



traffic[®]
technologies.ltd

Annual Report 2004

TRAFFIC TECHNOLOGIES LIMITED (formerly Infosentials Ltd)

ABN 21 080 415 407

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2004

TRAFFIC TECHNOLOGIES LIMITED (formerly Infosententials Ltd)

CHAIRMAN'S LETTER

Dear Shareholder,

I have pleasure in enclosing the Annual Report for Traffic Technologies Limited (formerly Infosententials Limited) for the financial year ended 30 June 2004.

The Company was restructured following a shareholders' meeting on 30 January 2004. The Company's activities were changed to the provision of traffic management systems, its name was changed to Traffic Technologies Limited (formerly Infosententials Limited) and it acquired Traffic Technologies Pty Ltd (now Traffic Technology International Pty Ltd). At the same time I, together with Mr. Alan Brown and Mr. Cary Stynes, joined the Board as Non Executive Directors.

The Company is currently involved in the development, marketing and sale of traffic lights which utilise LED technology. The Company's Smart Traffic Light system improves the performance of traffic lights, reduces traffic lights' power consumption and significantly reduces the maintenance and operating costs for road traffic authorities. The Company has already sold its Smart Traffic Lights to Malaysia and the Philippines and is currently in discussions with traffic authorities in Australia and in South East Asia.

On 9 August 2004 the Company announced the acquisition of Traffic Services Australia Holdings Pty Ltd (TSA) and that the Company intends to issue a prospectus as soon as possible to raise additional capital to complete the acquisition and fund further acquisitions. TSA provides temporary traffic management services. This is an emerging market within the road construction industry. The acquisition delivers substantial scale to Traffic Technologies in the traffic control industry and will give Traffic Technologies access to a wider customer base which will assist in the ongoing commercialisation of the Company's Smart Traffic Light.

On completion of the capital raising and when the Company has satisfied the requirements of the ASX it is the intention of the Directors to apply to have quotation of the Company's securities reinstated on the ASX. The Company's securities have been suspended since December 2000. Re-quotation will enable existing shareholders to achieve liquidity if required and facilitate the opportunity to raise further capital to enable the Company to further develop its business.

I, along with my fellow Directors, thank you for your support over the past year and look forward to returning shareholder value to you as we develop the Company's business in the year ahead.

Yours faithfully,

Samuel Kavourakis
Chairman

TRAFFIC TECHNOLOGIES LIMITED (formerly Infosentials Ltd)
CORPORATE DIRECTORY

DIRECTORS

Mr. Sam Kavourakis
Mr. Constantine Scrinis
Mr. Constantinos Liosatos
Mr. Alan Brown FAICD
Mr. Cary Peter Stynes LL.B (Melb), MAICD

COMPANY SECRETARY

Mr. Peter Kenneth Crafter LL.B, MBA, FCA, CA, MCT, FAICD

REGISTERED OFFICE

110 Stephenson Street
RICHMOND VIC 3121

LAWYERS

Middletons
Level 29
200 Queen Street
MELBOURNE VIC 3000

AUDITORS

Pitcher Partners
Level 6
161 Collins Street
MELBOURNE VIC 3000

SHARE REGISTRY

Computershare Registry Services
452 Johnston Street
ABBOTSFORD VIC 3067

Tel: 1300 137 328

STOCK EXCHANGE LISTING

Traffic Technologies Limited's ordinary shares are currently suspended from quotation on the Australian Stock Exchange Limited.
(Stock Code: TTI).

STATE OF INCORPORATION

Victoria

TRAFFIC TECHNOLOGIES LIMITED
FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

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TRAFFIC TECHNOLOGIES LIMITED
DIRECTORS' REPORT

Your directors present their report for the financial year ended 30 June 2004.

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 this entire period unless otherwise stated.

Name	Qualifications, Experience and Special Responsibilities
Mr. Samuel Kavourakis	(Age 59) Non-Executive Chairman. Appointed January 2004. Mr. Kavourakis has had a distinguished career spanning 30 years with National Mutual, including eight years as Managing Director of National Mutual Funds Management. Mr. Kavourakis has an in-depth understanding of what institutional investors require of listed companies. Since 1998, Mr. Kavourakis has been a Director of various companies and associations. Current Directorships include Ticor Limited, Collins House Financial Services, Australand Wholesale Investments Ltd, Centro Properties Ltd and the Rio Tinto Staff Superannuation Fund. Mr. Kavourakis is an Associate of the Institute of Actuaries and a graduate of the Harvard Business School Advanced Management Program. Mr. Kavourakis was appointed Non Executive Chairman of Traffic Technologies Limited in January 2004.
Mr. Constantine A Scrinis	(Age 41) Joint Managing Director. Appointed April 2003. Mr. Scrinis has over 20 years experience in the lighting industry. After spending several years with Sunlighting and three years as owner and operator of various retail businesses, he along with Mr. Liosatos established Moonlighting in 1991. Since 1991, he and Mr. Liosatos built a manufacturing and distribution business in industrial and commercial lighting employing approximately 140 people. Mr. Scrinis and Mr. Liosatos have been involved in the development of the Smart Traffic Light since 1997 and achieved the first commercial sales of the Company's Smart Traffic Light product into Malaysia in 2000. Mr. Scrinis is the Joint Managing Director of Traffic Technologies Limited. Mr. Scrinis was appointed as a Director of Traffic Technologies in April 2003.
Mr. Constantinos L Liosatos	(Age 41) Joint Managing Director. Appointed April 2003. Mr. Liosatos has over 20 years experience in the lighting industry. After spending 10 years with Sunlighting, he and Mr. Scrinis established Moonlighting in 1991. Since 1991, he and Mr. Scrinis built a manufacturing and distribution business in industrial and commercial lighting employing approximately 140 people. Mr. Liosatos has been involved in the development of the Smart Traffic Light since 1997 and achieved the first commercial sales of the Smart Traffic Light into Malaysia in 2000. Mr. Liosatos has qualifications in Mechanical Design and Lighting Engineering. Mr. Liosatos is the Joint Managing Director of Traffic Technologies Limited. Mr. Liosatos was appointed as a Director of Traffic Technologies Limited in April 2003.
Mr. Alan J Brown FAICD	(Age 58) 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 and the Bass Coast Community Foundation. Mr. Brown was appointed a non-executive director of Traffic Technologies Limited in January 2004.
Mr. Cary P Stynes LL.B (Melb) MAICD	(Age 40) Non-Executive Director. Appointed January 2004. Mr. Stynes spent six years in a range of senior finance and management roles for a number of international companies. He spent five years as a commercial lawyer with law firm Minter Ellison specialising in commercial litigation, insolvency, media, mergers and acquisitions and corporate advisory work. He is admitted to practice in the Supreme Court of Victoria and the High Court of Australia. In 1993 he co-founded Point of Sale Media Pty Ltd which was acquired in 1995 by ASX-listed Media Entertainment Group Limited. He was a director of Media Entertainment Group Limited from September 1995 and was Managing Director from July 1997 until June 1999. He was Managing Director and Chief Executive Officer of ASX-listed Software Communication Group Limited from January 2000 to July 2001. He was Managing Director of ASX-listed CBD Energy Limited from June 2002 to June 2003 and has been Managing Director of ASX-listed The Swish Group Limited since January 2003. He is principal of Stynes Consulting and Stynes and Associates which are commercial and legal consulting practices. He is also a director of a range of private companies. Mr. Stynes was appointed a non-executive director of Traffic Technologies Limited in January 2004.

