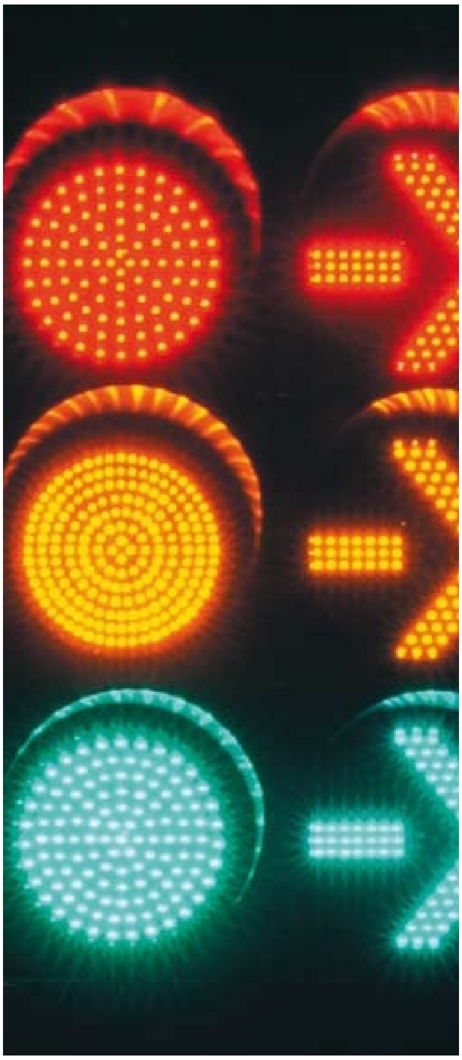
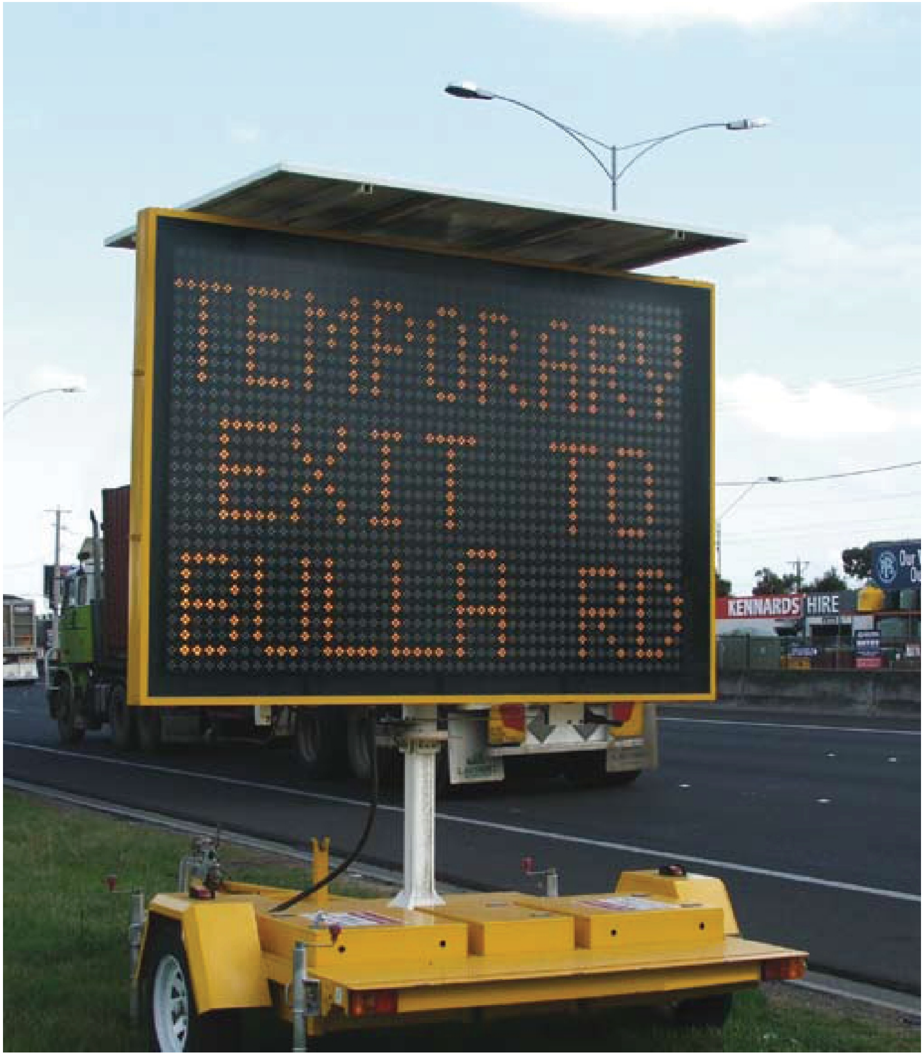
annual report 2009

traffic technologies

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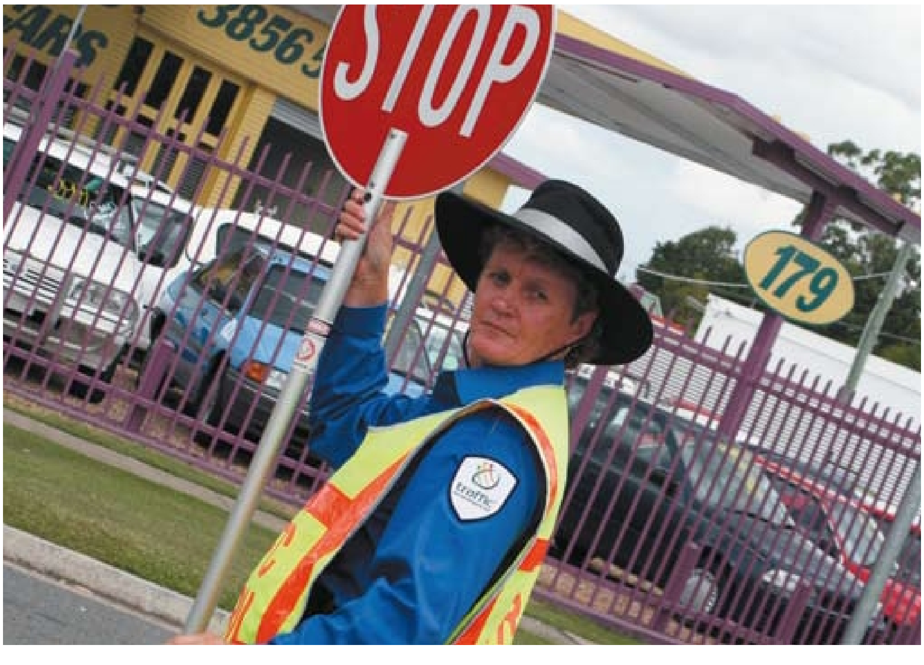
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Traffic Technologies Ltd and Controlled Entities
Chairman's Letter

Dear Shareholder,

I have pleasure in enclosing the Annual Report for Traffic Technologies Ltd for the year ended 30 June 2009.

The past year has been a challenging one for the Company and for its shareholders, which has continued to be reflected in a low share price. Revenue for the financial year was $88.4m compared to $95.0m in the previous financial year. EBITDA before non-recurring items was $4.8m, compared to $5.4m in the previous year. The Group's results now clearly identify the results from underlying, recurring operational performance and separately the impact of interest, income tax, depreciation, amortisation and significant non-recurring items.

Despite a strong start to FY2009, the Group's results for the year have been significantly affected by the global financial crisis, which led to an economic downturn in Australia. This led to the deferral of projects and longer than planned shutdowns in the construction industry. There has, however, been a continuing focus on improving margins, profitability and efficiencies through the Group's Profit Improvement Program ("PIP") which was implemented in November 2007. The PIP has significantly helped sustain the Group's profitability and structurally positioned the Group to take full advantage of the opportunities that have been created by the Federal Government's infrastructure spending programs. Unfortunately, as was the case in FY2008, a significant amount of management time and resources has had to be spent during the year dealing with and overcoming various legacy issues relating to the period up to 2007. While there still remain some outstanding issues to be dealt with, the vast majority of the legacy issues have now been resolved, which now allows the Group to focus on restoring shareholder value through continued operational efficiencies and organic growth.

Aldridge Traffic Group, which forms part of the Group's Technical Products Division, has continued to perform well. Aldridge provides a significant opportunity for the Group through its dominant position in the Australian and New Zealand markets for LED traffic signals and has a strategic program to develop export markets in Europe and Asia. The Technical Products Division has been expanded with the development of new products such as electronic signage and existing products such as the Clearsonics emergency telephone. Although the Signage Division has reported lower revenues in the financial year as a result of the impact of the global financial crisis on Australia and the resulting lower spending by local councils, profitability has been improved through a consistent focus on operating efficiencies and margin and profitability improvements following on from the PIP.

Traffic Management revenues were significantly affected in the financial year by the impact of the global financial crisis and the resultant economic downturn in Australia. This has had a direct impact through the deferral of infrastructure projects and longer than planned shutdowns in the construction industry. Traffic Management has also been affected by unusual and extreme weather conditions in Queensland and other States. The Traffic Hire business has been expanded through the acquisition of additional barrier guard and additional products such as variable message signs, arrow boards and portable traffic signals.

The Group's results include $5.1m of finance costs. One of the key priorities for the Group in the year ahead is to reduce gearing and the associated finance costs. With this in mind, the Board and management are currently investigating ways in which debt can be reduced which includes the potential disposal of non-core parts of the business and future capital raisings.

The Group maintains a strong position in the traffic signals market, bolstered by an innovative track record of developing new products such as electronic signage, is the leading provider of traffic control services in Australia and is one of the leading manufacturers of road signs. With the combination of the PIP and the finalisation of the legacy issues, the Group is now well positioned to take advantage of the opportunities presented by the Federal and State Government road infrastructure spending programs, together with the expected general improvement in the Australian economy in the year ahead.

Along with my fellow directors, thank you for your support. We look forward to a much improved year ahead and to the restoration of shareholder value.

Ray Horsburgh

Ray Horsburgh
Chairman

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Traffic Technologies Ltd and Controlled Entities
Managing Directors' Report

Dear Shareholder,

The 2009 financial year has been a challenging one for Traffic Technologies. The year's results have been severely affected by the global financial crisis and its impact on the Australian economy and by unusual and extreme weather conditions in Queensland and other States. Management has also had to deal with a number of continuing legacy issues relating to the period up to 2007 which has consumed significant Group resources. The Group achieved revenues from continuing operations of $88.4 million and EBITDA from continuing operations of $4.8 million before non-recurring items, compared to revenues from continuing operations of $95.0 million and EBITDA from continuing operations of $5.4 million before non-recurring items in the previous year.

The Group has continued to focus on its Profit Improvement Program ("PIP"), taking every opportunity to reduce costs, improve profitability and margins and increase operational efficiencies.

During the year Traffic Technologies has consolidated its position as the premium and dominant supplier to the road maintenance and construction industry and is well placed to benefit from Federal and State Government road infrastructure programs and the general improvement in the Australian economy in the coming years.

Review of Operations

Traffic Products

The Aldridge Traffic Group has continued to deliver upon expectations and has remained and continues to be the dominant supplier of LED traffic signals throughout the Australian and New Zealand markets. The Group has continued to develop its export program to various countries and to date is showing promise to further accelerate this exciting program. The Aldridge Traffic Group forms part of the Group's Technical Products Division which is using its research and development department to develop new portable roadside technology products such as arrow boards, electronic signage and portable traffic signals.

Technical Products Division also encompasses the state-of-the-art Clearsonics emergency telephone system, which has continued to achieve export sales during the year.

Signage Division revenue has been affected by a reduction in the amount of work available, spending cutbacks by local councils and intense competition. Despite lower revenue, there has been a turnaround in profitability as a result of the PIP. There continues to be a consistent focus on margin improvement, cost control, factory efficiency and systems development and other improvements which have led to a positive contribution in the 2009 financial year.

Traffic Services

Traffic Management revenue has been affected by the economic downturn, project deferrals, longer than planned shutdowns by the construction industry and unusual and extreme weather conditions in Queensland and other States. Traffic Management has however benefitted from a continued focus on maximizing utilization levels of staff, motor vehicles and equipment and cost control and has recently seen an upturn in revenues as major road projects get underway.

Traffic Hire has grown during the financial year with the acquisition of further barrier guard and additional portable roadside technology products, including electronic signage, arrow boards and portable traffic signals.

Outlook

As the leading provider of products and services to the industry, Traffic Technologies is well positioned to benefit from opportunities presented by Federal and State government spending on road infrastructure projects and the general improvement in the Australian economy. With the success of the Technical Products Division and improvements in the Traffic Management business along with the continued benefits of the PIP and the focus of a professional and experienced management team, the Group is well positioned for solid earnings in a demanding industry in the coming years.

Con Liosatos
Managing Director

Corporate Information

This annual report covers both Traffic Technologies Ltd (ABN 21 080 415 407) as an individual entity and the Group comprising Traffic Technologies Ltd 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 review of operations and activities in the directors' report.

Directors
Mr. Raymond Horsburgh
Mr. Constantinos Liosatos
Mr. Alan Brown
Mr. Rajeev Dhawan (Appointed 27 January 2009)
Mr. Garry Sladden (Appointed 27 January 2009)
Mr. Samuel Kavourakis (Resigned 13 May 2009)
Mr. Cary Stynes (Resigned 13 May 2009)
Dr. Richard Gregson (Resigned 13 May 2009)

Company Secretary & Chief Financial Officer
Mr. Peter Crafter

Registered Office
Traffic Technologies Ltd
31 Brisbane Street
Eltham VIC 3095

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

Share Register
Registries Limited
Level 7, 207 Kent Street
Sydney NSW 1223
Tel: (02) 9290 6900

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

Lawyers
Middletons
Level 25
525 Collins Street
Melbourne VIC 3000

Bankers
Westpac
Level 10, 360 Collins Street
Melbourne VIC 3000

Auditors
Ernst & Young
Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000

Contents

Your directors submit their report for the year ended 30 June 2009.

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. Raymond K Horsburgh AM B.Eng (Chem.) FAICD (Hon D Univ) FIEAust	(Age 66) Non-Executive Chairman. Appointed November 2006. Mr. Horsburgh held various positions with Australian Consolidated Industries from 1963 to 1994 including the position of Chief Executive Officer of ACI Glass which he held from 1991 to 1994. In 1994 he was appointed Chief Executive Officer of Smorgon Steel Group Limited and held the position of Group Managing Director and Chief Executive Officer until he retired from the position on 30 June 2007. He is a former Director of the Business Council of Australia, ANI Limited, Email Limited, Metalcorp Limited and a former President of Williamstown Rotary Club. He is currently Chairman of Toll Holdings Limited and the Essendon Football Club, a Non Executive Director of CSR Limited and National Can Industries Limited. He is also on the Board of Western Chances and Westbourne and Williamstown Grammar Schools. Mr Horsburgh was awarded an Order of Australia on Australia Day 2006 for Service to the Steel Industry and Service to Disadvantaged Youth. He was appointed to the Board of Traffic Technologies Ltd in November 2006 and as Chairman in November 2007. Mr Horsburgh has also served as a director and remains a director of the following listed companies during the last three years. • CSR Limited* ▪ Toll Holdings Limited* ▪ National Can Industries Limited* * denotes current Directorship Mr. Horsburgh is a member of the Audit & Risk, Remuneration and Corporate Governance committees.
Mr. Constantinos L Liosatos	(Age 47) Managing Director. Appointed April 2003. Mr. Liosatos has over 20 years experience in the construction industry. Mr. Liosatos has qualifications in Mechanical Design and Lighting Engineering. Mr. Liosatos is the Managing Director of Traffic Technologies Ltd. Mr. Liosatos was appointed as a Director of Traffic Technologies Ltd in April 2003. Mr. Liosatos has not served as a Director of any other listed companies during the three years prior to June 2009. Mr Liosatos is a member of the Audit & Risk, Remuneration and Corporate Governance committees.

Name	Qualifications, Experience and Special Responsibilities
Mr. Alan J Brown FAICD	(Age 63) Non-Executive Director. 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 has wide ranging public sector involvement including state and local government, co-operative societies and statutory authorities. 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 has international business experience and as Agent General for Victoria in London from 1997-2000 had key responsibility for identification, negotiation and attraction of overseas investment to Victoria. Mr. Brown also had responsibility for facilitation of exports for Victorian goods and services to overseas markets. He is Chairman of Apprenticeships Plus, Bass Coast Community Foundation and Inner North Community Foundation Ltd. 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. Mr. Brown has not served as a Director of any other listed companies during the three years prior to June 2009. Mr. Brown is Chairman of the Audit & Risk committee and a member of the Remuneration and Corporate Governance committees.
Mr. Rajeev Dhawan BComm, CA, MBA	(Age 43) Non-Executive Director. Appointed 27 January 2009. Mr. Dhawan has 15 years' venture capital and private equity experience. Prior to joining Equity Partners in 2005, he worked at Hambro-Grantham Management/Colonial First State Private Equity (CFSPE) from 1993, where he focused on mid-size expansion capital and buyout transactions. He was a Director from 1998 and led the majority of CFSPE's investments from then. Mr. Dhawan has also served as a director of the following listed companies during the last three years: ▪ Snowball Group Limited* ▪ FlexiGroup Limited* ▪ Portland Orthopaedics Limited * denotes current Directorship Mr. Dhawan is a member of the Audit & Risk, Remuneration and Corporate Governance committees.

Name	**Qualifications, Experience and Special Responsibilities**
Mr. Garry Sladden	(Age 48) Non-Executive Director. Appointed 27 January 2009. Mr. Sladden has been appointed to the Board of the Company as the nominee of Equity Partners. Mr. Sladden is an experienced business executive and company director. He held various management roles at National Australia Bank from 1990 to 1998. He was General Manager – Operations at Consolidated Press Holdings Limited from 1998 to 2004. He has been a business consultant from 2006 to date and was Group Executive – Operations at City Pacific Limited from April to August 2007. Mr. Sladden has also served as a director and remains a director of the following listed companies during the last three years. ▪ Trafalgar Corporate Group Ltd* ▪ Endeavour Healthcare Ltd* * denotes current Directorship Mr. Sladden is a member of the Audit & Risk, Remuneration and Corporate Governance committees.
Company Secretary	
Mr. Peter K Crafter LL.B (Hons), MBA, FCA, CA, MCT, FAICD, FCIS	(Age 52) 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 joined Software Communication Group Limited as Chief Financial Officer in 1999 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 and was a Director from 2003 to 2006. 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. During the past three years Mr. Crafter has served as a Director of the following listed companies: ▪ The Swish Group Limited

The following directors also served on the Company's Board during the year and resigned 13 May 2009:

- Mr. Cary Stynes
- Mr. Sam Kavourakis
- Dr. Richard Gregson

Interests in the share and options of the Company and related bodies corporate

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

	Number		
Director	**Ordinary Shares**	**Preference Shares**	**Options over Ordinary Shares**
Mr. Ray Horsburgh	150,000	-	600,000
Mr. Constantinos L Liosatos	4,888,945	-	1,000,000
Mr. Alan J Brown	2,056,965	-	600,000
Mr. Rajeev Dhawan (i)	1,100	31,692,208	-
Mr. Garry Sladden	-	-	-

(i) Mr. Rajeev Dhawan is a director of Equity Partners Two Pty Ltd (EP2), the registered holder of 1,100 ordinary shares and 31,692,208 preference shares in the Company. EP2 holds those shares and options over shares on trust for a number of institutional investors, being the investors in Equity Partners 2 Fund. Mr. Dhawan may potentially benefit from a profit share arrangement with EP2 in relation to the ultimate sale of shares in the Company held by EP2.

Dividends

The directors do not recommend the payment of a dividend for the financial year ended 30 June 2009 (2008: $Nil).

PRINCIPAL ACTIVITIES

In its goal of providing a suite of traffic products and traffic services to the traffic industry, the Group operates through its Traffic Products and Traffic Services divisions.

The Traffic Products division is comprised of the Technical Products segment and the Signage segment. Technical Products specializes in the design, manufacture and installation of traffic signals and emergency telephones, the supply of parking meters and the design and manufacture of portable roadside technology. Signage provides a wide range of traffic signs, traffic control products and traffic cones to road traffic authorities, municipal councils and construction companies.

Traffic Services provides labour hire (traffic controllers) and equipment hire (barrier guard and portable roadside technology) services to road traffic authorities and construction companies.

The Corporate division captures corporate costs and interest revenue.

There have been no significant changes in the nature of these activities during the year.

OPERATING AND FINANCIAL REVIEW

Total revenue from continuing operations for the financial year ended 30 June 2009 ("current period") was $88.4m compared with $95.0m in the comparative period (financial year ended 30 June 2008). Continuing earnings before interest, tax, depreciation, amortization ("EBITDA") before non-recurring items for the current period was $4.8m compared with $5.4m in the comparative period.

The Group's results for the current period have been affected by the global economic downturn which has led to project deferrals, longer than planned shutdowns in the construction industry and spending cutbacks by local councils. Traffic Services' results have also been affected by extreme weather conditions in Queensland and other States. Profitability and margins have however been assisted by the continued focus on operational efficiencies, cost control and systems improvements brought about as a result of the Group's Profit Improvement Program "PIP".

The table below presents the Group's performance both for the current period and the comparative period:

	Year Ended 30 June ($'m)	
	2009	**2008**
Sales Revenue	**88.4**	**95.0**
EBITDA before Non-recurring Items^	**4.8**	**5.4**
Non-recurring Items	(1.6)	(0.7)
Depreciation and Amortisation Expenses	(2.8)	(3.3)
Impairment Expenses	-	(5.1)
Finance Costs	(5.1)	(5.0)
Income Tax Expense	-	(1.5)
Discontinued Operations	(0.3)	(6.0)
Net Loss	**(5.0)**	**(16.2)**

^ - EBITDA of $4.7m for the comparative period has been restated to identify separately non-recurring items.

