TRAFFIC TECHNOLOGIES LTD
ABN 21 080 415 407
AND CONTROLLED ENTITIES

PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015
PROVIDED TO THE ASX UNDER LISTING RULE 4.3A

Appendix 4E

Preliminary final report

Name of entity

TRAFFIC TECHNOLOGIES LTD

ABN or equivalent company reference	Year ended: current period	Previous corresponding period
ABN 21 080 415 407	30 June 2015	30 June 2014

Results for announcement to the market

Continuing Operations				A$'000
Revenues from ordinary activities *(item 2.1)*	up	15%	to	$46,228
Earnings before interest and tax	up	203%	to	$2,403
Profit/(loss) from ordinary activities after tax attributable to members *(item 2.2)*	up		to	$420
Net profit/(loss) for the period attributable to members *(item 2.3)*	up		to	$420

Dividends (distributions) *(item 2.4)*	Amount per security	Franked amount per security
Interim dividend	Nil¢	Nil¢
Final dividend	Nil¢	Nil¢
Previous corresponding period:		
Interim dividend	Nil¢	Nil¢
Final dividend	Nil¢	Nil¢
Record date for determining entitlements to the dividend	N/A	

Other Information

Brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood (item 2.6): For commentary on the results for the period and review of operations, refer to Directors' Report.

1. Net Tangible Asset Backing

	As at 30 June 2015	As at 30 June 2014
Net tangible assets per share	(3.3) cents	(3.4) cents

2. Dividends

No dividends have been declared in respect of the year ended 30 June 2015 (2014: Nil). Total dividend Nil (2014: Nil).

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

3. Status of Audit

The unqualified, signed annual financial report is attached.

4. Corporate Information

Directors
Mr. Alan Brown
Mr. Con Liosatos
Mr. Mark Hardgrave
Mr. Ken Daley

Company Secretary
Mr. Peter Crafter

Registered Office and Principal Place of Business
Traffic Technologies Ltd
31 Brisbane Street
Eltham VIC 3095

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

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

Other Information

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

Bankers
Westpac Banking Corporation
Level 6
150 Collins Street
Melbourne VIC 3000

Auditors
ShineWing Australia Pty Ltd
Level 10
530 Collins Street
Melbourne VIC 3000

annual report 2015

traffic technologies



ALDRIDGE
TRAFFIC
SYSTEM

SCHOOL
ZONE

40

TRAFFIC TECHNOLOGIES LTD
ABN 21 080 415 407
AND CONTROLLED ENTITIES

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2015

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

Traffic Technologies Ltd and Controlled Entities
Chairman's Letter

Dear Shareholder,

Please find enclosed the Annual Report for Traffic Technologies Ltd for the financial year ended 30 June 2015.

I am pleased to report an improved result for the 2015 financial year. The Group has reported a net profit after tax of $420,000 for the financial year ended 30 June 2015, which represents a significant turnaround on the net loss for the previous financial year. The Group has benefitted from the contribution to revenue of the New South Wales traffic signals upgrade project and a full year's contribution from Quick Turn Circuits Pty Ltd (QTC). Earnings before Interest and Tax (EBIT) for the Group were $2.4m compared to $0.8m in the previous financial year. The Company has not declared a dividend in respect of the 2015 financial year.

The outlook for the 2016 financial year and beyond is positive and a number of exciting growth initiatives have been developed by the Group which should benefit earnings in the years ahead. Of most significance is the opportunity in the LED road lighting market in Australia. There are approximately 2.25 million road lights in Australia. We have developed a range of LED road lights and see this as a very large opportunity for the Group. The roll-out of LED road lights across Australia is expected to result in significant long term cost savings for State and local governments in terms of power savings and maintenance costs. The Group has already won its first orders and is well placed to win a significant share of this market with its expertise in LED technology and experience in dealing with State road authorities and local councils.

The Group has developed a number of new products in the Intelligent Transport Systems (ITS) area, including school speed zone signs, variable message signs and other forms of electronic signage and has been developing new overseas markets, following the acquisition of QTC in December 2013. We have also supplied products into the UK market, including pedestrian countdown timers, traffic signals and emergency telephones to a number of transport authorities, including Transport for London (TfL), local councils and train operating companies. Importantly, the UK is only in the early stages of upgrading its traffic signals to LED.

We were pleased to welcome Ken Daley to the Board in November 2014. Ken is the CEO of the Indiana Toll Road Concession Company and brings an extensive background in the fields of traffic engineering and transport projects.

Following last year's AGM, we have made a number of changes to our corporate governance policies and I have stood down as Chair of all Board committees. Our corporate governance policies are available on our website. We have also sought to address shareholders' concerns regarding remuneration. These changes are explained in detail in the remuneration report which forms part of this Annual Report.

Our Board and management are committed to improving shareholder value.

As I indicated at last year's AGM, I shall be stepping down as Chair of the Company in 2015. The Company has initiated a wide-ranging search for a new Chair and expects to announce the appointment of a new Chair before this year's AGM. It has been a privilege serving as Chair for the past five years and I wish my successor well in this position.

Along with my fellow Directors, I thank you for your continued support.

Alan Brown
Chairman

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

Dear Shareholder,

I am pleased to report that the result for the 2015 financial year was an improvement on 2014. Revenue was $46.2m, an increase of 15% from 2014. This included a contribution from the New South Wales traffic signals upgrade project and a full year's contribution from Quick Turn Circuits Pty Ltd (QTC) including a number of export orders. EBIT increased by over 200% to $2.4m after one-off costs of $0.7m associated with a restructuring program. NPAT gained a positive swing by more than $1.6m delivering a profit of $420,000, a significant improvement compared to the previous financial year.

Over the past few years we have developed an LED road light which is significantly more energy efficient than conventional road lights and represents an attractive opportunity for State road authorities, local councils and other customers to make significant savings in their power bills in a time of rising electricity prices. Our LED road lights have been approved in various States and our first sales have been achieved in South Australia and Victoria with over 1,500 LED road lights being supplied for the upgrade of the Monash Freeway and the Calder Freeway, including on and off ramps, which is due to be completed in September 2015. This is a significant milestone for the Group and the State of Victoria with the first major "V" category LED road light installation in the country. With approximately 2.25 million road lights in Australia, the roll-out of LED road lights offers an exciting opportunity for the Group in the years ahead.

We continue to invest in research and development with our programs ensuring that we continue to be market leaders in a global traffic industry which demands energy efficient products and increasingly innovative solutions. The Group has developed a range of new products in the Intelligent Transport Systems (ITS) sector, including school speed zone signs, variable message signs and various electronic signs which now have been commercialised with significant sales in Victoria and Western Australia. From a standing start this sector has quickly gained momentum and has delivered positive results for the 2015 year.

Our export program grew by 90% compared to the previous financial year through our subsidiaries Aldridge Traffic Systems (ATS) and Quick Turn Circuits (QTC). A number of initiatives came to fruition with sales in numerous countries and in particular the UK, Hong Kong, China, Singapore, Saudi Arabia and South America. With QTC being fully integrated into the Group and the experience from Aldridge Traffic Systems the Group is able to benefit from providing complete traffic systems to our export customers.

The Group's Signage business continues to be one of the main suppliers of road signs to the Australian market. The Signage business has again contributed to profits in the 2015 financial year, benefitting from a continued focus by management and staff on cost control and factory efficiency combined with a focus on quality, service and reliability which has become the benchmark in a highly competitive market.

Total depreciation and amortisation expense was $2.1m (2014: $2.1m), of which $1.5m (2014: $1.5m) relates to amortisation of intangible assets. Finance costs for the year were $1.9m (2014: $1.8m) reflecting the Group's relatively high debt levels.

Net assets were $29.3m at 30 June 2015 (2014: $28.9m). The change in the Group's net assets reflects the net profit after tax for the year. Net debt was $21.6m at 30 June 2015, compared to $22.0m in the previous year. The Company's debt facilities have been extended to 1 October 2016.

Net operating cash inflows were $2.9m for the year (2014: inflow $1.4m). Net investing cash outflow was $2.1m, (2014: outflow $5.3m). Net financing cash outflow was $0.6m, including the net repayment of debt (2014: inflow $4.0m). The previous financial year included the purchase of QTC and a $7.0m capital raising.

Outlook

The Group is expected to benefit from initiatives in the Intelligent Transport Systems (ITS) area, export programs, key manufacturing initiatives and the roll-out of LED road lights across Australia which is expected to result in significant long term cost savings for State and local government in terms of power savings and maintenance costs.

The Group has identified a number of growth opportunities, which are expected to be of significant benefit to the Group in the years ahead:

- Following the completion of the New South Wales traffic signal upgrade in 2015, there are a number of further traffic signal upgrade opportunities in Australia in the years ahead with approximately 25% of the market not yet converted to LED. It is also expected that LED traffic signals that were installed more than a decade ago are slowly coming to the end of their useful life and will need to be replaced or upgraded to the next generation traffic signal.

- The range of LED road and tunnel lights along with the control system developed by the Group will enable State road authorities and local councils to achieve substantial power savings and reduce maintenance costs. The LED road and tunnel lighting market is several times the size of the traffic signals market and presents a very large opportunity for the Group. We now have products approved in a number of States and have achieved commercial sales. We continue to remain focused in this exciting area as an important growth opportunity in design, manufacturing and maintenance of turn key solutions for roadways and tunnels across the country.

- The acquisition of QTC in 2013 has enabled the Group to expand its product range with the addition of traffic controllers and has opened new markets overseas for the Group's traffic signals. The Group has identified significant export opportunities to the 27 countries around the world that use the SCATS system and has generated a number of sales in these markets over the past year.

- The Group is continuing to develop its presence in the UK market. The UK is in its early stages of upgrading its traffic signals to LED technology. We see this is a large opportunity for the Group with a number of further innovative programs being developed and implemented for the 2016 financial year ranging from traffic signals, controllers and emergency phone systems.

- The Group's development of a range of products in the ITS area, including electronic speed signs, school speed zones, variable message signs, vehicle activated signs and ramp control signs continues to grow with the Group having recently won the first of what is expected to be a series of orders to supply electronic signage for school speed zones in Western Australia and Victoria.

- The Group continues with its "profit improvement program" in identifying cost savings, in manufacturing processes, systems and purchasing.

Whilst economic forecasts are never certain we are not yet in a position to provide earnings guidance for the financial year ending 30 June 2016.

We are pleased to have your ongoing support and we are committed to further improving profitability in the year ahead.

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. Alan Brown
Mr. Con Liosatos
Mr. Mark Hardgrave
Mr. Ken Daley (appointed 25 November 2014)

Company Secretary & Chief Financial Officer
Mr. Peter Crafter

Registered Office & Principal Place of Business
Traffic Technologies Ltd
31 Brisbane Street
Eltham VIC 3095

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

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

Lawyers
K&L Gates
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525 Collins Street
Melbourne VIC 3000

Bankers
Westpac Banking Corporation
Level 6
150 Collins Street
Melbourne VIC 3000

Auditors
ShineWing Australia Pty Ltd
Level 10
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Melbourne VIC 3000

Contents

Your Directors submit their report for the year ended 30 June 2015.

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.

Name	Qualifications, Experience and Special Responsibilities
Mr. Alan J Brown FAICD	(Age 69) Independent Non-Executive Chairman. Appointed January 2004. Mr. Brown has extensive experience in both the private and public sectors. He is a Director of a range of private companies and has established several over a thirty year period. He was a Member of the Victorian Parliament from 1979-97 and is a former Leader of the Victorian Liberal Party. As Minister for Transport he implemented major reforms to Victoria's transport infrastructure. He was Agent General for Victoria in London from 1997-2000. He is Chairman of Intowork Australia. He is also Chairman of Tasmanian Company Work & Training Limited. Mr. Brown was appointed a non-executive Director of Traffic Technologies Ltd in January 2004 and was appointed Chairman in October 2010. Mr. Brown is Chairman of the Company, and a member of the Audit & Risk, Nomination & Remuneration and Corporate Governance committees. Mr. Brown has not served as a Director of any other listed companies during the three years prior to June 2015.
Mr. Constantinos L Liosatos MAICD	(Age 53) Managing Director. Appointed April 2003. Mr. Liosatos has over 30 years' experience in the construction industry, including 25 years in the lighting industry specialising in research and design. He also has 12 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 is Chairman of the ITS World Congress 2016 Sponsorship Committee and is active on Australian Standards AS 2144 and AS 1158. Mr. Liosatos is the Managing Director of Traffic Technologies Ltd. Mr. Liosatos was appointed a Director of Traffic Technologies Ltd in April 2003. Mr. Liosatos is a member of the Corporate Governance committee. Mr. Liosatos has not served as a Director of any other listed companies during the three years prior to June 2015.