TRAFFIC TECHNOLOGIES LIMITED
DIRECTORS' REPORT
(Continued)

The following Director resigned in January 2004:

Mr. Peter A Stedwell

Company Secretary

Mr. Peter K Crafter
LL.B, MBA, FCA, CA, MCT, FAICD

(Age 47) Chief Financial Officer and Company Secretary. Appointed March 2004. Mr. Crafter is a Chartered Accountant in both Australia and the UK and qualified Corporate Treasurer with extensive experience in financial management including several years with KPMG and Touche Ross in the United Kingdom. He holds an honours degree in Law from the University of London and an MBA from Heriot-Watt University, Scotland. He migrated to Australia in February 1999 and joined Software Communication Group Limited as Chief Financial Officer in May 1999. He was subsequently promoted to the position of Acting Chief Executive Officer of that Company in July 2001. He was Chief Financial Officer of ASX-listed CBD Energy Limited from July 2002 to July 2003 and was appointed Finance Director of The Swish Group Limited in January 2003. He was appointed Chief Financial Officer and Company Secretary of Traffic Technologies Limited in March 2004.

Change of Name

The Company's name was changed from Infosentials Limited to Traffic Technologies Limited on 30 January 2004.

Interests of Directors in Shares 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 the Company were:

Director	Ordinary Shares		Options
	Directly	Indirectly	
Mr. Samuel Kavourakis	40,601	-	500,000
Mr. Constantine A Scrinis	-	2,293,945	300,000
Mr. Constantinos L Liosatos	-	2,293,945	300,000
Mr. Alan J Brown	40,601	-	300,000
Mr. Cary P Stynes	-	-	300,000

For more information relating to interests of directors refer to Note 21 of the Financial Statements

EARNINGS PER SHARE

	Cents
Basic earnings per share	(7.3)
Diluted earnings per share	(6.5)

DIVIDENDS

The Directors do not recommend the payment of a dividend for the financial year ended 30 June 2004.

CORPORATE INFORMATION

Corporate structure

Traffic Technologies Limited is a Company limited by shares that is incorporated and domiciled in Australia. Traffic Technologies Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year. The Company's subsidiary entities are set out in Note 7 to the financial statements.

Employees

The consolidated entity employed 8 employees as at 30 June 2004 (2003: no employees).

Principal activities

The consolidated entity's principal activity is the provision of traffic management systems.

TRAFFIC TECHNOLOGIES LIMITED
DIRECTORS' REPORT
(Continued)

REVIEW AND RESULTS OF OPERATIONS

Review of operations

The results for the financial year ended 30 June 2004 are not comparable to the previous year. The Company was still in Administration for most of the financial year ended 30 June 2003 and it was restructured in January 2004 following a shareholders' meeting which approved a change in the Company's activities to the provision of traffic management systems, a change of name to Traffic Technologies Limited and the acquisition of Traffic Technologies Pty Ltd (now Traffic Technology International Pty Ltd).

The consolidated entity's main activity has been research and development into and commercialisation of its Smart Traffic Light system, which uses LED (light emitting diode) technology. To date the consolidated entity has sold its Smart Traffic Lights to Malaysia and the Philippines.

Financial performance

Total revenue for the financial year ended 30 June 2004 was \$114,866, compared to \$4.2m in the financial year ended 30 June 2003 (which comprised a gain on effectuation of the Deed of Company Arrangement in May 2003).

Total costs for the financial year ended 30 June 2004 were \$506,629, compared to \$159,463 in the financial year ended 30 June 2003. Costs incurred in the financial year ended 2004 largely comprise administrative costs incurred in connection with restructuring the Company as a provider of traffic management systems and ensuring that the Company continues to comply with ASX and ASIC requirements as a public company despite the fact that quotation of its securities is currently suspended.

Costs of developing the Company's Smart Traffic Light system have been capitalised and amortised where future benefits are expected, beyond any reasonable doubts, to exceed those costs.

Financial position

Consolidated net assets as at 30 June 2004 were \$30,677, compared to net liabilities of \$77,560 as at 30 June 2003. The consolidated statement of financial position as at 30 June 2004 included the Company's subsidiary entity, Traffic Technology International Pty Ltd. Net assets included \$112,051 of inventory, \$39,833 of plant and equipment and \$630,152 of intangible assets, largely comprising capitalised research and development expenditure.

Cash flows

The consolidated entity's operations have been funded in the year ended 30 June 2004 by related party loans. The consolidated entity's main cash outflows have been incurred on continuing research and development expenditures on the Smart Traffic Light system and administrative costs incurred in connection with restructuring the Company and ensuring that the Company continues to comply with ASX and ASIC requirements as a public company.