During the current period, the Group incurred $1.6m expenditure on items of a non-recurring nature (2008: $0.7m). These costs largely relate to consultancy costs incurred in the assessment of non-core assets ($0.7m), redundancy costs ($0.6m) and lease termination costs ($0.2m) all of which are in accordance with the Group's PIP.

a) Operating Results for the Year

The Group has established a suite of traffic products and services businesses that are providing an integrated traffic management solution to the road maintenance and construction industry. The following table summarises continuing revenue and EBITDA before non-recurring items for the Group's business segments for the financial years ended 30 June 2009 and 2008:

	Revenue $m		EBITDA^ $m	
	2009	2008	**2009**	2008
Traffic Products				
Technical Products	25.1	21.6	5.6	6.1
Signage	23.0	29.6	0.7	(0.3)
Total Traffic Products	**48.1**	**51.2**	**6.3**	**5.8**
Traffic Services	**40.4**	**43.1**	**2.9**	**4.3**
Total Corporate	**(0.1)**	**0.7**	**(4.4)**	**(4.7)**
Total Group	**88.4**	**95.0**	**4.8**	**5.4**

^ - *before non-recurring items (refer note 1)*

Technical Products

Technical Products has reported a decrease in EBITDA from $6.1m to $5.6m due to project deferrals as a result of the global economic crisis. However, the Aldridge and Clearsonics businesses continue to maintain their dominant positions in their respective markets.

Signage

Signage has benefitted from the Company's commitment to increasing profitability, through improving gross margins and reducing overheads. As a result, EBITDA has improved to a $0.7m profit compared to a loss of $0.3m in the previous year.

Traffic Services

The Group's Traffic Services Division, in particular the labour hire division, was impacted significantly by the global economic downturn together with extreme weather conditions in Queensland (the division's main operating State) during the year. The equipment hire business has continued to expand with the acquisition of additional temporary steel barrier and the introduction of new Portable Roadside Technology manufactured by the Technical Products Division at its Sydney manufacturing plant.

Corporate

Corporate costs have reduced from $4.7m to $4.4m.

b) Financial position

Net assets of $17.7m at 30 June 2009 (2008: $22.6m) reflect a combination of the interest charged on the Group's term facility and working capital facility, and the implementation of the Group's PIP with $0.7m expenditure in relation to assessing non-core assets, $0.6m redundancy costs incurred as part of rationalising the Group's workforce and $0.2m in relation to exiting uneconomical property leases.

On 23 June 2009, the Company's bankers, Westpac Banking Corporation agreed to extend the expiry date of the Group's finance facilities from 1 July 2010 to 1 January 2011, on similar terms. The Group's term facility remains at $34m and the Group's working capital facility limit remains at $12m.

Risk Management

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Group believes that it is crucial for all Board members to be a part of this process, and as such the Board has not established a separate risk management committee. Instead sub-committees are convened as appropriate in response to issues and risks identified by the Board as a whole and the sub-committee further examines the issues and reports back to the Board.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which encompasses the Group's vision, mission and strategy statements, designed to meet stakeholder's needs and manage business risk;
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against those budgets, including the establishment and monitoring of KPIs of both a financial and non-financial nature; and
- The establishment of sub-committees to report on and monitor specific business risks.

Statement of Compliance

This operating and financial review is based on the guidelines in The Group of 100 Incorporated publication *Guide to the Review of Operations and Financial Condition*.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the nature of these activities during the year.

SIGNIFICANT AFTER BALANCE DATE EVENTS

On 10 August 2009, the Company announced to the market that it had completed a placement of new shares to sophisticated investors. The issue of 18,838,717 ordinary shares was made at a price of 3.5 cents per share to raise $659,355 to provide additional working capital for the Company.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

For the financial year ending 30 June 2010 the Group will continue to pursue the goals identified in its strategic plan. Further strategic acquisitions will continue to be identified in order to augment and strengthen the Group's portfolio of products and services together with pursuing continual development of the existing businesses to drive organic growth and further efficiency gains.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Signage segment is regulated by the Environmental Protection Act 1970 (8056/1970) and the Occupational Safety Regulations 2008 (54/2008) with regard to waste water run-off and the storage and treatment of chemicals. These operations are regularly audited by an independent environmental consultancy 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

Unissued Shares

As at the date of this report, there were 2,837,000 unissued ordinary shares under option (2,937,000 at the reporting date). Refer to Note 17 of the financial statements for further details of options outstanding.

Option holders do not have any right, by virtue of their yet to be exercised options, to participate in any share issue of the Company or any related body corporate or in the interest issue of any other registered scheme.

Shares Issued as a Result of the Exercise of Options

During the year, there were no options to acquire fully paid ordinary shares exercised by directors, executives or employees. Since the end of the financial year, no directors, executives or employees have exercised options.

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITORS

During the financial year ended 30 June 2009, the Group paid premiums of $43,375 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 and the amount of the premiums.

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 an officer or auditor.

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		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. Ray Horsburgh	22	22	4	4	1	1	1	1
Mr. Con Liosatos	22	21	4	4	1	1	1	1
Mr. Alan Brown	22	20	4	4	1	-	1	1
Mr. Rajeev Dhawan	11	10	1	1	-	-	1	1
Mr. Garry Sladden	11	11	1	1	-	-	1	1
Mr. Sam Kavourakis	19	19	4	4	1	1	-	-
Mr. Cary Stynes	19	16	4	4	1	-	-	-
Dr. Richard Gregson	19	18	4	4	1	1	-	-

Committee Membership

As at the date of this report the Company had an Audit & Risk Committee, a Remuneration Committee and a Corporate Governance Committee of the Board of Directors.

The eligibility and attendance of each of the directors is as disclosed in the table above; the chairman of each respective committee was:

- Audit & Risk – Mr. Alan Brown
- Remuneration – Mr. Ray Horsburgh
- Corporate Governance – Mr. Ray Horsburgh

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.

During the financial year, the Company's auditor, Ernst & Young, did not provide any non-audit services.

REMUNERATION REPORT (AUDITED)

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report, Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the Group receiving the highest remuneration.

For the purposes of this report, the term "executive" encompasses the Managing Director, Chief Financial Officer and general managers of the Company and the Group.

Remuneration Committee

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing remuneration arrangements for the directors and executives.

The Remuneration Committee comprises all Board members and is chaired by Mr. Ray Horsburgh, who is an independent Director. The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality, high performing director and executive team.

Remuneration Philosophy

The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

Remuneration Structure

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

Non-executive Director Remuneration

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.

Structure

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. Aggregate maximum non-executive Directors' remuneration is currently $250,700 per year.

It is considered good governance for directors to have a stake in the Company on whose board they sit. Non-executive directors have long been encouraged to hold shares in the Company (purchased by the director on market). The Company also facilitates this through the Company Share Option Plan.

The non-executive directors do not receive retirement benefits, nor do they participate in any incentive programs.

The remuneration of non-executive directors for the year ended 30 June 2009 and 30 June 2008 is detailed in Table 1 and Table 2 respectively of this report.

Executive Remuneration

Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company so as to:

- Reward executives for Group and individual performance;
- Align the interests of executives with those of shareholders;
- Link reward with the strategic goals and performance of the Group; and
- Ensure total remuneration is competitive by market standards.

Structure

Currently remuneration is paid in the form of cash remuneration, superannuation contributions and share options where applicable. The following executive also has provision in his employment contract for the payment of a cash bonus should certain performance criteria be met:

- Mr. Con Liosatos – Managing Director – a 40% bonus of his remuneration upon the Group achieving budgeted EBITDA for the year ended 30 June 2009 (earnings before interest, taxation, depreciation and amortization expenses).

The Company paid no bonuses, nor accrued any bonuses, during the financial year ended 30 June 2009. Further details of the remuneration of directors and executives are provided in Table 1 and Table 2 of this report.

The Remuneration Committee is responsible for determining the level and make-up of executive remuneration and makes reference to a wide range of available external research as well assessments of individual performance in determining the appropriate level of executive remuneration.

Share Options

All directors and executives have the opportunity to qualify for participation in the Company Share Option Plan (which form part of long term incentive variable remuneration). Options issued to key management personnel are detailed in Table 3 and Table 4 of this report. The issue of options under this plan is at the discretion of the Board. Options are used by the Company as a non-cash form of remuneration and have the objective of aligning employee interests with the objective of increasing shareholder wealth. Any issue of options under the plan to directors is subject to shareholder approval.

The issue of options to non-executive directors are not based on specified performance criteria. Some of the issue of options to executives have been subject to performance criteria. These conditions involve the continuous employment of the executive together with the achievement of the performance hurdle that the share price of the Company outperforms the ASX 200 share index measured over the 12 month period immediately prior to the vesting date of the option.

These performance conditions were selected to incentivise executives to remain with the Group and provide a transparent and objective performance measure with the aim of aligning executive motivation with objective of achieving above average growth in the share price for shareholders. Further details regarding the issue of share options during the year and the terms and conditions attaching to these options are provided in Note 17 to the financial statements.

Executive Service and Management Agreements
Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash, superannuation contributions and fringe 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 Group. The service contracts entered into with executives do not prescribe how compensation levels are to be modified from year to year. Compensation levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the senior executive and any changes required to meet the principles of the compensation policy.

Managing Director

The Managing Director, Mr. Liosatos, is employed under a rolling contract. Employment may be terminated by the giving, by either party, of 9 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.

Prior to the employment contract, Mr. Liosatos had been formerly granted 4 tranches of 3,300,000 options over ordinary shares of the Company. In order for each tranche to vest, Mr. Liosatos must remain in the Company's employ; some tranches further require the Company's share price to outperform the ASX200 share index measured over the 12 month period immediately prior to respective vesting date. If the employment is terminated, Mr. Liosatos, within 28 days after the date of termination, may exercise all or part of those of the options which he is entitled to exercise. Any option not exercised within that 28-day period will lapse.

Pursuant to the employment contract, Mr. Liosatos will be paid a 40% bonus of his remuneration upon the Group achieving budgeted EBITDA (earnings before interest, taxation, depreciation and amortization expenses).

Mr. Liosatos' performance will be reviewed annually by the Remuneration Committee.

Other Executives

Mr. Peter Crafter, Company Secretary and Chief Financial Officer, is employed under a rolling employment contract. Employment may be terminated by the giving, by either party, of 6 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.

Pursuant to the employment contract, Mr. Crafter has been granted 3 tranches of 100,000 options over ordinary shares with terms as disclosed in Table 3. In order for each tranche to vest, Mr. Crafter must remain in the Company's employ and the Company's share price must outperform the ASX200 share index measured over the 12 month period immediately prior to the respective vesting date. If the employment is terminated, Mr. Crafter, within 28 days after the date of termination, may exercise all or part of those of the options which he is entitled to exercise. Any option not exercised within that 28-day period will lapse.

Mr. Andrew Bull, General Manager Technical Products Division, has been employed under an employment contract with an initial two year minimum term commencing on 1 May 2007. The Company may terminate the contract by providing 6 months' written notice or, in lieu of providing notice, making a payment in a sum equal to the salary Mr. Bull would have earned had he been given the relevant period of notice. The Company retains the right to terminate the contract at any time without notice, including within the minimum two year period, in the case of serious misconduct.

Mr. Graham Sergeant, General Manager Traffic Services Division, is employed under a rolling contract which commenced 4 February 2008. The Company may terminate Mr. Sergeant's employment agreement by providing 1-4 weeks' written notice, depending on period of service, or providing payment in lieu of the notice period (based on the fixed component of the executive's remuneration). The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs Mr. Sergeant is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause any unvested options will immediately be forfeited.

Mr. Steve Polonidis, former General Manager Traffic Signage Division, was employed under a rolling contract which commenced 1 April 2008. Pursuant to his contract, the Company could terminate Mr. Polonidis' employment agreement by providing 2 months' written notice, depending on period of service, or providing payment in lieu of the notice period (based on the fixed component of the executive's remuneration). The Company could terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurred Mr. Polonidis was only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause any unvested options would immediately be forfeited.

Mr. Polonidis' employment agreement was terminated on 12 June 2009.

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

- entrench a Director's rights to be indemnified by the Company to the maximum extent permitted by law;
- 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
- access the books and records of the Company, which relate 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.

Group Performance and Shareholder returns

	2009	**2008**	**2007**
EBITDA before non-recurring items from continuing operations ($'000)	$4,848	$5,396	$3,324
Net loss attributable to equity holders of the parent ($'000)	$4,954	$16,217	$1
Basic earnings / (loss) per share from continuing operations	(3.74 cents)	(8.16 cents)	1.17 cents
Share price at balance date	2.3 cents	5 cents	43 cents
Share price growth over year ended 30 June	(54%)	(88%)	34%

Director and Executive Details

The following persons acted as directors of the Company during or since the end of the financial year:

- Mr Raymond Horsburgh – Chairman
- Mr. Con Liosatos - Managing Director
- Mr. Alan Brown
- Mr. Rajeev Dhawan – Appointed 27 January 2009
- Mr. Garry Sladden – Appointed 27 January 2009
- Mr. Sam Kavourakis – Resigned 13 May 2009
- Mr. Cary Stynes – Resigned 13 May 2009
- Dr. Richard Gregson – Resigned 13 May 2009

The term "executives" is used in this remuneration report to refer to the following persons. Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year:

- Mr. Peter Crafter (Chief Financial Officer and Company Secretary)
- Mr. Andrew Bull (General Manager Technical Products Division)
- Mr. Graham Sergeant (General Manager Traffic Services Division)
- Mr. Steve Polonidis (General Manager Signage Division) – Terminated 12 June 2009

TABLE 1: REMUNERATION OF KEY MANAGEMENT PERSONNEL FOR THE YEAR ENDED 30 JUNE 2009 (AUDITED)

	Short-term benefits			Post-employment benefits	Termination Benefits	Long-term benefits	Share based payments	Total	
	Salary & fees $	Non-monetary $	Other $	Superannuation $	$	Long service leave $	Options $	$	% performance related
Non-executive directors									
Mr Raymond Horsburgh	90,000	-	-	8,100	-	-	-	98,100	-
Mr. Alan Brown	54,500	-	-	-	-	-	-	54,500	-
Mr. Rajeev Dhawan	19,442	-	-	1,750	-	-	-	21,192	-
Mr. Garry Sladden	19,442	-	-	1,750	-	-	-	21,192	-
Mr. Sam Kavourakis	38,831	-	-	3,495	-	-	-	42,326	-
Mr. Cary Stynes	42,325	-	-	-	-	-	-	42,325	-
Dr. Richard Gregson	38,831	-	-	3,495	-	-	-	42,326	-
Sub-total non-executive directors	**303,371**	**-**	**-**	**18,590**	**-**	**-**	**-**	**321,961**	**-**
Executive officers									
Mr. Con Liosatos	405,999	26,171	-	30,000	-	740	-	462,910	-
Mr. Peter Crafter	225,000	4,374	-	20,250	-	719	12,997	263,340	-
Mr. Andrew Bull	276,506	16,353	-	24,886	-	43,956	-	361,701	-
Mr. Graham Sergeant	175,000	7,564	-	15,750	-	209	-	198,523	-
Mr. Steve Polonidis	152,820	5,683	-	13,754	56,794	-	-	229,051	-
Sub-total executive officers	**1,235,325**	**60,145**	**-**	**104,640**	**56,794**	**45,624**	**12,997**	**1,515,525**	**-**
Total	**1,538,696**	**60,145**	**-**	**123,230**	**56,794**	**45,624**	**12,997**	**1,837,486**	**-**

TABLE 2: REMUNERATION OF KEY MANAGEMENT PERSONNEL FOR THE YEAR ENDED 30 JUNE 2008 (AUDITED)

	Short-term benefits			Post-employment benefits	Termination Benefits	Long-term benefits	Share based payments	Total	
	Salary & fees $	Non-monetary $	Other $	Superannuation $	$	Long service leave $	Options $	$	% performance related
Non-executive directors									
Mr Raymond Horsburgh	75,000	-	-	6,750	-	-	9,232	90,982	-
Mr. Sam Kavourakis	60,000	-	-	5,400	-	-	10,696	76,096	-
Mr. Alan Brown	54,616	-	-	-	-	-	6,418	61,034	-
Mr. Cary Stynes	48,750	-	-	-	-	-	6,418	55,168	-
Dr. Richard Gregson	50,335	-	-	-	-	-	6,418	56,753	-
Mr. Rajeev Dhawan	-	-	-	-	-	-	-	-	-
Sub-total non-executive directors	**288,701**	**-**	**-**	**12,150**	**-**	**-**	**39,182**	**340,033**	
Executive officers									
Mr. Con Liosatos	280,000	23,880	-	-	-	-	27,152	331,032	-
Mr. Con Scrinis	20,833	-	-	-	-	-	(41,310)	(20,477)	-
Mr. Peter Crafter	164,669	-	-	13,838	-	51	12,754	191,312	-
Mr. David Oswin	45,000	-	-	-	67,500	-	-	112,500	-
Mr. Andrew Bull	246,293	25,228	-	29,634	-	3,858	77,923	382,936	10
Mr. Graham Sergeant	66,285	497	-	5,437	-	17	-	72,236	-
Mr. Steve Polonidis	109,691	-	-	9,270	-	35	-	118,996	-
Mr. James Hopping	114,857	-	-	-	-	-	-	114,857	-
Mr. Stephen O'Dwyer	131,393	9,046	-	4,387	-	-	(4,124)	140,702	-
Mr. Shean Gannon	37,500	-	-	-	-	-	-	37,500	-
Sub-total executive officers	**1,216,521**	**58,651**	**-**	**62,566**	**67,500**	**3,961**	**72,395**	**1,481,594**	
Total	**1,505,222**	**58,651**	**-**	**74,716**	**67,500**	**3,961**	**111,577**	**1,821,627**	

TABLE 3: COMPENSATION OPTIONS GRANTED AND VESTED DURING THE YEAR ENDED 30 JUNE 2009 (AUDITED)

During the year no options were granted as equity compensation benefits to key management personnel. The table below identifies options vested during the year previously granted as equity compensation benefits to key management personnel. The terms and conditions of all outstanding options as at 30 June 2009 are stated at Note 17.

	Granted	Terms & Conditions for each Grant						Vested	
	No.	Grant Date	Fair value per option at grant date	Exercise price per option	Expiry Date	First exercise date	Last exercise date	No. of options vested during the year	%
Non-executive directors									
Mr Raymond Horsburgh	-	-	-	-	-	-	-	300,000	50
Mr. Alan Brown	-	-	-	-	-	-	-	300,000	50

TABLE 4: COMPENSATION OPTIONS GRANTED AND VESTED DURING THE YEAR ENDED 30 JUNE 2008 (AUDITED)

During the year options were granted as equity compensation benefits to key management personnel as set out below.

	Granted	Terms & Conditions for each Grant						Vested	
	No.	Grant Date	Fair value per option at grant date	Exercise price per option	Expiry Date	First exercise date	Last exercise date	No. of options vested during the year	%
Non-executive directors									
Mr Raymond Horsburgh	-	-	-	-	-	-	-	300,000	50
Mr. Sam Kavourakis	-	-	-	-	-	-	-	500,000	25
Mr. Alan Brown	-	-	-	-	-	-	-	300,000	25
Mr. Cary Stynes	-	-	-	-	-	-	-	300,000	25
Dr. Richard Gregson	-	-	-	-	-	-	-	300,000	33
Executives									
Mr. Con Liosatos	-	-	-	-	-	-	-	1,000,000	30
Mr. Peter Crafter	100,000	1 Oct 2007	$0.17	$0.30	31 Dec 2010	1 July 2008	31 Dec 2010	-	-
	100,000	1 Oct 2007	$0.27	$0.40	31 Dec 2011	1 July 2009	31 Dec 2011	-	-
	100,000	1 Oct 2007	$0.38	$0.50	31 Dec 2012	1 July 2010	31 Dec 2012	-	-
Mr. Andrew Bull	-	-	-	-	-	-	-	125,000	15
Mr. Stephen O'Dwyer	-	-	-	-	-	-	-	100,000	33

TABLE 5: OPTIONS GRANTED AS PART OF REMUNERATION (AUDITED)

	Value of options granted during the year $	Value of options exercised during the year $	Value of options forfeited during the year $	Value of options lapsed during the year $	Total value of options granted, exercised, forfeited and lapsed during the year $	Remuneration consisting of options for the year %
Mr. Con Liosatos	-	-	157,691	-	157,691	-
Mr. Alan Brown	-	-	30,199	-	30,199	-
Mr. Sam Kavourakis	-	-	101,390	-	101,390	-
Mr. Cary Stynes	-	-	60,834	-	60,834	-
Dr. Richard Gregson	-	-	49,134	-	49,134	-
Mr. Peter Crafter	-	-	31,403	-	31,403	-
Mr. Andrew Bull	-	-	90,450	-	90,450	-

The terms and conditions of all options outstanding as at 30 June 2009 are stated at Note 17.

There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

No options were granted or exercised during the year; and no options lapsed during the year. 8,000,000 options were forfeited during the year with a value of $521,101 which, in accordance with Accounting Standard AASB 2 *Share-based Payment*, remains frozen in the Group's equity share-based payment reserve.

