



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

**HALF-YEAR FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2022
PROVIDED TO THE ASX UNDER LISTING RULE 4.2A**

***This half-year financial report is to be read in conjunction with the
financial report for the year ended 30 June 2022***

TRAFFIC TECHNOLOGIES LTD
("TTI")
(ABN 21 080 415 407)

Appendix 4D

Half-year financial report
Period ended 31 December 2022
(Comparative period: period ended 31 December 2021)

Results for announcement to the market

| 1. Results | | | | |
|--|---------------------|-----|-----------------------------|---------|
| | | % | | A\$'000 |
| Revenues from ordinary activities | Up | 19% | to | 32,173 |
| Earnings before interest and tax | Down | 21% | to | 788 |
| Profit/(loss) after tax attributable to member | Up | 85% | to | (50) |
| Net profit/(loss) from ordinary activities after tax attributable to member | Up | 85% | to | (50) |
| For commentary on the results for the period and review of operations, refer to Directors' Report. | | | | |
| 2. Dividends | Amount per security | | Franked amount per security | |
| Interim dividend | Nil | | Nil | |
| Previous corresponding period: Interim dividend | Nil | | Nil | |
| Record date for determining entitlements to the dividend | N/A | | | |

3. Net tangible assets per security

| | Current period | Previous corresponding period |
|--|----------------|-------------------------------|
| Net tangible asset backing per ordinary security | 0.2 ¢ | 0.4 ¢ |

4. Details of entities over which control has been gained or lost during the period:

Control gained over entities

| | | |
|--|-----|--|
| Name of entities | N/A | |
| Date(s) of gain of control | N/A | |
| Contribution to consolidated profit/(loss) from ordinary activities after tax by the controlled entities since the date(s) in the current period on which control was acquired | N/A | |

Control lost over entities

| | |
|----------------------------|-----|
| Name of entities | N/A |
| Date(s) of loss of control | N/A |

5. Details of individual and total dividends or distributions and dividend or distribution payments

No interim dividend has been declared in respect of the half-year ended 31 December 2022 (2021: Nil). Total dividend Nil (2021: Nil).

6. Details of any dividend or distribution reinvestment plans in operation

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

7. Details of associates and joint venture entities

| Name of associate / joint venture | % Securities held |
|-----------------------------------|-------------------|
| N/A | N/A |

8. Financial reporting framework

The financial information provided in the Appendix 4D is based on the half-year condensed financial report (attached), which has been prepared in accordance with Australian Accounting Standards which are equivalents to International Financial Reporting Standards (IFRS).

9. Independent review of the financial report

The half-year financial report has been independently reviewed and is not subject to a qualified independent review conclusion.



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

**FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2022**

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2022.

TRAFFIC TECHNOLOGIES LTD
FINANCIAL REPORT FOR THE HALF-YEAR ENDED
31 DECEMBER 2022

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Traffic Technologies Ltd

Financial Report for the half-year ended 31 December 2022

CORPORATE INFORMATION

This financial report covers Traffic Technologies Ltd (ABN 21 080 415 407) (the Company) and its subsidiaries (the Group) for the half-year ended 31 December 2022. The Group's functional and presentation currency is AUD (\$). A description of the Group's operations and principal activities is included in the Operating and Financial Review section within the Directors' Report.

Directors

Mr. Mark Hardgrave
Mr. Con Liosatos
Mr. Tim Fry
Mr Luke Donnellan (appointed 20 December 2022)

Company Secretary & Chief Financial Officer

Mr. Peter Crafter

Registered Office & Principal Place of Business

Traffic Technologies Ltd
31 Brisbane Street
Eltham VIC 3095

Share Register

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

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

Lawyers

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

Bankers

Westpac Banking Corporation
Level 6
150 Collins Street
Melbourne VIC 3000

Auditors

Grant Thornton
Collins Square, Tower 5
727 Collins Street
Melbourne VIC 3008

Traffic Technologies Ltd

Half-year Financial Report

Directors' Report for the half-year ended 31 December 2022

The directors of Traffic Technologies Ltd (the Company) present their financial report for the half-year ended 31 December 2022 in order to comply with the provisions of the Corporations Act 2001.