Outlook for the next twelve months

On 9 August 2004 the Company announced the acquisition of Traffic Services Australia Holdings Pty Ltd and that the Company intends to issue a prospectus as soon as possible to raise additional capital to complete the acquisition and fund further acquisitions. On completion of the capital raising and when the Company has satisfied the requirements of the ASX it is the intention of the Directors to apply to have quotation of the Company's securities reinstated on the ASX. The Board is not yet in a position to give an accurate forecast of revenue and profitability for the financial year ending 30 June 2005.

TRAFFIC TECHNOLOGIES LIMITED
DIRECTORS' REPORT
(Continued)

Risk management

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.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 30 January 2004 shareholders approved the consolidation of the Company's share capital on the basis of one fully paid ordinary share for every 80 shares previously held.

On 30 January 2004 shareholders approved a change in the activities of the Company to the development, integration and supply of traffic management systems.

On 30 January 2004 shareholders approved the issue of 5,000,000 shares at \$0.10 (10 cents) per share to the vendors of Traffic Technologies International Pty Ltd as consideration for the acquisition of that company.

SUBSEQUENT EVENTS AFTER THE BALANCE DATE

Other than as stated above and detailed further in Note 18 to the financial statements, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations, results of those operations, or the state of affairs of the Company and the consolidated entity in subsequent financial years.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

SHARE OPTIONS

At the date of this report there are 1,700,000 unissued ordinary shares in respect of which options are outstanding.

INDEMNIFICATION OF OFFICERS AND AUDITORS

The Company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate, indemnified or made any relevant agreement for indemnifying against a liability, including costs and expenses in successfully defending legal proceedings. The Company has not taken out any insurance during or since the end of the year in respect of any person who is or has been a Director of the Company.

DIRECTORS' AND EXECUTIVES' REMUNERATION

Remuneration policy

The Remuneration Committee is responsible for determining and reviewing remuneration arrangements for the Directors, the Joint Managing Directors 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. Currently remuneration is paid in the form of cash remuneration, superannuation contributions and share options where applicable. The Company paid no bonuses during the financial year ended 30 June 2004. Further details of the remuneration of Directors and executives are provided in Note 21 to the financial statements.

All Directors and executives have the opportunity to qualify for participation in the Company Share Option Plan. The issue of options under this plan is at the discretion of the Board and is not currently based on Company performance. 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. Details regarding the issue of share options under the Company Share Option Plan during the year are provided in Note 21 to the financial statements.

TRAFFIC TECHNOLOGIES LIMITED
DIRECTORS' REPORT
(Continued)

Emoluments of Directors of the Company

Details of the nature and amount of each element of the emoluments of each Director of the Company for the financial year ended 30 June 2004 are as follows:

Name	Annual Emoluments	Super-annuation Contributions	Long Term Emoluments		Total
	Base Salary		Number of Options Granted	Value of Options Granted	
	\$	\$	\$	\$	\$
Mr. Samuel Kavourakis (appointed 30 Jan 2004)	20,833	-	500,000	19,500	40,333
Mr. Constantine Scrinis	31,250	-	300,000	11,700	42,950
Mr. Constantinos Liosatos	31,250	-	300,000	11,700	42,950
Mr. Alan Brown (appointed 30 Jan 2004)	14,583	-	300,000	11,700	26,283
Mr. Cary Stynes (appointed 30 Jan 2004)	14,583	-	300,000	11,700	26,283
Mr. Peter Stedwell (resigned 30 Jan 2004)	5,000	-	-	-	5,000

Although Directors' fees have been accrued, this remuneration was not paid to the Directors during the financial year ended 30 June 2004.

Emoluments of Executive Officers of the Company

Details of the nature and amount of each element of the emoluments of the officers of the consolidated entity for the financial year ended 30 June 2004 are as follows:

Name	Annual Emoluments	Super-annuation Contributions	Long Term Emoluments		Total
	Base Salary		Number of Options Granted	Value of Options Granted	
	\$	\$		\$	\$
Mr. Peter Crafter	10,740	-	-	-	10,740

For more information relating to interests of directors and executives refer to Note 21 of the Financial Statements.

Fair value of options

The fair value of each option is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used:

Dividend yield	Nil
Expected volatility	45%
Historical volatility	45%
Risk-free interest rate	5.715%
Expected life of option	5.0 years

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 expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

All options issued to date have vested. Currently the fair values of options are not recognised as expenses in the financial statements.

TRAFFIC TECHNOLOGIES LIMITED
DIRECTORS' REPORT
(Continued)

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 (while they were a Director) were as follows. During the financial year, 7 Board meetings were held and 4 decisions were taken by all Directors who signed circular resolutions.

	Possible	Attended
Mr. Samuel Kavourakis (appointed 30 January 2004)	4	4
Mr. Constantine A Scrinis	7	7
Mr. Constantinos L Liosatos	7	7
Mr. Alan J Brown (appointed 30 January 2004)	4	4
Mr. Cary P Stynes (appointed 30 January 2004)	4	4
Mr. Peter A Stedwell (resigned 30 January 2004)	2	1

No meetings of Board Committees were held during the financial year ended 30 June 2004. These committees were not formed until after the reconstruction of the Board on 30 January 2004.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Company support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained in the following section of this annual report.

Signed in accordance with a resolution of the Directors

Samuel Kavourakis
Chairman

16 August 2004

Melbourne

TRAFFIC TECHNOLOGIES LIMITED
CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Traffic Technologies Limited is responsible for the corporate governance of the consolidated entity.

The format of the Corporate Governance Statement has changed in comparison to the previous year due to the introduction of the Australian Stock Exchange's Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations". The Corporate Governance Statement must now 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 recommendations that have not been adopted by the Company, together with the reasons why they have not been adopted. The Company's corporate governance principles and policies are therefore structured with reference to the Corporate Governance Council's best practice recommendations, which are as follows:

1. Lay solid foundations for management and oversight.
2. Structure the Board to add value.
3. Promote ethical and responsible decision-making.
4. Safeguard integrity in financial reporting.
5. Make timely and balanced disclosure.
6. Respect the rights of shareholders.
7. Recognise and manage risk.
8. Encourage enhanced performance.
9. Remunerate fairly and responsibly.
10. Recognise the legitimate interests of stakeholders.