Mr. Mark W Hardgrave B Com ACA MAICD	(Age 57) Independent Non-Executive Director. Appointed January 2013. Mr. Hardgrave has a corporate advisory background. Earlier in his career he was executive Director of Brencorp Group, a private investment group. He was Vice President Investment Banking at Merrill Lynch, specialising in equity capital raising and mergers and acquisitions, after which he was senior investment manager with Thorney Investment Group. Mr. Hardgrave was previously Chief Executive Officer of Bennelong Group, which specialises in listed equities, property and private equity. Currently Mr. Hardgrave is Director of M&A Partners, a Melbourne based private investment and corporate finance group. Mr. Hardgrave is also a Director of Rivercorp Land and Water Limited. Mr. Hardgrave holds a Bachelor of Commerce degree from the University of Queensland. He is a chartered accountant and a member of the Australian Institute of Company Directors. Mr. Hardgrave is Chairman of the Audit & Risk and Nomination & Remuneration committees and a member of the Corporate Governance committee. Mr. Hardgrave has not served as a Director of any other listed companies during the three years prior to June 2015.
Mr. Ken Daley, M.Eng.Sci (Transport), FIEAUST	(Age 65) Independent Non-Executive Director. Appointed November 2014. Mr. Daley is the CEO of the Indiana Toll Road Concession Company and brings extensive background in the fields of traffic engineering and transport projects. Early in his career he was appointed to the Senior Executive Service in the Victorian Public Sector for agencies now part of VicRoads. He was thereafter Managing Director for the Victorian and South Australian branches of what is now Hyder Consultants where he led the establishment of the traffic and transport business. Mr. Daley was more recently President, International Development with Transurban where he was part of the leadership group and responsible for the delivery of major projects in the USA. While resident in the US, he was a Board member of the International Bridge, Tunnel and Turnpike Association, the worldwide representative group for toll agencies. Mr. Daley holds a Masters Degree of Engineering Science in Transportation from Monash University and was awarded the William Young Alumnus Award (2013) "For Exceptional Service to the Transport Industry". He is a Fellow of the Institution of Engineers, Australia. Mr. Daley is Chairman of the Corporate Governance Committee and a member of the Audit & Risk and Nomination & Remuneration committees. Mr. Daley has not served as a Director of any other listed companies during the three years prior to June 2015.

Skills and Experience

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

Corporate Governance	✓	✓	✓	✓
Traffic Management & Infrastructure	✓	✓		✓
ASX Listed Companies	✓	✓	✓	
Human Resources	✓	✓	✓	✓
Legal			✓	
Finance	✓	✓	✓	✓
Commercial	✓	✓	✓	✓
Government Contracts	✓	✓		✓
Information Technology		✓	✓	✓

Company Secretary

Mr. Peter K Crafter LL.B (Hons.), MBA, FCA, CA, MCT, FAICD, FCIS, FGIA

(Age 58) Company Secretary and Chief Financial Officer. Appointed Company Secretary March 2004; appointed Chief Financial Officer October 2007.

Mr. Crafter is a Chartered Accountant in both Australia and the UK and qualified Corporate Treasurer with extensive experience in financial management including several years with KPMG and Touche Ross in the United Kingdom. He holds an honours degree in Law from the University of London and an MBA from Heriot-Watt University, Scotland. He was Chief Financial Officer of ASX-listed Software Communication Group Limited from 1999 to 2002 and was Acting Chief Executive Officer of that Company from 2001 to 2002. He was Chief Financial Officer of ASX-listed CBD Energy Limited from 2002 to 2003. He was Company Secretary of ASX-listed The Swish Group Limited from 2003 to 2009. He was appointed Chief Financial Officer and Company Secretary of Traffic Technologies Ltd in March 2004 and retired as Chief Financial Officer in February 2006. He was reappointed Chief Financial Officer of Traffic Technologies Ltd in October 2007.

INTEREST IN SHARES

As at the date of this report, the interests of the Directors in the shares of Traffic Technologies Ltd were:

Director	Number of Ordinary Shares
Mr. Alan Brown	3,394,779
Mr. Con Liosatos	15,558,919
Mr. Mark Hardgrave	1,548,388
Mr. Ken Daley	-

DIVIDENDS

The Directors do not recommend the payment of a dividend for the financial year ended 30 June 2015 (2014: Nil).

OPERATING AND FINANCIAL REVIEW

Review of Operations

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

The Group specialises in the design, manufacture and installation of traffic signals, traffic controllers, pedestrian countdown timers, electronic road signs, emergency telephones, portable roadside technology and road lighting products and provides a wide range of directional and regulatory traffic signs and traffic control products to road traffic authorities, municipal councils and construction companies.

The Group, through its subsidiary, Aldridge Traffic Systems, has been a key participant in the traffic signals market in Australia for over 40 years where customers are mainly State Road Authorities or contractors building or maintaining traffic intersections for State Road Authorities. The Group's key manufacturing facility for traffic signals, lighting and Intelligent Transport Systems (ITS) equipment is based in Rhodes, New South Wales.

The Group also exports its traffic signals, traffic controllers and associated products such as pedestrian countdown timers, as well as emergency telephones to an increasing number of international customers.

The Company, through its subsidiary, Quick Turn Circuits Pty Ltd (QTC), is involved in the manufacture of traffic controllers. 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. The controller has the ability to allow co-ordination of traffic flows between adjacent intersections when connected to a co-ordinated adaptive traffic system. QTC's traffic controller is based on the Sydney Coordinated Adaptive Traffic System (known as SCATS) which is used and operated in 27 countries and 37,000 intersections worldwide.

The Group continues to be one of the main suppliers to the road signage market in Australia. Customers include State Road Authorities, local councils and construction companies. The Signage business has depots around Australia with manufacturing focused in Victoria, Western Australia and the Northern Territory.

A review of operations and financial position of the Group is contained in the Managing Director's Operating and Financial Review.

Material Business Risks

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

- Changes 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.
- Adverse change in economic conditions affecting demand for the Group's products or services – the Group plans as far ahead as possible to adjust its cost base in times of economic uncertainty.
- Technological obsolescence – the Group works closely with road traffic authorities and incurs significant amounts of research and development expenditure to ensure that its products are state-of-the-art and competitive.
- Foreign exchange risk - a decrease in the Australian dollar exchange rate can affect import prices: the Group purchases components from a number of Asian countries denominated in US dollar. Conversely, an increase in the Australian dollar exchange rate can affect export opportunities: the Group sells its products to a number of countries around the world. The Group enters into foreign currency hedging arrangements where appropriate.
- General inflation risk, including labour costs – the Group constantly monitors its cost base and implements cost savings and operating efficiencies where possible.
- Availability of banking facilities – the Group is reliant on the continued availability of its banking facilities in order to conduct its operations. The Group ensures compliance with its facility agreements and negotiates extensions to its banking 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.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the nature of the Group's activities during the year.

SIGNIFICANT EVENTS AFTER BALANCE DATE

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Traffic Products segment is regulated by the Environmental Protection Act 1970 (8056/1970) and the Occupational Safety Regulations 2009 (54/2009) with regard to waste water run-off and the storage and treatment of chemicals. These operations are regularly audited by an independent environmental consultant that reports directly to the Environmental Protection Authority.

There have been no significant known breaches of the Group's compliance with environmental regulations.

Other Group operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

SHARE OPTIONS

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITORS

During the financial year ended 30 June 2015, the Group paid premiums of $61,327 in respect of a Directors' and Officers' insurance policy insuring Directors and Officers in respect of claims which may be brought against them. The contract of insurance prohibits disclosure of the nature of the liability.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or any related body corporate against a liability incurred as such by an officer or auditor.

REMUNERATION REPORT (AUDITED)

This Remuneration Report for the financial year ended 30 June 2015 outlines non-executive director and executive remuneration arrangements for Traffic Technologies Ltd (**Company**) in accordance with the requirements of the *Corporations Act 2001 (Cth)* (**Corporations Act**) and its Regulations.

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

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

The disclosures in this Remuneration Report have been audited.

1. Persons covered by this Remuneration Report

This Remuneration Report applies to the following persons.

1.1 Non-executive directors

(a) Mr. Alan Brown, Independent Non-executive Chairman

(b) Mr. Mark Hardgrave, Independent Non-executive Director

(c) Mr. Ken Daley, Independent Non-executive Director (appointed 25 November 2014)

1.2 Executives

(a) Mr. Con Liosatos, Managing Director

(b) Mr. Peter Crafter, Chief Financial Officer and Company Secretary

2. Overview of the Company's remuneration policy

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

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

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

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

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

3. Response to the vote against the 2014 Remuneration Report

3.1 Shareholder's Vote on Remuneration Report at the 2014 Annual General Meeting

At our Annual General Meeting (**AGM**) last November, 60.2% of the total vote received from shareholders supported the 2014 Remuneration Report. As this was less than a 75% majority, the Company received a 'first strike' against its Remuneration Report.

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 2014 AGM, the Nomination & Remuneration Committee has taken a number of steps to address shareholder concerns regarding the Company's remuneration policies, including:

» 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;

» engaging external remuneration consultants to benchmark the remuneration of non-executive directors and executives against ASX-listed companies of a comparable size and industry background and to advise on governance issues affecting remuneration;

» formalising a 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.

3.2 Use of remuneration consultants

The Company engaged remuneration consultants, Guerdon Associates to benchmark the remuneration of the non-executive directors and executives against ASX listed companies of a similar size and industry and to advise on remuneration governance issues. Guerdon Associates concluded that the fixed remuneration payable to the Company's executives and non-executives for the 30 June 2015 financial year was reasonable.

To ensure that Guerdon Associates' work was free from undue influence by KMP, the terms of the engagement, among other matters, required Guerdon Associates to report its recommendations to the Chair of the Nomination and Remuneration Committee and Chair of the Board and not to any other members of KMP.

The Board is satisfied that the remuneration recommendations were free from undue influence by members of KMP to whom the recommendations relate.

Guerdon Associates were paid $28,327 (plus GST) for their services.

4. Details of executive remuneration structure

4.1 Objective

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

(a) reward executives for the Company's and individual performance;

(b) align the interests of executives with those of shareholders;

(c) link reward with the strategic goals and performance of the Company; and

(d) ensure total remuneration is competitive by market standards.

4.2 Approach to setting remuneration

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

(a) Fixed remuneration

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

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

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

(b) Variable remuneration

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

4.3 The current structure of executive remuneration

In the light of the shareholder vote at the 2014 AGM, the structure of executive remuneration has been reviewed. As a result of that review, the Company has formalised STI and LTI arrangements and more closely aligned executive performance against Company performance and shareholder expectations.

The STI arrangements are in place and are effective for the 2015 financial year; however it is important to note that, although the Company has operated an STI bonus arrangement for a number of years, for the financial years, 2013, 2014 and 2015 the executive team have waived their entitlements to an STI.

For the financial years 2014, 2015 and 2016, the Company's executive team have also voluntarily undertaken the following measures to reduce their Total Fixed Remuneration (TFR).

Mr. Con Liosatos (Managing Director):

- wage freeze (foregoing any CPI or like increase in his remuneration package) in 2015 and 2016;

- reduction of accrued holiday entitlements by $32,747.88 to reduce the carry forward liability in the Company's financial accounts;

- reduction of $18,086 in 2015; and

- further reduction of $50,525 in 2016.

Mr. Peter Crafter (Chief Financial Officer and Company Secretary):

- wage freeze (foregoing any CPI or like increase in his remuneration package) in 2015;

- reductions of $9,535.56 in each of 2014 and 2015; and

- reduction of $27,547 for the financial year ending 30 June 2016.

The Company previously did not have an LTI (partly because Mr. Con Liosatos is already a substantial shareholder in the Company with 15,558,919 shares and his equity interest is strongly aligned to shareholders). However on review of the Company's executive remuneration structure the Company has now adopted an LTI plan to be made available to executives and will take effect from 1 July 2015. To facilitate the Company's LTI plan (which may result in the issue of a number of shares/options to executives), the Company intends to obtain shareholder approval of its Share Plan at its next AGM.

As a consequence of the introduction of an LTI plan, commencing 1 July 2015, the Company's executive team has agreed to the above reductions in their TFR. Additionally, the executive team will participate in the Company's LTI plan which on a deferred basis (as outlined below) provides an equity incentive for participating employees subject to the relevant employee achieving the performance hurdles for that LTI. This reduction also reflects the wage freeze the executive team has voluntarily accepted and the reductions in salary packages (as outlined above).

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

(a) Combination of fixed and variable remuneration

Remuneration	Components	Purpose	Link to Performance
Total Fixed Remuneration (**TFR**)	Comprises base salary, non-monetary benefits, and superannuation contributions.	To provide competitive fixed remuneration taking account of the role, market, experience and performance.	Company and individual performance are assessed during the annual remuneration review.
Short term incentives (**STI**s)	The Company operates a STI at the discretion of the Board which is accessed based on the Company's performance above	To reward executives for their contribution to achievement of Company outcomes	Linked to achievement of operational targets and KPI's. Where actual financial performance exceeds budget plan by up to 100%, the Company makes payment of an STI bonus up to 20%.

	budget plan. Bonuses are paid in cash.	according to specified KPI's.	
Long term incentives (**LTI**s) Effective in FY16	The Company operates a LTI at the discretion of the Board. Options are allotted in accordance with our LTI plan.	To reward executives for their contribution to the creation of shareholder value over the longer term.	The grant by the Company of the options will be dependent on the share price performance of the Company relative to the ASX 300 small ordinaries index. If the Company's share price performance exceeds the ASX 300 small ordinaries index for the relevant period, the LTI may be awarded for that financial year. Subsequent to being granted, the LTI options will only vest if the executive does not resign or is not terminated for cause within a two year period (after the end of the relevant financial year in which the options are granted). The exercise price of the options will be equivalent to the Company's share price on the last day of the relevant financial year.