DIRECTORS

The names of the Company's directors in office during the half-year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Mr. Mark Hardgrave B Com ACA MAICD (Non-Executive Chairman)
Mr. Con Liosatos MAICD (Managing Director)
Mr. Tim Fry GAICD (Non-Executive Director)
Mr. Luke Donnellan (Non-Executive Director) (appointed 20 December 2022)

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 2016/191. The Company is an entity to which the Class Order applies.

OPERATING AND FINANCIAL REVIEW

Operations

Traffic Technologies is Australia's premier traffic solutions company. Established in 2004 and listed on ASX in 2005, the Company's head office is in Eltham, Victoria with offices in all states of Australia and an office in England. The Group specialises in "Smart City" control systems, LED road and streetlights along with the design, manufacture and installation of traffic signals, traffic controllers, pedestrian countdown timers, electronic road signs, emergency telephones and road lighting products. The Group also supplies a wide range of directional and regulatory traffic signs and traffic control products to road traffic authorities, municipal councils and construction companies.

The Group's proprietary "Traffic SmartCity Technology" (TST) platform, developed for the road industry, councils and power authorities, enables the integration of streetlights and other traffic management equipment to a central control/management system via remote "Internet of Things" (IoT) sensors. Customers, mainly state road authorities and contractors building or maintaining traffic intersections for state road authorities, can monitor and analyse assets in real time in order to make informed decisions on our road networks. The Group's subsidiary, Aldridge Traffic Systems has been the major participant in the "Intelligent Transport Systems" market in Australia for over 50 years.

Quick Turn Circuits (QTC) manufactures and supplies urban traffic controllers. Having designed and supplied urban traffic controllers across Asia, Middle East and South America, QTC is well placed for future improvements in cities requiring "Smart City technology" where the urban traffic controller is automated to regulate the sequencing and timing of traffic signals by monitoring vehicular and pedestrian demands and adjusting to meet these requirements.

De Neefe is a key supplier to the road signage market across Australia, with customers including state road authorities, local councils and construction companies. The Company's signage products are distributed from depots around Australia with manufacturing focused in Victoria, Western Australia and the Northern Territory. L&M Traffic Services (L&M) is an accredited provider and installer for Vic Roads involving traffic signal, urban traffic controller, street lighting and electronic speed sign installation and maintenance and fully approved for installation work by the Department of Transport in Victoria and holds a number of term maintenance contracts with local councils across Victoria.

Traffic Technologies Ltd
Half-year Financial Report
Directors' Report for the half-year ended 31 December 2022

Financial Overview

The table below summarises the Group's financial performance for the half-year ended 31 December:

| | 2022 | 2021 |
|---|-------------|-------------|
| | \$'m | \$'m |
| Sales revenue | 32.2 | 27.1 |
| Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) | 1.9 | 2.2 |
| Depreciation and Amortisation Expense | (1.1) | (1.2) |
| Earnings before Interest and Tax (EBIT) | 0.8 | 1.0 |
| Finance Costs | (0.8) | (1.3) |
| Net Loss After Tax (NPAT) | (0.05) | (0.3) |

+ *Comparative for net debt as at 30 June 2022. Net debt excludes capitalised property leases.*

Trading revenue for the half-year to 31 December 2022 improved by 19% to \$32.2m, whilst EBITDA was \$1.9m. EBITDA has been affected by increased input costs and the depreciation in the Australian dollar which has impacted the cost of imported components. Finance costs were significantly lower compared to the corresponding period last year, whilst NPAT for the half-year to 31 December 2022 was a loss of \$50k (2021: loss \$0.3m).

The Company has a substantial order book and over \$36m in term contracts. The Company has secured an extension of its contract to supply TasNetworks with Smart City LED streetlights throughout Tasmania and an additional order from Ausgrid for over 10,000 next generation streetlights, as part of the largest smart lighting upgrade program across Australia. During the period the Company supplied its Smart City Bus Priority software for the 2022 World Cup in Qatar, where the software creates a digital copy of a virtual representation of the road network enabling more efficient traffic management across multiple transport systems with the latest "Special Priority Engine."

Management has assessed the impact of COVID-19 in the period, the main impact being an increase in raw material costs and timing delays caused by industry-wide disruptions to the worldwide supply chain for electronic and hardware equipment. The Company is actively managing this with our suppliers through prepayments and other initiatives and with our customers, through passing on the increased supply costs and growing the pipeline of new customer contracts.