Corporate Governance Committee

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 Australian Stock Exchange's Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations".

The Corporate Governance Committee comprises all Board members and is chaired by Mr. Samuel Kavourakis.

No meetings of the Corporate Governance Committee were held during the financial year ended 30 June 2004.

Board Responsibilities

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 those 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 and 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.

The Board delegates to the Joint Managing Directors and the executive team responsibility for the operation and administration of the consolidated entity.

TRAFFIC TECHNOLOGIES LIMITED
CORPORATE GOVERNANCE STATEMENT
(Continued)

Structure of the Board

It is the intention of the Company that the composition of the Board will be 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 Directors in office and the term in office of each Director at the date of this report are as follows:

Name	Position	Term in office
Mr. Samuel Kavourakis	Independent Non-Executive Chairman	7 months
Mr. Constantine Scrinis	Joint Managing Director	1 year 3 months
Mr. Constantinos Liosatos	Joint Managing Director	1 year 3 months
Mr. Alan Brown	Independent Non-Executive Director	7 months
Mr. Cary Stynes	Independent Non-Executive Director	7 months

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. 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 accordance with the definition of independence above, three of the five Directors of the Company as at 30 June 2004 and as at the date of this report are considered to be independent. The Company did not have a majority of independent Directors before 30 January 2004 as required by Recommendation 2.1. The Company appointed an independent chairman on 30 January 2004 as required by Recommendation 2.2, since when the roles of Chairman and the Joint Managing Directors have been split in accordance with Recommendation 2.3.

Access to External and Independent Advice

The Company provides the capacity for any Director to obtain separate professional advice on any matter being discussed by the Board and for the consolidated entity 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.

Terms of Appointment as a Director

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. It is not a requirement for a person who is a Director to own shares in the Company.

Nomination Committee

Recommendation 2.4 requires listed entities to establish a Nomination Committee. During the year ended 30 June 2004, the Company did not have a separately established Nomination Committee. However, 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.

Code of Conduct

The Board has drawn up a code of conduct to guide Board members, executives and employees in carrying out their duties and responsibilities 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.

TRAFFIC TECHNOLOGIES LIMITED
CORPORATE GOVERNANCE STATEMENT
(Continued)

Securities Trading

Dealings are not permitted in the Company's securities at any time when Directors, officers or employees 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.

Certification of Financial Statements

With effect from the financial year ended 30 June 2004 Mr. Constantine Scrinis, the Joint Managing Director, and the Chief Financial Officer have provided a written statement to the Board that the company's financial reports present a true and fair view of the company's financial condition and operational results and are in accordance with relevant accounting standards and that the company's risk management and internal compliance and control systems are operating efficiently and effectively.

Audit Committee

The Board has established an Audit Committee, which operates under a charter approved by the Board. The committee, which is required by Recommendation 4.2, was not however formed until after the reconstruction of the Board on 30 January 2004. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. 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. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control to the Audit Committee.

The Audit Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

Corporate Governance Council Recommendation 4.3 requires that the Audit Committee consists of only non-executive Directors and that a majority be independent Directors. However, in view of the size of the Board, all members of the Board are members of the Audit Committee.

The Chairman of the Audit Committee is Mr. Alan Brown, who is an independent chairman and who is not chairman of the Board.

No meetings of the Audit Committee were held during the financial year ended 30 June 2004.

Qualifications of Audit Committee members

Although none of the Audit Committee members have formal accountancy qualifications, all have extensive business experience at Board level and in senior management positions. Audit Committee meetings are attended by the partner responsible for the Company's audit.

Continuous Disclosure

The Company has established written policies and procedures to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance. All ASX announcements are handled by Mr. Constantine Scrinis, the Joint Managing Director, 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.

Communication to Market and Shareholders

The Board recognises its duty to ensure that its shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders and the market through:

- The Annual Report which is distributed to shareholders;
- The Annual General Meeting and other shareholder meetings called to obtain approval for Board action as appropriate;
- The Half-Yearly Financial report; and
- Other announcements made in accordance with ASX Listing Rules.

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

TRAFFIC TECHNOLOGIES LIMITED
CORPORATE GOVERNANCE STATEMENT
(Continued)

External Auditor

It is the Company's policy that the external auditor attends 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.

Risk profile

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 drawn up a risk profile for the consolidated entity, which is regularly reviewed. The executive Directors are 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, are in a position to continually monitor risk with the assistance of the executive team.

Board Performance

The performance of the Board and key executives is reviewed regularly by the Board against their contribution to the performance of the Company. Directors whose performance is consistently unsatisfactory may be asked to retire.

Remuneration

The Remuneration Committee is responsible for determining and reviewing remuneration arrangements for the Directors themselves, the Joint Managing Directors and the executive team. 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 quality management to the Company.
- Performance incentives which allow executives to share the rewards of the success of the Company.

Further details of the Company's remuneration policy, including details of the amount of remuneration and all monetary and non-monetary components for each of the highest paid (non-Director) executives during the year and for all Directors, are set out the Directors' 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.

Remuneration Committee

The Board has established a Remuneration Committee, as required by Recommendation 9.2, following the reconstruction of the Board on 30 January 2004. The Remuneration Committee is responsible for determining and reviewing remuneration arrangements for the Directors, the Joint Managing Directors 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, which includes a majority of independent Directors, and is chaired by Mr. Samuel Kavourakis, who is an independent Director.

No meetings of the Remuneration Committee were held during the financial year ended 30 June 2004.

The Company's corporate governance practices have been in place since the restructuring of the Company and of the Board on 30 January 2004. With the exception of the departures from the Corporate Governance Council recommendations detailed above, the corporate governance practices of the Company are compliant with the Council's best practice recommendations.