(b) Performance hurdles

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

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

	STI Targets	**LTI Targets**
Managing Director	• 10% of base salary if targeted EBIT is exceeded by 50%. • 20% of base salary if targeted EBIT is exceeded by 100%. • Targets are based on achievement of KPI's set annually by the Nomination &	• 10% of base salary if the Company's share price performance exceeds the ASX 300 small ordinaries index by 10% for the relevant financial year. • 20% of base salary if the Company's share price performance exceeds the ASX 300 small ordinaries index by

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

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

STIs

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

LTIs

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

(iii) What is the performance period?

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

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

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

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

(c) Clawback

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

5. Details of Non-Executive remuneration structure

5.1 Objective

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

5.2 Approach to setting remuneration

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

The Company's Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive Directors shall be determined from time to time by a general meeting. The notice convening a general meeting at which it is proposed to seek approval to increase that maximum aggregate sum must specify the proposed new maximum aggregate sum and the amount of the proposed increase. The latest determination was at the AGM held in 2005 when shareholders approved an aggregate remuneration of $400,000 per year. The amount of remuneration paid to non-executive directors is reviewed annually against remuneration paid to non-executive directors of comparable companies. The board has taken advice from external consultants when undertaking the annual review process.

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

5.3 Non-executive Director Agreements

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

(a) entrench a Director's rights to be indemnified by the Company to the maximum extent permitted by law;

(b) require the Company to take out an appropriate Directors' and officers' insurance policy to protect the Director from liability (to the extent permitted by law); and

(c) provides the non-executive Director with access to the Company's books and records relating to the period the Director acted as a Director of the Company. After resignation as a Director, the Director can only use this information for the purposes of defending a claim.

6. Performance outcomes

6.1 Executives

(a) Managing Director – Mr. Con Liosatos

The Managing Director, Mr. Liosatos, is employed under a rolling employment contract. A summary of Mr. Liosatos' entitlements for the financial year ended 30 June 2015 is as follows:

- TFR for the financial year ended 30 June 2015 was $596,736. The change in TFR from 30 June 2014 is attributable to an increase in statutory superannuation entitlements less reduction in non-monetary benefits.
- Mr. Liosatos has waived his entitlement to STI's in respect of the financial year ended 30 June 2015.
- No LTI was awarded to Mr. Liosatos for the 2015 Financial Year.
- Employment may be terminated by the giving, by either party, of twelve months' notice, or by the payment or forfeiture of an equivalent amount of pay in lieu of notice from any monies owing. The Company retains the right to terminate the contract at any time without notice in the case of serious misconduct.
- Further details of the executives' remuneration for the financial years ended 30 June 2014 and 30 June 2015 and estimated remuneration for the financial year ending 30 June 2016 are included in the tables below.

(b) Chief Financial Officer – Mr. Peter Crafter

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

- TFR for the financial year ended 30 June 2015 was $322,278. The change in TFR from 30 June 2014 is attributable to an increase in statutory superannuation entitlements.
- Mr. Crafter has waived his entitlement to STI's in respect of the financial year ended 30 June 2015.
- No LTI was awarded to Mr. Crafter for the 2015 Financial Year.
- Employment may be terminated by the giving, by either party, of twelve months' notice, or by the payment or forfeiture of an equivalent amount of pay in lieu of notice from any monies owing. The Company retains the right to terminate the contract at any time without notice in the case of serious misconduct.
- Further details of the executives' remuneration for the financial years ended 30 June 2014 and 30 June 2015 and estimated remuneration for the financial year ending 30 June 2016 are included in the tables below.

(c) Performance against targets

Mr. Liosatos and Mr. Crafter have waived their entitlements to STI's in respect of the financial year ended 30 June 2015.

6.2 Non-executive Directors

(a) Mr. Alan Brown - Non-executive Chairman

Mr. Alan Brown's TFR for the financial year ended 30 June 2015 was $117,016. This moderate increase from 30 June 2014 is a result of a small increase in statutory superannuation contributions and the fact that Mr. Brown took a voluntary reduction in his Directors' fees in the 2014 financial year and at the start of the 2015 financial year. The Company considers this to be reasonable taking into account his duties, responsibilities, market, experience and performance.

(b) Mr. Mark Hardgrave - Non-executive Director

Mr. Mark Hardgrave's TFR for the financial year ended 30 June 2015 was $62,183. This moderate increase from 30 June 2014 is a result of a small increase in statutory superannuation contributions and the fact that Mr. Hardgrave took a voluntary reduction in his Directors' fees in the 2014 financial year and at the start of the 2015 financial year. The Company considers this to be reasonable taking into account his duties, responsibilities, market, experience and performance.

(c) Mr. Ken Daley - Non-executive Director

Mr. Ken Daley was appointed as a non-executive director on 25 November 2014. His TFR for the financial year ended 30 June 2015 was $35,924. The Company considers this to be reasonable taking into account his duties, responsibilities, market, experience and performance.

(d) Further details of the non-executive Directors remuneration for the financial years ended 30 June 2014 and 30 June 2015 and estimated remuneration for the financial year ending 30 June 2016 are included in the tables below.

6.3 Company Performance and Shareholder Returns

	2015	**2014**
Earnings before Interest and Tax (EBIT) ($'000)	$2,403	$793
Profit/(Loss) Before Tax (PBT) ($'000)	$536	($983)
Net profit/(loss) attributable to equity holders of the parent ($'000)	$420	($1,172)
Basic earnings/(loss) per share	0.15 cents	(0.49 cents)
Share price at balance date	3.9 cents	5.6 cents
Share price growth over year ended 30 June	-30%	-

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

TABLE 1: REMUNERATION OF KEY MANAGEMENT PERSONNEL – YEAR TO 30 JUNE 2014

	Short-term benefits			Post-employment benefits	Termination Benefits	Long-term benefits	Share based payments	Total	
	Salary & fees $	Non-monetary $	Cash Bonus $	Superannuation $	$	Long service leave $	Options $	$	% performance related
Year to 30 June 2014									
Key Management Personnel									
Non-executive Directors									
Mr. Alan Brown	103,241	-	-	9,550	-	-	-	112,791	-
Mr. Mark Hardgrave	54,862	-	-	5,075	-	-	-	59,937	-
Sub-total non-executive Directors	**158,103**	**-**	**-**	**14,625**	**-**	**-**	**-**	**172,728**	**-**
Executives									
Mr. Con Liosatos	473,025	96,860	-	43,755	-	17,518	-	631,158	-
Mr. Peter Crafter	265,932	31,804	-	24,599	-	10,874	-	333,209	-
	738,957	**128,664**	**-**	**68,354**	**-**	**28,392**	**-**	**964,367**	**-**
Total	**897,060**	**128,664**	**-**	**82,979**	**-**	**28,392**	**-**	**1,137,095**	**-**

TABLE 2: REMUNERATION OF KEY MANAGEMENT PERSONNEL – YEAR TO 30 JUNE 2015

	Short-term benefits			Post-employment benefits	Termination Benefits	Long-term benefits	Share based payments	Total	
	Salary & fees $	Non-monetary $	Cash Bonus $	Superannuation $	$	Long service leave $	Options $	$	% performance related
Year to 30 June 2015									
Key Management Personnel									
Non-executive Directors									
Mr. Alan Brown	106,863	-	-	10,152	-	-	-	117,015	-
Mr. Mark Hardgrave	56,787	-	-	5,395	-	-	-	62,182	-
Mr. Ken Daley (from 25 Nov 2014)	32,806	-	-	3,117	-	-	-	35,923	-
Sub-total non-executive Directors	**196,456**	**-**	**-**	**18,664**	**-**	**-**	**-**	**215,120**	**-**
Executives									
Mr. Con Liosatos	473,025	78,774	-	44,937	-	12,005	-	608,741	-
Mr. Peter Crafter	265,932	31,081	-	25,264	-	7,148	-	329,425	-
	738,957	**109,855**	**-**	**70,201**	**-**	**19,153**	**-**	**938,166**	**-**
Total	**935,413**	**109,855**	**-**	**88,865**	**-**	**19,153**	**-**	**1,153,286**	**-**

End of Remuneration Report

UNAUDITED ESTIMATED REMUNERATION OF KEY MANAGEMENT PERSONNEL – YEAR TO 30 JUNE 2016+

	Short-term benefits			Post-employment benefits	Termination Benefits	Long-term benefits	Share based payments	Total	
	Salary & fees $	Non-monetary $	Cash Bonus $	Superannuation $	$	Long service leave $	Options $	$	% performance related
Year to 30 June 2016									
Key Management Personnel									
Non-executive Directors									
Mr. Alan Brown	108,674	-	-	10,324	-	-	-	118,998	-
Mr. Mark Hardgrave	57,750	-	-	5,486	-	-	-	63,236	-
Mr. Ken Daley	57,750	-	-	5,486	-	-	-	63,236	-
Sub-total non-executive Directors	**224,174**	**-**	**-**	**21,296**	**-**	**-**	**-**	**245,470**	**-**
Executives									
Mr. Con Liosatos	473,025	28,249	-	44,937	-	12,005	-	558,216	-
Mr. Peter Crafter	247,921	31,082	-	23,553	-	7,148	-	309,704	-
	720,946	**59,331**	**-**	**68,490**	**-**	**19,153**	**-**	**867,920**	**-**
Total	**945,120**	**59,331**	**-**	**89,786**	**-**	**19,153**	**-**	**1,113,390**	**-**

+ Estimate, based on the changes discussed in this report, but excluding any entitlement to STI's or LTI's to be finalised after the completion of the 30 June 2016 financial statements.

This table does not form part of the Audited Remuneration Report.

DIRECTORS' MEETINGS

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

	Directors' Meetings		Audit & 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
Mr. Alan Brown	11	11	2	2	2	2	2	2
Mr. Con Liosatos	11	11	2	2	2	2	2	2
Mr. Mark Hardgrave	11	11	2	2	2	2	2	2
Mr. Ken Daley	6	6	1	1	2	2	2	2

BOARD COMMITTEES

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

- Audit & Risk – Mr. Mark Hardgrave
- Nomination & Remuneration – Mr. Mark Hardgrave
- Corporate Governance – Mr. Ken Daley

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 Class Order 98/0100. The Company is an entity to which the Class Order applies.

AUDITOR'S INDEPENDENCE AND NON-AUDIT SERVICES

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

Signed in accordance with a resolution of the Directors.

Mr. Alan Brown
Independent Non-Executive Chairman

26 August 2015
Melbourne

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Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Traffic Technologies Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2015 there have been:

(i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and

(ii) No contraventions of any applicable code of professional conduct in relation to the audit.

ShineWing Australia

ShineWing Australia (Formerly Moore Stephens)
Chartered Accountants

Nick Michael
Partner

Melbourne, 26 August 2015

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

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

The Corporate Governance Statement is accurate and up to date as at 26 August 2015 and has been approved by the Board.

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

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

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

Traffic Technologies Ltd and Controlled Entities
Statement of Comprehensive Income
For the year ended 30 June 2015

	Note	Consolidated 2015 $'000	Consolidated 2014 $'000
Revenue	2a	**46,228**	40,064
Other income	2b	**844**	244
Changes in inventories of finished goods and work in progress		**317**	698
Raw materials and consumables used		**(23,210)**	(19,412)
Employee benefits expense	3a	**(15,624)**	(14,540)
Occupancy costs		**(2,034)**	(2,255)
Advertising and marketing expense		**(89)**	(83)
Equipment rental		**(8)**	(7)
Transaction costs relating to acquisition of subsidiary		**-**	(218)
Other expenses	3b	**(1,873)**	(1,598)
Depreciation and amortisation expense	3c	**(2,148)**	(2,100)
Earnings before interest and tax (EBIT)		**2,403**	793
Finance costs	3d	**(1,867)**	(1,776)
Net profit/(loss) for the year before income tax		**536**	(983)
Income tax expense	4b	**(116)**	(189)
Net profit/(loss) for the year		**420**	(1,172)
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income for the year		**420**	(1,172)
Earnings/(loss) per share		**Cents**	Cents
- Basic (cents per share)	5	**0.15**	(0.49)
- Diluted (cents per share)	5	**0.15**	(0.49)

The Statement of Comprehensive Income should be read in conjunction with the notes to the financial statements.