Net assets were \$14.3m at 31 December 2022 compared to \$14.4m at 30 June 2022, including increased inventory of \$1.3m levered to manage market disruptions due to COVID affecting some of our major suppliers.

Net debt, excluding liabilities associated with capitalised property leases, was \$9.9m at 31 December 2022, compared to \$11.2m at 30 June 2022. In December 2022 the Company entered into 36-month facility agreements for a new \$10 million invoice finance facility and a \$5 million trade finance facility with Earlypay Ltd.

Net operating cash inflows were \$3.5m for the period (2021: outflow \$0.2m). Receipts from customers were \$34.3m (2021: \$29.4m). Interest paid was \$0.7m (2021: \$1.0m). Cash utilisation included the prepayment of overseas suppliers to secure parts required to fulfil the Company's growing pipeline of new customer contracts. The Company expects to see the benefit of these imported components reflected in sales of the Company's products in the months ahead.

Traffic Technologies Ltd
Half-year Financial Report
Directors' Report for the half-year ended 31 December 2022

Business Strategies and Prospects

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

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

The Company continues to experience significant growth with our “Smart City”- ready lighting products, scaled across Australia and now entering the UK, with future earnings underpinned by over \$36 million of long-term customer contracts and orders from state and local government agencies and power companies.

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

Outlook

The Company is well positioned to benefit in the years ahead from increased investment by government on infrastructure programs. The new products being developed by the Company and the Company’s diversification program into “Smart Cities” IoT and software are generating annuity streams of income from SaaS subscription and service fees. Reduction in finance costs remains a continued focus, as do operating efficiency initiatives such as savings from consolidation of manufacturing. We expect a positive contribution in the years ahead from these strategic initiatives, a strong order book and over \$36 million of customer term contracts.

Signed in accordance with a resolution of the Directors made pursuant to s.306 (3) of the Corporations Act 2001.



Con Liosatos
Managing Director

Melbourne, 23 February 2023

Traffic Technologies Ltd
Half-year Financial Report
Consolidated Statement of Profit or Loss and Other Comprehensive Income for
the half-year ended 31 December 2022

| | Note | Half-Year to 31 Dec 2022 \$'000 | Half-Year to 31 Dec 2021 \$'000 |
|---|-------------|--|--|
| Revenue | 3 | 32,173 | 27,126 |
| Other income | 3 | 18 | 121 |
| Changes in inventories of finished goods and work in progress | | 1,297 | 1,609 |
| Raw materials and consumables used | | (21,976) | (16,640) |
| Employee benefits expense | | (7,879) | (8,512) |
| Occupancy costs | | (690) | (712) |
| Advertising and marketing expense | | (24) | (11) |
| Impairment loss on financial assets | | (83) | - |
| Other expenses | | (945) | (808) |
| Depreciation and amortisation expenses | | (1,103) | (1,179) |
| Earnings before interest and tax (EBIT) | | 788 | 994 |
| Finance costs | | (835) | (1,317) |
| Loss for the period before income tax expense | | (47) | (323) |
| Income tax expense | | (3) | (4) |
| Net loss for the period | | (50) | (327) |
| Other comprehensive income for the period, net of tax | | - | - |
| Total comprehensive loss for the period | | (50) | (327) |
| <i>Loss per share</i> | | Cents | Cents |
| - Basic earnings per share | 4 | (0.01) | (0.06) |
| - Diluted earnings per share | 4 | (0.01) | (0.06) |

The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes to the financial statements.