TRAFFIC TECHNOLOGIES LIMITED
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2004

	Note	Consolidated 2004 \$	Consolidated 2003 \$	Company 2004 \$	Company 2003 \$
Revenues from ordinary activities	2	114,866	4,216,340	139	4,216,340
Cost of sales		(52,343)	-	-	-
Gross profit		62,523	4,216,340	139	4,216,340
Salaries and employee benefits expense		(228,056)	-	(69,989)	-
Occupancy expenses		(23,793)	-	-	-
Advertising and marketing expenses		(450)	-	-	-
Administrative costs		(168,809)	(159,463)	(133,989)	(159,463)
Depreciation and amortisation expenses	3	(33,031)	-	-	-
Borrowing costs expense	3	(147)	-	(1)	-
Profit/(loss) from ordinary activities before income tax expense		(391,763)	4,056,877	(203,840)	4,056,877
Income tax expense relating to ordinary activities	4	-	-	-	-
Profit/(loss) from ordinary activities after income tax expense		(391,763)	4,056,877	(203,840)	4,056,877
Total changes in equity other than those resulting from transactions with owner as owners	13	(391,763)	4,056,877	(203,840)	4,056,877
Basic earnings per share	19	(0.073)	2.29		
Diluted earnings per share		(0.065)	2.11		

The above Statement of Financial Performance is to be read in conjunction with the attached notes.

TRAFFIC TECHNOLOGIES LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2004

	Note	Consolidated 2004 \$	Consolidated 2003 \$	Company 2004 \$	Company 2003 \$
Current Assets					
Cash assets	15	40,221	-	7,382	-
Receivables	5	132,682	-	11,976	-
Inventory	6	112,051	-	-	-
Total current assets		284,954	-	19,358	-
Non-current assets					
Plant and equipment	8	39,833	-	-	-
Intangible assets	9	630,152	-	-	-
Investments	7	-	-	500,000	-
Total non-current assets		669,985	-	500,000	-
Total assets		954,939	-	519,358	-
Current liabilities					
Payables	10	922,559	77,560	300,758	77,560
Provisions	11	1,703	-	-	-
Total current liabilities		924,262	77,560	300,758	77,560
Total liabilities		924,262	77,560	300,758	77,560
Net assets/(liabilities)		30,677	(77,560)	218,600	(77,560)
Equity					
Contributed equity	12	35,324,475	34,824,475	35,324,475	34,824,475
Accumulated losses	13	(35,293,798)	(34,902,035)	(35,105,875)	(34,902,035)
Total equity		30,677	(77,560)	218,600	(77,560)

The above Statement of Financial Position is to be read in conjunction with the attached notes.

TRAFFIC TECHNOLOGIES LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2004

	Note	Consolidated 2004 \$	Consolidated 2003 \$	Company 2004 \$	Company 2003 \$
Cash flows from operating activities					
Receipts from customers		19,354	12,201	100	12,201
Payments to suppliers and employees		(384,065)	(285,796)	(197,712)	(285,796)
Interest received		36	-	1	-
Interest paid		(147)	-	(1)	-
Net cash provided by (used in) operating activities	15	(364,822)	(273,595)	(197,612)	(273,595)
Cash flows from investing activities					
Purchase of plant and equipment		(11,791)	-	-	-
Net cash provided by (used in) investing activities		(11,791)	-	-	-
Cash flows from financing activities					
Proceeds from related parties		-	-	-	-
Advances to controlled entity		416,834	-	214,994	-
		-	-	(10,000)	-
Net cash provided by (used in) financing activities		416,834	-	204,994	-
Net increase/ (decrease) in cash held		40,221	(273,595)	7,382	(273,595)
Opening cash brought forward		-	273,595	-	273,595
Closing cash carried forward	15	40,221	-	7,382	-

The above Statement of Cash Flows is to be read in conjunction with the attached notes.

TRAFFIC TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

1. SUMMARY OF ACCOUNTING POLICIES

(a) Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report covers the consolidated entity of Traffic Technologies Limited (formerly Infosentials Limited) and controlled entities, and Traffic Technologies Limited as an individual parent entity. Traffic Technologies Limited is a public company, incorporated and domiciled in Australia, whose securities are currently suspended from trading on the Australian Stock Exchange.

The financial report has been prepared in accordance with the historical cost convention and, except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

(b) Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report. The accounting policies have been consistently applied with those of the previous year,

(c) Going concern basis of accounting

The continuing viability of the consolidated entity and its ability to continue as a going concern and meet debts and commitments as they fall due is dependent upon continued financial support being maintained by Director-related entities. Without such continued financial support, there is significant uncertainty as to whether the consolidated entity will be able to continue as a going concern. It may become necessary for it to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial statements.

However, the Directors believe that the consolidated entity will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis. The Directors consider that there are reasonable grounds to believe that the consolidated entity, with the ongoing support of Director-related entities, can pay its debts as and when they fall due.

(d) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Traffic Technologies Limited (the parent entity) and all entities which Traffic Technologies Limited controlled from time to time during the year and at balance date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

The financial statements are prepared for the same reporting period as the parent entity using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

(e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. The following specific criteria must also be met before revenue is recognised:

Sale of Goods

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

TRAFFIC TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

(e) Revenue recognition (Continued)

Interest revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(f) Taxes

Income Tax

The consolidated entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences, which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income, are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the consolidated entity will derive sufficient future assessable income and comply with the conditions of deductibility imposed by the law.

Goods and Services Tax

All revenue and expenses are stated net of the amount of Goods and Services Tax (GST).

(g) Recoverable amounts

The carrying amounts of non-current assets do not exceed the net amounts that are expected to be recovered through the cash inflows and outflows arising from continued use and subsequent disposal of the asset. The expected net cash flows included in determining the recoverable amounts have not been discounted to their present value.

Where a group of assets work together to generate net cash inflows the recoverable amount test is applied to that group of assets.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on a first-in first-out basis and include direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenses.

(i) Receivables

Trade accounts receivable, amounts due from related parties and other receivables represent the principal amounts due at balance date plus accrued interest less, where applicable, any unearned income and provisions for doubtful accounts.