Traffic Technologies Ltd and Controlled Entities
Statement of Financial Position
As at 30 June 2015

	Note	Consolidated 2015 $'000	Consolidated 2014 $'000
Current Assets			
Cash and cash equivalents	19a	**1,010**	768
Trade and other receivables	7	**9,185**	8,514
Inventories	8	**10,555**	10,238
Total Current Assets		**20,750**	19,520
Non-Current Assets			
Property, plant and equipment	10	**1,861**	2,174
Goodwill	11	**30,554**	30,554
Intangible assets	11	**6,446**	6,063
Other financial assets	9	**3**	1
Deferred tax assets	4c	**1,555**	1,669
Total Non-Current Assets		**40,419**	40,461
TOTAL ASSETS		**61,169**	59,981
Current Liabilities			
Trade and other payables	12	**6,659**	5,443
Interest bearing loans and borrowings	13	**5,878**	5,028
Provisions	14	**2,514**	2,312
Derivative financial instruments	16	**-**	50
Total Current Liabilities		**15,051**	12,833
Non-Current Liabilities			
Interest bearing loans and borrowings	13	**16,710**	17,789
Provisions	14	**70**	441
Total Non-Current Liabilities		**16,780**	18,230
TOTAL LIABILITIES		**31,831**	31,063
NET ASSETS		**29,338**	28,918
Equity			
Contributed equity	15	**49,029**	49,029
Accumulated losses		**(20,691)**	(21,111)
Share-based payments reserve		**1,000**	1,000
TOTAL EQUITY		**29,338**	28,918

The Statement of Financial Position should be read in conjunction with the notes to the financial statements.

Traffic Technologies Ltd and Controlled Entities
Statement of Changes in Equity
For the year ended 30 June 2015

	Note	Ordinary Shares	Share based payments Reserve	Accumulated Losses	Total
		$'000	$'000	$'000	$'000
CONSOLIDATED					
At 1 July 2013		42,015	1,000	(19,575)	23,440
Loss for the year		-	-	(1,172)	(1,172)
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	(1,172)	(1,172)
Transactions with owners in their capacity as owners:					
Shares issued under Dividend Reinvestment Plan	15	78	-	(78)	-
Shares issued under Shortfall Placement Agreement	15	286	-	(286)	-
Share Placements	15	7,025	-	-	7,025
Share issue costs		(494)	-	-	(494)
Deferred tax		119			119
At 30 June 2014		**49,029**	**1,000**	**(21,111)**	**28,918**
Profit for the year		**-**	**-**	**420**	**420**
Other comprehensive income		**-**	**-**	**-**	**-**
Total comprehensive income for the year		**-**	**-**	**420**	**420**
At 30 June 2015		**49,029**	**1,000**	**(20,691)**	**29,338**

Share-based Payment Reserve

The share-based payments reserve is used to record the value of share-based payments provided to employees, including key management personnel, as part of their remuneration and the value of share-based payments provided to vendors as part of the consideration in business combinations.

The Statement of Changes in Equity should be read in conjunction with the notes to the financial statements.

Traffic Technologies Ltd and Controlled Entities
Statement of Cash Flows
For the year ended 30 June 2015

	Note	Consolidated 2015 Inflows / (Outflows) $'000	2014 Inflows / (Outflows) $'000
Cash flows from operating activities			
Receipts from customers		**50,505**	45,024
Payments to suppliers and employees		**(45,961)**	(41,913)
Transaction costs relating to acquisition of subsidiary		**-**	(218)
Interest received		**3**	14
Interest paid		**(1,586)**	(1,540)
Income tax paid		**(41)**	-
Net cash provided by operating activities	19b	**2,920**	1,367
Cash flows from investing activities			
Proceeds from disposal of plant and equipment		**15**	57
Payment of development costs		**(1,624)**	(1,385)
Purchase of property, plant and equipment		**(151)**	(158)
Purchase of intangible assets		**(296)**	(228)
Purchase of business assets		**-**	(3,608)
Net cash used in investing activities		**(2,056)**	(5,322)
Cash flows from financing activities			
Proceeds from borrowings		**1,643**	2,102
Repayment of borrowings		**(2,025)**	(4,346)
Proceeds from share issues		**-**	7,025
Payment for share issue costs		**-**	(494)
Payment for finance facility fees		**(240)**	(245)
Net cash provided by/(used in) financing activities		**(622)**	4,042
Net increase in cash and cash equivalents		**242**	87
Cash and cash equivalents at beginning of the financial year		**768**	681
Cash and cash equivalents at end of the financial year	19a	**1,010**	768

The Statement of Cash Flows should be read in conjunction with the notes to the financial statements.

The financial report of Traffic Technologies Ltd (the Company) for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the Directors on 26 August 2015. The Company is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are described in the Directors' Report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

This financial report is a general purpose financial report that has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and AASB Interpretations. The consolidated financial statements of Traffic Technologies Ltd and its subsidiaries also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The financial report has been prepared on an accruals basis and under the historical cost convention. The financial report covers Traffic Technologies Ltd and its subsidiaries (the Group). Traffic Technologies Ltd is a for profit Australian listed public company limited by shares, incorporated and domiciled in Australia. The nature and operations and principal activities of the Group are described in the Directors' Report. The following is a summary of material accounting policies adopted by the Group in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Rounding

The amounts contained in the financial report have been rounded to the nearest thousand dollars ($'000) (unless otherwise stated) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

Clarification of terminology used in statement of comprehensive income

Under the requirements of AASB 101 *Presentation of Financial Statements*, expenses (apart from finance costs) must be classified according to either the nature (type) of the expense or the function (activity to which the expense relates). Expenses have been classified using the nature classification as it more accurately reflects the type of operations undertaken.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) New Accounting Standards for Application in Future Periods

- ***AASB 9: Financial Instruments and associated amending standards (applicable for annual reporting periods commencing on or after 1 January 2018)***

  AASB 9 will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and de-recognition requirements for financial instruments and simplified requirements for hedge accounting.

  The key changes made to the Standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particular with respect to hedge of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

  Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

- ***AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1st January 2017)***

  This standard, when effective, will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers. The core principle of AASB 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step model:

  - identify the contract(s) with a customer;
  - identify the performance obligations in the contract(s);
  - determine the transaction price;
  - allocate the transaction price to the performance obligations in the contract; and
  - recognise revenue when (or as) the performance obligation is satisfied.

  AASB 15 also requires enhanced disclosures regarding revenues.
  This standard will require retrospective restatement and is available for early adoption.

  This Standard is not expected to significantly impact the Group's financial statements.

- ***AASB 2014-4: Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation.***

  This Standard applies to annual reporting periods beginning on or after 1 January 2016 and is meant to clarify that a revenue-based method to calculate the depreciation or amortisation of an asset is not appropriate and that the expected pattern of consumption of the future economic benefits from the asset is a more appropriate basis. However, this could be a rebuttable presumption in limited circumstances. These amendments are to be prospectively applied on transition.

This Standard is not expected to significantly impact the Group's financial statements.

- ***AASB 2014-5: Amendments to Australian Accounting Standards arising from AASB 15.***

  This Standard makes consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issue of AASB 15. This Standard applies to annual reporting periods beginning on or after 1st January 2017, except that the amendments to AASB 9 (December 2009) and AASB 9 (December 2010) apply to annual reporting periods beginning on or after 1st January 2018. This Standard shall be applied when AASB 15 is applied. Earlier application is permitted.

  This Standard is not expected to significantly impact the Group's financial statements.

- ***AASB 2014-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)***

  This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issue of AASB 9 (December 2014). More significantly, additional disclosure requirements have been added to AASB 7 Financial Instruments: Disclosures that includes information on credit risk exposures of the entity. It also makes various editorial corrections to Australian Accounting Standards (including an Interpretation). This Standard applies to annual reporting periods beginning on or after 1st January 2018. This Standard will be applied when AASB 9 (December 2014) is applied. Earlier application is permitted.

  This Standard is not expected to significantly impact the Group's financial statements.

- ***AASB 2014-8: Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) - Application of AASB 9 (December 2009) and AASB 9 (December 2010).***

  This Standard makes amendments to the earlier versions of AASB 9 (December 2014), namely AASB 9 (December 2009) and AASB 9 (December 2010) such that for annual reporting periods beginning on or after 1st January 2015, an entity may apply AASB 9 (December 2009) or AASB 9 (December 2010) if, and only if, the entity's date of initial application (as described in the applicable Standard) is before 1 February 2015.

  This Standard is not expected to significantly impact the Group's financial statements.

- ***AASB 2015-1: Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle.***

  This standard is applicable from annual reporting periods beginning on or after 1st January 2016 with earlier application being permitted. Significant amendments to this standard that are to be prospectively applied include the following:

  a. Clarifications in AASB 5 Non-current Assets Held for Sale and Discontinued Operations that a change of status from 'Held for Sale' to 'Held for distribution to owners or vice versa does not mean discontinuation of the original plan of proposal.
  b. Additional guidance in AASB 7 on assessment of 'continuing involvement' (as provided in AASB 139 or AASB 9) in servicing contracts for the purpose of disclosure requirements.

c. Amendments to AASB 119 Employee Benefits to allow references to government bonds to be made from a currency perspective rather than from a regional perspective.
d. Permitting the disclosures pursuant to AASB 134.16A to be given by cross referencing from the interim financial statements to some other statement (such as management commentary or risk report).

This Standard is not expected to significantly impact the Group's financial statements.

- ***AASB 2015-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101***

This standard is applicable from annual reporting periods beginning on or after 1st January 2016 with earlier application being permitted. The amendments therein focus on clarifying the presentation and disclosure requirements in AASB 101, such that entities are able to judge appropriately as to how and/or what information is to be disclosed in their financial statements. Further, this standard also includes other editorial/consequential amendments to other AASB standards.

This Standard is not expected to significantly impact the Group's financial statements.

- ***AASB 2015-3: Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality***

This Standard completes the AASB project regarding the withdrawal of AASB 1031 Materiality (July 2004), by amending AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors to supersede AASB 1031 (July 2004) and deletes references to AASB 1031 in the Australian Accounting Standards listed in the Appendix to this Standard. The standard is applicable from 1st July 2015 and until then, AASB 1031 (December 2013) (that was earlier re-issued in lieu of AASB 1031 (July 2004)) will continue to act as a reference standard directing financial statement preparers to apply the materiality requirements in AASB 101 and AASB 108.

This Standard is not expected to significantly impact the Group's financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Basis of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Traffic Technologies Ltd) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in note 21.

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

d) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

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.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Significant accounting judgements

Impairment of non-financial assets other than goodwill

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capitalised development costs

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

Taxation

The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised in the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised in the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of comprehensive income.

Significant accounting estimates and assumptions

Estimated impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, representing the lowest level at which goodwill is monitored being not larger than an operating segment, using a value in use discounted cash flow methodology, to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in the estimation of recoverable amount and the carrying amount of goodwill including a sensitivity analysis are discussed in note 11.

Long service leave provision

As discussed in note 1(r), the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through inflation and promotion have been taken into account. The Group’s obligations towards long service leave liabilities are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for impairment loss on receivables

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

Estimation of useful lives of assets

The estimation of useful lives of assets has been based on historical experience (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of assets is assessed at least once a year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Depreciation charges are disclosed in note 10. Any change in the useful life or residual lives is treated as a change in accounting estimate and recognised in the statement of income.

Maintenance warranty

In determining the level of the provision required for warranties, the Group has made judgements in respect of the expected performance of the products and any liability resulting from installation works. Historical experience and current knowledge of the performance of products has been used in determining this provision. The related carrying amounts are disclosed in note 14.

e) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognised:

(i) Sale of goods

Revenue from the sale of goods is recognised when there is persuasive evidence, usually in the form of an executed sales agreement at the time of delivery of the goods to customer, indicating that there has been a transfer of risks and rewards to the customer, no further work or processing is required, the quantity and quality of the goods has been determined, the price is fixed, cessation of all involvement in those goods and generally title has passed (for shipped goods this is the bill of lading date).

(ii) Rendering of services

Revenue is recognised by reference to the stage of completion of a contract. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. When the contract outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(iii) Interest revenue

Interest revenue 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised as an integral part of the total lease expense.

g) Cash and cash equivalents

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

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

h) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised initially at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method, less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Group may not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 90-120 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the difference between the receivables carrying amount and the present value of its estimated future cash flows, discounted at the original effective interest rate.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Inventories

Inventories including raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value.

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

- *Raw materials* – purchase cost on a first-in, first-out basis. The cost of purchase comprises the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), transport, handling and other costs directly attributable to the acquisition of raw materials and volume discounts and rebates.
- *Finished goods and work-in-progress* – cost of direct materials and labour and a proportion of variable and fixed manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

j) Income tax and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Current income tax expense charged to profit or loss is the tax payable on taxable income.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- When the taxable temporary difference is associated with investments in subsidiaries and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- When the deductible temporary difference is associated with investments in subsidiaries in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability

Income taxes relating to items recognised directly in equity are recognised in equity.