The maximum grant, which will be payable assuming that all service and performance criteria are met (in accordance with the terms and conditions of all options issued – refer Note 17), is equal to the number of options or rights granted multiplied by the fair value at the grant date. The minimum grant payable assuming that service and performance criteria are not met is zero.

Signed in accordance with a resolution of the directors.

Roy Horsburgh

Mr. Raymond Horsburgh
Independent Non-Executive Chairman

28 August 2009
Melbourne

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Auditor's Independence Declaration to the Directors of Traffic Technologies Ltd

In relation to our audit of the financial report of Traffic Technologies Ltd for the financial year ended 30 June 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Robert J Dalton
Partner
28 August 2009

The Board of Directors of Traffic Technologies Ltd is responsible for the corporate governance framework of the Group having regard to the ASX Corporate Governance Council's published guidelines as well as its corporate governance principles and recommendations. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board of Directors has implemented the Recommendations of the ASX Corporate Governance Council to the extent appropriate for the size and nature of the Company's business as described below. The format of the Corporate Governance Statement follows the ASX Corporate Governance Council's "Second Edition - Revised Corporate Governance Principles and Recommendations". The Corporate Governance Statement must contain specific information and also report on the Company's adoption of the Council's best practice recommendations on an exception basis, whereby disclosure is required of any recommendation that has not been adopted by the Company, together with the reasons it has not been adopted.

The Board has established a Corporate Governance Committee, which is responsible for reviewing the Company's compliance with best practice corporate governance requirements, including compliance with the ASX Corporate Governance Council's Recommendations. The Corporate Governance Committee comprises all Board members and is chaired by Mr. Raymond Horsburgh. For details of meetings of the Corporate Governance Committee held during the year and attendance at those meetings, refer to the Directors' report.

The Company's corporate governance practices have been in place throughout the year ended 30 June 2009. With the exception of the departures from the Corporate Governance Council recommendations detailed below, the corporate governance practices of the Company are compliant with the Council's best practice recommendations.

Principle 1: Lay solid foundations for management and oversight

The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board acts on behalf of and is accountable to shareholders. The Board seeks to identify the expectations of shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage these risks. The Board guides and monitors and fulfils its responsibility to protect shareholder interests and enhance shareholder value by:

- Approving and periodically reviewing the business and financial objectives, strategies and plans of the consolidated entity;
- Monitoring the financial performance of the consolidated entity, including approval of the consolidated entity's financial statements;
- Ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- Identifying areas of significant business or financial risk to the consolidated entity and ensuring management takes appropriate action to manage those risks;
- Reviewing the performance and remuneration of Board members and key members of staff;
- Monitoring the operations of the consolidated entity and the performance of management;
- Establishing and maintaining appropriate ethical standards; and
- Reporting to the shareholders, the Australian Securities and Investments Commission and the Australian Stock Exchange as required.

Whilst at all times the Board retains full responsibility for guiding and monitoring the Group, in discharging its stewardship it makes use of Committees. Board Committees are able to focus on a particular responsibility and provide informed feedback to the Board. The Board has established the following Committees:

- Corporate Governance;
- Audit & Risk; and
- Remuneration.

The Board delegates to the Managing Director and the executive management team responsibility for the operation and administration of the consolidated entity. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Managing Director and the executive management team.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including:

- Board approval of a strategic plan designed to meet stakeholders' needs and manage business risk;
- Ongoing development of the strategic plan and approving initiatives and strategies designed to ensure the continued growth and success of the entity; and
- Implementation of budgets by management and monitoring progress against budget, via the establishment and reporting of both financial and non financial key performance indicators.

Other functions reserved to the Board include:

- Approval of the annual and half-yearly financial reports;
- Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestments;
- Ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored; and
- Reporting to shareholders.

Principle 2: Structure the Board to add value

The Board has been structured to ensure that an appropriate mix of experience and expertise is available to provide strategic guidance for the Company and effective oversight of management. It is the policy of the Company that the composition of the Board is determined having regard to the following concepts:

- That the Board will comprise a majority of Non-Executive Directors;
- That the Board will comprise a minimum of five Directors and the actual number may be higher where additional expertise is required in specific areas and an outstanding candidate is located;
- That the Chairman of the Board will be a Non-Executive Director; and
- That the Board members should represent a broad range of expertise and experience

The skills, experience and expertise relevant to the position held by each Director in office at the date of the Annual Report is included in the Directors' Report.

The Directors in office and the term in office held by each Director at the date of this report are as follows:

Name	Position	Term in Office
Mr. Ray Horsburgh	Independent Non-Executive Chairman	2 years, 9 months
Mr. Con Liosatos	Managing Director	6 years, 3 months
Mr. Alan Brown	Independent Non-Executive Director	5 years, 7 months
Mr. Rajeev Dhawan (appointed 27 January 2009)	Non-Executive Director	7 months
Mr. Garry Sladden (appointed 27 January 2009)	Non-Executive Director	7 months

The following Directors resigned during the year:

Mr. Sam Kavourakis (resigned 13 May 2009)	Independent Non-Executive Director
Mr. Cary Stynes (resigned 13 May 2009)	Independent Non-Executive Director
Dr. Richard Gregson (resigned 13 May 2009)	Non-Executive Director

Directors are considered to be independent when they are independent of management, are not a substantial shareholder and are free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

In the context of Director independence, "materiality" is considered from both the Group and individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is a qualitative element to the contrary) if it is equal to or greater than 10% of the appropriate base amount.

Qualitative factors considered include where a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the Director in question to shape the direction of the Group's loyalty.

In accordance with the definition of independence above, four of the eight Directors of the Company, as set out above, who served during the year ended 30 June 2009 were independent. Mr. Liosatos, the Managing Director, is a full time executive of the Company. Mr. Dhawan and Mr. Sladden were appointed to the Board in January 2009 as nominees of Equity Partners, the registered holder of ordinary shares and preference shares in the Company. Dr. Gregson was previously associated with Equity Partners until December 2008. The Company had an independent chairman throughout the year ended 30 June 2009. As at the date of this report, two of the five Directors of the Company were independent.

The Company's constitution provides that a Director other than the Managing Director may not retain office for more than three calendar years or beyond the third Annual General Meeting following his or her election, whichever is longer, without submitting for re-election. One third of the Directors retire each year and are eligible for re-election. The Directors who retire by rotation at each annual general meeting are those with the longest length of time in office since their appointment or last election. All Directors must be elected by the members of the Company. It is not a requirement for a person who is a Director to own shares in the Company.

The Chair is held by an independent Director, Mr. Horsburgh. The roles of Chair (Mr. Horsburgh) and Managing Director (Mr. Liosatos) are not exercised by the same individual.

Recommendation 2.4 requires listed entities to establish a Nomination Committee to oversee the appointment and induction process for directors and committee members, and the selection, appointment and succession planning process of the Company's chief executive officer. The Company does not have a separately established Nomination

Committee. The duties and responsibilities typically delegated to such a committee are expressly included in the Board's own charter as being the responsibility of the full Board. The Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate Nomination Committee.

The Company provides the capacity for any Director to obtain separate professional advice on any matter being discussed by the Board and for the Group to pay the cost incurred. Before the engagement is made, the Director is required to obtain the Chairman of the Board's approval. Approval will not be unreasonably denied and the Director will be expected to provide the Board with a copy of that advice.

Performance

The performance of the Board, Board Committees and individual Directors is reviewed regularly by the Board as a whole. During the reporting period, the Board reviewed the performance of each Board member and key executive. The performance criteria against which Directors and executives are assessed are aligned with the financial and non-financial objectives of the Company. Directors whose performance is consistently unsatisfactory may be asked to retire.

Principle 3: Promote ethical and responsible decision-making

All Directors and officers of the Company are required to discharge their responsibilities ethically and with integrity.

The Board has drawn up a code of conduct to guide Board members, executives and employees in carrying out their duties and responsibilities, to guide compliance with legal and other obligations and to maintain confidence in the Company's integrity. Executives and employees are encouraged to report to Board members any concerns regarding potentially unethical practices.

Trading policy

Dealings are not permitted in the Company's securities at any time when Directors, officers or staff are in the possession of price sensitive information not already available to the market. In addition, the Corporations Act 2001 prohibits the purchase or sale of securities whilst a person is in possession of inside information and the ASX Listing Rules require disclosure of any trading undertaken by Directors or their related entities in the Company's securities. The Company Secretary must be notified of any intended trading and must also be provided with confirmation that the trading has occurred.

The Chairman will generally allow Directors officers or staff members to deal in securities of the Company (unless there is in existence price sensitive information that has not been disclosed because of an ASX Listing Rule exception) in the following periods:

- Within the period of two weeks after the release of quarterly cash flow statements;
- Within the period of one month after the release of annual or half yearly results; and
- Within the period of one month after the issue of a prospectus.

As required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by Directors in the securities of the Company.

Principle 4: Safeguard integrity in financial reporting

It is the Board's responsibility to ensure that an effective internal control framework exists within the Group. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information.

Audit & Risk Committee

The Board has established an Audit & Risk Committee, which operates under a charter approved by the Board. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control to the Audit & Risk Committee. The Audit & Risk Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

The Audit & Risk Committee consists of only non-executive Directors and a majority are independent Directors. All members of the Board with the exception of the Managing Director are members of the Audit & Risk Committee. The Audit & Risk Committee is chaired by Mr. Brown, who is an independent chairman and who is not Chairman of the Board.

Qualifications of Audit & Risk Committee members

Two of the Audit & Risk Committee members have formal accountancy qualifications and all Audit & Risk Committee members have extensive business experience at Board level and in senior management positions.

Audit & Risk Committee meetings are attended by the partner responsible for the Company's audit. For details of meetings of the Audit & Risk Committee held during the year and attendance at those meetings, refer to the Directors' Report.

Principle 5: Make timely and balanced disclosure

The Company has established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance, as required by Recommendation 5.1. All ASX announcements are handled by the Managing Director or Company Secretary and there are requirements within the Company to ensure that the ASX's continuous disclosure requirements are strictly followed and that unauthorised disclosure of price sensitive information is not made other than through the ASX's Company Announcements Office.

Principle 6: Respect the rights of shareholders

The Board recognises its duty to ensure that its shareholders are informed of all major developments affecting the Company's state of affairs.

The Company is committed to:

- Ensuring that shareholders and the financial markets are provided with full and timely information about the Company's activities in a balanced and understandable way;
- Complying with continuous disclosure obligations contained in the ASX Listing Rules and the Corporations Act; and
- Communicating effectively with its shareholders and making it easier for shareholders to communicate with the Company.

To promote effective communication with shareholders and encourage effective participation at general meetings, information is communicated to shareholders and the market through:

- The release of information to the market via the ASX;
- The distribution of the Annual Report and Notices of Annual General Meeting;
- Shareholder meetings and investor relations presentations;
- Letters and other forms of communication directly to shareholders; and
- Information provided on the Company's website www.trafficltd.com.au, including the Company's Annual Report, a link to announcements made to the market and other information for investors.

The Company's reports and ASX announcements may be viewed and downloaded from the ASX website: www.asx.com.au (Stock code: TTI).

The Board encourages full participation of shareholders at the Annual General Meeting, to ensure a high level of accountability and identification with the Group's strategy and goals. The external auditor is required to attend the Annual General Meeting of the Company and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Principle 7: Recognise and manage risk

The Board has adopted a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board. The Company believes that it is crucial for all Board members to be a part of this process and, as such, the Board has not established a separate risk management committee.

The Board has established policies on risk oversight and management. The Board has drawn up a risk profile for the consolidated entity, including risks related to the Company's business operations, financial position, safeguarding its assets and the interests of its stakeholders, including its security holders, employees, customers, suppliers and bankers. The Managing Director is closely involved in the day-to-day management of the Company's operations and, given the current size of the operations of the consolidated entity, is in a position to continually monitor risk with the assistance of the executive team.

The Board has required management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. Management reports to the Board on the effectiveness of the Company's management of its material business risks.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which encompasses the Company's vision, mission and strategy statements, designed to meet stakeholders' needs and manage material business risk;
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against those budgets, including the establishment and monitoring of KPIs of both a financial and non-financial nature.

For the purposes of assisting investors to understand better the nature of the risks faced by the Company, the Board has prepared a list of operational risks as part of these disclosures. However the Board notes that this does not necessarily represent an exhaustive list and that it may be subject to change based on underlying market events:

- Adverse change in economic conditions affecting demand for the Company's products or services;
- Decrease in Federal or State government expenditure on transport infrastructure;
- Deferral of major projects through circumstances outside the Company's control;
- Adverse operating conditions, including prolonged periods of adverse weather conditions affecting operations; and
- Increasing costs of operations, including labour costs.

Managing Director and Chief Financial Officer certification

In accordance with section 295A of the Corporations Act, the Managing Director and the Chief Financial Officer have provided a written statement to the Board that:

- In their view the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board; and
- The Company's risk management and internal compliance and control system is operating effectively in all material respects.

Principle 8: Remunerate fairly and responsibility

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration Committee takes account of the Company's financial and operating performance in setting the nature and amount of executive Directors' and executives' remuneration. In relation to the payment of bonuses, options or other incentive payments, discretion is exercised by the Remuneration Committee, having regard to the overall performance of the Company and the performance of the individual during the period. The expected outcomes of the remuneration structure are:

- Retention and motivation of key executives;
- Attraction of high quality management to the Company; and
- Performance incentives that allow executives to share in the success of the Company.

For a full discussion of the Company's remuneration philosophy and framework and the remuneration received by Directors and executives in the current period please refer to the Remuneration Report which is contained within the Directors' Report.

Remuneration Committee

The Board is responsible for determining and reviewing remuneration arrangements for the Directors, the Managing Director and the executive team. The Board has established a Remuneration Committee. The Remuneration Committee is responsible for determining and reviewing remuneration arrangements for the Directors, the Managing Director and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

The Remuneration Committee comprises all Board members, and is chaired by Mr. Horsburgh, who is an independent Director. For details of meetings of Remuneration Committee held during the year and the attendees at those meetings, refer to the Directors' Report.

Non-executive Directors' remuneration

Certain non-executive directors have previously been issued share options as part of their remuneration. All Directors and executives have the opportunity to qualify for participation in the Company Share Option Plan, including non-executive Directors, although Shareholder approval is required and has been obtained for all equity-based remuneration payable to Board members. The payment of part of the remuneration of non-executive Directors in a non-cash form preserves cash for use in the business. In common with other smaller-cap listed companies, the Company believes that it must pay its non-executive Directors adequate remuneration in the form of cash and options in order to attract and retain non-executive Directors of appropriate qualifications and experience. Details of Directors' option holdings are disclosed in the Annual Report.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive Directors. Shareholder approval is required for all equity-based remuneration payable to Board members.

Traffic Technologies Ltd and Controlled Entities
Income Statement
For the year ended 30 June 2009

	Note	Consolidated		Company	
		2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Continuing operations					
Revenue	2a	**88,378**	95,018	**187**	58
Cost of sales	3a	**(63,304)**	(68,588)	**-**	-
Gross Profit		**25,074**	26,430	**187**	58
Other income	2b	**411**	185	**3,930**	-
Employee benefits expense	3h	**(13,936)**	(12,093)	**(2,806)**	(2,111)
Occupancy costs		**(3,217)**	(2,904)	**(230)**	(192)
Other expenses	3b	**(3,484)**	(6,222)	**(1,188)**	(2,263)
Earnings before interest, tax, depreciation, amortisation expense and non-recurring items		**4,848**	5,396	**(107)**	(4,508)
Non-recurring items	3d	**(1,616)**	(693)	**(1,079)**	(145)
Depreciation, amortisation and impairment expense	3c	**(2,843)**	(8,470)	**936**	(21,002)
Finance costs	3e	**(5,065)**	(4,964)	**(4,925)**	(4,846)
Loss before income tax		**(4,676)**	(8,731)	**(5,175)**	(30,501)
Income tax benefit / (expense)	4	**(24)**	(1,511)	**158**	(791)
Loss for the year from continuing operations		**(4,700)**	(10,242)	**(5,017)**	(31,292)
Discontinued operations					
Loss for the year from discontinued operations	6	**(254)**	(5,975)	**-**	-
Loss for the year		**(4,954)**	(16,217)	**(5,017)**	(31,292)
Earnings/ (loss) per share					
From continuing operations					
- Basic (cents per share)	5	**(3.74)**	(8.16)		
- Diluted (cents per share)	5	**(3.74)**	(8.16)		
From continuing and discontinued operations					
- Basic (cents per share)	5	**(3.94)**	(12.91)		
- Diluted (cents per share)	5	**(3.94)**	(12.91)		

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

Traffic Technologies Ltd and Controlled Entities
Balance Sheet
As at 30 June 2009

	Note	Consolidated		Company	
		2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Current Assets					
Cash and cash equivalents	20(a)	**3,591**	5,354	**1,049**	2,221
Trade and other receivables	7	**14,267**	17,653	**10,225**	9,884
Inventories	8	**7,488**	8,593	**-**	-
Prepayments		**657**	354	**105**	18
Current tax receivable		**-**	-	**-**	524
Total Current Assets		**26,003**	31,954	**11,379**	12,647
Non-Current Assets					
Property, plant and equipment	10	**9,501**	7,288	**2,202**	134
Intangible assets and goodwill	11	**43,641**	43,032	**214**	88
Other financial assets and subsidiaries	9	**193**	196	**43,709**	43,581
Deferred tax assets	4	**388**	389	**445**	287
Total Non-Current Assets		**53,723**	50,905	**46,570**	44,090
TOTAL ASSETS		**79,726**	82,859	**57,949**	56,737
Current Liabilities					
Trade and other payables	12	**12,391**	15,665	**10,422**	9,405
Interest bearing loans and borrowings	13	**9,790**	7,350	**9,381**	7,013
Current tax payable		**-**	22	**-**	-
Provisions	14	**2,751**	2,405	**247**	93
Total Current Liabilities		**24,932**	25,442	**20,050**	16,511
Non-Current Liabilities					
Trade and other payables	12	**176**	237	**-**	-
Interest bearing loans and borrowings	13	**35,998**	34,347	**35,830**	33,819
Provisions	14	**254**	189	**4**	1
Derivative financial instruments	16	**663**	-	**663**	-
Total Non-Current Liabilities		**37,091**	34,773	**36,497**	33,820
TOTAL LIABILITIES		**62,023**	60,215	**56,547**	50,331
NET ASSETS		**17,703**	22,644	**1,402**	6,406
Equity					
Contributed equity	15	**41,062**	41,062	**41,062**	41,062
Accumulated losses		**(24,352)**	(19,398)	**(40,653)**	(35,636)
Share-based payments reserve		**993**	980	**993**	980
TOTAL EQUITY		**17,703**	22,644	**1,402**	6,406

The above Balance Sheet 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 2009

	Ordinary Shares	Convertible redeemable preference shares	Share based payments Reserve	Accumulated Losses	Total
	$'000	$'000	$'000	$'000	$'000
CONSOLIDATED					
At 1 July 2007	**33,062**	**6,000**	**868**	**(3,181)**	**36,749**
Loss for the year	-	-	-	(16,217)	(16,217)
Total income and expense for the year	**-**	**-**	**-**	**(16,217)**	**(16,217)**
Shares issued on conversion of $2,000,000 convertible notes at issue price of $0.26 per share	-	2,000	-	-	2,000
Share-based payment	-	-	112	-	112
At 30 June 2008	**33,062**	**8,000**	**980**	**(19,398)**	**22,644**
Loss for the year	-	-	-	(4,954)	(4,954)
Total income and expense for the year	**-**	**-**	**-**	**(4,954)**	**(4,954)**
Conversion of 100 preference shares into 100 ordinary shares#	-	-	-	-	-
Share-based payment	-	-	13	-	13
At 30 June 2009	**33,062**	**8,000**	**993**	**(24,352)**	**17,703**

 # - Transaction is less than $500.

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. See Note 17 for further details.

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 Changes In Equity
For the year ended 30 June 2009

	Ordinary Shares $'000	Convertible redeemable preference shares $'000	Share based Payments Reserve $'000	Accumulated Losses $'000	Total $'000
COMPANY					
At 1 July 2007	**33,062**	**6,000**	**868**	**(4,344)**	**35,586**
Loss for the year	-	-	-	(31,292)	(31,292)
Total income and expense for the year	**-**	**-**	**-**	**(31,292)**	**(31,292)**
Shares issued on conversion of $2,000,000 convertible notes at issue price of $0.26 per share	-	2,000	-	-	2,000
Share-based payment	-	-	112	-	112
At 30 June 2008	**33,062**	**8,000**	**980**	**(35,636)**	**6,406**
Loss for the year	-	-	-	(5,017)	(5,017)
Total income and expense for the year	**-**	**-**	**-**	**(5,017)**	**(5,017)**
Conversion of 100 preference shares into 100 ordinary shares#	-	-	-	-	-
Share-based payment	-	-	13	-	13
At 30 June 2009	**33,062**	**8,000**	**993**	**(40,653)**	**1,402**

 # - Transaction is less than $500.

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. See Note 17 for further details.