TRAFFIC TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

(j) Plant and equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

(k) Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over the useful lives to the economic entity commencing from the time the assets are held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Computer and communication equipment	27%
Furniture and fixtures	13%
Tooling	20%

(l) Intangibles

Goodwill

Goodwill on consolidation is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on consolidation is amortised on a straight-line basis over a period of 10 years. Balances are reviewed annually and any balances representing future benefits for which realisation is considered to be no longer probable are written off.

Patents and trademarks

Patents and trademarks are initially recorded at cost. Patents and trademarks are amortised on a straight-line basis over a period of 10 years. Balances are reviewed annually and any balances representing future benefits for which realisation is considered to be no longer probable are written off.

Research and development costs

Research and development costs are expensed as incurred, except where future benefits are expected, beyond any reasonable doubt, to exceed those costs. Where research and development costs are deferred such costs are amortised over a period of 10 years. Unamortised costs are reviewed at each balance date to determine the amount, if any, that is no longer recoverable and any amounts identified are written off. The Company determined that as of 1 February 2004, the products related to the deferred research and development costs became ready for commercial production. Therefore, at this date, the Company determined that commencing amortisation of the deferred costs was appropriate.

(m) Foreign currency transactions and balances

Foreign currency transactions during the period are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted to the rates of exchange ruling at that date.

The gains and losses from conversion of short-term assets and liabilities, whether realised or unrealised, are included in profit/loss from ordinary activities as they arise.

(n) Accounts payable

Accounts payable represent the principal amounts outstanding at balance date plus, where applicable, any accrued interest.

TRAFFIC TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

(o) Employee benefits

The following liabilities arising in respect of employee benefits are measured at their nominal amounts:

- Wages and salaries and annual leave regardless of whether they are expected to be settled within twelve months of balance date.
- Other employee benefits which are expected to be settled within twelve months of balance date.

All other employee benefits, including long service leave, are measured at the present value of the estimated future cash outflows in respect of services provided up to balance date. Liabilities are determined after taking into consideration estimated future increase in wages and salaries and past experience regarding staff departures. Related on-costs are included.

(p) Earnings per share

Basic earnings per share is calculated as net profit/loss attributable to members divided by the weighted average number of ordinary shares. Diluted earnings per share is calculated as net profit/loss attributable to members divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any non-discretionary changes in revenues during the period that would result from the dilution of potential ordinary shares.

(q) Comparative figures

Where necessary, comparatives have been reclassified and repositioned to conform with changes in presentation for the current financial year.

(r) Financial instruments

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the classification of the related debt or equity instruments in the statement of financial position.

TRAFFIC TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

2. REVENUE FROM ORDINARY ACTIVITIES

	Consolidated 2004 \$	Consolidated 2003 \$	Company 2004 \$	Company 2003 \$
Revenues from operating activities				
Revenue from sale of goods	114,692	12,201	-	12,201
	<hr/> 114,692	<hr/> 12,201	<hr/> -	<hr/> 12,201
Revenues from non-operating activities				
Gain on effectuation of Deed of Company Arrangement	-	4,204,139	-	4,204,139
Other revenue	138	-	138	-
Interest revenue from:				
Financial institutions	36	-	1	-
Total revenues from ordinary activities	<hr/> 114,866	<hr/> 4,216,340	<hr/> 139	<hr/> 4,216,340

3. EXPENSES AND LOSSES/(GAINS)

Profit/(loss) from ordinary activities before income tax has been determined after:

Expenses

Depreciation of non-current assets:				
Plant and equipment	5,934	-	-	-
Total depreciation of non-current assets	<hr/> 5,934	<hr/> -	<hr/> -	<hr/> -
Amortisation of non-current assets:				
Patents and trademarks	222	-	-	-
Research and development	23,024	-	-	-
Goodwill	3,851	-	-	-
Total amortisation of non-current assets	<hr/> 27,097	<hr/> -	<hr/> -	<hr/> -
Total depreciation and amortisation expenses	<hr/> 33,031	<hr/> -	<hr/> -	<hr/> -
Borrowing costs				
Interest:				
Other entities	147	-	1	-
Total borrowing costs expense	<hr/> 147	<hr/> -	<hr/> 1	<hr/> -
Operating lease rentals	23,933	-	-	-
Employee entitlements	1,801	-	-	-
Doubtful debts	-	-	-	-
Bad debts expense	-	-	-	-
Loss on disposal of fixed assets	-	-	-	-

TRAFFIC TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

4. INCOME TAX

	Consolidated 2004 \$	Consolidated 2003 \$	Company 2004 \$	Company 2003 \$
The amount provided in respect of income tax differs from the amount prima facie attributable to the operating profit/loss. The difference is reconciled as follows:				
Prima facie tax payable on profit/(loss) from ordinary activities before income tax at 30% (2003 – 30%)	(117,529)	1,217,063	(61,152)	1,217,063
Tax effect of permanent differences				
Non assessable gain	-	(1,261,242)	-	(1,261,242)
Amortisation of intangibles	27,097	-	-	-
	-	-	-	-
	-	-	-	-
	(90,432)	(44,179)	(61,152)	(44,179)
Timing differences and tax losses not brought to account as future income tax benefits	-	-	-	-
	90,432	44,179	61,152	44,179
Income tax attributable to operating profit/loss	-	-	-	-
Future income tax benefits not brought to account as assets:				
Tax losses – revenue	1,003,373	-	815,450	615,461
Timing differences	-	-	-	-

The future income tax benefit will only be obtained if:

- (a) future assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;
- (b) the conditions for deductibility imposed by the law are complied with; and
- (c) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

The group is currently considering whether or not to elect to consolidate and be treated as a single entity for income tax purposes

5. RECEIVABLES (CURRENT)

Trade receivables	113,469	-	-	-
Provision for doubtful debts	-	-	-	-
	113,469	-	-	-
Other receivables and prepaid expenses	19,213	-	1,976	-
Amounts receivable from related entities				
Subsidiary entities	-	-	10,000	-
Total receivables	132,682	-	11,976	-
Related party receivables – subsidiary entities	-	-	10,000	-

Terms and conditions

Terms and conditions relating to the above financial instruments

- (i) Trade receivables are non-interest bearing and are generally on 30-day terms.
- (ii) Other receivables are non-interest bearing and have repayment terms between 30 and 90 days.

