure statement
For the year ended 30 June 2024

CONSOLIDATED ENTITY DISCLOSURE STATEMENT

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

Name of Subsidiary Company	Type of entity	Trustee, partner, or participant in joint venture	% of share capital held %	Country of incorporation	Australian resident or foreign resident (for tax purpose)	Foreign tax jurisdiction(s) of foreign residents
Traffic Technologies Signal & Hardware Division Pty Ltd	Body Corporate	n/a	100	Australia	Australian	n/a
Traffic Technologies Traffic Management Division Pty Ltd	Body Corporate	n/a	100	Australia	Australian	n/a
De Neefe Pty Ltd	Body Corporate	n/a	100	Australia	Australian	n/a
Traffic Technologies Traffic Hire Pty Ltd	Body Corporate	n/a	100	Australia	Australian	n/a
Sunny Sign Company Pty Ltd	Body Corporate	n/a	100	Australia	Australian	n/a
Protech Traffic Management Pty Ltd	Body Corporate	n/a	100	Australia	Australian	n/a
KJ Aldridge Investments Pty Ltd	Body Corporate	n/a	100	Australia	Australian	n/a
Aldridge Traffic Group Pty Ltd	Body Corporate	n/a	100	Australia	Australian	n/a
Excelsior Diecasting Pty Limited	Body Corporate	n/a	100	Australia	Australian	n/a
Aldridge Traffic Systems Pty Ltd	Body Corporate	n/a	100	Australia	Australian	n/a
Aldridge Plastics Pty Ltd	Body Corporate	n/a	100	Australia	Australian	n/a
Quick Turn Circuits Pty Ltd	Body Corporate	n/a	100	Australia	Australian	n/a
Traffic Technologies International Limited	Body Corporate	n/a	100	Hong Kong	Australian	n/a
Telensa Pty Ltd	Body Corporate	n/a	100	Australia	Australian	n/a
Telensa Australia Pty Ltd	Body Corporate	n/a	100	Australia	Australian	n/a
L&M Traffic Services Pty Ltd	Body Corporate	n/a	100	Australia	Australian	n/a

Basis of preparation

This consolidated entity disclosure statement (CEDs) has been prepared in accordance with the Corporations Act 2001 and includes information for each entity that was part of the Group as at the end of the financial year in accordance with AASB 10 Consolidated Financial Statements.

Traffic Technologies Ltd
Directors' Declaration
For the year ended 30 June 2024

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 2024 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.
5. The Consolidated Entity Disclosure Statement is true and correct as at 30 June 2024.

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

A handwritten signature in black ink, appearing to read 'Cary Stynes', is written over a faint circular stamp.

Cary Stynes
Chairman

Melbourne
30 September 2024

ASX Additional Information
As at 10 September 2024

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 10 September 2024.

a) Distribution of Shareholdings

	<u>Ordinary Shares</u>	
	Number of Holders	Number of Shares
1 - 1,000	158	21,943
1,001 - 5,000	29	76,910
5,001 - 10,000	34	300,257
10,001 - 100,000	476	21,641,237
100,001 and over	482	950,844,841
	1,179	972,885,188
Holdings less than a marketable parcel	648	17,140,347