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

Traffic Technologies Ltd and Controlled Entities
Cash Flow Statement
For the year ended 30 June 2009

	Note	**Consolidated 2009 Inflows / (Outflows) $'000**	Consolidated 2008 Inflows / (Outflows) $'000	**Company 2009 Inflows / (Outflows) $'000**	Company 2008 Inflows / (Outflows) $'000
Cash flows from operating activities					
Receipts from customers		**100,759**	120,795	**3,931**	-
Payments to suppliers and employees		**(94,964)**	(113,079)	**(5,443)**	(5,286)
Interest received		**122**	151	**188**	58
Interest paid		**(4,406)**	(4,073)	**(4,406)**	(3,890)
Capital gains tax refund		**-**	148	**-**	-
Income tax refund		**524**	-	**524**	-
Income tax paid		**(546)**	(524)	**-**	(524)
Net cash provided by / (used in) operating activities	20(b)	**1,489**	3,418	**(5,206)**	(9,642)
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment		**431**	255	**-**	-
Purchase of property plant and equipment		**(3,066)**	(1,899)	**(134)**	(118)
Proceeds from disposal of businesses		**652**	1,666	**-**	-
Purchase of businesses		**(718)**	(2,813)	**(469)**	(2,440)
Purchase of intangible assets		**(1,560)**	(950)	**(262)**	(70)
Net cash used in investing activities		**(4,261)**	(3,741)	**(865)**	(2,628)
Cash flows from financing activities					
Proceeds from borrowings		**2,447**	1,497	**2,447**	1,497
Payment for finance facility fees		**(230)**	(220)	**(230)**	(220)
Repayment of borrowings		**(1,208)**	(1,773)	**(560)**	(583)
Advances from controlled entities		**-**	-	**3,242**	13,153
Advances to controlled entities		**-**	-	**-**	-
Net cash provided by / (used in) financing activities		**1,009**	(496)	**4,899**	13,847
Net increase / (decrease) in cash and cash equivalents		**(1,763)**	(819)	**(1,172)**	1,577
Cash and cash equivalents at beginning of the financial year		**5,354**	6,173	**2,221**	644
Cash and cash equivalents at end of the financial year	20(a)	**3,591**	5,354	**1,049**	2,221

The Cash Flow Statement 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 2009 was authorised for issue in accordance with a resolution of the directors on 28 August 2009.

The Company is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock 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. The financial report has been prepared on an accruals basis and under the historical cost convention.

The financial report covers Traffic Technologies Ltd as an individual parent entity and Traffic Technologies Ltd and controlled entities as a Group. Traffic Technologies Ltd is an 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.

The financial report of Traffic Technologies Ltd for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 28 August 2009.

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 income statement
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.

Earnings before interest, income tax, depreciation, amortisation expenses and non-recurring items ("EBITDA before non-recurring items") reflects the results from continuing, recurring operational performance. This is believed to be a relevant and useful financial measure used by management to measure the Group's ongoing performance.

b) Statement of compliance

Relevant Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting year ended 30 June 2009. These are outlined in the table below.

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New standard replacing AASB 114 *Segment Reporting*, which adopts a management reporting approach to segment reporting.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements, although it may indirectly impact the level at which goodwill is tested for impairment. In addition, the amendments may have an impact on the Group's segment disclosures.	1 July 2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	These amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	1 July 2009

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 101 (Revised), AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact. This was the first omnibus of amendments issued by the IASB arising from the Annual Improvements Project and it is expected that going forward, such improvements will be issued annually to remove inconsistencies and clarify wording in the standards.	1 January 2009 except for amendments to IFRS 5, which are effective from 1 July 2009.	The Group does not expect any material impact as a result of these amendments, if any.	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Group has share-based payment arrangements that may be affected by these amendments. However, the Group has not yet determined the extent of the impact, if any.	1 July 2009

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	The Group does not expect any material impact as a result of the revised standard.	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	1 July 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group's income statement.	1 July 2009

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2008-7	Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to AASB 127 deleting the "cost method" and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre-and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009	The Group does not expect any material impact as a result of these amendments, if any.	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	1 July 2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	1 July 2009

Reference	**Title**	**Summary**	**Application date of standard**	**Impact on Group financial report**	**Application date for Group**
AASB 2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The main amendment of relevance to Australian entities is that made to IFRIC 16 which allows qualifying hedge instruments to be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements in AASB 139 that relate to a net investment hedge are satisfied. More hedging relationships will be eligible for hedge accounting as a result of the amendment. These amendments arise from the issuance of the IASB's Improvements to IFRSs. The amendments pertaining to IFRS 5, 8, IAS 1,7, 17, 36 and 39 have been issued in Australia as AASB 2009-5 (refer below).	1 July 2009	The Group does not expect any material impact as a result of these amendments, if any.	1 July 2009

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
Amendments to International Financial Reporting Standards	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to IAS 27 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009	Recognising all dividends received from subsidiaries, jointly controlled entities and associates as income will likely give rise to greater income being recognised by the parent entity after adoption of these amendments. In addition, if the Group enters into any group reorganisation establishing new parent entities, an assessment will need to be made to determine if the reorganisation meets the conditions imposed to be effectively accounted for on a 'carry-over basis' rather than at fair value.	1 July 2009

Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

1. Summary of Significant Accounting Policies (continued)

c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Traffic Technologies Ltd and its subsidiaries (as outlined in note 9) as at 30 June each year (the Group).

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by Traffic Technologies Ltd are accounted for at cost in the separate financial statements of the Company.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

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

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

1. Summary of Significant Accounting Policies (continued)

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.

Classification of assets and liabilities as held for sale

The Group classifies assets and liabilities as held for sale when its carrying amount will be recovered through a sale transaction. The assets and liabilities must be available for immediate sale and the Group must be committed to selling the asset either through the entering into a contractual sale agreement or the activation and commitment to a program to locate a buyer and dispose of the assets and liabilities.

Capitalised development costs

Development costs are only capitalised by the Group when it can be demonstrated that the technical feasibility of completing the intangible asset is valid so that the asset will be available for use or sale.

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, 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.

Unfavourable contracts

In determining its liability under unfavourable contracts, the Group first assesses which of its contracts are loss making and then ascertains whether the contract can be renegotiated or cancelled at no cost. In the event the Group is unsuccessful with an unfavourable contract, a provision is calculated in accordance with the lesser amount of cancelling the contract and performing its obligation under the contract.

Long service leave provision

As discussed in Note 1(u), 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.

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.

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 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 rate 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.

(iv) Dividends

Revenue is recognised when the Group’s right to receive the dividend is established.

1. Summary of Significant Accounting Policies (continued)

f) Government grants

Government grants are recognised in the balance sheet as a liability when the grant is received.

Government grants are assistance by the government in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the entity.

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

g) 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 in profit or loss.

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

h) Cash and cash equivalents

Cash and cash equivalents in the balance sheet 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 Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

1. Summary of Significant Accounting Policies (continued)

i) Trade and other receivables

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

Collectibility 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 will 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 receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

Amounts due from subsidiary entities

Amounts due from subsidiary entities are non-interest bearing and are receivable on demand.

An impairment assessment is undertaken each financial year in order to determine whether there is objective evidence that the inter-company receivable is impaired. If such objective evidence exists, the Company recognises an allowance for the impairment loss.

j) 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.

k) Investments and other financial assets

Classification

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

1. Summary of Significant Accounting Policies (continued)

Recognition and Derecognition

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

Loans and Receivables

Trade receivables, loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortisation process.

Available-for-sale investments

Certain shares held by the Group are classified as available-for-sale and are stated at cost less any known impairment. Cost is considered to be an approximation for fair value. The fair value of the unlisted investments is not supported by observable market prices and management does not have timely access to the financial reports and budgets of the unlisted investments that would be necessary to estimate the fair value using valuation techniques such as discounted cash flow analysis.

Management reviews the carrying value of the investment at each balance date and assesses it against the latest available information as part of a periodic impairment review.

Dividends on available for sale equity investments are recognised in the Income Statement when the Group's right to receive payments is established.

l) 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. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet 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, carry-forward of unused tax assets 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:

1. Summary of Significant Accounting Policies (continued)

- 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.

Unrecognised deferred income tax assets are reassessed at each balance sheet 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 sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax 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.

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.

1. Summary of Significant Accounting Policies (continued)

Other taxes

Revenues, expenses and assets are recognised net of the amount of 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 balance sheet.

Cash flows are included in the Cash Flow Statement 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.

m) 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 profit or loss 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:

	2009	2008
Buildings	40 years	40 years
Leasehold improvements	10 years	10 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
Plant and equipment, including signage	1 to 15 years	1 to 15 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

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 profit or loss in the year the asset is derecognised.

1. Summary of Significant Accounting Policies (continued)

n) Non-current assets and disposal groups held for sale and discontinued operations

Non-current assets are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset to be classified as held for sale it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the sale of the non-current asset is recognised at the date of derecognition.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement and the assets and liabilities are presented separately on the face of the balance sheet.

o) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

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 a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with AASB 114 *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.

1. Summary of Significant Accounting Policies (continued)

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.

p) 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 profit or loss 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 (q) 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 profit or loss in the expense category consistent with the function of the intangible asset.

Development Expenditure

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.Any expenditure so capitalised is amortised over the period of expected benefit from the related project which is generally 5 years (2008: 5 years). The amortisation has been recognised in the income statement 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.

1. Summary of Significant Accounting Policies (continued)

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 between 5 years (2008: 5 years). Type approval certification represents the Group's 'license' to sell its light-emitting diode ("LED") traffic light signals.

Brand names

Brand names acquired in business combinations are assessed to have a finite life and are amortised over a period of 10 years (2008: 10 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 10 year period (2008: 10 years).

Customer contracts and relationships

Customer contracts and relationships acquired in a business combination are carried at cost less accumulated amortisation and accumulated impairment losses. These intangible assets have been assessed as having a finite life and are amortised using the straight line method over their existing contract life and existing customer base. The amortisation has been recognised in the income statement in the line item 'depreciation, amortisation and impairment expense'.

Software development

Purchased software development is assessed to have a finite life and is amortised over a period of 4 years (2008: 4 years).

q) Impairment of non-financial assets other than goodwill

Intangible assets that have an indefinite useful life are not subject to amortisation and 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.

Traffic Technologies Ltd 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.

1. Summary of Significant Accounting Policies (continued)

r) 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.

s) 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 the balance sheet date.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

t) Derivative financial instruments and hedging

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

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 profit or loss immediately.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

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 and interest rate cap contracts are determined by reference to market values for similar instruments.

Embedded Derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. When there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required the Group reassesses whether an embedded derivative contained in a host contract must be separated from the host and accounted for as a derivative.

1. Summary of Significant Accounting Policies (continued)

u) 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 income statement 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 the balance sheet date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. 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 leave benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in current payroll liabilities (Note 12) and current provisions (Note 14) in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

v) 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). For the purposes of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of the each business in the Group and the presentational currency for the consolidated financial statements.

1. Summary of Significant Accounting Policies (continued)

(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 sheet 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.

w) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

x) Share-based payment transactions

Equity settled transactions

The Group provides benefits to employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. For material share-based payment transactions, the fair value is determined by an external valuer using the option pricing model and assumptions detailed in Note 17; for other share-based payment transactions, the fair value is determined by management using the option pricing model and assumptions detailed in Note 17.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Traffic Technologies Ltd (market conditions) if applicable.

1. Summary of Significant Accounting Policies (continued)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of:

(i) the grant date fair value of the award;

(ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and

(iii) the expired portion of the vesting period.

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Equity-settled awards granted by Traffic Technologies Ltd to employees of subsidiaries are recognised in the Company's separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. As a result, the expense recognised by Traffic Technologies Ltd in relation to equity-settled awards only represents the expense associated with grants to employees of the Company. The expense recognised by the Group is the total expense associated with all such awards.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled transaction are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled transaction is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the transaction is recognised immediately. However, if a new transaction is substituted for the cancelled transaction and designated as a replacement transaction on the date that it is granted, the cancelled and new transaction are treated as if they were a modification of the original transaction, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 5).

y) Contributed equity

Convertible non-cumulative redeemable preference shares

The component of convertible non-cumulative redeemable preference shares that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs.

1. Summary of Significant Accounting Policies (continued)

On issuance of the convertible redeemable preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not re-measured in subsequent years.

The corresponding equity dividends on those shares are recognised as a distribution. Interest on the liability component of the instrument is recognised as an expense in profit and loss.

Transaction costs are apportioned between the liability and equity components of the convertible non-cumulative redeemable preference shares based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

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.

z) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share 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.

Although options and preference shares on issue at 30 June 2009 could be considered dilutive, the fully diluted earnings per share calculation cannot give a more favourable result than the basic earnings per share calculation. Therefore, as per note 5, the basic earnings per share calculation is also used for the fully diluted calculation while the Company is in a loss position.

2. Revenues

	Consolidated 2009 $'000	Consolidated 2008 $'000	**Company 2009 $'000**	Company 2008 $'000
(a) Revenue				
Sale of goods	**46,585**	51,866	**-**	-
Rendering of services	**41,603**	42,994	**-**	-
Finance revenue – bank interest receivable	**190**	158	**187**	58
	88,378	95,018	**187**	58
(b) Other income				
Other income	**382**	145	**2**	-
Management fees	**-**	-	**3,928**	-
Net gain on disposal of fixed assets	**29**	40	**-**	-
	411	185	**3,930**	-

3. Expenses

	Consolidated 2009 $'000	Consolidated 2008 $'000	**Company 2009 $'000**	Company 2008 $'000
(a) Cost of sales				
Purchases and changes in inventory	**24,504**	25,188	**-**	-
Employee benefits expense – direct costs	**33,685**	37,601	**-**	-
Motor vehicle expenses – direct costs	**3,839**	4,119	**-**	-
Other direct costs	**1,276**	1,680	**-**	-
	63,304	68,588	**-**	-
(b) Other expenses				
Administrative costs	**2,951**	5,289	**661**	1,333
Public company costs	**533**	933	**527**	930
	3,484	6,222	**1,188**	2,263
(c) Depreciation, amortisation and impairment expense				
Depreciation of non-current assets:				
Plant and equipment, including signage	**1,116**	1,544	**-**	-
Office furniture and fittings	**256**	374	**93**	77
Motor vehicles	**525**	456	**42**	-
Land and Buildings	**8**	8	**-**	-
Leasehold improvements	**33**	69	**7**	-
	1,938	2,451	**142**	77
Amortisation of non-current assets:				
Patents and trademarks	**23**	8	**1**	1
Software costs	**332**	17	**135**	17
Development costs	**93**	-	**-**	-
Type approval	**420**	334	**-**	-
Customer contracts	**9**	481	**-**	-
Brand names	**48**	48	**-**	-
	925	888	**136**	18
Impairment of non-current assets:				
Other financial assets and subsidiaries		336	**(128)**	1,456
Related party receivables	**-**	-	**(1,086)**	19,362
Goodwill	**-**	2,489	**-**	-
Development costs	**(20)**	335	**-**	-
Acquisition costs	**-**	214	**-**	89
Plant and equipment, including signage	**-**	894	**-**	-
Office furniture and fittings	**-**	285	**-**	-
Motor vehicles	**-**	127	**-**	-
Leasehold improvements	**-**	451	**-**	-
	(20)	5,131	**(1,214)**	20,907
Total depreciation, amortisation and impairment expense	**2,843**	8,470	**(936)**	21,002

3. Expenses (continued)

	Consolidated 2009 $'000	Consolidated 2008 $'000	**Company 2009 $'000**	Company 2008 $'000
(d) Non-recurring items				
Sale of business assets	**(140)**	-	**-**	-
Costs in relation to prior year business combinations	**159**	-	**159**	-
Consultancy costs – assessment of non-core assets (i)	**674**	147	**674**	137
Redundancy costs (i)	**618**	546	**57**	8
Lease termination costs (i)	**231**	-	**131**	-
Other	**74**	-	**58**	-
Total non-recurring items	**1,616**	693	**1,079**	145
(i) Costs in relation to the Group's Profit Improvement Program				
(e) Finance costs				
Fair value of interest rate contracts	**663**	-	**663**	-
Amortisation of capitalised transaction costs	**170**	599	**170**	599
Bank loans and overdrafts	**3,938**	4,002	**3,938**	3,998
Interest on convertible notes	**-**	33	**-**	33
Lease interest	**107**	62	**25**	6
Other	**187**	268	**129**	210
Total finance costs	**5,065**	4,964	**4,925**	4,846
(f) Research and development costs				
Research and development costs charged directly to cost of sales in the income statement	**88**	71	**-**	-
(g) Operating lease rental expenses				
Operating lease rentals	**4,314**	4,258	**224**	173
(h) Employee related expenses				
Share-based payment expense	**13**	112	**13**	38
Wages and salaries	**37,226**	41,402	**2,300**	1,859
Superannuation	**2,928**	3,148	**173**	105
Other employee benefits expense	**7,454**	5,032	**320**	109
	47,621	49,694	**2,806**	2,111
Employee related expenses are recognised in the income statement as follows:				
Cost of sales	**33,685**	37,601	**-**	-
Employee benefits expense	**13,936**	12,093	**2,806**	2,111
	47,621	49,694	**2,806**	2,111

4. Income Tax

	Consolidated 2009 $'000	Consolidated 2008 $'000	**Company 2009 $'000**	Company 2008 $'000
(a) Income tax expense / (benefit)				
The major components of income tax expense / (benefit) are:				
Income Statement				
Current income tax				
Current income tax charge / (benefit)	**-**	-	**-**	-
Adjustment recognised in the current year in relation to the current tax of prior years	**-**	234	**-**	-
Deferred income tax				
Relating to origination and reversal of temporary differences	**1**	677	**(158)**	81
Derecognition of tax losses	**-**	710	**-**	710
Income tax expense/(benefit) reported in the income statement	**1**	1,621	**(158)**	791
(b) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate				
Accounting loss before income tax from continuing operations	**(4,700)**	(8,731)	**(5,175)**	(30,501)
Accounting loss before income tax from discontinued operations	**(277)**	(5,865)	**-**	-
	(4,977)	(14,596)	**(5,175)**	(30,501)
Prima facie income tax benefit at the Group's statutory income tax rate of 30% (2008: 30%)	**(1,493)**	(4,379)	**(1,553)**	(9,150)
Benefit arising from previously unrecognised tax losses of a prior period that is used to reduce probable future income tax	**-**	710	**-**	710
Share-based payment (equity settled)	**4**	35	**4**	11
Amortisation of other intangible assets	**179**	284	**-**	-
Impairment of non-current assets	**(6)**	2,889	**(382)**	6,272
(Income) / expenses that are not deductible in determining taxable profit	**74**	562	**131**	247
Deferred tax expense / (income) relating to origination and reversal of temporary differences	**-**	(253)	**-**	-
Temporary differences now derecognised / (recognised) as deferred tax assets/liabilities	**1,243**	1,539	**1,642**	2,701
Under-provision for income tax in prior year	**-**	234	**-**	-
Aggregate income tax expense / (benefit)	**1**	1,621	**(158)**	791
Aggregate income tax expense / (benefit) is attributable to:				
Continuing operations	**24**	1,511	**(158)**	791
Discontinued operations	**(23)**	110	**-**	-
Income tax expense / (benefit)	**1**	1,621	**(158)**	791
(c) Income tax recognised directly in equity				
The following current and deferred amounts were credited directly to equity during the period:				
Deferred Tax				
Share issue expenses deductible over 5 years	**-**	-	**-**	-

4. Income Tax (continued)

(d) Deferred tax balances

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

30 June 2009	**Consolidated**				
	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Acquisitions $'000	Closing balance $'000
Temporary differences					
Intangible assets	**(777)**	(138)	-	-	**(915)**
Property, plant and equipment	**161**	(161)	-	-	**-**
Employee provisions	**480**	93	-	-	**573**
Warranty provisions	**42**	(8)	-	-	**34**
Restructuring provisions	**-**	19	-	-	**19**
Unfavourable contract provision	**-**	53	-	-	**53**
Inventory provisions	**39**	5	-	-	**44**
Doubtful debts	**49**	(43)	-	-	**6**
Credit notes	**-**	31	-	-	**31**
Unclaimed share issue costs	**172**	(99)	-	-	**73**
Accruals	**223**	247	-	-	**470**
	389	(1)	-	-	**388**
Unused tax losses	**-**	-	-	-	**-**
	389	(1)	-	-	**388**

Presented in the balance sheet as follows:	
Deferred tax liability	(915)
Deferred tax assets	1,303
	388

30 June 2008	**Consolidated**				
	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Acquisitions $'000	Closing balance $'000
Temporary differences					
Intangible assets	**(743)**	(34)	-	-	**(777)**
Property, plant and equipment	**95**	66	-	-	**161**
Employee provisions	**796**	(316)	-	-	**480**
Warranty provisions	**121**	(79)	-	-	**42**
Inventory provisions	**150**	(111)	-	-	**39**
Doubtful debts	**85**	(36)	-	-	**49**
Unclaimed share issue costs	**271**	(99)	-	-	**172**
Accruals	**291**	(68)	-	-	**223**
	1,066	(677)	-	-	**389**
Unused tax losses	**710**	(710)	-	-	**-**
	1,776	(1,387)	-	-	**389**

Presented in the balance sheet as follows:	
Deferred tax liability	(777)
Deferred tax assets	1,166
	389

4. Income Tax (continued)

30 June 2009	**Company**				
	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Acquisitions $'000	Closing balance $'000
Temporary differences					
Intangible assets	**-**	(6)	-	-	**(6)**
Property, plant and equipment	**15**	(15)	-	-	**-**
Employee Provisions	**28**	28	-	-	**56**
Restructuring Provisions	**-**	19	-	-	**19**
Doubtful debts	**-**	-	-	-	**-**
Unclaimed share issue costs	**172**	(99)	-	-	**73**
Accruals	**72**	231	-	-	**303**
	287	158	-	-	**445**
Unused tax losses	**-**	-	-	-	**-**
	287	158	-	-	**445**

Presented in the balance sheet as follows:

Deferred tax liability	(6)
Deferred tax assets	451
	445

30 June 2008	**Company**				
	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Acquisitions $'000	Closing balance $'000
Temporary differences					
Property, plant and equipment	**8**	7	-	-	**15**
Employee Provisions	**13**	15	-	-	**28**
Warranty Provisions	**-**	-	-	-	**-**
Doubtful debts	**-**	-	-	-	**-**
Unclaimed share issue costs	**271**	(99)	-	-	**172**
Accruals	**76**	(4)	-	-	**72**
	368	(81)	-	-	**287**
Unused tax losses	**710**	(710)	-	-	**-**
	1,078	(791)	-	-	**287**

Presented in the balance sheet as follows:

Deferred tax liability	-
Deferred tax assets	287
	287

	Consolidated 2009 $'000	Consolidated 2008 $'000	**Company 2009 $'000**	Company 2008 $'000
The following deferred tax assets and deferred tax liabilities have not been brought to account as assets:				
Property, Plant and Equipment	527	539	**-**	-
Inventory Provisions	8	24	**-**	-
Doubtful debts	7	55	**-**	-
Accruals and employee provisions	615	669	**-**	-
Tax losses – revenue	-	-	**-**	-
Total deferred tax assets	1,157	1,287	**-**	-

"Tax losses – revenue" are available to carry forward against future "taxable profits – revenue" (but not against capital related profits) without expiry.