TRAFFIC TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

6. INVENTORIES (CURRENT)

	Consolidated 2004 \$	Consolidated 2003 \$	Company 2004 \$	Company 2003 \$
Components	53,504	-	-	-
Sub assemblies and finished goods	58,547	-	-	-
	<u>112,051</u>	<u>-</u>	<u>-</u>	<u>-</u>

7. NON CURRENT INVESTMENTS

Interests in subsidiaries

Name of Entity	Country of Incorporation	Percentage of equity interest held by the consolidated entity		Investment	
		2004 %	2003 %	2004 \$	2003 \$
Traffic Technology International Pty Ltd	Australia	<u>100</u>	<u>-</u>	<u>500,000</u>	<u>-</u>

The parent entity acquired its interest in Traffic Technology International Pty Ltd on 30 January 2004 for a consideration of \$500,000. Traffic Technology International Pty Ltd is engaged in the development and commercialisation of a Smart Traffic Light product based on LED (light emitting diode) technology. The Directors are reviewing the carrying value of the parent entity's investment in Traffic Technology International Pty Ltd on an ongoing basis. However it is currently too early to ascertain a meaningful carrying value of the investment and accordingly the Directors have determined the carrying value be maintained at cost.

8. PLANT AND EQUIPMENT

	Consolidated 2004 \$	Consolidated 2003 \$	Company 2004 \$	Company 2003 \$
(a) Carrying values				
Plant and equipment:				
At cost	73,345	-	-	-
Accumulated depreciation	(33,512)	-	-	-
Total plant and equipment	<u>39,833</u>	<u>-</u>	<u>-</u>	<u>-</u>

(b) Reconciliations

	Plant and Equipment \$
Consolidated entity	
Balance at the beginning of the year	-
Acquisition of subsidiary entity	33,976
Additions	11,791
Depreciation expense	(5,934)
Balance at the end of the year	<u>39,833</u>

Parent entity

The parent entity did not own any plant and equipment.

TRAFFIC TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

9. INTANGIBLE ASSETS

	Consolidated 2004 \$	Consolidated 2003 \$	Company 2004 \$	Company 2003 \$
Patents and trademarks:				
At cost	6,545	-	-	-
Accumulated amortisation	(222)	-	-	-
	<hr/> 6,323	<hr/> -	<hr/> -	<hr/> -
Research and development:				
At cost	558,276	-	-	-
Accumulated amortisation	(23,024)	-	-	-
	<hr/> 535,252	<hr/> -	<hr/> -	<hr/> -
Goodwill:				
At cost	92,428	-	-	-
Accumulated amortisation	(3,851)	-	-	-
	<hr/> 88,577	<hr/> -	<hr/> -	<hr/> -
Total intangible assets	<hr/> 630,152	<hr/> -	<hr/> -	<hr/> -

10. PAYABLES (CURRENT)

Trade creditors	86,494	54,209	16,764	54,209
Other creditors	39,964	-	19,000	-
Due to related parties	796,101	23,351	264,994	23,351
	<hr/> 922,559	<hr/> 77,560	<hr/> 300,758	<hr/> 77,560

Aggregate amounts payable to related parties

Payable to Directors and Director-related entities	796,101	23,351	264,994	23,351
	<hr/> 796,101	<hr/> 23,351	<hr/> 264,994	<hr/> 23,351

Terms and conditions relating to the above financial instruments:

- (i) Trade payables are non-interest bearing and are normally settled on 30-day terms.
- (ii) Other creditors are non-interest-bearing and are normally payable within 30 and 90 days
- (iii) Details of the terms and conditions of related party payables are set out in Notes 21 and 22.

11. PROVISIONS

The aggregate employee entitlement liability recognised and included in the financial statements is as follows:

Provision for employee entitlements:

Current

Provision for annual leave	1,703	-	-	-
Provision for long service leave	-	-	-	-
	<hr/> 1,703	<hr/> -	<hr/> -	<hr/> -

TRAFFIC TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

	Consolidated 2004 \$	Consolidated 2003 \$	Company 2004 \$	Company 2003 \$
12. CONTRIBUTED EQUITY				
(a) Issued and paid up capital				
Ordinary shares fully paid	35,324,475	34,824,475	35,324,475	34,824,475
(b) Movements in shares on issue				
	2004		2003	
	Number of shares	\$	Number of shares	\$
Beginning of the financial year	260,492,611	34,824,475	130,492,611	34,824,475
Shares issued during the year				
1. Issue of shares on 30 May 2003	-	-	130,000,000	-
2. Consolidation of shares on 30 January 2004	(257,235,695)	-	-	-
3. Issue of shares on 30 January 2004	5,000,000	500,000	-	-
	-	-	-	-
As at 30 June 2004	8,256,916	35,324,475	260,492,611	34,824,475

1. On 30 May 2003 shareholders approved the issue of 130,000,000 fully paid ordinary shares to Moonlighting International Pty Ltd for their continued support of the Company.

2. On 30 January 2004 shareholders approved the consolidation of the Company's share capital on the basis of one fully paid ordinary share for every 80 shares previously held.

3. On 30 January 2004 shareholders approved the issue of 5,000,000 shares at \$0.10 (10 cents) per share to the vendors of Traffic Technology International Pty Ltd as consideration for the acquisition of that company.

(c) Share options

100,000 employee options expired on 31 December 2003, which conferred the right to acquire one ordinary share per option at \$0.20 (20 cents) per share.

12,500,000 ordinary options expired on 31 December 2003, which conferred the right to acquire one ordinary share per option at \$0.20 (20 cents) per share.

On 30 January 2004 shareholders approved the issue of 1,700,000 options to the Directors exercisable at \$0.20 (20 cents) per share expiring on 30 January 2009 (see Note 21 for further details).

(d) Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up 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.