b) Twenty Largest Shareholders

	Name	No. of Shares	% Held
1	GREAT HARVEST PTY LTD *	113,650,528	11.68%
2	RSAM INVESTMENTS PTY LTD <RM INVESTMENT A/C>	50,148,883	5.15%
3	SHINY(QLD) PTY LTD	48,387,097	4.97%
4	FIRST SAMUEL LTD ACN 086243567 <ANF ITS MDA CLIENTS A/C>	47,753,517	4.91%
5	DOLPHIN CORPORATE INVESTMENTS PTY LTD	35,500,000	3.65%
6	ANNLEW INVESTMENTS PTY LTD <ANNLEW INVESTMENTS PL SF A/C>	34,900,000	3.59%
7	MR LAMBROU LIOSATOU *	28,756,926	2.96%
8	MR PETER GEOFFREY HOLLICK + MS HELEN THERESE PATTISON <MACDY NO 5 SUPER FUND A/C>	24,838,709	2.55%
9	BROWNLOW PTY LTD	24,061,208	2.47%
10	MR ROBERT SCOTT ANTHONY MINNEY	20,257,821	2.08%
11	CLAPSY PTY LTD <BARON SUPER FUND A/C>	19,687,068	2.02%
12	LIOSATOS SUPERANNUATION PTY LTD <LIOSATOS S/F A/C> *	18,571,839	1.91%
13	BANNABY INVESTMENTS PTY LTD <BANNABY SUPER FUND A/C>	17,606,063	1.81%
14	GP MANAGEMENT P/L <G&R S/F A/C>	16,174,890	1.66%
15	MR MOHAMMED ABOU-EID	15,500,000	1.59%
16	MRS TRUDI MILNE	13,745,600	1.41%
17	MORGRAE PTY LTD <HUMPHREY S/F A/C>	12,665,907	1.30%
18	SCHOLZ INDUSTRIES PTY LTD	11,223,757	1.15%
19	BERKSHIRE NOMINEES PTY LTD <BERKSHIRE FAMILY A/C>	11,064,003	1.14%
20	MR VINCENT GALANTE + MRS RUTH ELIZABETH LEAMING	8,857,110	0.91%
	Total	573,350,926	58.93%

* Associated with Directors.

ASX Additional Information
As at 10 September 2024

c) Substantial Shareholders (greater than 5%)

Holder Name	Ordinary Shares	
	Number	%
Mr. Youmin (Peter) Wu (Director)	113,650,528	11.68
Mr. Robert Minney	70,406,704	7.24

d) Voting Rights

All ordinary shares carry one vote per share without restriction.

e) Ordinary shares subject to voluntary escrow restrictions

None.

Grant Thornton Audit Pty Ltd

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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 2024, 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 material accounting policy information, the consolidated entity disclosure statement 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 2024 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.

Material uncertainty related to going concern

We draw attention to Note 1(c) in the financial statements, which indicates that the Group incurred a \$15.3m loss for the year, has a working capital deficiency and net asset deficiency, and is reliant on capital raising and external funding to continue as a going concern. 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 significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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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)	
<p>In FY24, the Group recorded an impairment of intangible assets to the value of \$3.0m relating to capitalised development costs.</p> <p>Before this impairment, the Group had net intangible assets of \$6.9m at 30 June 2024 that have been assigned to Cash Generating Units (CGUs).</p> <p>Intangible assets are required to be assessed for impairment by Management when indicators of impairment exist as prescribed in AASB 136 <i>Impairment of Assets</i>. In addition, Management are required to perform annual impairment testing for intangible assets not yet available for use regardless of whether indicators exist.</p> <p>Non-financial assets of the Group including intangible assets are allocated to appropriate CGUs for impairment testing.</p> <p>Management tests each CGU for impairment by comparing the carrying amount against the recoverable amount determined by either, the greater of its fair value less costs to sell and its value in use.</p> <p>This area is a key audit matter due to the significant balance carried by the Group that Management have assessed using estimates and judgement. The Group use the discounted cash flow model (value in use) to determine their recoverable value, in doing so, include significant estimates and judgements.</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;• Evaluating 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;• Comparing the recorded impairment provision to the model and evaluating if it is reasonable;• Engaging our Corporate Finance expert to assess the appropriateness of the model and discount rates applied to forecasted future cash flows; and• Assessing the appropriateness of the disclosures in the financial report.

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 2024, 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 Group are responsible for the preparation of:

- a the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* (other than the consolidated entity disclosure statement); and
- b the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- i the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- ii the consolidated entity disclosure statement that is true and correct and is free of 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 11 to 13 of the Directors' report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of Traffic Technologies Limited, for the year ended 30 June 2024 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Group 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.

The logo for Grant Thornton, featuring the company name in a stylized, handwritten-style font.

Grant Thornton Audit Pty Ltd
Chartered Accountants

A handwritten signature in blue ink, appearing to read 'M J Climpson'.

M J Climpson
Partner – Audit & Assurance
Melbourne, 30 September 2024





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