4. Income Tax (continued)

(e) Unrecognised temporary differences

At 30 June 2009 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 (2008: $nil).

(f) 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 9.

(g) 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 2009 $'000	Consolidated 2008 $'000
For basic and diluted earnings per share:		
Net loss from continuing operations attributable to ordinary equity holders of the parent	**(4,700)**	(10,242)
Loss attributable to discontinued operations	**(254)**	(5,975)
Net loss attributable to ordinary equity holders of the parent	**(4,954)**	(16,217)

(b) Weighted average number of shares

	Consolidated 2009 Thousands	Consolidated 2008 Thousands
Weighted average number of ordinary shares used in calculating basic earnings per share	**125,591**	125,591
Effect of dilution:		
Share options	**-**	-
Redeemable preference shares	**31,692**	30,154
Convertible notes	**-**	1,538
Weighted average number of ordinary shares adjusted for the effect of dilution	**157,283**	157,283

There are no instruments (e.g. share options) 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 either of the periods presented.

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.

(c) Weighted average number of shares

(i) Options

Options granted to employees (including KMP) as described in Note 17 are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive. These options have not been included in the determination of basic earnings per share.

(i) Redeemable preference shares

The redeemable preference shares as described in Note 15 are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive. These shares have not been included in the determination of basic earnings per share.

6. Discontinued operations

(a) Details of operations disposed

On 10 August 2007 the Group entered into a sale agreement to dispose of its line marking services business and assets ("Line Marking"). The disposal was completed on 10 September 2007, on which date control of the business passed to the acquirer.

On 12 May 2008 the Group entered into a sale agreement to dispose of its Guard Rail Installations business and assets ("Guard Rail"), a business which involved the design, supply and installation of Guard Rail on roads. The disposal was completed on 16 May 2008, on which date control of the business passed to the acquirer.

(b) Financial performance of operations disposed

The results of the discontinued operations for the year until disposal are presented below:

	Guard Rail		**Line Marking**	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Revenue	**-**	7,630	**-**	127
Other income	**11**	68	**-**	13
Expenses	**(288)**	(8,854)	**(27)**	(254)
EBITDA	**(277)**	**(1,156)**	**(27)**	**(114)**
Gain on disposal	150	200	**-**	**-**
Depreciation expenses	(28)	(180)	-	-
Finance costs	-	(104)	-	-
Impairment of goodwill	-	(4,169)	-	-
Loss recognised on remeasurement to fair value	(95)	(329)	-	-
Loss recognised on security deposits	-	(13)	-	-
Loss before tax from discontinued operations	**(250)**	**(5,751)**	**(27)**	**(114)**
Income tax benefit / (expense)	23	(90)	-	(20)
Loss after tax from discontinued operations	**(227)**	**(5,841)**	**(27)**	**(134)**

Reconciliation of loss after tax from discontinued operations	**2009 $'000**	2008 $'000
Loss before income tax		
Guard Rail	**(250)**	(5,751)
Line Marking	**(27)**	(114)
	(277)	(5,865)
Income tax benefit / (expense)	**23**	(110)
	(254)	(5,975)

6. Discontinued operations (continued)

(c) Assets and liabilities and cash flow information of operations disposed

The major classes of assets of the disposed operations are as follows:

Assets

	2008 Guard Rail $'000	2008 Line Marking $'000	2008 Total $'000
Property, plant and equipment	838	225	**1,063**
Deposits	12	-	**12**
Inventories	226	13	**239**
	1,076	238	**1,314**

The liabilities pertaining to the disposed operations have been settled or retained by the Group following disposal.

The net cash flows of the disposed operations are as follows:

	2009 Guard Rail $'000	2009 Line Marking $'000	2009 Total $'000	2008 Guard Rail $'000	2008 Line Marking $'000	2008 Total $'000
Operating activities	(119)	(21)	**(140)**	(1,005)	672	**(333)**
Investing activities	162	-	**162**	1,001	262	**1,263**
Financing activities	-	-	**-**	(33)	(984)	**(1,017)**
Net cash inflow / (outflow)	43	(21)	**22**	(37)	(50)	**(87)**

Consideration received:

	2009 $'000	2008 $'000
Cash*	**150**	**1,514**
Less net assets disposed	**-**	**(1,314)**
Gain on disposal before income tax expense	**150**	**200**
Income tax expense	**-**	**-**
Gain on disposal after income tax expense	**150**	**200**

** - Cash proceeds exclude GST*

(d) Earnings per share of disposed operations

	2009	2008
Loss per share (cents per share)		
- Basic from discontinued operations	**(0.20)**	(4.76)
- Diluted from discontinued operations	**(0.20)**	(4.76)

7. Trade and Other Receivables (Current)

	Consolidated 2009 $'000	Consolidated 2008 $'000	**Company 2009 $'000**	Company 2008 $'000
Trade receivables	**13,911**	17,649	-	-
Allowance for impairment loss (a)	**(20)**	(133)	-	-
	13,891	17,516	-	-
Other receivables	**376**	137	**180**	110
Related party receivables: Subsidiaries	-	-	**17,755**	29,136
Allowance for impairment loss (b)	-	-	**(7,710)**	(19,362)
	-	-	**10,045**	9,774
	14,267	17,653	**10,225**	9,884

(a) Allowance for impairment loss – trade receivables

Trade receivables are non-interest bearing and 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 $20,000 (2008: $133,000) has been recognised by the Group and $nil (2008: $nil) by the Company in the current year. These amounts have been included in the administration expenses line item.

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 2009 $'000	Consolidated 2008 $'000	**Company 2009 $'000**	Company 2008 $'000
Balance at the beginning of the year	**133**	285	-	-
Charge for the year	**-**	133	-	-
Amounts written off as uncollectible	**(15)**	-	-	-
Amounts recovered during the year	**-**	(35)	-	-
Allowance no longer required	**(98)**	(250)	-	-
Balance at the end of the year	**20**	133	-	-

7. Trade and Other Receivables (Current) - Continued

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

		TOTAL	0 – 30 days $'000	31 – 60 days $'000 PDNI*	31 – 60 days $'000 CI*	61 – 90 days $'000 PDNI*	61 – 90 Days $'000 CI*	+ 91 days $'000 PDNI*	+ 91 days $'000 CI*
2009	**Group**	**13,911**	**8,215**	**5,019**	**-**	**428**	**-**	**229**	**20**
	Company	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2008	Group	17,649	9,004	6,075	46	1,278	-	1,159	87
	Company	-	-	-	-	-	-	-	-

**** - Table Legend***

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

Receivables past due but not considered impaired are: Group $5,676,000 (2008: $8,512,000); Company $nil (2008: $nil). 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) Allowance for impairment loss - related party receivables

An allowance for impairment loss is recognised when there is objective evidence that an individual related party receivable is impaired. A net impairment loss of $nil (2008: $19,362,000) has been recognised by the Company in the current year in respect of related party receivables. During the year, $10,438,000 previously impaired related party receivables were written off and a brought forward impairment loss of $1,086,000 was reversed being no longer required. This amount has been included in the depreciation, amortisation and impairment expenses line item.

The amount of the allowance for impairment loss has been measured as the difference between the carrying amount of the related party receivables and the estimated future cash flows expected to be received from the relevant subsidiaries.

(c) Related party receivables

Related party receivables are interest free and are repayable on demand.

(d) 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.

(e) Foreign exchange and interest rate risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in note 18.

8. Inventories (Current)

	Consolidated 2009 $'000	Consolidated 2008 $'000	**Company 2009 $'000**	Company 2008 $'000
Raw materials	**2,751**	4,287	-	-
Work in progress	**318**	376	-	-
Finished goods	**4,419**	3,930	-	-
	7,488	8,593	-	-

Inventory write-downs recognised as an expense totalled $42,154 (2008: $50,000) for the Group and $nil (2008: $nil) for the Company. During the year, inventory write-downs of $75,000 were reversed following the disposal of associated aged/impaired inventory. This expense/benefit is included in cost of sales.

9. Other Financial Assets (Non-current)

	Consolidated 2009 $'000	Consolidated 2008 $'000	**Company 2009 $'000**	Company 2008 $'000
Unlisted investments, at recoverable amount *(ii) (iii)*	**193**	196	**190**	194
Investments in controlled entities, at cost *(i)* (*iv*)	**-**	-	**41,638**	41,648
Investments in controlled entities, at recoverable amount *(i), (iv)*	**-**	-	**1,881**	1,739
	-	-	**43,519**	43,387
	193	196	**43,709**	43,581

9. Other Financial Assets (Non-current) (continued)

(i) Subsidiaries

Name of entity	Country of Incorporation	% of equity interest 2009	% of equity interest 2008	Investment 2009 $'000	Investment 2008 $'000
Traffic Technologies Signal & Hardware Division Pty Ltd ("TTSH")	Australia	**100%**	100%	**-**	-
Traffic Technologies Traffic Management Division Pty Ltd	Australia	**100%**	100%	**1,074**	1,074
De Neefe Signs Pty Ltd ("DNS")	Australia	**100%**	100%	**-**	-
Traffic Technologies Traffic Hire Pty Ltd (formerly "AMD")	Australia	**100%**	100%	**-**	10
Sunny Signs Pty Ltd ("Sunny")	Australia	**100%**	100%	**1,881**	1,739
Pro-Tech Traffic Management Pty Ltd	Australia	**100%**	100%	**-**	-
KJ Aldridge Investments Pty Ltd	Australia	**100%**	100%	**40,564[A]**	40,564[A]
- 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%		
				43,519	43,387

[A] – The cost of the investment relates to the purchase of 100% of the share capital in KJ Aldridge Investments Pty Limited and 100% of the share capital in each of the wholly owned subsidiaries as detailed above. The cost of the investment has not been apportioned to the individual subsidiaries within the Aldridge group.

(ii) The Group holds 10% (2008: 10%) of the ordinary share capital of WARP Pty Ltd, a company involved in the provision of traffic management services. As at 30 June 2009 the directors of the Group do not believe that the Group is able to exert significant influence over WARP Pty Ltd as the other 90% is owned by the directors of the WARP Pty Ltd who also manage day to day operations of that company. As at the date of this report the Directors have determined that the carrying value of the investment in WARP Pty Ltd should be reduced to its recoverable amount resulting in an impairment loss of $3,630 (2008: $336,000).

(iii) The Group holds nil (2008: 10%) of the ordinary share capital of Aldridge Traffic Controllers Pty Ltd, a company involved in the manufacture of traffic controllers used in the management of traffic lights operation. As at 30 June 2008, the directors of the Group did not believe that the Group was able to exert significant influence over Aldridge Traffic Controllers Pty Ltd as the other 90% was owned by the directors of the Aldridge Traffic Controllers Pty Ltd who also manage day to day operations of that company.

(iv) The Directors review the carrying value of the parent entity's investment in its subsidiary entities on an ongoing basis. As at the date of this report the Directors have determined that the carrying values of the investment in TTSH, DNS, Sunny and AMD should be adjusted to their recoverable amount resulting in a $132,000 reversal of an impairment loss recorded in the prior year. The Directors have determined that all other investments in subsidiary entities should remain at cost.

10. Property, Plant and Equipment

	Consolidated 2009 $'000	Consolidated 2008 $'000	**Company 2009 $'000**	Company 2008 $'000
a) Carrying values				
Plant and equipment, including signage:				
At cost	**11,775**	9,904	-	-
Accumulated depreciation*	**(6,089)**	(5,296)	-	-
Total plant and equipment	**5,686**	4,608	-	-
Office furniture and fittings				
At cost	**1,693**	1,697	**277**	222
Accumulated depreciation*	**(1,309)**	(1,107)	**(184)**	(91)
Total office furniture and fittings	**384**	590	**93**	131
Office equipment under lease				
At cost	**320**	338	**30**	30
Accumulated depreciation*	**(297)**	(276)	**(30)**	(30)
Total office equipment under lease	**23**	62	**-**	-
Motor vehicles				
At cost	**1,129**	1,920	**10**	-
Accumulated depreciation*	**(551)**	(737)	**(3)**	-
Total motor vehicles	**578**	1,183	**7**	-
Motor vehicles under lease				
At cost	**2,905**	1,085	**2,077**	-
Accumulated depreciation*	**(474)**	(600)	**(39)**	-
Total motor vehicles under lease	**2,431**	485	**2,038**	-
Buildings				
At cost	**200**	200	**-**	-
Accumulated depreciation	**(30)**	(22)	**-**	-
Total land and buildings	**170**	178	**-**	-
Leasehold improvements				
At cost	**812**	740	**71**	3
Accumulated depreciation*	**(583)**	(558)	**(7)**	-
Total leasehold improvements	**229**	182	**64**	3
Total property, plant and equipment				
At cost	**18,834**	15,884	**2,465**	255
Accumulated depreciation*	**(9,333)**	(8,596)	**(263)**	(121)
Total net book value	**9,501**	7,288	**2,202**	134

** - Includes impairment*

10. Property, Plant and Equipment (continued)

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

CONSOLIDATED

	Plant & Equipment $'000	Office furniture & fittings $'000	Office equipment under lease $'000	Motor vehicles $'000	Motor vehicles under lease $'000	Buildings $'000	Leasehold improvements $'000	Total $'000
Year ended 30 June 2009								
Balance at the beginning of the year, net of accumulated depreciation	4,608	590	62	1,183	485	178	182	7,288
Transfers - property, plant & equipment	1	12	(8)	(136)	131	-	-	-
Transfers - intangible assets	-	(75)	-	-	-	-	-	(75)
Additions	2,787	110	-	89	2,212	-	80	5,278
Disposals	(488)	(11)	-	(213)	(217)	-	-	(929)
Impairment (i)	(95)	-	-	-	-	-	-	(95)
Depreciation expense	(1,127)	(242)	(31)	(345)	(180)	(8)	(33)	(1,966)
Balance at the end of the year, net of accumulated depreciation	**5,686**	**384**	**23**	**578**	**2,431**	**170**	**229**	**9,501**
Year ended 30 June 2008								
Balance at the beginning of the year, net of accumulated depreciation	6,532	710	116	2,494	265	186	403	10,706
Transfers – property, plant & equipment	2	(20)	-	(399)	417	-	-	-
Additions	982	495	30	123	367	-	308	2,305
Disposals	(329)	(2)	-	(387)	(280)	-	(9)	(1,007)
Impairment (i)	(963)	(285)	-	(285)	(101)	-	(451)	(2,085)
Depreciation expense	(1,616)	(308)	(84)	(363)	(183)	(8)	(69)	(2,631)
Balance at the end of the year, net of accumulated depreciation	**4,608**	**590**	**62**	**1,183**	**485**	**178**	**182**	**7,288**

(i) Impairment of property, plant and equipment

Guard Rail Cash Generating Unit

In the prior year, immediately before the classification as a discontinued operation of Guard Rail, recoverable amount was estimated for certain items of property, plant and equipment. The recoverable amount estimation was based on fair value less costs to sell and was determined at the cash-generating unit level, being the relating to the reportable Guard Rail segment. Management's decision to discontinue the Guard Rail operations resulted in a reduction of value in use of the cash-generating unit, so that value in use was not materially greater than fair value less costs to sell. As a result, an impairment loss of $329,185 in total was recognised to reduce the carrying amount of property, plant and equipment to recoverable amount. This was recognised in the income statement in the line item 'discontinued operations'.

10. Property, Plant and Equipment (continued)

De Neefe Signs Cash Generating Unit
In the prior year, within the De Neefe Signs cash-generating unit, recoverable amount was estimated for certain items of property, plant and equipment as at 30 June 2008. The recoverable amount estimation was based on the higher of a value in use calculation and net realizable value and was determined at the cash-generating unit level. As a result, an impairment loss of $1,755,601 in total was recognized to reduce carrying amount of property, plant and equipment to recoverable amount. This was recognized in the income statement in the line item “depreciation, amortization and impairment expenses”. Value in use was determined based on management’s most recent cash flow forecasts over 5 years, using a terminal growth rate of 2% and a discount rate of 19% which was the Group’s WACC adjusted upwards to reflect the risks specific to the De Neefe Signs cash-generating unit. The assumptions used to estimate recoverable amount remain unchanged as at 30 June 2009.

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

COMPANY

	Plant & Equipment $’000	Office furniture & fittings $’000	Office equipment under lease $’000	Motor vehicles $’000	Motor vehicles under lease $’000	Buildings $’000	Leasehold improvements $’000	Total $’000
Year ended 30 June 2009								
Balance at the beginning of the year, net of accumulated depreciation	-	131	-	-	-	-	3	134
Additions	-	55	-	10	2,077	-	68	2,210
Depreciation expense	-	(93)	-	(3)	(39)	-	(7)	(142)
Balance at the end of the year, net of accumulated depreciation	**-**	**93**	**-**	**7**	**2,038**	**-**	**64**	**2,202**
Year ended 30 June 2008								
Balance at the beginning of the year, net of accumulated depreciation	-	66	12	-	-	-	-	78
Additions	-	130	-	-	-	-	3	133
Depreciation expense	-	(65)	(12)	-	-	-	-	(77)
Balance at the end of the year, net of accumulated depreciation	**-**	**131**	**-**	**-**	**-**	**-**	**3**	**134**

b) 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 Bank as disclosed in Note 13.

11. Intangible Assets

a) Carrying values

	Consolidated 2009 $'000	Consolidated 2008 $'000	**Company 2009 $'000**	Company 2008 $'000
Development costs				
At cost	**1,273**	998	-	-
Accumulated amortisation	**(38)**	-	-	-
Accumulated impairment	**(315)**	(335)	-	-
	920	663	-	-
Type approval certification				
At cost	**2,393**	1,717	-	-
Accumulated amortisation	**(806)**	(386)	-	-
	1,587	1,331	-	-
Patents and trademarks				
At cost	**210**	125	**24**	5
Accumulated amortisation	**(35)**	(13)	**(2)**	(1)
	175	112	**22**	4
Software costs				
At cost	**800**	105	**348**	105
Accumulated amortisation	**(376)**	(21)	**(156)**	(21)
	424	84	**192**	84
Customer contracts				
At cost	**650**	650	-	-
Accumulated amortisation	**(650)**	(641)	-	-
	-	9	-	-
Brandnames				
At cost	**477**	477	-	-
Accumulated amortisation	**(104)**	(56)	-	-
	373	421	-	-
Goodwill				
At cost	**42,650**	42,900	-	-
Accumulated impairment	**(2,488)**	(2,488)	-	-
	40,162	40,412	-	-
Total intangible assets	**43,641**	43,032	**214**	88

11. Intangible Assets (continued)

	Consolidated							
	Development Costs $'000	Type Approval $'000	Software Costs $'000	Patents and Trademarks $'000	Customer Contracts $'000	Brands $'000	Goodwill $'000	TOTAL $'000
At 1 July 2008 net book value	663	1,331	84	112	9	421	40,412	43,032
Additions	576	450	597	86	-	-	-	1,709
Disposals	(20)	-	-	-	-	-	-	(20)
Transfers – intangible assets	(226)	226	-	-	-	-	-	-
Transfers – property, plant & equipment	-	-	75	-	-	-	-	75
Fair value adjustment	-	-	-	-	-	-	(250)	(250)
Amortisation	(93)	(420)	(332)	(23)	(9)	(48)	-	(925)
Impairment	20	-	-	-	-	-	-	20
At 30 June 2009 net book value	**920**	**1,587**	**424**	**175**	**-**	**373**	**40,162**	**43,641**
At 1 July 2007 net book value	270	1,518	31	115	490	469	47,069	49,962
Additions	728	147	70	5	-	-	-	950
Disposals	-	-	-	-	-	-	(4,169)	(4,169)
Amortisation	-	(334)	(17)	(8)	(481)	(48)	-	(888)
Impairment	(335)	-	-	-	-	-	(2,488)	(2,823)
At 30 June 2008 net book value	**663**	**1,331**	**84**	**112**	**9**	**421**	**40,412**	**43,032**

11. Intangible Assets (continued)

	Company		
	Patents and Trademarks $'000	**Software Costs $'000**	**TOTAL $'000**
At 1 July 2008 net book value	4	84	88
Additions	19	243	262
Amortisation	(1)	(135)	(136)
At 30 June 2009 net book value	**22**	**192**	**214**
At 1 July 2007 net book value	5	31	36
Additions	-	70	70
Amortisation	(1)	(17)	(18)
At 30 June 2008 net book value	**4**	**84**	**88**

(b)Description of the Group's intangible assets and goodwill

(i) Development costs

Development costs, including type approval work-in-progress, are carried at cost less accumulated amortisation and accumulated impairment losses. This intangible asset has been assessed as having a finite life and is amortised using the straight line method over a period of 5 years. Once type approval projects have been certified by the State Road Transport Authority, the costs are transferred to a separate category of intangible assets, "type approval certification", at which point amortisation commences. The amortisation has been recognised in the income statement in the line item 'depreciation, amortisation and impairment expense'.