Both current tax assets/liabilities and deferred tax assets/liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Current and deferred income tax expense/(income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Tax consolidation

The Company and all its wholly owned Australian entities are part of a tax consolidated group as of 1 July 2005 under Australian taxation law.

Traffic Technologies Ltd is the head entity in the tax consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the ‘stand-alone taxpayer’ approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax consolidated group are recognised by the Company (as head entity in the tax consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the Group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in note 4 to the financial statements. Where the tax contribution amount recognised by each member of the tax consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

Other taxes

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST) except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

k) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in the statement of comprehensive income as incurred.

Buildings are measured at cost less accumulated depreciation on buildings.

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

	2015	**2014**
Plant and equipment	1 to 15 years	1 to 15 years
Plant and equipment under finance lease	1 to 15 years	1 to 15 years
Office furniture and fittings	4 to 10 years	4 to 10 years
Office furniture and fittings under finance lease	4 to 10 years	4 to 10 years
Motor vehicles	8 years	8 years
Motor vehicles under finance lease	8 years	8 years
Buildings	40 years	40 years
Leasehold improvements	10 years	10 years

The assets' residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, at each financial year end and tested for impairment whenever there is an indication that the asset may be impaired (see note 1(n) for methodology).

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

l) Goodwill

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment determined in accordance with AASB 8 *Segment Reporting.*

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates.

The Group performs its impairment testing as at 30 June each year using a value in use, discounted cash flow methodology for its cash-generating units to which goodwill has been allocated. Impairment testing may be performed at other dates where an indicator of impairment exists.

When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

m) Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the statement of comprehensive income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired (see note 1(n) for methodology). The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 (2014: 5 years). The amortisation is recognised in the statement of comprehensive income in the line item ‘depreciation, amortisation and impairment expense’.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

Type approval certification

Type approval certification internally generated or acquired in a business combination is carried at cost less accumulated amortisation and accumulated impairment losses and is amortised using the straight line method over a period of 5 years (2014: 5 years). Type approval certification represents the Group’s ‘licence’ to sell its light-emitting diode (“LED”) traffic light signals and other products.

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 (2014: 1-4 years).

Patents and trademarks

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

Patents and trademarks are amortised on a straight line basis over a period of 3-10 years (2014: 3-10 years).

Brand names

Brand names are carried at cost less any accumulated amortisation and any accumulated impairment losses. Brand names acquired in business combinations are assessed to have a finite life and are amortised over a period of 10 years (2014: 10 years).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Impairment of non-financial assets other than goodwill

Intangible assets that have an indefinite useful life and those 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.

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

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). Non-financial assets other than goodwill that have suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

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 60 days of recognition.

p) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

q) Derivative financial instruments and hedging

The Group uses derivative financial instruments to hedge its interest rate risk exposures, including interest rate swaps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the statement of comprehensive income immediately.

The fair values of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair values of interest rate swap contracts are determined by reference to market values for similar instruments.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Provisions and employee benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at balance date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee benefits

(i) Short-term employee benefits

Provision is made for the Group’s obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group’s obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The Group’s obligations for employees’ annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

(i) Other long-term employee benefits

Provision is made for employees’ long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group’s obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Foreign currency translation

(i) Functional and presentation currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements, are presented in Australian dollars, which is the functional and presentation currency of the Group.

(ii) Transactions & balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

t) Contributed equity

Ordinary Shares

Ordinary shares are classified as contributed equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

u) Earnings per share

Basic earnings per share is calculated as net profit/loss attributable to members of the parent entity, adjusted to exclude any costs of servicing equity (other than dividends), 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, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Business combinations

Business combinations are accounted for using the acquisition method. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through the statement of comprehensive income. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 in the statement of comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred. The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

w) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of Directors. Operating segments have been identified based on the information provided to the chief operating decision maker. The Group aggregates two or more operating segments when they have similar economic characteristics and the segments are similar in each of the following respects:

- Nature of the products and services;
- Nature of the production processes;
- Type or class of customer for the products and services;
- Methods used to distribute the products or provide the services; and
- Nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements. Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

x) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iv) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial guarantees

Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as a financial liability at fair value on initial recognition.

The fair value of financial guarantee contracts has been assessed using a probability-weighted discounted cash flow approach. The probability has been based on:

– the likelihood of the guaranteed party defaulting during the next reporting period;

– the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and

– the maximum loss exposure if the guaranteed party were to default.

Financial guarantees are subsequently measured at the higher of the best estimate of the obligation in accordance with AASB 137: Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised in accordance with AASB 118.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

2. REVENUES

	Consolidated 2015 $'000	Consolidated 2014 $'000
(a) Revenue		
Sale of goods	**46,228**	40,064
(b) Other income		
Fair value of interest rate contracts	**50**	58
Net gain on disposal of fixed assets	**-**	43
Other income	**794**	143
Total other income	**844**	244

3. EXPENSES

	Consolidated 2015 $'000	Consolidated 2014 $'000
(a) Employee related expenses		
Wages and salaries	**10,565**	8,885
Superannuation (defined contribution)	**1,083**	981
Other employee benefits expense	**3,976**	4,674
	15,624	14,540
(b) Other expenses		
Administrative costs	**1,585**	1,303
Public company costs	**288**	295
	1,873	1,598
(c) Depreciation, amortisation and impairment expense		
Depreciation of non-current assets:		
Plant and equipment	**384**	353
Office furniture and fittings	**94**	91
Motor vehicles	**88**	91
Land and buildings	**9**	9
Leasehold improvements	**37**	27
	612	571
Amortisation of non-current assets:		
Development costs	**576**	612
Type approvals	**575**	562
Software costs	**284**	255
Patents and trademarks	**53**	52
Brand names	**48**	48
	1,536	1,529
Total depreciation and amortisation expense	**2,148**	2,100
(d) Finance costs		
Amortisation of capitalised transaction costs	**230**	178
Bank loans and overdrafts	**1,566**	1,526
Lease interest	**47**	53
Other	**24**	19
Total finance costs	**1,867**	1,776
(e) Research and development costs		
Research and development costs charged directly to cost of sales in profit or loss	**15**	11

4. INCOME TAX

	Consolidated 2015 $'000	Consolidated 2014 $'000
(a) Income tax expense		
The major components of income tax expense are:		
Statement of Comprehensive Income		
Current income tax		
Current income tax charge	**2**	6
Deferred income tax		
Relating to origination and reversal of temporary differences	**114**	183
Income tax expense reported in the statement of comprehensive income	**116**	189
(b) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate		
Accounting profit / (loss) before income tax	**536**	(983)
Prima facie income tax expense / (benefit) at the Group's statutory income tax rate of 30% (2014: 30%)	**161**	(295)
Losses not recognised	**-**	478
Recoupment of losses	**(47)**	-
Non-refundable foreign tax	**2**	6
Aggregate income tax expense / (benefit)	**116**	189

4. INCOME TAX (continued)

(c) Deferred tax balances

Deferred tax assets/(liabilities) arise from the following:

30 June 2015	Consolidated				
	Opening balance $'000	Charged/ (credited) to income $'000	Charged to equity $'000	Acquisition $'000	Closing balance $'000
Temporary differences					
Intangible assets	**(935)**	**(8)**	**-**	**-**	**(943)**
Property, plant and equipment	**66**	**(71)**	**-**	**-**	**(5)**
Employee provisions	**868**	**(14)**	**-**	**-**	**854**
Warranty provisions	**24**	**-**	**-**	**-**	**24**
Doubtful debts	**7**	**(7)**	**-**	**-**	**-**
Credit notes	**10**	**6**	**-**	**-**	**16**
Foreign exchange	**(9)**	**15**	**-**	**-**	**6**
Other capital expenditure	**131**	**-**	**-**	**-**	**131**
Other accruals and provisions	**99**	**(35)**	**-**	**-**	**64**
	261	**(114)**	**-**	**-**	**147**
Unused tax losses	**1,408**	**-**	**-**	**-**	**1,408**
	1,669	**(114)**	**-**	**-**	**1,555**

30 June 2014	Consolidated				
	Opening balance $'000	Charged/ (credited) to income $'000	Charged to equity $'000	Acquisition $'000	Closing balance $'000
Temporary differences					
Intangible assets	(1,000)	(18)	-	83	(935)
Property, plant and equipment	60	6	-	-	66
Employee provisions	708	2	-	158	868
Warranty provisions	30	(6)	-	-	24
Doubtful debts	-	(4)	-	11	7
Credit notes	27	(17)	-	-	10
Foreign exchange	-	(9)	-	-	(9)
Other capital expenditure	84	(72)	119	-	131
Other accruals and provisions	151	(65)	-	13	99
	60	(183)	119	265	261
Unused tax losses	1,408	-	-	-	1,408
	1,468	(183)	119	265	1,669

	Consolidated 2015 $'000	Consolidated 2014 $'000
The following tax losses have not been recognised as a deferred tax asset:		
Tax losses – revenue	**1,254**	1,468
Tax losses – capital	**-**	100
Carried forward tax offsets	**442**	656
Total deferred tax assets	**1,696**	2,224

4. INCOME TAX (continued)

"Tax losses – revenue" are available to carry forward against future revenue-related profits (but not against capital related profits) without expiry. The Company remains cautious about the economic outlook and has not therefore recorded all its tax losses as a deferred tax asset.

Unrecognised temporary differences

At 30 June 2015 there are no unrecognised temporary differences associated with the Group's investment in subsidiaries or associates as the Group has no liability for additional taxation should unremitted earnings be remitted (2014: $nil).

(d) 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 21.

(e) Nature of tax funding and tax sharing agreements

Entities within the tax consolidated group have entered into a tax funding arrangement and a tax sharing arrangement with the head entity. Under the terms of the tax funding arrangement, Traffic Technologies Ltd and each of the entities in the tax consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax consolidated group. The tax sharing agreement entered into between members of the tax consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax consolidated group. The effect of the tax sharing agreement is that each member's liability for the tax payable by the tax consolidated group is limited to the amount payable to the head entity under the tax funding agreement.

5. EARNINGS PER SHARE

The following reflects the income and share data used in the basic and diluted earnings per share computations:

(a) **Earnings used in calculating earnings per share**	**Consolidated 2015 $'000**	Consolidated 2014 $'000
For basic and diluted earnings per share:		
Net profit attributable to ordinary equity holders of the parent	**420**	(1,172)

(b) **Weighted average number of shares**	**Consolidated 2015 Thousands**	Consolidated 2014 Thousands
Weighted average number of ordinary shares used in calculating basic earnings per share	**275,557**	238,958
Weighted average number of ordinary shares adjusted for the effect of dilution	**275,557**	238,958

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 2015 (2014: nil). There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

6. DIVIDENDS

	2015 $'000	2014 $'000
(a) Ordinary shares		
Final dividend for the year ended 30 June 2013 of 0.2 cents	**-**	364
	-	364
(b) Franked dividends		
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2014: 30%)	**5,792**	**5,792**

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

7. TRADE AND OTHER RECEIVABLES (Current)

	Consolidated 2015 $'000	Consolidated 2014 $'000
Trade receivables	**8,068**	7,752
Allowance for impairment loss (a)	**(10)**	(21)
	8,058	7,731
Prepayments	**1,104**	777
Other receivables	**23**	6
	9,185	8,514

7. TRADE AND OTHER RECEIVABLES (Current) (continued)

(a) Allowance for impairment loss – trade receivables

Trade receivables are non-interest bearing, are generally on 30 day terms and can vary depending on any individual contract. An allowance for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. A net impairment loss of $5,000 (2014: $16,000) has been recognised by the Group. This amount has been included in the administration costs line item within other expenses. The amount of the allowance for impairment loss has been measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors.

Movements in the allowance for impairment loss were as follows:	**Consolidated 2015 $'000**	Consolidated 2014 $'000
Balance at the beginning of the year	**21**	1
Acquisition of subsidiary	**-**	5
Charge for the year	**21**	16
Amounts recovered during the year	**(16)**	(1)
Amounts written off as uncollectible	**(16)**	-
Balance at the end of the year	**10**	21

At 30 June, the ageing analysis of trade receivables was as follows:

		TOTAL	Not past due $'000	1 – 30 days PDNI* $'000	1 – 30 days CI* $'000	31 – 60 days PDNI* $'000	31 – 60 Days CI* $'000	+ 61 days PDNI* $'000	+ 61 Days CI* $'000
2015	**Group**	**8,068**	**5,312**	**2,226**	**-**	**453**	**-**	**67**	**10**
2014	Group	7,752	4,502	2,579	-	342	-	308	21

**** - Table Legend***

- Past due not impaired (PDNI)
- Considered impaired (CI)

Receivables past due but not considered impaired are: Group $2,746,000 (2014: $3,229,000). Payment terms on these amounts have not been renegotiated; however credit has been stopped until full payment is made. Each operating unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full. Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

(b) Fair value and credit risk

Due to the short term nature of trade and other receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

(c) Foreign exchange and interest rate risk

Details regarding foreign exchange and interest rate risk exposure are disclosed in note 17.