Traffic Technologies Ltd
Half-year financial report
Consolidated Statement of Financial Position as at 31 December 2022

| | Note | 31 Dec 2022 \$'000 | 30 Jun 2022 \$'000 |
|--------------------------------------|------|-----------------------|-----------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | | 1,328 | 1,012 |
| Trade and other receivables | 5 | 12,168 | 11,774 |
| Inventories | 6 | 16,460 | 15,163 |
| Total Current Assets | | 29,956 | 27,949 |
| Non-Current Assets | | | |
| Property, plant and equipment | | 2,030 | 2,251 |
| Goodwill | | 1,144 | 1,144 |
| Intangible assets | 7 | 11,465 | 10,799 |
| Total Non-Current Assets | | 14,639 | 14,194 |
| TOTAL ASSETS | | 44,595 | 42,143 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 8 | 14,869 | 11,285 |
| Interest-bearing liabilities | 9 | 8,967 | 12,157 |
| Provisions | | 3,277 | 3,221 |
| Total Current Liabilities | | 27,113 | 26,663 |
| Non-Current Liabilities | | | |
| Interest-bearing liabilities | 9 | 2,944 | 861 |
| Provisions | | 202 | 233 |
| Total Non-Current Liabilities | | 3,146 | 1,094 |
| TOTAL LIABILITIES | | 30,259 | 27,757 |
| NET ASSETS | | 14,336 | 14,386 |
| EQUITY | | | |
| Contributed equity | 10 | 61,289 | 61,289 |
| Accumulated losses | | (46,953) | (46,903) |
| TOTAL EQUITY | | 14,336 | 14,386 |

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

Traffic Technologies Ltd
Half-year Financial Report
Consolidated Statement of Changes in Equity for the half-year ended 31 December 2022

| | Ordinary Shares \$'000 | Accumulated Losses \$'000 | Total \$'000 |
|--|---------------------------------------|--|-------------------------|
| At 1 July 2021 | 54,755 | (46,415) | 8,340 |
| Loss for the period | - | (327) | (327) |
| Other comprehensive income | - | - | - |
| Total comprehensive income for the period | - | (327) | (327) |
| Transactions with owners in their capacity as owners: | | | |
| Placement | 2,170 | - | 2,170 |
| Rights issue | 3,400 | - | 3,400 |
| Shortfall placement | 1,629 | - | 1,629 |
| Share issue costs | (645) | - | (645) |
| At 31 December 2021 | 61,309 | (46,742) | 14,567 |
| At 1 July 2022 | 61,289 | (46,903) | 14,386 |
| Loss for the period | - | (50) | (50) |
| Other comprehensive income | - | - | - |
| Total comprehensive income for the period | - | (50) | (50) |
| At 31 December 2022 | 61,289 | (46,953) | 14,336 |

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

Traffic Technologies Ltd
Half-year Financial Report
Consolidated Statement of Cash Flows for the half-year ended 31 December
2022

| | Half-Year to 31 Dec 2022 \$'000 | Half-Year to 31 Dec 2021 \$'000 |
|---|--|--|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Receipts from customers | 34,341 | 29,363 |
| Payments to suppliers and employees | (30,128) | (28,558) |
| Interest received | 5 | - |
| Interest paid | (723) | (997) |
| Income tax paid | (3) | (4) |
| Net cash from operating activities | 3,492 | (196) |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of plant and equipment | 13 | 28 |
| Purchase of property, plant and equipment | (12) | (68) |
| Purchase of intangible assets | (1,093) | (976) |
| Purchase of businesses (further instalments) | (23) | (502) |
| Net cash from investing activities | (1,115) | (1,518) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from issues of equity securities | - | 7,199 |
| Transaction costs relating to issues of equity securities | - | (157) |
| Proceeds from borrowings | 200 | 515 |
| Repayment of borrowings | (1,752) | (5,707) |
| Repayment of finance leases | (494) | (470) |
| Payment of borrowing costs | (15) | (149) |
| Net cash from financing activities | (2,061) | 1,231 |
| Net increase/(decrease) in cash and cash equivalents | 316 | (483) |
| Cash and cash equivalents at beginning of the period | 1,012 | 2,602 |
| Cash and cash equivalents at end of the period | 1,328 | 2,119 |

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

Traffic Technologies Ltd
Half-year Financial Report
Notes to the Consolidated Financial Statements for the half-year ended
31 December 2022