(ii) 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. Type approval certification represents the Group's 'license' to sell its light-emitting diode ("LED") traffic light signals. The amortisation has been recognised in the income statement in the line item 'depreciation, amortisation and impairment expense'.

(iii) Patents and trademarks

Patents and trademarks acquired separately or in a business combination are carried at cost less accumulated amortisation and accumulated impairment losses. These intangible assets have been assessed as having finite lives and are amortised using the straight line method over a period of 10 years. The amortisation has been recognised in the income statement in the line item 'depreciation, amortisation and impairment expense'.

(iv) Customer contracts and relationships

Customer contracts and relationships acquired in a business combination are carried at cost less accumulated amortisation and accumulated impairment losses. These intangible assets have been assessed as having a finite life and are amortised using the straight line method using existing contract life and existing customer base. The amortisation has been recognised in the income statement in the line item 'depreciation, amortisation and impairment expense'.

11. Intangible Assets (continued)

(v) Brand names

After initial recognition brand names acquired in a business combination are measured at cost less any accumulated impairment losses. These intangible assets have been assessed as having finite lives and are amortised using the straight line method over a period of 10 years. The amortisation has been recognised in the income statement in the line item ‘depreciation, amortisation and impairment expense’.

(vi) Goodwill

After initial recognition goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment (refer section (c) of this note).

(vii) Software costs

These intangible assets have been assessed as having a finite life and are amortised using the straight line method over a period of 4 years. The amortisation has been recognised in the income statement in the line item ‘depreciation, amortisation and impairment expense’.

(c) Impairment tests for goodwill and intangibles with indefinite useful lives

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

Goodwill and brand names acquired through business combinations have been allocated to four individual cash-generating units for impairment testing as follows:

- Signals
- Sunny Signs
- Research & Development
- Traffic Management

Signals Cash-generating Unit

The recoverable amount of the Signals cash-generating unit has 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 14.3% (2008: 15%), which is the Group’s WACC adjusted downwards to reflect the risks specific to the Signals cash-generating unit. The growth rate used to extrapolate the cash flows over the five year period is 5% (2008: 5.0%).

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.

11. Intangible Assets (continued)

Sunny Signs Cash-generating Unit

The recoverable amount of the Sunny Signs cash-generating unit has 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 16.1% (2008: 19%), which is the Group's WACC adjusted upwards to reflect the risks specific to the Sunny Signs cash-generating unit. The growth rate used to extrapolate the cash flows over the five year period is 3% (2008: 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.

As a consequence of the impairment assessment in the prior year, an impairment loss of $1,837,000 was recorded, writing-down the Sunny Signs goodwill to a nil recoverable amount.

Research & Development Cash-generating Unit

The Research & Development cash-generating unit is separate to the Signals cash-generating unit and operates outside of the Group's Technical Products division which now undertakes the majority of the Group's research and development activity, effectively making the original Research & Development cash-generating unit redundant. Accordingly the recoverable amount of the Research & Development cash-generating unit was assessed as $nil as at 30 June 2009 (30 June 2008: $nil).

Traffic Management Cash-generating Unit

The recoverable amount of the Traffic Management Division ("TMD") has 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 15.5% (2008: 17.5%), which is the Group's WACC adjusted upwards to reflect the risks specific to the TMD cash-generating unit. The growth rate used to extrapolate the cash flows over the five year period is 5% (2008: 5%).

The Group believes that the growth rate selected is justified based on strong expected growth in traffic management services over the next ten years in line with government projections.

11. Intangible Assets (continued)

(ii*) Carrying amount of goodwill and indefinite lived intangible assets allocated to each of the cash-generating units*

	Consolidated 2009 $'000	Consolidated 2008 $'000	**Company 2009 $'000**	Company 2008 $'000
Summary by Cash-generating Unit				
Signals	**30,535**	30,535	**-**	-
Sunny Signs	**-**	-	**-**	-
Research & Development	**-**	-	**-**	-
Traffic Management	**9,627**	9,877	**-**	-
	40,162	40,412	**-**	-

(iii*) Key assumptions used in value in use calculations for the cash-generating units for 30 June 2009 and 30 June 2008*

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 TMD cash-generating units and 3% for the Sunny Signs cash-generating unit. The Group believes that the growth rates selected are justified based on strong expected growth in demand over the next 5 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 rates will be achieved through expected strong 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 each of the cash generating units.

The cash flows have been discounted at significantly lower WACC rates as at 30 June 2009 compared with 30 June 2008 and this is a reflection of the Group's lower cost of finance and high level of gearing.

12. Trade and Other Payables

	Consolidated 2009 $'000	Consolidated 2008 $'000	**Company 2009 $'000**	Company 2008 $'000
Current				
Trade creditors *(i)*	**7,542**	7,721	**638**	790
Sundry creditors and accruals *(ii)*	**4,839**	7,426	**959**	1,829
Deferred consideration *(iii)*	**10**	518	**-**	-
Related party payables – subsidiaries	**-**	-	**8,825**	6,786
Current Trade and Other Payables	**12,391**	15,665	**10,422**	9,405
Non-current				
Sundry creditors and accruals *(ii)*	**176**	237	**-**	-
Non-current Trade and Other Payables	**176**	237	**-**	-

(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.

Non-current
Non-current sundry creditors and accruals are long-term, unamortised property lease incentives ranging from 4-6 years maturity.

(iii) ***Deferred consideration***

Deferred consideration relates to outstanding cash payments due to vendors of businesses acquired.

At balance date, the deferred cash consideration of $10,472 (2008: $518,356) relates to deferred cash consideration the Group is likely to pay for acquisitions completed. During the year ended 30 June 2009, the Group paid $250,000 to vendors in settlement of other deferred consideration and recorded fair value acquisition adjustments of $257,884.

(iv) ***Fair value***

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

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

Information regarding the effective interest rate, foreign exchange and liquidity risk exposure is set out in note 18.

13. Interest Bearing Loans and Borrowings

	Nominal interest rate	Year of maturity	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Current borrowings						
Working capital facility (secured) *(iii)*	BBR + 3.00%	2009	**8,997**	7,000	**8,997**	7,000
Lease liabilities *(iv)*	5.5% - 8.9%	2009-2013	**793**	350	**384**	13
			9,790	7,350	**9,381**	7,013
Non-current borrowings						
Term bank facility (secured) – *(i) (ii)*	BBR + 3.45%	2009	**33,744**	33,804	**33,744**	33,804
Lease liabilities	5.5% - 8.9%	2009-2013	**2,254**	543	**2,086**	15
			35,998	34,347	**35,830**	33,819

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

(i) Reconciliation of Term Bank Facility

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Term bank facility balance comprises:				
Non-current borrowings				
Term bank facility – Principal loan amounts payable	**34,000**	34,000	**34,000**	34,000
Less: capitalised transaction costs	**(256)**	(196)	**(256)**	(196)
	33,744	33,804	**33,744**	33,804

13. Interest Bearing Loans and Borrowings (continued)

Terms and conditions relating to the above financial instruments:

(ii) *Term Facility*

The term facility has been scheduled for repayment on 1 January 2011 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, excluding inventory.

(iii) *Working Capital Facility*

The working capital facility comprises a bank overdraft facility, a bank guarantee commitment and a revolving cash advance facility. The combination of these facilities must not exceed $12m at any point in time. The facility has been scheduled for repayment on 1 January 2011 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, excluding inventory.

(iv) Information regarding the effective interest rate risk of borrowings is set out in Note 18.

(v) During the current and prior years, there were no defaults or breaches on any of the loans.

(vi) Refer to Note 20(c) for details regarding the financing facilities available.

14. Provisions

	Consolidated 2009 $'000	Consolidated 2008 $'000	**Company 2009 $'000**	Company 2008 $'000
Current				
Annual leave	**1,544**	1,485	**158**	63
Sick leave	**-**	3	**-**	-
Long service leave	**859**	777	**24**	30
Restructuring	**65**	-	**65**	-
Unfavourable contracts	**170**	-	**-**	-
Maintenance warranties	**113**	140	**-**	-
	2,751	2,405	**247**	93
Non-current				
Long service leave	**254**	189	**4**	1
	254	189	**4**	1
Total provisions	**3,005**	2,594	**251**	94

14. Provisions (continued)

(a) Movements in provisions

Movements in each class of provisions during the financial year, other than provisions relating to employee benefits, are set out below:

	Restructuring $'000	Unfavourable Contracts $'000	Maintenance Warranties $'000	Total $'000
CONSOLIDATED				
At 1 July 2008	-	-	140	140
Arising during the year	65	170	10	245
Unused amounts reversed	-	-	(37)	(37)
At 30 June 2009	**65**	**170**	**113**	**348**
Current 2009	65	170	113	348
Non-current 2009	-	-	-	-
	65	**170**	**113**	**348**
Current 2008	-	-	140	140
Non-current 2008	-	-	-	-
	-	-	140	140

(b) Nature and timing of provision for restructuring

(i) Traffic Technologies Ltd

In line with the Group's ongoing implementation of its Profit Improvement Program, the Group has recognised a provision for restructure in line with the restructuring plan approved by the Board in May 2009. The Group has a detailed formal plan for the restructuring and started to implement that plan before 30 June 2009. The provision recognised represents the present value of the directors' best estimate of the future outflow of economic benefits that will be required in order to effect the restructuring plan.

(c) Nature and timing of provision for unfavourable contracts

(i) Guard Rail Installations – Discontinued operations

The Group has recognised a provision for an unfavourable contract in relation to its former Guard Rail Installations business disposed in the prior year. The contract was identified during the year and further that it had not been assigned to the purchaser on disposal of the business. The provision recognised represents the present value of the directors' best estimate of the future outflow of economic benefits that will be required in order to either complete the requirements of the contract or to settle any claim brought against the Group in the event that it does not complete the requirements of the contract.

14. Provisions (continued)

(d) Nature and timing of provision for maintenance warranties

(i) Technical Products – Signals Division

The Group has recognised a provision for expected warranty claims on products sold by the Signals division during the last five years, based on current sales levels, current information available about past returns and repairs, and on the five year warranty period for all 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 traffic signals and emergency telephones produced by the Technical Products division.

(ii) Guard Rail Installations – Discontinued operations

The Group has recognised a provision for expected warranty claims installation work by the Guard Rail division during the last year, based on historical sales levels, current information available about past returns and repairs, and on the (up to) 1 year warranty/defect period for all installation work of guard rail. 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 the installation work of guard rail.

15. Contributed Equity

	Consolidated 2009 $'000	Consolidated 2008 $'000	**Company 2009 $'000**	Company 2008 $'000
Ordinary shares	**33,062**	33,062	**33,062**	33,062
Convertible non-cumulative redeemable preference shares	**8,000**	8,000	**8,000**	8,000
	41,062	41,062	**41,062**	41,062

a) Ordinary shares	**No. of Shares '000**	**$'000**
At 1 July 2007, 30 June 2008 and 1 July 2008 (i)	125,591	33,062
Conversion of 100 preference shares to 100 ordinary shares#	-	-
At 30 June 2009	**125,591**	**33,062**

(i) No movement in ordinary shares during the year ended 30 June 2008.

- Transaction is less than $500.

Terms and conditions of contributed equity

Effective 1 July 1998, the Corporations legislation abolished the concepts of authorised capital and par value shares. Accordingly the Company does not have authorised capital nor par value in respect of its issued capital. Ordinary shares have the right to receive dividends as declared and, in the event of 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.

b) Movement in convertible non-cumulative redeemable preference shares	**No. of Shares '000**	**$'000**
At 1 July 2007	24,000	6,000
Shares issued on conversion of $2,000,000 convertible notes at an issue price of $0.26 per share	7,692	2,000
At 30 June 2008	**31,692**	**8,000**
At 1 July 2008	31,692	8,000
Conversion of 100 preference shares to 100 ordinary shares at $0.26 per share#	-	-
At 30 June 2009	**31,692**	**8,000**

 # - Transaction is less than $500.

15. Contributed Equity (continued)

Terms and conditions of convertible non-cumulative redeemable preference shares

24,000,000 Preference shares were issued on 9 March 2006 at a price of $0.25 (25 cents) to Equity Partners Two Pty Ltd as trustee of the Equity Partners 2 Trust (associated with Mr. Rajeev Dhawan). Preference shares are convertible into fully paid Ordinary shares on the basis that each Preference share is convertible at the option of the Preference shareholder into one Ordinary share. There is no time limit specified within which Preference shares must be converted. No additional consideration is payable on conversion.

Equity Partners may only convert so that the number of shares to be issued on conversion does not result in Equity Partners' voting power in the Company increasing in contravention of section 606 of the *Corporations Act 2001*.

Preference shares are redeemable only on the occurrence of an "Insolvency Event", (an application made to a court to wind up the Company, the appointment of a liquidator, provisional liquidator, receiver, manager, administrator or controller or the Company entering into an arrangement with one or more of its creditors or failing to comply with a statutory demand) or the Company ceasing to trade, at the option of the Preference shareholder.

Preference shareholders will not be entitled to vote at any general meeting of the Company except in the following circumstances:

a) on a proposal:
    (i) to reduce the share capital of the Company;
    (ii) that affects the rights attached to Preference shares;
    (iii) to wind up the Company; and
    (iv) for the disposal of the whole of the property, business and undertakings of the Company.
b) on a resolution to approve the terms of a share buy-back agreement;
c) during a period in which a Dividend or part of a Dividend is in arrears;
d) during the winding-up of the Company.

Subject to the Preference share terms, but in any event only if the Directors declare a dividend on the Ordinary shares, each Preference share entitles the Preference shareholder on a Record Date to receive on the relevant Dividend payment date in preference to the holder of Ordinary shares a non-cumulative dividend in an amount equal to the dividend declared on the Ordinary shares. Dividends will be payable on the dates on which dividends on Ordinary shares are payable. Preference shareholders are entitled to receive dividends in priority to holders of Ordinary shares and equally with the holders of other Preference shares that may be issued with the consent of the holders of the majority of the Preference shares.

c) 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 2008.

The capital structure of the Group consists of debt, which includes borrowings disclosed in Note 13, cash and cash equivalents disclosed in Note 20 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Statement of Changes in Equity.

15. Contributed Equity (continued)

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.

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 has a target gearing ratio of 30-45%, which is determined as the proportion of net debt to total 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 2009 and 2008 were as follows:

	Consolidated 2009 $'000	Consolidated 2008 $'000	**Company 2009 $'000**	Company 2008 $'000
Total borrowings (i)	**45,788**	41,697	**45,211**	40,832
Cash and cash equivalents	**(3,591)**	(5,354)	**(1,049)**	(2,221)
Net debt	**42,197**	36,343	**44,162**	38,611
Equity (ii)	**17,703**	22,644	**1,402**	6,406
Total capital	**59,900**	58,987	**45,564**	45,017
Gearing ratio	**70%**	62%	**97%**	86%

(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 2009 $'000	Consolidated 2008 $'000	**Company 2009 $'000**	Company 2008 $'000
Non-current liabilities				
Interest rate swap contract	**622**	-	**622**	-
Interest rate cap contract	**41**	-	**41**	-
	663	-	**663**	-

(i) Interest rate contracts

Interest bearing loans of the Group currently bear an average floating interest rate of 3.6%. In order to protect against rising interest rates the Group has entered into an interest rate swap contract and an interest rate cap contract under which it has a right to receive interest at variable rates and to pay interest at fixed rates. The swap covers approximately 37.5% (2008: 37.5%) of the notional principal outstanding and the cap covers approximately 37.5% (2008: 37.5%); both contracts are timed to expire on 1 May 2012 (being the original expiry date of the term loan to which the interest rate contracts relate). The fixed interest rate on both contracts is 7.1% (2008: 7.1%) and the floating interest rate on the both contracts is the Australian BBR.

The term loan, whose interest is hedged through these interest rate contracts, is fully disclosed in Note 13.

16. Derivative Financial Instruments (continued)

At 30 June 2009, the notional principal amounts and period of expiry of the interest rate contracts are as follows:

	Consolidated 2009 $'000	Consolidated 2008 $'000	**Company 2009 $'000**	Company 2008 $'000
0 – 1 years	**2,550**	2,550	**2,550**	2,550
1 – 2 years	**2,550**	2,550	**2,550**	2,550
2 – 3 years	**15,513**	2,550	**15,513**	2,550
3 – 5 years	**-**	15,513	**-**	15,513
5+ years	**-**	-	**-**	-
	20,613	23,163	**20,613**	23,163

The interest rate contracts settle on a quarterly basis. The interest payments on the term facility loan and the interest rate contracts occur simultaneously. The difference, if any, is recognised directly in the profit and loss account.

17. Share-based Payment Plans

(a) Summaries of options granted under the Company's share-based payment plans

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options issued during the year.

	2009 No. Thousand	**2009 WAEP $**	2008 No. Thousand	2008 WAEP $
Outstanding at the beginning of the year	**10,987**	**0.38**	14,625	0.37
Granted during the year	**-**	**-**	300	0.40
Forfeited during the year	**(2,250)**	**0.45**	(3,938)	0.37
Expired during the year	**(5,800)**	**0.33**	-	-
Outstanding at the end of the year	**2,937**	**0.41**	10,987	0.38
Exercisable at the end of the year	**2,737**	**0.41**	7,387	0.32

17. Share-based Payment Plans (continued)

The outstanding balance as at 30 June 2009 is represented by:

- Option Series C, E, T, U, V, W and X were issued to employees.
- Option Series A, F, H, G, L, M, N, R and S were issued to Directors.
- Option Series K were issued to Vendors of businesses acquired in prior periods.

Option Series	Number	Grant Date	Vesting Date	Expiry Date	Exercise Price $	Fair value at grant date $	Terms and Conditions
(E) Issued 8 August 2005	137,000	08/08/05	08/08/05	08/08/10	0.25	0.21	ii
(G) Issued 12 December 2005	1,000,000	12/12/05	01/07/07	31/12/09	0.40	0.07	iii
(K) Issued 12 December 2005	150,000	12/12/05	12/12/05	01/09/10	0.25	0.12	i
(M) Issued 21 February 2006	300,000	21/02/06	01/07/07	31/12/09	0.40	0.05	i
(N) Issued 21 February 2006	300,000	21/02/06	01/07/08	31/12/10	0.50	0.05	i
(R) Issued 28 Nov 2006	300,000	28/11/06	01/07/07	31/12/09	0.40	0.06	i
(S) Issued 28 Nov 2006	300,000	28/11/06	01/07/08	31/12/10	0.50	0.05	i
(T) Issued 2 May 2007	250,000	02/05/07	01/07/07	31/12/09	0.45	0.15	v
(W) Issued 1 October 2007	100,000	01/10/07	01/07/09	31/12/11	0.40	0.05	iv
(X) Issued 1 October 2007	100,000	01/10/07	01/07/10	31/12/12	0.50	0.05	iv
	2,937,000						

(b) Terms and conditions of the Company's share-based payment plans

With respect to the Company's options, all options were issued at no cash consideration. Each option entitles the holder to subscribe for one fully paid ordinary share in the entity. The issue of options to non-executive directors was not based on specified performance criteria. The vesting of options to executives is subject to performance criteria. Details of the performance criteria for each series of options are set out below:

(i) There are no performance or service criteria associated with these options.

(ii) Options are subject to the continuous employment of the option holder. The options will lapse if they are not exercised within 28 days of employment being terminated.

(iii) Options will vest provided the share price of the Company outperforms the ASX 200 share index measured over the 12 month period immediately prior to the vesting dates specified above. If a tranche of options does not vest, it will lapse.

(iv) Options will vest provided the share price of the Company outperforms the ASX 200 share index measured over the 12 month period immediately prior to the vesting dates specified above. If a tranche of options does not vest, it will lapse. Options are also subject to the continuous employment of the option holder. The options will lapse if they are not exercised within one month of employment being terminated.

(v) 50% of the tranche of options will vest provided the share price of the Company outperforms the ASX 200 share index measured over the 12 month period immediately prior to the vesting dates specified above. The remaining 50% of the tranche of options will vest provided that the Aldridge Traffic Group achieves a minimum EBIT (earnings before interest and tax) of $6m in the financial year immediately prior to the vesting dates specified above. If a tranche of options does not vest, it will lapse. Options are also subject to the continuous employment of the option holder. The options will lapse if they are not exercised within one month of employment being terminated.