8. INVENTORIES (Current)

	Consolidated 2015 $'000	Consolidated 2014 $'000
Raw materials	**5,665**	5,321
Work in progress	**182**	230
Finished goods	**4,708**	4,687
	10,555	10,238

Inventory write-downs recognised as an expense totalled $Nil (2014: $Nil) for the Group. During the year, inventory write-downs of $Nil were reversed following the disposal of associated aged/impaired inventory (2014: $31,000). This benefit is included in the statement of comprehensive income in changes in inventories of finished goods and work in progress.

9. OTHER FINANCIAL ASSETS (Non-current)

	Consolidated 2015 $'000	Consolidated 2014 $'000
Listed investments, at market value	**3**	1
	3	1

10. PROPERTY, PLANT AND EQUIPMENT

	Consolidated 2015 $'000	Consolidated 2014 $'000
a) Carrying values		
Plant and equipment:		
At cost	**4,668**	4,778
Accumulated depreciation*	**(3,777)**	(3,619)
Total plant and equipment	**891**	1,159
Plant and equipment under lease:		
At cost	**239**	239
Accumulated depreciation*	**(161)**	(118)
Total plant and equipment	**78**	121
Office furniture and fittings		
At cost	**1,092**	1,409
Accumulated depreciation*	**(949)**	(1,214)
Total office furniture and fittings	**143**	195
Office furniture and fittings under lease		
At cost	**137**	82
Accumulated depreciation*	**(86)**	(53)
Total office furniture and fittings	**51**	29
Motor vehicles		
At cost	**434**	434
Accumulated depreciation*	**(411)**	(383)
Total motor vehicles	**23**	51
Motor vehicles under lease		
At cost	**662**	546
Accumulated depreciation*	**(301)**	(241)
Total motor vehicles under lease	**361**	305
Buildings		
At cost	**208**	208
Accumulated depreciation	**(82)**	(73)
Total land and buildings	**126**	135
Leasehold improvements		
At cost	**875**	830
Accumulated depreciation*	**(687)**	(651)
Total leasehold improvements	**188**	179
Total property, plant and equipment		
At cost	**8,315**	8,526
Accumulated depreciation*	**(6,454)**	(6,352)
Total net book value	**1,861**	2,174

* - *Includes impairment*

10. PROPERTY, PLANT AND EQUIPMENT (continued)

b) Reconciliation of carrying amounts at the beginning and end of period

CONSOLIDATED	Plant & Equipment $'000	Plant & Equipment under lease $'000	Office Furniture $'000	Office Furniture under lease $'000	Motor vehicles $'000	Motor vehicles under lease $'000	Buildings $'000	Leasehold improvements $'000	Total $'000
Year ended 30 June 2015									
Balance at the beginning of the year, net of accumulated depreciation	**1,159**	**121**	**195**	**29**	**51**	**305**	**135**	**179**	**2,174**
Additions	**88**	**-**	**18**	**46**	**-**	**116**	**-**	**46**	**314**
Disposals	**(15)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(15)**
Depreciation expense	**(341)**	**(43)**	**(70)**	**(24)**	**(28)**	**(60)**	**(9)**	**(37)**	**(612)**
Balance at the end of the year, net of accumulated depreciation	**891**	**78**	**143**	**51**	**23**	**361**	**126**	**188**	**1,861**
Year ended 30 June 2014									
Balance at the beginning of the year, net of accumulated depreciation	1,395	163	129	49	89	360	144	148	2,477
Acquisition of subsidiary	59	-	62	-	-	-	-	-	121
Additions	16	-	87	-	-	-	-	58	161
Disposals	-	-	(12)	-	(2)	-	-	-	(14)
Depreciation expense	(311)	(42)	(71)	(20)	(36)	(55)	(9)	(27)	(571)
Balance at the end of the year, net of accumulated depreciation	1,159	121	195	29	51	305	135	179	2,174

10. PROPERTY, PLANT AND EQUIPMENT (continued)

c) Property, plant and equipment pledged as security for liabilities

Leased assets are pledged as security for the related finance lease liabilities.

The Group's property, plant and equipment is pledged as security against the borrowings with Westpac Banking Corporation as disclosed in note 13.

11. GOODWILL AND INTANGIBLE ASSETS

a) Carrying values

	Consolidated 2015 $'000	Consolidated 2014 $'000
Development costs		
At cost	**7,249**	6,049
Accumulated amortisation	**(2,589)**	(2,011)
Accumulated impairment	**(400)**	(400)
	4,260	3,638
Type approval certification		
At cost	**5,848**	5,424
Accumulated amortisation	**(4,014)**	(3,439)
	1,834	1,985
Software costs		
At cost	**1,761**	1,508
Accumulated amortisation	**(1,584)**	(1,300)
	177	208
Patents and trademarks		
At cost	**418**	374
Accumulated amortisation	**(329)**	(276)
	89	98
Brand names		
At cost	**477**	477
Accumulated amortisation	**(391)**	(343)
	86	134
Goodwill		
At cost	**33,042**	33,042
Accumulated impairment	**(2,488)**	(2,488)
	30,554	30,554
Total intangibles		
At cost	**48,795**	46,874
Accumulated amortisation*	**(11,795)**	(10,257)
Total net book value	**37,000**	36,617

* - *Includes impairment*

11. GOODWILL AND INTANGIBLE ASSETS (continued)

b) Reconciliation of carrying amounts at the beginning and end of period

	Consolidated						
	Development Costs $'000	**Type Approval $'000**	**Software Costs $'000**	**Patents and Trademarks $'000**	**Brands $'000**	**Goodwill $'000**	**TOTAL $'000**
At 1 July 2014 net book value	**3,638**	**1,985**	**208**	**98**	**134**	**30,554**	**36,617**
Additions	**1,198**	**424**	**253**	**44**	**-**	**-**	**1,919**
Amortisation	**(576)**	**(575)**	**(284)**	**(53)**	**(48)**	**-**	**(1,536)**
At 30 June 2015 net book value	**4,260**	**1,834**	**177**	**89**	**86**	**30,554**	**37,000**
At 1 July 2013 net book value	1,238	1,947	238	102	182	30,535	34,242
Acquisition of subsidiary	2,224	-	45	-	-	19	2,288
Additions	788	600	180	48	-	-	1,616
Amortisation	(612)	(562)	(255)	(52)	(48)	-	(1,529)
At 30 June 2014 net book value	3,638	1,985	208	98	134	30,554	36,617

11. GOODWILL AND INTANGIBLE ASSETS (continued)

c) Impairment tests for goodwill and intangible assets with indefinite useful lives

(i) Description of the cash-generating units and other relevant information

Goodwill acquired through business combinations has been allocated to the Signals and Controllers cash-generating units for impairment testing.

The recoverable amounts of the Signals and Controllers cash-generating units have been determined based on a value in use calculation using cash flow projections based on financial budgets prepared by management covering a five year period.

The pre-tax discount rate applied to the cash flow projections is 9.5% (2014:11.5%), which is the Group's WACC. The growth rate used to extrapolate the cash flows for periods beyond the five year period is 3% (2014: 3%).

The Group believes that the growth rate selected is justified based on expected growth in demand due to increased road infrastructure investment in line with government projections.

(ii*) Carrying amount of goodwill and indefinite life intangible assets allocated to the cash-generating unit*

	Consolidated 2015 $'000	Consolidated 2014 $'000
Signals	**30,535**	30,535
Controllers	**19**	19
Total	**30,554**	30,554

(iii*) Key assumptions used in value in use calculations for the Signals and Controllers cash-generating units at 30 June 2015 and 30 June 2014*

The Group has based its cash flow projections on budgets prepared by management.

The cash flows have been extrapolated using the expected growth rate of 5% for the Signals and Controllers cash-generating units (2014: 5%).

The Group believes that the growth rate selected is justified based on expected growth in demand over the next five years in line with government projections.

It has been assumed that the current market share achieved by the Group will be maintained and that the budgeted growth rate will be achieved through expected growth in market demand.

The projections are based on the gross margins achieved in the period immediately before the budget period, increased for expected efficiency improvements. The Group believes that efficiency improvements of up to 5% per year can be reasonably achieved in the Signals and Controllers cash generating units.

The key assumptions used in the value in use calculations represent management's best estimates at 30 June 2015. Management has considered the sensitivity of the value in use calculations to changes in assumptions and does not believe there are reasonably possible changes in the key assumptions which would cause the carrying value of the unit to materially exceed its recoverable amount.

12. TRADE AND OTHER PAYABLES

	Consolidated 2015 $'000	Consolidated 2014 $'000
Current		
Trade creditors *(i)*	**4,613**	4,082
Sundry creditors and accruals *(ii)*	**1,578**	1,283
Deferred income	**468**	78
Current trade and other payables	**6,659**	5,443

(i) ***Trade creditors***

Trade payables are non-interest bearing and are normally settled on 60 day terms.

(ii) ***Sundry creditors and accruals***

Current
Current sundry creditors and accruals are non-trade payables, non-interest bearing and have an average term of 3 months.

(iii) ***Fair value***

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

(iv) ***Interest rate, foreign exchange and liquidity risk***

Information regarding the effective interest rate, foreign exchange and liquidity risk exposure is set out in note 17.

13. INTEREST BEARING LOANS AND BORROWINGS

	Nominal interest rate	Year of maturity	Consolidated 2015 $'000	Consolidated 2014 $'000
Current borrowings				
Term bank facility (secured) *(i)*	BBR + 4.25%	2016	**1,000**	1,000
Working capital facility (secured) *(ii)*	BBR + 3.0%	2016	**4,650**	3,800
Lease liabilities	3.7% - 8.9%	2015-2016	**228**	228
			5,878	5,028
Non-current borrowings				
Term bank facility (secured) *(i)*	BBR + 4.25%	2016	**16,494**	17,504
Lease liabilities	3.7% - 8.9%	2016-2019	**216**	285
			16,710	17,789

All loans are denominated in Australian Dollars. The carrying amount of the Group's current and non-current borrowings approximates their fair value.

Reconciliation of term bank facility	Consolidated 2015 $'000	Consolidated 2014 $'000
Term bank facility balance comprises:		
Term bank facility – principal loan amounts payable	**17,700**	18,700
Less: capitalised transaction costs	**(206)**	(196)
	17,494	18,504
Current borrowings	**1,000**	1,000
Non-current borrowings	**16,494**	17,504
	17,494	18,504

Terms and conditions relating to the above financial instruments:

(i) *Term Facility*
The term facility has been extended for repayment on 1 October 2016 (previously 1 October 2015) and has been presented as non-current in accordance with AASB 101 *Presentation of Financial Statements*. The term facility is secured by fixed and floating charges over the total assets of the Group.

(ii) *Working Capital Facility*
The working capital facility comprises a bank overdraft facility, a bank guarantee commitment and a revolving cash advance facility. The facility has been extended for repayment on 1 October 2016 (previously 1 October 2015) and has been presented as current in accordance with the economic substance of a working capital facility. The working capital facility is secured by fixed and floating charges over the total assets of the Group.

(iii) Information regarding the effective interest rate risk of borrowings is set out in note 17.

(iv) During the current and prior financial year, there were no defaults or breaches on any of the loans.

(v) Refer to note 19(c) for details regarding financing facilities available.

14. PROVISIONS

(a) Movements in Provisions

Movements in each class of provisions during the financial year are set out below:

	Warranties	Employee Benefits	Total
	$000	$000	$000
Consolidated Group			
Opening balance at 1 July 2014	**80**	**2,673**	**2,753**
Additional provisions	**-**	**833**	**833**
Amounts used	**-**	**(882)**	**(882)**
Unused amounts reversed	**-**	**(120)**	**(120)**
Balance at 30 June 2015	**80**	**2,504**	**2,584**

(b) Analysis of Total Provisions

	Consolidated 2015 $'000	Consolidated 2014 $'000
Current	**2,514**	2,312
Non-current	**70**	441
Total provisions	**2,584**	2,753

(c) Provision for Warranties

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. The provision for warranty claims represents the present value of the Directors' best estimate of the future outflow of economic benefits that will be required under warranties offered for products supplied by the Group.

Based on past experience, the Group does not expect the full balance of the current provision to be settled within 12 months. However, as the Group does not have an unconditional right of deferral, the balance is presented as current.

(d) Provision for Employer Benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement. The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been discussed in Note 1(r).

15. CONTRIBUTED EQUITY

	Consolidated 2015 $'000	Consolidated 2014 $'000
Ordinary shares	**49,029**	49,029
	49,029	49,029

a) Ordinary shares	**No. Of Shares '000**	**$'000**
At 1 July 2013	181,804	42,015
Shares issued under Dividend Reinvestment Plan 1,177,296 new ordinary shares issued at 6.6 cents per share – 20 September 2013	1,177	78
Shares issued under Shortfall Placement Agreement 4,765,199 new ordinary shares issued at 6.0 cents per share – 20 September 2013	4,765	286
Share Placement 35,810,568 new ordinary shares issued at 8.0 cents per share – 7 November 2013	35,811	2,865
Share Placement 52,000,000 new ordinary shares issued at 8.0 cents per share – 5 December 2013	52,000	4,160
Share issue costs	-	(494)
Deferred tax	-	119
At 30 June 2014	**275,557**	**49,029**
At 30 June 2015	**275,557**	**49,029**

Terms and conditions of contributed equity

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.