1. CORPORATE INFORMATION

The financial report of Traffic Technologies Ltd (the Company) and its subsidiaries (the Group) for the half-year ended 31 December 2022 was authorised for issue in accordance with a resolution of the directors on 23 February 2023. Traffic Technologies Ltd is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are described in the Operating and Financial Review section within the Directors' Report. The amounts contained in the notes to the financial statements have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Company under ASIC Class Order 2016/191. The Company is an entity to which the Class Order applies. The financial report is presented in Australian dollars (AUD). For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

a) Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2022 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. This half-year financial report does not include all the notes of the type usually included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full year financial report. It is recommended that the half-year financial report be considered together with the annual report for the year ended 30 June 2022 and any public announcements made by Traffic Technologies Ltd during the half-year ended 31 December 2022 and subsequently to 23 February 2023, in accordance with the continuous disclosure obligations of the *ASX Listing Rules*. The same accounting policies used for the annual report for the year ended 30 June 2022 have been used for this half-year financial report.

b) Going concern

The financial statements have been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

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

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

- The trading results for the period were affected by increased costs (including unfavourable foreign exchange movements) which could not be recouped through immediate sales price rises, and supply chain delays impacting workflow. Margins are expected to improve in future periods.
- The consolidated entity is expected to continue to generate positive earnings before interest, tax, depreciation and amortisation (EBITDA) in the 2023 financial year.
- The consolidated entity has a strong order book and over \$36m in customer term contracts.
- In December 2022 the Company entered into facility agreements for a new \$10 million invoice finance facility and a \$5 million trade finance facility with Earlypay Ltd. Settlement has since occurred, with prior facilities with Timelio and ADM Capital extinguished. The existing First Samuel loan will be reduced by \$1,500,000 and the balance of the \$2,000,000 First Samuel loan has been extended to 2025.

Traffic Technologies Ltd
Half-year Financial Report
Notes to the Consolidated Financial Statements for the half-year ended
31 December 2022

c) New standards adopted by the Group

The Group has adopted all the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

3. REVENUE

| | Consolidated 2022 \$'000 | Consolidated 2021 \$'000 |
|---|---|--------------------------------|
| Revenue | | |
| Sale of goods – recognised at point in time | 30,150 | 24,491 |
| Sale of services – recognised over period of time | 2,023 | 2,635 |
| Revenue from contracts with customers | 32,173 | 27,126 |
| Other income | | |
| Net gain on disposal of fixed assets | 13 | 20 |
| Net exchange gain on foreign currency borrowings | - | - |
| Other income | 5 | 101 |
| Total | 18 | 121 |

4. EARNINGS PER SHARE

| | | |
|---|--|-----------------------------------|
| Earnings used in calculating earnings per share | Consolidated 2022 \$'000 | Consolidated 2021 \$'000 |
| For basic and diluted earnings per share: | | |
| Net loss attributable to ordinary equity holders of the parent | (50) | (327) |
| Weighted average number of shares | | |
| | Consolidated 2022 Thousands | Consolidated 2021 Thousands |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 722,170 | 519,928 |
| Weighted average number of ordinary shares adjusted for the effect of dilution | 722,170 | 519,928 |

Traffic Technologies Ltd
Half-year Financial Report
Notes to the Consolidated Financial Statements for the half-year ended
31 December 2022

5. TRADE AND OTHER RECEIVABLES

| | Consolidated 31 Dec 2022 \$'000 | Consolidated 30 Jun 2022 \$'000 |
|------------------------------------|--|--|
| Trade receivables | 9,453 | 9,418 |
| Allowance for expected credit loss | (186) | (106) |
| | 9,267 | 9,312 |
| Prepaid stock | 793 | 1,447 |
| Prepayments | 1,527 | 697 |
| Other receivables | 581 | 318 |
| Total | 12,168 | 11,774 |

6. INVENTORIES

| | Consolidated 31 Dec 2022 \$'000 | Consolidated 30 Jun 2022 \$'000 |
|------------------|--|--|
| Raw materials | 6,638 | 6,501 |
| Work in progress | 632 | 284 |
| Sub-assemblies | 2,296 | 2,234 |
| Finished goods | 6,894 | 6,144 |
| Total | 16,460 | 15,163 |

7. INTANGIBLE ASSETS

| | Development Costs \$'000 | Other Intangible Assets \$'000 | Total \$'000 |
|--------------------------------------|---|---|-------------------------|
| At 30 June 2022 | | | |
| Cost | 20,961 | 2,881 | 23,842 |
| Accumulated amortisation | (10,220) | (2,823) | (13,043) |
| Carrying amounts at 30 June 2022 | 10,741 | 58 | 10,799 |
| At 31 December 2022 | | | |
| Cost | 21,978 | 3,062 | 25,040 |
| Accumulated amortisation | (10,651) | (2,924) | (13,575) |
| Carrying amounts at 31 December 2022 | 11,327 | 138 | 11,465 |