There have been no cancellations or modifications to any of the plans during 2009 and 2008. The following numbers of share options were forfeited or expired during the year:

Option Series	Number Forfeited Thousand	Number Expired Thousand	Number Total Thousand
(A) Issued 30 January 2004	-	(1,400)	(1,400)
(C) Issued 22 April 2005	-	(300)	(300)
(E) Issued 8 August 2005	(50)	-	(50)
(F) Issued 12 December 2005	-	(1,000)	(1,000)
(H) Issued 12 December 2005	-	(1,000)	(1,000)
(L) Issued 21 February 2006	-	(1,400)	(1,400)
(M) Issued 21 February 2006	(1,100)	-	(1,100)
(N) Issued 21 February 2006	(1,100)	-	(1,100)
(U) Issued 1 May 2007	-	(600)	(600)
(V) Issued 1 October 2007	-	(100)	(100)
	(2,250)	**(5,800)**	**(8,050)**

(c) Option pricing model

The fair value of the option series A to N was estimated on the date of grant using a Black-Scholes option pricing model; the fair value of option series R, S, V, W and X was estimated on the date of grant using the Binomial option pricing model; and the fair value of option series T and U was estimated on the date of grant using the hybrid Monte-Carlo simulation and Binomial option pricing model. The following assumptions, along with the terms and conditions specified above were used:

	June 2009	June 2008
Dividend yield	(i)	$Nil
Expected volatility	(i)	59%
Risk free interest rate	(i)	6.43-6.47%
Expected life of options (years)	(i)	2-3
Exercise prices	(i)	$0.30 - $0.50
Weighted average share price	(i)	$0.22

(i) – Not applicable as no options were granted during the year ended 30 June 2009.

The dividend yield reflects the assumption that no dividends will be paid by the Company for the foreseeable future. The expected life of the options is based on the term of the options and is not necessarily indicative of exercise patterns that may occur. The volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

The expense recognised within the income statement in relation to share-based payments is disclosed in Note 3(h).

17. Share-based Payment Plans (continued)

(d) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2009 is 0.94 years (2008: 1.52 years).

(e) Range of exercise price

The range of exercise prices for options outstanding at the end of the year was $0.25 - $0.50 (2008: $0.20 - $0.50).

(f) Weighted average fair value

The weighted average fair value of options granted during the prior year was $0.11. No options were granted during the year ended 30 June 2009.

18. Financial risk management objectives and policies

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise a term loan facility, with an associated interest rate swap contract and interest rate cap contract, working capital facility (as disclosed in Note 13), 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. 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 development of future rolling cash flow forecasts.

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

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 forecast projections.

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.

18. Financial risk management objectives and policies (continued)

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 (2008: 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. The level of debt is 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 2009 $'000	Consolidated 2008 $'000	**Company 2009 $'000**	Company 2008 $'000
Financial assets				
Cash and cash equivalents	**3,591**	5,354	**1,049**	2,221
	3,591	5,354	**1,049**	2,221
Financial liabilities				
Term bank facility	**33,744**	33,804	**33,744**	33,804
Working capital facility	**8,997**	7,000	**8,997**	7,000
	42,741	40,804	**42,741**	40,804

The Group's policy is to manage its finance costs using a mix of fixed and variable rate debt. To manage this mix in a cost-efficient manner the Group enters into interest rate swaps and interest rate cap contracts, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps and caps are designated to hedge underlying debt obligations. At 30 June 2009, after taking into account the effect of interest rate swaps and caps, approximately 34% of the Group's borrowings are at a fixed rate of interest (2008: 63%).

18. Financial risk management objectives and policies (continued)

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 sheet date, and is net of the hedging affect of the interest rate swap and interest rate cap contracts.

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 Loss Increase / (Decrease)		Other Equity Reserves Increase / (Decrease)	
Judgements of reasonably possible movements:	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
Group				
+1% (100 basis points)	**9**	136	-	-
- 0.5% (50 basis points)	**98**	(108)	-	-
Company				
+1% (100 basis points)	**9**	153	-	-
- 0.5% (50 basis points)	**98**	(117)	-	-

The movements in profit/loss are due to higher/lower interest costs from variable rate debt and cash balances. The change in sensitivity between 2008 and 2009 is due to the mix of interest rate swap and interest rate cap contracts and the associated fair value of those contracts and the underlying variable interest rates.

Foreign currency risk

The Group currently purchases immaterial amounts of materials denominated in foreign currency, hence immaterial exposures to exchange rate fluctuations arise. The Group enters into forward foreign exchange contracts to manage the risk associated with anticipated purchase transactions up to 6 months out to hedge the exposure generated. The exchange gain or loss on these transactions is recognised directly in the profit and loss account.

At balance date the Group had no commitments to purchase foreign currency.

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 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.

18. Financial risk management objectives and policies (continued)

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.

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, who have 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 20(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.

The Group's policy is that not more than 20% of borrowings should mature in any 12 month period. At 30 June 2009, 1% of the Group's debt will mature in less than one year (2008: 1%), 0% of the Group's debt will mature in 366 days (2008: 98%), 93% of the Group's debt will mature in 18 months' time (2008: nil) and the balance of the Group's debt will mature in more than one year but not more than 5 years.

The following table details the Company's and 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.

18. Financial risk management objectives and policies (continued)

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

	Group		Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
6 months or less	**14,466**	16,819	**12,101**	9,606
6 – 12 months	**2,109**	2,222	**1,890**	2,036
1 – 5 years	**47,321**	42,407	**47,117**	41,809
Over 5 years	**-**	-	**-**	-
	63,896	61,448	**61,108**	53,451

18. 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 segments that reflects management's expectations of expected settlement of financial assets and liabilities, as illustrated in the tables below.

Year ended 30 June 2009	≤ 6 months $'000	6-12 months $'000	1 – 5 years $'000	> 5 years $'000	Total $'000
Consolidated					
Financial assets					
Cash & cash equivalents	**3,591**	**-**	**-**	**-**	**3,591**
Trade & other receivables	**14,221**	**-**	**46**	**-**	**14,267**
	17,812	**-**	**46**	**-**	**17,858**
Financial liabilities					
Trade & other payables	**11,157**	**-**	**1,200**	**-**	**12,357**
Interest bearing loans & borrowings	**2,109**	**2,109**	**47,321**	**-**	**51,539**
	13,266	**2,109**	**48,521**	**-**	**63,896**
Net maturity	**4,546**	**(2,109)**	**(48,475)**	**-**	**(46,038)**
Company					
Financial assets					
Cash & cash equivalents	**1,049**	**-**	**-**	**-**	**1,049**
Trade & other receivables	**1,225**	**1,044**	**6,557**	**1,399**	**10,225**
	2,274	**1,044**	**6,557**	**1,399**	**11,274**
Financial liabilities					
Trade & other payables	**10,211**	**-**	**-**	**-**	**10,211**
Interest bearing loans & borrowings	**1,890**	**1,890**	**47,117**	**-**	**50,897**
	12,101	**1,890**	**47,117**	**-**	**61,108**
Net maturity	**(9,827)**	**(846)**	**(40,560)**	**1,399**	**(49,834)**

The difference between the contractual maturities of the Group's financial liabilities and management expectation of when those financial liabilities will be settled is explained by a disputed payable of $1,200,000 (refer note 21(i)).

18. Financial risk management objectives and policies (continued)

Year ended 30 June 2008	**≤ 6 months $'000**	**6-12 months $'000**	**1 – 5 years $'000**	**> 5 years $'000**	**Total $'000**
Consolidated					
Financial assets					
Cash & cash equivalents	5,354	-	-	-	5,354
Trade & other receivables	17,546	-	107	-	17,653
	22,900	-	107	-	23,007
Financial liabilities					
Trade & other payables	13,922	-	1,200	-	15,122
Interest bearing loans & borrowings	1,697	2,222	42,407	-	46,326
	15,619	2,222	43,607	-	61,448
Net maturity	7,281	(2,222)	(43,500)	-	(38,441)
Company					
Financial assets					
Cash & cash equivalents	2,221	-	-	-	2,221
Trade & other receivables	1,413	1,313	7,158	-	9,884
	3,634	1,313	7,158	-	12,105
Financial liabilities					
Trade & other payables	8,101	-	-	-	8,101
Interest bearing loans & borrowings	1,505	2,036	41,809	-	45,350
	9,606	2,036	41,809	-	53,451
Net maturity	(5,972)	(723)	(34,651)	-	(41,346)

The difference between the contractual maturities of the Group's financial liabilities and management expectation of when those financial liabilities will be settled is explained by a disputed payable of $1,200,000 (refer note 21(i)).

19. Expenditure Commitments

	Consolidated 2009 Minimum rentals $'000	Consolidated 2008 Minimum rentals $'000	**Company 2009 Minimum rentals $'000**	Company 2008 Minimum rentals $'000
a) Operating lease commitments - Premises				
Within 1 year	**1,813**	1,945	**-**	123
After 1 year but not more than 5 years	**2,630**	3,757	**-**	174
More than 5 years	**-**	173	**-**	-
	4,443	5,875	**-**	297

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 2009 Minimum rentals $'000	Consolidated 2008 Minimum rentals $'000	**Company 2009 Minimum rentals $'000**	Company 2008 Minimum rentals $'000
b) Operating lease commitments – Motor vehicles				
Within 1 year	**1,323**	1,207	**-**	-
After 1 year but not more than 5 years	**2,784**	1,503	**-**	-
	4,107	2,710	**-**	-

The Group leases a fleet of vehicles under operating leases. The leases typically run for periods of 2 to 5 years with an option to renew after that date.

c) Finance lease & hire purchase

	Consolidated 2009 Minimum lease payments $'000	**Consolidated 2009 Present value of lease payments $'000**	Consolidated 2008 Minimum lease payments $'000	Consolidated 2008 Present value of lease payments $'000
Within 1 year	**961**	**781**	393	350
After 1 year but not more than 5 years	**2,687**	**2,266**	615	543
Minimum future lease payments	**3,648**	**3,047**	1,008	893
Less future finance charges	**(601)**	**-**	(115)	-
Lease liability	**3,047**	**3,047**	893	893

	Company 2009 Minimum lease payments $'000	**Company 2009 Present value of lease payments $'000**	Company 2008 Minimum lease payments $'000	Company 2008 Present value of lease payments $'000
Not later than 1 year	**522**	**384**	15	13
After 1 year but not more than 5 years	**2,482**	**2,086**	17	15
Minimum lease payments	**3,004**	**2,470**	32	28
Deduct: future finance charges	**(534)**	**-**	(4)	-
Lease liability	**2,470**	**2,470**	28	28

The Group has entered into finance and hire purchase contracts in respect of various items of plant & machinery and motor vehicles. These finance and hire purchase contracts expire within 1 to 5 years. Subsequent renewal of the contract is at the option of the entity that holds the lease.

20. Cash Flow Statement

a) Reconciliation of Cash

	Consolidated 2009 $'000	Consolidated 2008 $'000	**Company 2009 $'000**	Company 2008 $'000
Cash at bank and in hand	**3,559**	5,322	**1,049**	2,221
Short term deposits	**32**	32	**-**	-
	3,591	5,354	**1,049**	2,221

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

Short term deposits are made for varying periods of between one day and 3 months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

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

	Consolidated 2009 $'000	Consolidated 2008 $'000	**Company 2009 $'000**	Company 2008 $'000
Net loss	**(4,954)**	(16,217)	**(5,017)**	(31,292)
Adjustments for:				
Depreciation, amortisation and impairment of non-current assets	**2,843**	13,161	**(936)**	21,002
Profit on sale of fixed assets	**(29)**	(86)	**-**	-
Non-cash other income	**-**	(200)	**-**	-
Share options expensed	**13**	112	**13**	34
Doubtful debts expense	**(113)**	(152)	**-**	-
Stock obsolescence expense	**(33)**	(291)	**-**	-
Changes in assets and liabilities:				
(Increase)/decrease in trade and other receivables	**3,088**	7,434	**(87)**	(14)
(Increase)/decrease in inventories	**1,105**	452	**-**	-
Increase/(decrease) in trade and other payables	**(821)**	(1,092)	**822**	(211)
(Increase)/decrease in deferred tax assets	**1**	1,386	**(158)**	791
Increase/(decrease) in income taxes payable	**(22)**	(421)	**-**	-
Increase/(decrease) in provisions	**411**	(668)	**157**	48
Net cash provided by / (used in) operating activities	**1,489**	3,418	**(5,206)**	(9,642)

20. Cash Flow Statement (continued)

Non cash financing and investing activities

During the year the Group acquired property, plant and equipment with an aggregate value of $2,212,203 (2008: $406,000) by means of finance leases. During the year the Company acquired plant and equipment with an aggregate value of $2,077,284 (2008: $14,370) by means of finance leases. These acquisitions are not reflected in the cash flow statement. On 15 September 2007 $2,000,000 of Convertible Notes were converted into 7,692,308 convertible non-cumulative redeemable preference shares (refer note 15). This transaction is not reflected in the cash flow statement.

c) Financing facilities available

	Consolidated 2009 $'000	Consolidated 2008 $'000	**Company 2009 $'000**	Company 2008 $'000
Total facilities at reporting date				
Term facility	**34,000**	34,000	**34,000**	34,000
Working capital facility comprising:				
- revolving cash advance facility	**9,800**	7,000	**9,800**	7,000
- bank overdraft facility	**1,000**	1,000	**1,000**	1,000
- bank guarantee facility	**1,200**	1,700	**1,200**	1,700
- bank letters of credit facility	-	300	-	300
	46,000	44,000	**46,000**	44,000
Facilities used at reporting date				
Term facility	**34,000**	34,000	**34,000**	34,000
Working capital facility comprising:				
- revolving cash advance facility	**8,997**	7,000	**8,997**	7,000
- bank overdraft facility	**-**	-	**-**	-
- bank guarantee facility	**1,094**	1,195	**1,094**	1,195
- bank letters of credit facility	**-**	220	**-**	220
	44,091	42,415	**44,091**	42,415
Facilities unused at reporting date				
Term facility	**-**	-	**-**	-
Working capital facility comprising:				
- revolving cash advance facility	**803**	-	**803**	-
- bank overdraft facility	**1,000**	1,000	**1,000**	1,000
- bank guarantee facility	**106**	505	**106**	505
- bank letters of credit facility	**-**	80	**-**	80
	1,909	1,585	**1,909**	1,585

21. Claims and Contingencies

(i) *Legal claims*

A vendor of a business acquired in a previous year lodged a claim against the Group in a prior year relating to amounts to be paid pursuant to the business sale agreement. The Group has denied liability for any further amounts payable and is defending the action. While liability is not admitted, the maximum amount payable by the Group under this action is $0.9m plus contractual interest under the business sale agreement but excluding possible cost judgements. The vendor has also indicated that a second claim may be brought against the Group for additional amounts to be paid pursuant to the business sale agreement. The Group also denies liability in respect of this potential claim and will defend any action if and when brought. While liability is not admitted in respect to the potential claim, the maximum amount payable by the Group under this potential claim is estimated at approximately $1.8m plus contractual interest and excluding possible cost judgements. The outcome of these actions is uncertain and cannot be reliably measured at balance date. The Group has currently provided $1.2m as an estimate in respect to both claims as at 30 June 2009.

(ii) *Guarantees*

As detailed in Note 22, 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.

22. Related Party Disclosures

The ultimate parent

Traffic Technologies Ltd is the ultimate parent Company.

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. The subsidiary companies are disclosed at Note 10.

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 income statement and balance sheet of the closed group is equivalent to the group's consolidated income statement and balance sheet.

22. Related Party Disclosures (continued)

Wholly owned group transactions

Transactions with group companies

Subsidiary		Sales to related parties $	Purchases from related parties $	Amounts owed by related parties $	Amounts owed to related parties $
Traffic Technologies Ltd (ii)	**2009**	**-**	**-**	**17,755,184**	**8,825,750**
	2008	-	-	29,135,399	6,557,796
Traffic Technologies Signal and Hardware Division Pty Ltd	**2009**	**-**	**101,245**	**498,577**	**-**
	2008	-	27,252	1,744,969	3,927,070
Traffic Technologies Traffic Management Division Pty Ltd	**2009**	**127,803**	**115,058**	**293**	**8,358,611**
	2008	755,701	422,982	180,541	9,652,900
De Neefe Signs Pty Ltd	**2009**	**701,979**	**107,721**	**65,598**	**7,731,956**
	2008	414,303	487,604	245,069	8,351,986
Traffic Technologies Traffic Hire Pty Ltd	**2009**	**306,750**	**4,457**	**71,165**	**1,394,314**
	2008	91,588	136,245	-	8,693,501
Sunny Signs Pty Ltd	**2009**	**-**	**-**	**1,108,841**	**-**
	2008	-	21,570	220,273	181,018
KJ Aldridge Investments Pty Limited	**2009**	**-**	**-**	**7,538,144**	**549,536**
	2008	-	-	7,671,656	253,309
Aldridge Traffic Group Pty Ltd	**2009**	**-**	**-**	**3,433,366**	**7,478,341**
	2008	-	-	3,723,662	7,478,341
Excelsior Diecasting Pty Limited	**2009**	**-**	**-**	**1,340,118**	**1,000**
	2008	-	-	1,339,841	1,000
Aldridge Traffic Systems Pty Ltd	**2009**	**152,545**	**2,471**	**10,795,102**	**5,194,988**
	2008	20,967	-	6,372,605	6,133,613
Aldridge Plastics Pty Ltd	**2009**	**-**	**-**	**664,616**	**1,000**
	2008	-	-	664,343	500

(i) The loans issued by Traffic Technologies Ltd to the wholly owned subsidiaries are unsecured, interest-free and repayable on demand.

(ii) Amounts owed by related parties are presented gross of an impairment loss of $7,710,241 (2008:$19,362,000).

22. Related Party Disclosures (continued)

Loans with Directors or Directors-related entities

Other transactions with Directors or Director related entities

The aggregate amounts recognised during the year relating to Directors and their Director-related entities were as follows:

Director / Director Related Entity	Transaction	**Consolidated 2009 $**	Consolidated 2008 $	**Company 2009 $**	Company 2008 $
Con Liosatos	Fees for contracted services	**79,933**	307,997	**79,933**	307,997
Cary Stynes	Legal and business consulting fees and fees for contracted services	**55,943**	105,871	**55,943**	105,871
EP2	Interest on convertible loan notes and fees for contracted services	**8,925**	106,913	**8,925**	106,913

During the year the parent entity charged management fees to subsidiaries of $nil (2008: $nil).

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.

23. Events after the Balance Date

On 10 August 2009, the Company announced to the market that it had completed a placement of new shares to sophisticated investors. The issue of 18,838,717 ordinary shares was made at a price of 3.5 cents per share to raise $659,355 to provide additional working capital for the Company.

24. Auditor's Remuneration

Amounts received or due and receivable by Ernst and Young:

	Consolidated 2009 $	Consolidated 2008 $	**Company 2009 $**	Company 2008 $
An audit or review of the financial report of the entity and any other entity in the Group	**225,000**	334,150	**225,000**	246,500
Other services				
- tax compliance services	**-**	97,500	**-**	50,000
- other assurance related services	**-**	7,043	**-**	-
	225,000	438,693	**225,000**	296,500

25. Key Management Personnel Disclosures

a) Details of Key Management Personnel

(i) Directors

Mr Ray Horsburgh	Non-Executive Chairman
Mr. Constantinos Liosatos	Managing Director
Mr. Alan Brown	Non-Executive Director
Mr. Rajeev Dhawan (Appointed 27 January 2009)	Non-Executive Director
Mr. Garry Sladden (Appointed 27 January 2009)	Non-Executive Director
Mr. Cary Stynes (Resigned 13 May 2009)	Non-Executive Director
Mr. Samuel Kavourakis (Resigned 13 May 2009)	Non-Executive Director
Dr. Richard Gregson (Resigned 13 May 2009)	Non-Executive Director

(ii) Executives

Mr. Peter Crafter	Chief Financial Officer* & Company Secretary
Mr. David Oswin (Terminated 1 September 2007)	Chief Financial Officer
Mr. Andrew Bull	General Manager Traffic Signals Division
Mr. Graham Sergeant (Appointed 4 February 2008)	General Manager Traffic Management Division
Mr. Stephen O'Dwyer (Resigned 14 October 2007)	General Manager Traffic Management Division
Mr. Steve Polonidis (Appointed 1 April 2008, Terminated 12 June 2009)	General Manager Traffic Signs Division
Mr. James Hopping (Resigned 31 December 2007)	General Manager Traffic Signs Division

* - Mr. Peter Crafter was appointed Chief Financial Officer on 1 October 2007.

25. Key Management Personnel Disclosures (continued)

b) 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.

Compensation by Category: Key Management Personnel

	Consolidated		**Company**	
	2009	2008	**2009**	2008
	$	$	**$**	$
Short-term employee benefits	**1,598,841**	1,563,873	**964,915**	932,775
Post employment benefits	**123,230**	74,716	**68,840**	35,258
Other long-term benefits	**45,624**	3,961	**1,459**	86
Termination benefits	**56,794**	67,500	**-**	67,500
Share-based payment	**12,997**	111,577	**12,997**	37,778
	1,837,486	1,821,627	**1,048,211**	1,073,397

c) 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.

25. Key Management Personnel Disclosures (continued)

d) Option holdings of Key Management Personnel

There have been no cancellations or modifications to any of the plans during 2009 and 2008.

Fair value of options

The basis on which the fair value of each option (granted during the year) has been valued is described in Note 17.