15. CONTRIBUTED EQUITY (continued)

b) Capital risk management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. The Group's overall strategy remains unchanged from 2014. The capital structure of the Group consists of debt, which includes borrowings disclosed in note 13, cash and cash equivalents disclosed in note 19 and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses as disclosed in the Statement of Changes in Equity.

Operating cash flows are used to maintain and expand the Group's manufacturing and distribution assets, as well as to make the routine outflows of tax and repayment of maturing debt. The Group's policy is to borrow centrally through the parent entity, using a variety of capital market issues and borrowing facilities, to meet anticipated funding requirements.

c) Gearing ratio

The Directors review the capital structure on a monthly basis. As a part of this review the Board considers the cost of capital and risks associated with each class of capital. The Group will balance its overall capital structure through new share issues and the redemption of existing debt, as market conditions allow. The Group is not subject to any externally imposed capital requirements. The gearing ratios based on continuing operations at 30 June 2015 and 2014 were as follows:

	Consolidated 2015 $'000	Consolidated 2014 $'000
Total borrowings (i)	**22,588**	22,817
Cash and cash equivalents	**(1,010)**	(768)
Net debt	**21,578**	22,049
Equity (ii)	**29,338**	28,918
Total capital	**50,916**	50,967
Gearing ratio	**42%**	43%

(i) Total borrowings includes long and short-term interest bearing liabilities, as detailed in note 13.
(ii) Equity includes all capital and reserves.

16. DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated 2015 $'000	Consolidated 2014 $'000
Current liabilities		
Interest rate swap contract	-	50

Interest rate swap

Interest bearing loans of the Group currently bear an average floating interest rate of 2.6% (2014: 2.7%). In order to protect against rising interest rates the Group entered into an interest rate swap contract under which it had a right to receive interest at variable rates and to pay interest at fixed rates. The swap covered $10.35m of the notional principal of the term debt outstanding. The fixed interest rate on the swap was 3.38% and the floating interest rate on the interest rate swap was the Australian BBR. The interest rate swap expired on 18 February 2015. The term loan, whose interest was hedged through the interest rate swap, is fully disclosed in note 13. The interest rate swap settled on a monthly basis. The interest payments on the term facility loan and the interest rate swap occurred simultaneously. The difference, if any, has been recognised directly in the statement of comprehensive income. The notional principal amount and period of expiry of the interest rate swap was as follows:

	Consolidated 2015 $'000	Consolidated 2014 $'000
6 – 12 months	-	10,350

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk management objectives and policies

The Group's principal financial instruments comprise a term loan facility, working capital facility, finance leases, hire purchase contracts, forward contracts to purchase foreign currency and cash and short-term deposits.

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 enters into derivative transactions, principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance, where appropriate. The Group has various other 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 main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, credit risk and foreign exchange rate risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the preparation of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Primary responsibility for identification and control of financial risks rests with the Audit & Risk Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for hedging cover of foreign currency and interest rate risk, credit allowances and future cash flow forecasts.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

Risk exposures and responses

Fair value of financial instruments

The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values (2014: fair values).

The fair values and net fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's long-term debt obligations. Details of the Group’s debt are disclosed in note 13.

At balance date the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

	Consolidated 2015 $’000	Consolidated 2014 $’000
Financial assets		
Cash and cash equivalents	**1,010**	768
Other financial assets	**3**	1
	1,013	769
Financial liabilities		
Financial liabilities measured at amortised cost		
Term bank facility (net of capitalised transaction costs)	**17,494**	18,504
Working capital facility	**4,650**	3,800
	22,144	22,304
Financial liabilities at fair value through profit or loss		
Derivative financial instruments	**-**	50
	22,144	22,354
Net exposure	**(21,131)**	(21,585)

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The Group's policy has been to manage its finance costs using a mix of fixed and variable rate debt. The Group entered into an interest rate swap, in which the Group agreed to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. The swap, which was designated to hedge underlying debt obligations, expired on 18 February 2015. At 30 June 2015 none of the Group's borrowings were at a fixed rate of interest (2014: 45%).

Interest rate exposure

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. The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance date. At 30 June, if interest rates had moved, as illustrated in the table below, with all other variables held constant, pre-tax loss and other equity reserves would have been affected as follows:

	Pre Tax Profit / (Loss) Increase / (Decrease)		**Other Equity Reserves Increase / (Decrease)**	
Judgments of reasonably possible movements:	**2015 $'000**	2014 $'000	**2015 $'000**	2014 $'000
Group				
+1% (100 basis points)	**231**	127	**-**	-
- 0.5% (50 basis points)	**(115)**	(64)	**-**	-

The movements in profit/loss are due to higher/lower interest costs from variable rate debt and cash balances.

Foreign currency risk

The Group currently purchases certain components denominated in foreign currency, hence exposures to exchange rate fluctuations can arise. Where appropriate, the Group enters into forward foreign exchange contracts to manage the risk associated with anticipated purchase transactions up to six months out to hedge the exposure generated. The exchange gain or loss on these transactions is recognised directly in the statement of comprehensive income.

At balance date the Group had no commitments to purchase foreign currency (2014: nil).

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables, available-for-sale financial assets and derivative financial instruments. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure.

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.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

Price risk

The Group's exposure to equity securities price risk is minimal. Equity price risk arises from investments in equity securities, which are carried at cost as an approximation to fair value. The price risk is immaterial in terms of a possible impact on profit or loss or total equity and as such a sensitivity analysis has not been completed.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 19(c) is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, recycling of assets through sale, finance leases and committed available credit lines.

At 30 June 2015, 1.0% of the Group's debt is due to be retired in less than one year (2014: 1.0%), 98.0% of the Group's debt will mature within 18 months' time (2014: 97.7%) and the balance of the Group's debt will mature in more than 18 months but not more than 5 years.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date in which the Group can be required to pay. The table includes both interest and principal cash flows. Cash flows for financial liabilities without fixed timing of amount are based on conditions existing at 30 June.

The remaining contractual maturities of the Group's financial liabilities are:

	Consolidated	
	2015	2014
	$'000	$'000
6 months or less	**6,804**	6,372
6 – 12 months	**145**	981
1 – 5 years	**22,572**	23,179
Over 5 years	**-**	-
	29,521	30,532

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Maturity analysis of financial assets and liabilities in accordance with management's expectation

The risk implied from the values shown in the table below reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in the Group's ongoing operations such as property, plant, equipment and investments in working capital (e.g. inventories and trade receivables). These assets are considered in the Group's overall liquidity risk. To monitor existing financial assets and liabilities, as well as to enable an effective controlling of future risks, the Group has established comprehensive risk reporting covering its business units that reflects management's expectations of expected settlement of financial assets and liabilities, as illustrated in the tables below.

Year ended 30 June 2015	**≤ 6 months $'000**	**6-12 months $'000**	**1 – 5 years $'000**	**> 5 years $'000**	**Total $'000**
Consolidated					
Financial assets					
Cash & cash equivalents	**1,010**	**-**	**-**	**-**	**1,010**
Trade & other receivables	**9,185**	**-**	**-**	**-**	**9,185**
	10,195	**-**	**-**	**-**	**10,195**
Financial liabilities					
Trade & other payables	**6,659**	**-**	**-**	**-**	**6,659**
Interest bearing loans & borrowings	**228**	**-**	**22,360**	**-**	**22,588**
Derivative financial instruments	**-**	**-**	**-**	**-**	**-**
Bank guarantees	**-**	**-**	**306**	**-**	**306**
	6,887	**-**	**22,666**	**-**	**29,553**
Net maturity	**3,308**	**-**	**(22,666)**	**-**	**(19,358)**

Year ended 30 June 2014	**≤ 6 months $'000**	**6-12 months $'000**	**1 – 5 years $'000**	**> 5 years $'000**	**Total $'000**
Consolidated					
Financial assets					
Cash & cash equivalents	768	-	-	-	768
Trade & other receivables	8,514	-	-	-	8,514
	9,282	-	-	-	9,282
Financial liabilities					
Trade & other payables	5,443	-	-	-	5,443
Interest bearing loans & borrowings	228	-	22,589	-	22,817
Derivative financial instruments	50	-	-	-	50
Bank guarantees	-	-	306	-	306
	5,721	-	22,895	-	28,616
Net maturity	3,561	-	(22,895)	-	(19,334)

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Derivative financial liabilities maturity

Due to the unique characteristics and risks inherent to derivative instruments, the Group (through the Group Treasury Function) separately monitors the liquidity risk arising from transacting derivative instruments.

The table below details the liquidity arising from derivative liabilities held by the Group at balance date. Net settled derivative liabilities comprise an interest rate swap contract that was used as an economic hedge of the Group's term facility.

	≤ 6 months $'000	6-12 months $'000	1 – 5 years $'000	> 5 years $'000	Total $'000
Year ended 30 June 2015					
Derivative liabilities – net settled	-	-	-	-	-
Net maturity	-	-	-	-	-
Year ended 30 June 2014					
Derivative liabilities – net settled	-	50	-	-	50
Net maturity	-	50	-	-	50

Fair value measurements

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

– derivative financial instruments;

– available-for-sale financial assets;

a. **Fair Value Hierarchy**

AASB 13: *Fair Value Measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	**Level 2**	**Level 3**
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Valuation techniques

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

– *Market approach:* valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

– *Income approach:* valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

– *Cost approach:* valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The following tables provide the fair values of the Group's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

		30 June 2015			
	Note	**Level 1 $000**	**Level 2 $000**	**Level 3 $000**	**Total $000**
Recurring fair value measurements					
Financial assets					
Available-for-sale financial assets					
– shares in listed companies	9	3	-	-	3
Total financial assets recognised at fair value on a recurring basis		3	-	-	3

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

	Note	30 June 2014 Level 1 $000	 Level 2 $000	 Level 3 $000	 Total $000
Recurring fair value measurements					
Financial assets					
Available-for-sale financial assets:					
– shares in listed companies	9	3	-	-	3
Total financial assets recognised at fair value		3	-	-	3
Liabilities					
Interest rate swap	16	-	50	-	50
Total liabilities recognised at fair value		-	50	-	50

b. **Valuation Techniques and Inputs Used to Measure Level 2 Fair Values**

Description	Fair Value at 30 June 2014 $000	Valuation Technique	Inputs Used
Financial Liabilities			
Interest rate swap	50	Income approach using discounted cash flow methodology	Market swap rate

There were no changes during the period in the valuation techniques used by the Group to determine Level 2 fair values.

18. EXPENDITURE COMMITMENTS

	Consolidated 2015 Minimum rentals $’000	Consolidated 2014 Minimum rentals $’000
a) Operating leases - properties		
Less than one year	**1,149**	1,298
Later than one year but less than five years	**742**	1,585
	1,891	2,883

The Group leases a number of warehouse, factory and office facilities under operating leases. The leases typically run for periods of 1 to 5 years with an option to renew the lease after that date.

	Consolidated 2015 Minimum rentals $’000	Consolidated 2014 Minimum rentals $’000
b) Finance leases and hire purchase		
Less than one year	**282**	294
Later than one year but less than five years	**215**	287
	497	581
Less future finance charges	**(53)**	(68)
Total finance lease and hire purchase liabilities	**444**	513
Reconciled to:		
Current liability	**228**	228
Non-current liability	**216**	285
	444	513

The Group has entered into finance and hire purchase contracts in respect of various items of plant and machinery and motor vehicles. These finance and hire purchase contracts expire within 1 to 5 years.

19. STATEMENT OF CASH FLOWS

a) Reconciliation of Cash

	Consolidated 2015 $'000	Consolidated 2014 $'000
Cash at bank and in hand	**1,010**	768
	1,010	768

Cash at bank earns interest at floating rates based on daily bank deposit rates.

b) Reconciliation of net profit after tax to net cash flows from operations

	Consolidated 2015 $'000	Consolidated 2014 $'000
Net profit/(loss)	**420**	(1,172)
Adjustments for:		
Depreciation, amortisation and impairment of non-current assets	**2,148**	2,100
Fair value of interest rate contracts	**(50)**	(58)
Profit on sale of fixed assets	**-**	(43)
Foreign exchange loss/(gain)	**53**	(21)
Amortisation of capitalised finance fees	**230**	178
Doubtful debts expense	**21**	20
Stock obsolescence (benefit)/expense	**-**	(31)
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	**(672)**	754
(Increase)/decrease in inventories	**(317)**	645
Increase/(decrease) in trade and other payables	**1,142**	(788)
(Increase)/decrease in deferred tax assets	**114**	(201)
Increase/(decrease) in provisions	**(169)**	(16)
Net cash provided by operating activities	**2,920**	1,367

Non cash financing and investing activities

During the year the Group acquired property, plant and equipment with an aggregate value of $162,763 (2014: $Nil) by means of finance leases. These acquisitions are not reflected in the Statement of Cash Flows.