Traffic Technologies Ltd
Half-year Financial Report
Notes to the Consolidated Financial Statements for the half-year ended
31 December 2022

8. TRADE AND OTHER PAYABLES

| | Consolidated 31 Dec 2022 \$'000 | Consolidated 30 Jun 2022 \$'000 |
|-------------------------------|--|--|
| Trade creditors | 10,866 | 6,927 |
| Sundry creditors and accruals | 4,003 | 4,358 |
| Total | 14,869 | 11,285 |

9. INTEREST-BEARING LOANS AND BORROWINGS

| | Consolidated 31 Dec 2022 \$'000 | Consolidated 30 Jun 2022 \$'000 |
|---|--|--|
| Current borrowings | | |
| Term facility (ADM Capital) | 1,270 | 1,274 |
| Debtor & trade finance facility (Timelio) | 5,155 | 6,907 |
| Note facility (First Samuel) | 1,500 | 3,500 |
| Unsecured loans (Directors) | 500 | - |
| Equipment lease liabilities | 155 | 113 |
| Property lease liabilities | 387 | 363 |
| Total | 8,967 | 12,157 |
| Non-current borrowings | | |
| Note facility (First Samuel) | 2,000 | - |
| Unsecured loans (Directors) | 200 | - |
| Equipment lease liabilities | 419 | 431 |
| Property lease liabilities | 325 | 430 |
| Total | 2,944 | 861 |

In December 2022 the Company entered into 36-month facility agreements for a new \$10 million invoice finance facility and a \$5 million trade finance facility with Earlypay Ltd. The existing First Samuel loan will be reduced by \$1,500,000 during 2023 and the balance of the \$2,000,000 First Samuel loan has been extended to 2025.

Traffic Technologies Ltd
Half-year Financial Report
Notes to the Consolidated Financial Statements for the half-year ended
31 December 2022

10. CONTRIBUTED EQUITY

| | Number of Shares (‘000) | \$’000 |
|--------------------------------|-------------------------------|--------|
| Ordinary shares | | |
| At 1 July and 31 December 2022 | 722,170 | 61,289 |

11. EVENTS AFTER BALANCE DATE

The refinancing of the Group agreed in December 2022 has since been settled with the Timelio facilities extinguished in January 2023 with the Early Pay facilities made available from that date and the ADM Capital facility extinguished in February 2023. Refer to Note 9 for further details.

12. COMMITMENTS AND CONTINGENCIES

There have been no material changes to the commitments and contingent liabilities disclosed in the 30 June 2022 annual financial report.

13. RELATED PARTY TRANSACTIONS

a) Transactions with Shareholders

First Samuel Limited (one of the Company’s lenders – see note 9) owns 36,947,085 ordinary shares in the Company.

b) Transactions with Directors or Director-related entities

An unsecured loan of \$100,000 has been provided by the Chair, Mr. Hardgrave and an unsecured loan of \$600,000 has been provided by the Managing Director, Mr. Liosatos.

14. SEGMENT INFORMATION

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

DIRECTORS' DECLARATION

The directors of the Company state:

- a) the financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and accompanying notes, of the Group are in accordance with the Corporations Act 2001, and:
 - (i) give a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
 - (ii) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the 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.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



Con Liosatos
Managing Director

Melbourne, 23 February 2023

Independent Auditor's Review Report

To the Members of Traffic Technologies Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Traffic Technologies Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Traffic Technologies Limited does not comply with the *Corporations Act 2001* including:

- a giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 2(b) in the financial report, which indicates that the Group continues to be reliant on external funding. As stated in Note 2(b), these events or conditions indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Grant Thornton Audit Pty Ltd
Chartered Accountants



Michael Climpson
Partner

Melbourne, 23 February 2023

Grant Thornton Audit Pty Ltd

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Auditor's Independence Declaration

To the Directors of Traffic Technologies Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Traffic Technologies Limited or the half-year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



Michael Climpson
Partner

Melbourne, 23 February 2023

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