30 June 2009	Balance at beginning of period 1 July 2008 No.	Granted As remuneration No.	Net change other # No.	Balance at end of period 30 June 2009 No.	Vested at 30 June 2009 No. Total	Exercisable	Not Exercisable
Directors							
Mr. Ray Horsburgh	600,000	-	-	600,000	600,000	600,000	-
Mr. Constantinos Liosatos	3,300,000	-	(2,300,000)	1,000,000	1,000,000	1,000,000	-
Mr. Alan Brown	1,200,000	-	(600,000)	600,000	600,000	600,000	-
Mr. Rajeev Dhawan	-	-	-	-	-	-	-
Mr. Garry Sladden	-	-	-	-	-	-	-
Mr. Cary Stynes	1,200,000	-	(1,200,000)	-	-	-	-
Mr. Samuel Kavourakis	2,000,000	-	(2,000,000)	-	-	-	-
Dr. Richard Gregson	900,000	-	(900,000)	-	-	-	-
Total	**9,200,000**	**-**	**(7,000,000)**	**2,200,000**	**2,200,000**	**2,200,000**	**-**
Executives							
Mr. Peter Crafter	600,000	-	(400,000)	200,000	-	-	-
Mr. Andrew Bull	725,000	-	(475,000)	250,000	250,000	250,000	-
Total	**1,325,000**	**-**	**(875,000)**	**450,000**	**250,000**	**250,000**	**-**

 # - includes forfeitures

25. Key Management Personnel Disclosures (continued)

30 June 2008	Balance at beginning of period 1 July 2007 No.	Granted As remuneration No.	Net change other # No.	Balance at end of period 30 June 2008 No.	Vested at 30 June 2008 No. Total	Exercisable	Not Exercisable
Directors							
Mr. Ray Horsburgh	600,000	-	-	600,000	300,000	300,000	-
Mr. Constantinos Liosatos	3,300,000	-	-	3,300,000	2,300,000	2,300,000	-
Mr. Samuel Kavourakis	2,000,000	-	-	2,000,000	1,500,000	1,500,000	-
Mr. Alan Brown	1,200,000	-	-	1,200,000	900,000	900,000	-
Mr. Cary Stynes	1,200,000	-	-	1,200,000	900,000	900,000	-
Dr. Richard Gregson	900,000	-	-	900,000	600,000	600,000	-
Mr. Rajeev Dhawan *	-	-	-	-	-	-	-
Mr. Constantine Scrinis +	3,300,000	-	(3,300,000)	-	-	-	-
Total	**12,500,000**	**-**	**(3,300,000)**	**9,200,000**	**6,500,000**	**6,500,000**	**-**
Executives							
Mr. Peter Crafter	300,000	300,000	-	600,000	300,000	300,000	-
Mr. Andrew Bull	850,000	-	(125,000)	725,000	125,000	125,000	-
Mr. James Hopping	200,000	-	(200,000)	-	-	-	-
Mr. Stephen O'Dwyer	300,000	-	(300,000)	-	-	-	-
Total	**1,650,000**	**300,000**	**(625,000)**	**1,325,000**	**425,000**	**425,000**	**-**

** Mr. Rajeev Dhawan resigned as an Alternate Director on 21 December 2007 and was appointed Non-executive Director on 27 January 2009*

+ Mr. Constantine Scrinis resigned 13 August 2007

 # - includes forfeitures

25. Key Management Personnel Disclosures (continued)

e) Shareholdings of Key Management Personnel

Ordinary shares held in Traffic Technologies Ltd

30 June 2009	Balance at beginning of period 1 July 2008 No.	Granted as remuneration No.	On exercise of Options No.	Net change other # No.	Balance at end of period 30 June 2009 No.
Directors					
Mr Ray Horsburgh	150,000	-	-	-	150,000
Mr. Constantinos Liosatos	4,263,945	-	-	625,000	4,888,945
Mr. Alan Brown	1,516,965	-	-	540,000	2,056,965
Mr. Rajeev Dhawan	-	-	-	1,100	1,100
Mr. Garry Sladden	-	-	-	-	-
Mr. Samuel Kavourakis	1,331,101	-	-	-	1,331,101
Mr. Cary Stynes	472,100	-	-	-	472,100
Dr. Richard Gregson	-	-	-	-	-
Total	**7,734,111**	**-**	**-**	**1,166,100**	**8,900,211**
Executives					
Mr. Peter Crafter	10,000	-	-	-	10,000
Mr. Andrew Bull	711,238	-	-	565,500	1,276,738
Mr. Graham Sergeant	230,000	-	-	-	230,000
Mr. Steve Polonidis	50,000	-	-	-	50,000
Total	**1,001,238**	**-**	**-**	**565,500**	**1,566,738**

 # - includes forfeitures

25. Key Management Personnel Disclosures (continued)

30 June 2008	Balance at beginning of period 1 July 2007 No.	Granted as remuneration No.	On exercise of Options No.	Net change other # No.	Balance at end of period 30 June 2008 No.
Directors					
Mr Ray Horsburgh	50,000	-	-	100,000	150,000
Mr. Constantinos Liosatos	3,963,945	-	-	300,000	4,263,945
Mr. Samuel Kavourakis	1,131,101	-	-	200,000	1,331,101
Mr. Alan Brown	1,317,101	-	-	199,864	1,516,965
Mr. Cary Stynes	395,000	-	-	77,100	472,100
Mr. Richard Gregson	-	-	-	-	-
Mr. Rajeev Dhawan *	-	-	-	-	-
Mr. Constantine Scrinis +	3,863,945	-	-	(50,000)	3,813,945
Total	**10,721,092**	**-**	**-**	**826,964**	**11,548,056**
Executives					
Mr. Peter Crafter	10,000	-	-	-	10,000
Mr. Andrew Bull	711,238	-	-	-	711,238
Mr. Graham Sergeant	-	-	-	230,000	230,000
Mr. Steve Polonidis	-	-	-	50,000	50,000
Mr. James Hopping	13,300	-	-	-	13,300
Mr. Stephen O'Dwyer	100,000	-	-	-	100,000
Mr. Shean Gannon	1,280,000	-	-	(1,280,000)	-
Total	**2,114,538**	**-**	**-**	**(1,000,000)**	**1,114,538**

** Mr. Rajeev Dhawan resigned as an Alternate Director on 21 December 2007 and was appointed Non-executive Director on 27 January 2009*

+ Mr. Constantine Scrinis resigned 13 August 2007 *# - includes forfeitures*

25. Key Management Personnel Disclosures (continued)

Convertible non-cumulative redeemable preference shares of Traffic Technologies Ltd

30 June 2009	Balance at 1 July 2008 No.	Issued during year No.	On conversion to ordinary shares No.	On conversion of convertible notes No.	Net change other No.	Balance at 30 June 2009 No.
Directors						
Mr. Rajeev Dhawan (i)	31,692,308	-	(100)	-	-	31,692,208
	31,692,308	**-**	**(100)**	**-**	**-**	**31,692,208**

30 June 2008	Balance at 1 July 2007 No.	Issued during year No.	On conversion to ordinary shares No.	On conversion of convertible notes No.	Net change other No.	Balance at 30 June 2008 No.
Directors						
Dr Richard Gregson (i)	24,000,000	-	-	7,692,308	-	31,692,308
	24,000,000	**-**	**-**	**7,692,308**	**-**	**31,692,308**

(i) Mr. Rajeev Dhawan is a director of Equity Partners Two Pty Ltd (EP2), the registered holder of 1,100 ordinary shares and 31,692,208 preference shares in the Company. EP2 holds those shares and options over shares on trust for a number of institutional investors, being the investors in Equity Partners 2 Fund. Mr. Rajeev Dhawan may potentially benefit from a profit share arrangement with EP2 in relation to the ultimate sale of shares in the Company held by EP2. Dr. Richard Gregson, formerly a director of EP2, resigned from the Board of the Company effective 13 May 2009.

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

f) 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.

26. Segment Information

The Group's primary segment reporting format is business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. The Group operates predominantly in one geographical segment, being Australia.

The operating divisions are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and services to the market.

The Traffic Products division is comprised of the Technical Products segment and the Signage segment. Technical Products specializes in the design, manufacture and installation of traffic signals and emergency telephones, the supply of parking meters and the design and manufacture of portable roadside technology. Signage provides a wide range of traffic signs, traffic control products and traffic cones to road traffic authorities, municipal councils and construction companies.

Traffic Services provides labour hire (traffic controllers) and equipment hire (barrier guard and portable roadside technology) services to road traffic authorities and construction companies.

The Corporate division captures corporate costs and interest revenue.

The Asset Management segment, which included the Guard Rail Installations and the Line-Marking businesses prior to their discontinuance, designed, supplied and installed guard rail products and provided line-marking services. Revenue for both businesses has been reflected in the Asset Management segment revenue. Refer to Note 6 for further detail.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated on consolidation.

26. Segment Information (continued)

Business segments

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the years ended 30 June 2009 and 30 June 2008:

	Continuing Operations					Discontinued Operations	Total Operations
	Traffic Products				Total		
	Technical Products $'000	Signage $'000	Traffic Services $'000	Corporate $'000	$'000	Asset Management $'000	$'000
Year ended 30 June 2009							
Revenue							
Sales to external customers	25,079	23,008	40,412	(311)	**88,188**	-	**88,188**
Inter-segment sales	153	702	435	-	**1,290**	-	**1,290**
Total segment revenue	25,232	23,710	40,847	(311)	**89,478**	-	**89,478**
Inter-segment elimination					**(1,290)**	-	**(1,290)**
Finance revenue	3	-	-	187	**190**	-	**190**
Total consolidated revenue					**88,378**	-	**88,378**
Result							
EBITDA before non-recurring items	**5,577**	**721**	**2,926**	**(4,376)**	**4,848**	**(154)**	**4,694**
Segment results before tax and finance costs	5,166	103	1,227	(6,107)	**389**	**(277)**	**112**
Finance costs	(28)	(21)	(106)	(4,910)	**(5,065)**	**-**	**(5,065)**
Profit/(loss) before income tax expense	5,138	82	1,121	(11,017)	**(4,676)**	**(277)**	**(4,953)**
Income tax benefit / (expense)	(186)	14	(137)	285	**(24)**	**23**	**(1)**
Net profit/(loss) for the year	**4,952**	**96**	**984**	**(10,732)**	**(4,700)**	**(254)**	**(4,954)**
Assets and liabilities							
Segment assets	22,758	8,333	22,346	26,273	79,710	16	79,726
Segment liabilities	(3,665)	(11,688)	(17,417)	(29,069)	(61,839)	(184)	(62,023)
Other segment information							
Capital expenditure	95	110	2,801	59	3,065	-	3,065
Depreciation and amortisation	(542)	(337)	(1,274)	(690)	(2,843)	(123)	(2,966)
Share-based payments	-	-	-	(13)	(13)	-	(13)

26. Segment Information (continued)

	Continuing Operations					Discontinued Operations	Total Operations
	Traffic Products				Total		
	Technical Products $'000	Signage $'000	Traffic Services $'000	Corporate $'000	$'000	Asset Management $'000	$'000
Year ended 30 June 2008							
Revenue							
Sales to external customers	21,563	29,598	43,084	614	**94,859**	**7,747**	**102,606**
Inter-segment sales	21	670	379	-	**1,070**	**-**	**1,070**
Total segment revenue	21,584	30,368	43,464	614	**95,390**	**7,747**	**103,677**
Inter-segment elimination					**(1,070)**	**-**	**(1,070)**
Finance revenue	47	34	14	64	**158**	**10**	**169**
Total consolidated revenue					**95,018**	**7,757**	**102,775**
Result							
EBITDA before non-recurring items	**6,113**	**(309)**	**4,322**	**(4,730)**	**5,396**	**(1,072)**	**4,324**
Segment results before tax and finance costs	5,941	(2,896)	2,495	(9,307)	**(3,767)**	**(5,761)**	**(9,528)**
Finance costs	(5)	(16)	(90)	(4,853)	**(4,964)**	**(104)**	**(5,068)**
Profit/(loss) before income tax expense	5,936	(2,912)	2,405	(14,160)	**(8,731)**	**(5,865)**	**(14,596)**
Income tax benefit / (expense)	(565)	(388)	(14)	(544)	**(1,511)**	**(110)**	**(1,621)**
Net profit/(loss) for the year	**5,371**	**(3,300)**	**2,391**	**(14,704)**	**(10,242)**	**(5,975)**	**(16,217)**
Assets and liabilities							
Segment assets	17,816	11,833	19,232	32,663	81,544	1,315	82,858
Segment liabilities	(3,675)	(15,257)	(15,032)	(16,595)	(50,559)	(9,654)	(60,214)
Other segment information							
Capital expenditure	115	561	957	155	1,788	518	2,305
Depreciation and amortisation	(385)	(2,261)	(1,641)	(4,184)	(8,470)	(4,688)	(13,158)
Share-based payments	(78)	-	4	(38)	(112)	-	(112)

Traffic Technologies Ltd
Directors' Declaration
For the year ended 30 June 2009

Directors' Declaration

In accordance with a resolution of the Directors of Traffic Technologies Ltd, I state that:

1. In the opinion of the Directors:

   (a) The financial statements. notes and the additional disclosures included in the Directors' report designated as audited, of the Company and of the Group are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2009 and of their performance for the financial year ended on that date;

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

   (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act for the financial year ended 30 June 2009.

3. In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 22 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the board

Ray Horsburgh
Chairman

Melbourne
28 August 2009

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Independent auditor's report to the members of Traffic Technologies Ltd

Report on the Financial Report

We have audited the accompanying financial report of Traffic Technologies Ltd, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(b), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls 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 controls. 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 met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Auditor's Opinion

In our opinion:

1. the financial report of Traffic Technologies Ltd is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the financial position of Traffic Technologies Ltd and the consolidated entity at 30 June 2009 and of their performance for the year ended on that date; and

   ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 19 of the directors' report for the year ended 30 June 2009. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Traffic Technologies Ltd for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Robert J Dalton
Partner
Melbourne
28 August 2009

Liability limited by a scheme approved
under Professional Standards Legislation

ASX Additional Information
As at 19 August 2009

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 19 August 2009.

(ii) Distribution of Equity Securities

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

	Ordinary Shares		Preference Shares	
	Number of Holders	**Number of Shares**	**Number of Holders**	**Number of Shares**
1 - 1,000	1,856	298,651	-	-
1,001 - 5,000	300	926,242	-	-
5,001 - 10,000	232	2,031,258	-	-
10,001 - 100,000	794	29,298,559	-	-
100,001 and over	191	111,875,453	1	31,692,208
	3,373	144,430,163	1	31,692,208
Holdings less than a marketable parcel	2,246	1,850,691	-	-

d) Twenty Largest Holders

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

	Name	**Ordinary Shares Number**	**Percentage**
1.	K J Aldridge Investment Group Pty Ltd	9,468,562	6.56
2.	CJT Nominees Pty Ltd	8,500,000	5.89
3.	Mr Michael John De La Haye & Mr Ross De La Haye <De La Haye Super Fund A/C>	6,428,000	4.45
4.	Contelite Pty Ltd*	4,888,945	3.34
5.	Mr. Constantine Scrinis	4,439,055	3.07
6.	Astra Glen Pty Ltd	3,813,945	2.64
7.	Gibsbourne Pty Ltd	3,278,602	2.27
8.	Bennelong Securities Pty Ltd <Bennelong Sm Fund A/C>	2,850,000	1.97
9.	PAL Nominees Pty Ltd	2,150,000	1.49
10.	Mr Alan John Brown & Mrs Paula Janet Brown <A & P Brown Family S/F A/C>*	2,056,965	1.42
11.	Hardgrave Superannuation Pty Ltd	1,760,000	1.22
12.	J P Morgan Nominees Australia Limited	1,556,409	1.08
13.	C V M & Co Pty Ltd	1,500,000	1.04
14.	Quest Traders Pty Ltd	1,475,000	1.02
15.	Dabville Pty Ltd	1,400,000	0.97
16.	Mr. Stuart Western Grenville	1,383,717	0.96
17.	Mr. Paul Pekish	1,305,000	0.90
18.	Pethol (Vic) Pty Ltd <Family A/C>	1,300,000	0.90
19	Mr Morgan Littlewood	1,285,000	0.89
20.	A J Bull Investments Pty Ltd	1,276,738	0.88
	Total	62,115,938	42.96

* Associated with Directors.

ASX Additional Information
As at 19 August 2009

e) 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**
Mr. Con Scrinis	17,721,562	12.27*
K J Aldridge Investment Group Pty Ltd	9,468,562	6.56*
CJT Nominees & Associated Entities	9,452,000	6.54

* - Mr. Con Scrinis' number and percentage of ordinary shares includes the number and percentage of ordinary shares held by KJ Aldridge Investment Group Pty Ltd, over which his interests hold power of attorney.

f) Voting Rights

All ordinary shares carry one vote per share without restriction.

g) Securities subject to voluntary escrow restrictions

The following numbers of ordinary shares are subject to voluntary escrow restrictions:

- nil.

h) Unquoted equity securities shareholdings

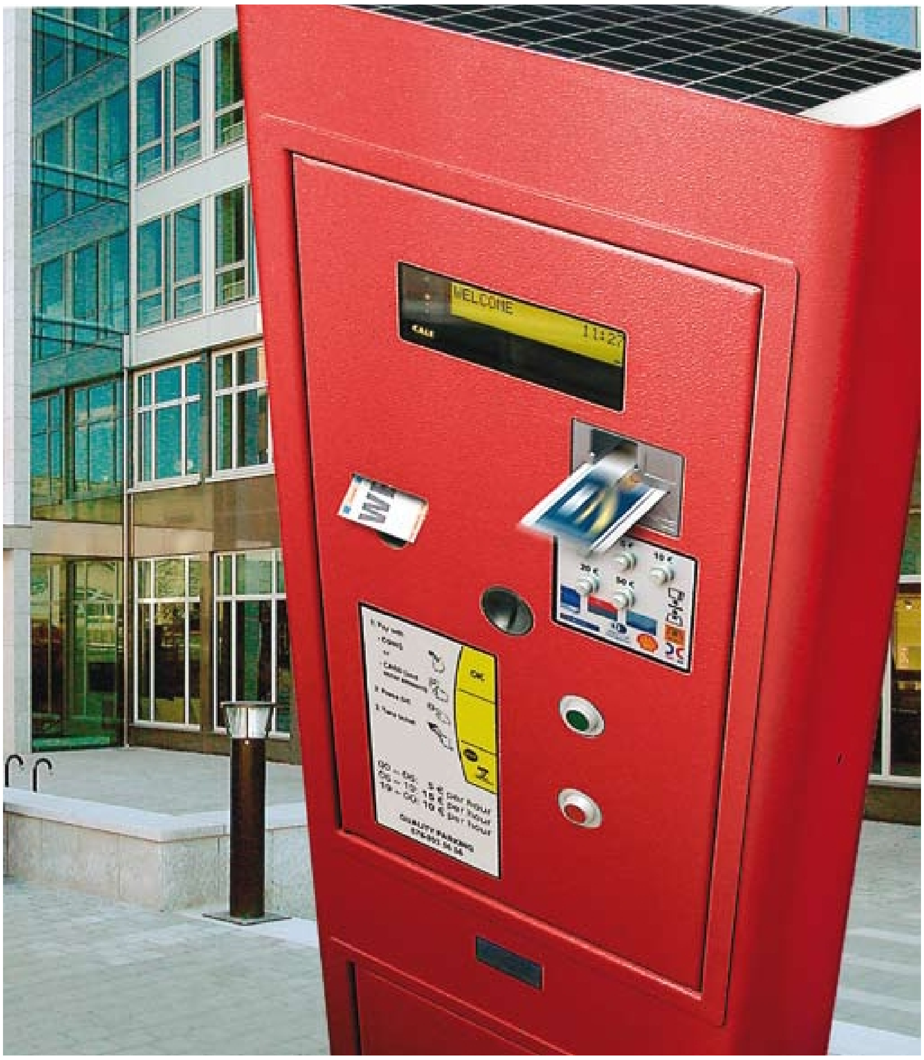
	Number
Convertible non-cumulative redeemable preference shares	
Equity Partners Two Pty Ltd, as trustee of the Equity Partners 2 Trust	31,692,208

i) Options

As at 28 August 2009 there are 2,837,000 unissued ordinary shares in respect of which options are outstanding.

There are 2,200,000 options held by directors.

There are no voting rights attaching to the options.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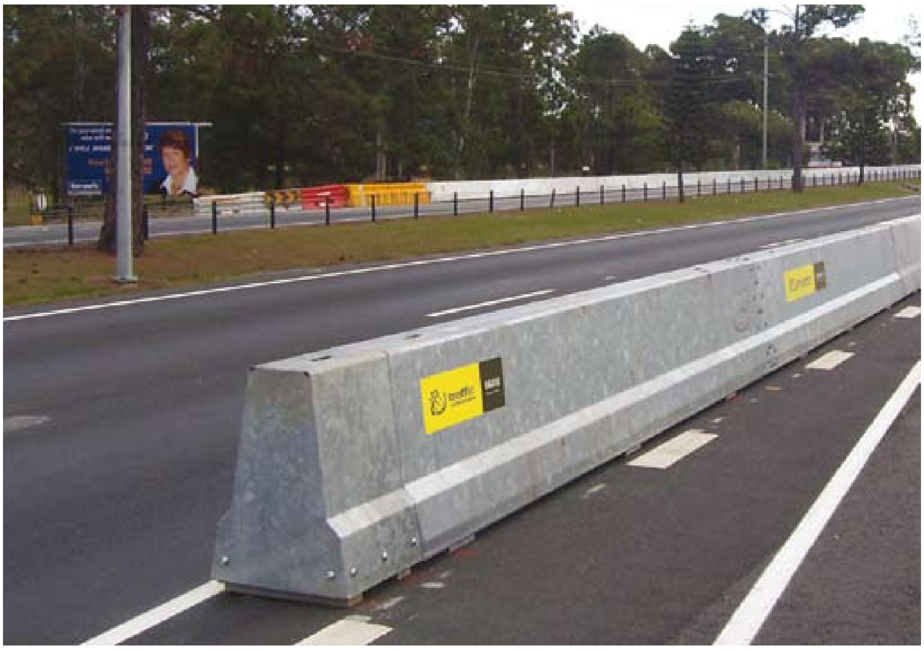

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