19. STATEMENT OF CASH FLOWS (continued)

c) Financing facilities available

	Consolidated 2015 $'000	Consolidated 2014 $'000
Total facilities at reporting date		
Term facility	**17,700**	18,700
Working capital facility comprising:		
- revolving cash advance facility	**4,650**	4,500
-bank overdraft facility	**2,400**	1,000
- bank guarantee facility	**350**	500
	25,100	24,700
Facilities used at reporting date		
Term facility	**17,700**	18,700
Working capital facility comprising:		
- revolving cash advance facility	**4,650**	3,800
-bank overdraft facility	**-**	-
- bank guarantee facility	**306**	306
	22,656	22,806
Facilities unused at reporting date		
Term facility	**-**	-
Working capital facility comprising:		
- revolving cash advance facility	**-**	700
-bank overdraft facility	**2,400**	1,000
- bank guarantee facility	**44**	194
	2,444	1,894

20. CLAIMS AND CONTINGENCIES

Guarantees

As detailed in note 21, the Company is party to a deed of cross guarantee with its wholly-owned subsidiaries. The extent to which an outflow of funds will be required is dependent on the future operations of the entities that are party to the deed of cross guarantee. No liability is expected to arise. The deed of cross guarantee will continue to operate indefinitely. As detailed in note 13, the Company is party to a finance facility agreement with Westpac Banking Corporation to which the Company's subsidiaries are guarantors. The extent to which an outflow of funds will be required is dependent on the risk of default under the finance facility agreement. The Directors do not expect default to occur.

21. RELATED PARTY DISCLOSURES

a) The Group's main related parties are as follows:

(i) Key management personnel:

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel. For details of disclosures relating to key management personnel, refer to note 24.

(ii) Subsidiary entities

The subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business is also its country of incorporation.

Name of Subsidiary	Principal Place of Business	Ownership Held by 2015 %	Interest the Group 2014 %
Traffic Technologies Signal & Hardware Division Pty Ltd	Australia	100	100
Traffic Technologies Traffic Management Division Pty Ltd	Australia	100	100
De Neefe Pty Ltd	Australia	100	100
Traffic Technologies Traffic Hire Pty Ltd	Australia	100	100
Sunny Sign Company Pty Ltd	Australia	100	100
Pro-Tech Traffic Management Pty Ltd	Australia	100	100
KJ Aldridge Investments Pty Ltd	Australia	100	100
Aldridge Traffic Group Pty Ltd	Australia	100	100
Excelsior Diecasting Pty Limited	Australia	100	100
Aldridge Traffic Systems Pty Ltd	Australia	100	100
Aldridge Plastics Pty Ltd	Australia	100	100
Quick Turn Circuits Pty Ltd	Australia	100	100

Entities subject to Individual Order

Pursuant to the Individual Order granted by ASIC under subsection 340(1) of the *Corporations Act 2001*, relief has been granted to the subsidiary companies from the *Corporations Act 2001* requirements for preparation, audit and lodgement of their financial reports. The relief granted under the Individual Order is equivalent to the advantage of the relief offered by ASIC Class Order 98/1418.

As a condition of the Individual Order, Traffic Technologies Ltd and its subsidiary entities (the "Closed Group") entered into a Deed of Cross Guarantee on 28 June 2007. The effect of the deed is that Traffic Technologies Ltd has guaranteed to pay any deficiency in the event of winding up of any controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that Traffic Technologies Ltd is wound up or if it does not meet its obligation under the terms of overdrafts, loans or other liabilities subject to the guarantee.

The consolidated statement of consolidated income and statement of financial position of the closed group is equivalent to the Group's statement of consolidated income and statement of financial position.

b) Transactions with Directors or Director-related entities

There were no other transactions or balances receivable from or payable to Directors or executives during the financial year or at the date of this report.

22. SUBSEQUENT EVENTS

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

23. AUDITOR'S REMUNERATION

Amounts received or due and receivable by:

	Consolidated 2015 $	Consolidated 2014 $
Audit or review of the financial report of the entity and any other entity in the Group		
- ShineWing Australia Pty Ltd	**109,000**	105,000
	109,000	105,000

24. KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Compensation of Key Management Personnel

(i) Remuneration 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	
	2015	2014
Compensation by Category:	**$**	$
Key Management Personnel		
Short-term employee benefits	**1,045,268**	1,025,724
Post-employment benefits	**88,865**	82,979
Other long-term benefits	**19,153**	28,392
	1,153,286	1,137,095

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 2015 or at the date of this report (2014: nil).

d) Loans to Key Management Personnel

There were no loans made to Directors or executives during the financial year and none are outstanding as at the date of this report.

24. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

e) Shareholdings of Key Management Personnel

Ordinary shares held in Traffic Technologies Ltd

30 June 2015	Balance at beginning of period 1 July 2014 No.	Granted as remuneration No.	On exercise of Options No.	Net change other No.	Balance at end of period 30 June 2015 No.
Directors					
Mr. Alan Brown	**3,394,779**	-	-	-	**3,394,779**
Mr. Con Liosatos	**15,208,919**	-	-	**350,000**	**15,558,919**
Mr. Mark Hardgrave	**1,548,388**	-	-	-	**1,548,388**
Mr. Ken Daley	-	-	-	-	-
Total	**20,152,086**	-	-	**350,000**	**20,502,086**
Executives					
Mr. Peter Crafter	**10,000**	-	-	-	**10,000**
Total	**10,000**	-	-	-	**10,000**

30 June 2014	Balance at beginning of period 1 July 2013 No.	Granted as remuneration No.	On exercise of Options No.	Net change other No.	Balance at end of period 30 June 2014 No.
Directors					
Mr. Alan Brown	3,294,932	-	-	99,847	3,394,779
Mr. Con Liosatos	15,063,919	-	-	145,000	15,208,919
Mr. Mark Hardgrave	1,548,388	-	-	-	1,548,388
Total	19,907,239	-	-	244,847	20,152,086
Executives					
Mr. Peter Crafter	10,000	-	-	-	10,000
Total	10,000	-	-	-	10,000

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25. OPERATING SEGMENTS

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

Major customers

The Group has a number of customers to which it provides both products and services. The Group supplies a number of government agencies that combined accounted for 16% of sales (2014: 14%). Revenue from the largest non-government customer accounted for 22% (2014: 5%) of sales.

Geographical information

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

Revenue by geographic location:

	Consolidated 2015 $'000	Consolidated 2014 $'000
Australia	**41,285**	37,463
Overseas	**4,943**	2,601
Total	**46,228**	40,064

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

26. PARENT ENTITY INFORMATION

The individual financial statements for the parent entity show the following aggregate amounts:

	2015 $'000	2014 $'000
Balance sheet		
Current assets	**7,342**	8,013
Total assets	**55,357**	56,003
Current liabilities	**53,692**	49,173
Total liabilities	**71,207**	67,785
Shareholders' equity		
Issued capital	**49,029**	49,029
Retained earnings	**(65,879)**	(61,811)
Share-based payments reserve	**1,000**	1,000
Total shareholders' equity	**(15,850)**	(11,782)
Loss for the year	**(4,068)**	(4,315)
Total comprehensive income	**(4,068)**	(4,315)
Guarantees entered into by the parent entity^	**306**	306

^ As a condition of the Individual Order, Traffic Technologies Ltd and its subsidiary entities (the "Closed Group") entered into a Deed of Cross Guarantee on 28 June 2007. The effect of the deed is that Traffic Technologies Ltd has guaranteed to pay any deficiency in the event of winding up of any controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that Traffic Technologies Ltd is wound up or if it does not meet its obligations under the terms of overdrafts, loans or other liabilities subject to the guarantee.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and accompanying notes, are in accordance with the *Corporations Act 2001* and:

    (a) comply with 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 2015 and of its performance for the year ended on that date.

1. The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

2. 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.

3. The remuneration disclosures included in pages 6 to 16 of the Directors' Report (as part of the audited Remuneration Report), for the year ended 30 June 2015, comply with section 300A of the *Corporations Act 2001*.

4. The Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A.

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

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

Alan Brown
Chairman

Melbourne
26 August 2015

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TRAFFIC TECHNOLOGIES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Traffic Technologies Limited, which comprises the statement of financial position as at 30 June 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1 a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Traffic Technologies Limited would be the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

a) the financial report of Traffic Technologies Limited is in accordance with the *Corporations Act 2001*, including:

   i) giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

   ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b) the financial reports also complies with *International Financial Reporting Standards* as disclosed in Note 1 a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 16 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Traffic Technologies Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

ShineWing Australia

ShineWing Australia (formerly Moore Stephens)
Chartered Accountants

Nick Michael
Partner

Melbourne, 26 August 2015

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 11 August 2015.

a) Distribution of Equity Securities

The number of shareholders, by size of holding, in each class of share are:

	Ordinary Shares Number of Holders	Ordinary Shares Number of Shares
1 - 1,000	151	19,614
1,001 - 5,000	39	104,103
5,001 - 10,000	54	453,907
10,001 - 100,000	430	19,189,781
100,001 and over	193	255,789,480
	867	275,556,885
Holdings less than a marketable parcel	258	726,638

b) Twenty Largest Holders

The names of the twenty largest holders of quoted shares are:

	Name	Ordinary Shares Number	Percentage
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	27,514,519	9.99%
2.	NATIONAL NOMINEES LIMITED	21,648,663	7.86%
3.	J P MORGAN NOMINEES AUSTRALIA LIMITED	15,290,263	5.55%
4.	LIOSATOS SUPERANNUATION FUND PTY LTD <LIOSATOS SUPER FUND A/C>*	12,212,162	4.43%
5.	GP MANAGEMENT P/L <G&R S/F A/C>	12,000,150	4.35%
6.	SEASPIN PTY LTD <APHRODITE A/C>	8,463,192	3.07%
7.	BANNABY INVESTMENTS PTY LTD <BANNABY SUPER FUND A/C>	7,560,607	2.74%
8.	BROWNLOW PTY LTD	6,450,000	2.34%
9.	DE LA HAYE SUPER FUND PTY LTD <DE LA HAYE SUPER FUND A/C>	6,428,000	2.33%
10.	WARNEET SUPER PTY LTD <WARNEET SUPER FUND A/C>	6,250,000	2.27%
11.	MR ROBERT MICHAEL WHYTE	6,250,000	2.27%
12.	PETHOL (VIC) PTY LTD <MACDY NO 5 SUPER FUND A/C>	6,078,708	2.21%
13.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	5,242,264	1.90%
14.	KENSINGTON CAPITAL MANAGEMENT PTY LTD	5,189,270	1.88%
15.	ROMAN LOHYN PTY LTD <ROMAN LOHYN P/L STAFF SF A/C>	5,000,000	1.81%
16.	BNP PARIBAS NOMS PTY LTD <DRP>	4,970,191	1.80%
17.	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	4,075,619	1.48%
18.	MR ADRIAN RICHARD CREEDON	4,000,000	1.45%
19.	MR ALAN JOHN BROWN + MRS PAULA JANET BROWN <A & P BROWN FAMILY S/F A/C>*	3,394,779	1.23%
20.	MR LAMBROU LIOSATAU*	3,346,757	1.21%
	Total	171,365,144	62.19%

* Associated with Directors.

c) Substantial Shareholders (greater than 5%)

The names of substantial holders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Ordinary Shares	
Ordinary Shareholders	**Number**	**Percentage**
Acorn Capital Pty Limited	37,500,000	13.61
Contango Asset Management Limited	16,327,924	5.93
Mr. Con Liosatos*	15,558,919	5.65

d) Voting Rights

All ordinary shares carry one vote per share without restriction.

e) Securities subject to voluntary escrow restrictions

None

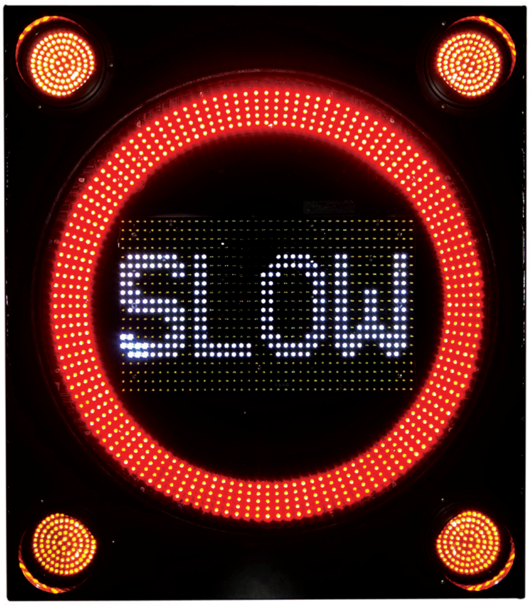
f) Unquoted equity securities shareholdings

None

g) Options

None


TEMPORARY
EXIT TO
BULLA RD


SLOW

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