TRAFFIC TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

	Consolidated 2004 \$	Consolidated 2003 \$	Company 2004 \$	Company 2003 \$
13. ACCUMULATED LOSSES				
Accumulated losses at the beginning of the financial year	(34,902,035)	(38,958,912)	(34,902,035)	(38,958,912)
Total changes in equity other than those resulting from transactions with owner as owners	(391,763)	4,056,877	(203,840)	4,056,877
Accumulated losses at the end of the financial year	<u>(35,293,798)</u>	<u>(34,902,035)</u>	<u>(35,105,875)</u>	<u>(34,902,035)</u>

14. EXPENDITURE COMMITMENTS

(a) Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Premises

No later than one year	28,122	-	-	-
	<u>28,122</u>	<u>-</u>	<u>-</u>	<u>-</u>

Operating lease payments are recorded as expense payments.

(b) Capital expenditure commitments

There were no capital expenditure commitments at the reporting date.

15. STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit/(loss) after income tax to net cash flows from operating activities:

Operating profit/(loss) after income tax	(391,763)	4,056,877	(203,840)	4,056,877
Non-cash items:				
Depreciation and amortisation of non-current assets	33,031	-	-	-
Gain on effectuation of Deed of Company Arrangement	-	(4,204,139)	-	(4,204,139)
Bad and doubtful debts	-	-	-	-
Changes in assets and liabilities:				
(Increase)/decrease in trade receivables	(132,682)	-	(11,976)	-
(Increase)/decrease in inventories	(112,051)	-	-	-
Increase/(decrease) in accounts payable	236,940	(126,333)	18,204	(126,333)
Increase/(decrease) in provisions	1,703	-	-	-
Net cash used in operating activities	<u>(364,822)</u>	<u>(273,595)</u>	<u>(197,612)</u>	<u>(273,595)</u>

TRAFFIC TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

	Consolidated 2004 \$	Consolidated 2003 \$	Company 2004 \$	Company 2003 \$
15. STATEMENT OF CASH FLOWS				
(b) Reconciliation of cash				
For the purpose of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:				
Cash at bank and in hand	35,065	-	7,382	-
Security deposit	5,156	-	-	-
	40,221	-	7,382	-
(c) Financing facilities available				
At reporting date, the following financing facilities had been negotiated and were available:				
- Convertible Note facility – related party	1,000,000	-	1,000,000	-
Facilities used at reporting date				
- Convertible Note facility – related party	-	-	-	-
Facilities unused at reporting date				
- Convertible Note facility – related party	1,000,000	-	1,000,000	-
Acceptance of the convertible note and its terms is subject to shareholders' approval.				
(d) Businesses acquired				
During the 2004 financial year the consolidated entity acquired the business and certain assets and liabilities of Traffic Technologies International Pty Ltd as follows:				
Consideration:	\$			
Fully paid Ordinary Shares	500,000			
Fair value of net assets acquired:				
Assets				
Cash	16,969			
Receivables	21,628			
Inventory	101,830			
Plant and equipment	33,975			
Intangible assets	552,426			
Total assets acquired	726,828			
Liabilities				
Trade creditors and accruals	(173,617)			
Payable to Director-related entity	(143,416)			
Provision for employee entitlements	(2,223)			
Total liabilities acquired	(319,256)			
Fair value of net assets acquired	407,572			
Goodwill on acquisition	92,428			

TRAFFIC TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

16. EMPLOYEE ENTITLEMENTS

On 30 January 2004 shareholders approved a new Company Share Option Plan for Directors, employees and contractors of the Company under which the Board can issue options at no cash consideration to purchase fully paid ordinary shares in the Company on the basis of one option for one share at an exercise price to be determined by the Board at the time the options are issued. Options will be exercisable from the time of issue and will lapse on the fifth anniversary of the date of grant if they have not been exercised before that time. Options can be issued up to a maximum of 10% of the issued share capital of the Company. The options cannot be transferred and will not be quoted on the ASX.

Eligible persons under the Company Share Option Plan are Directors, employees and contractors of the Company. If the directorship, employment or contract of the participant terminates, the participant may, within 28 days after the date of termination, exercise all or part of those of the participant's options, which the participant is then entitled to exercise. Any option not exercised within that 28-day period will lapse.

Options outstanding

	2004 Number of Options	2004 Weighted Average Exercise Price	2003 Number of Options	2003 Weighted Average Exercise Price
Balance at beginning of year	12,600,000	\$0.20	12,600,000	\$0.20
Granted	1,700,000	\$0.20	-	-
Expired	(12,600,000)	\$0.20	-	-
Balance at end of year	1,700,000	\$0.20	12,600,000	\$0.20
Exercisable at end of year	1,700,000	\$0.20	12,600,000	\$0.20

Options granted

<i>Options granted during the financial year ended 30 June 2004</i>	Number of Options	Grant Date	Vesting Date	Expiry Date	Weighted Average Exercise Price
Directors	1,700,000	30 Jan 2004	30 Jan 2004	30 Jan 2009	\$0.20

No options have been issued since 30 June 2004. No options were exercised during the financial year or until the date of this report.

Options expired

The following options expired during the financial year:

- 100,000 employee options expired on 31 December 2003 conferring the right to acquire one ordinary share per option at \$0.20 (20 cents) per share.
- 12,500,000 options expired on 31 December 2003 conferring the right to acquire one ordinary share per option at \$0.20 (20 cents) per share.

TRAFFIC TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

	Consolidated 2004	Consolidated 2003	Company 2004	Company 2003
	\$	\$	\$	\$

16. EMPLOYEE ENTITLEMENTS (Continued)

(b) Superannuation commitments

The consolidated entity contributes 9% of employees' wages and salaries to superannuation plans which provides various benefits on retirement, disability or death. Such contributions at the rate of 9% are legally enforceable in Australia.

(c) Employee entitlements

The aggregate employee entitlement liability recognised and included in the financial statements is as follow:

Provision for employee entitlements:

Provision for annual leave

1,703

-

-

-

Provision for long service leave

-

-

-

-

1,703

-

-

-

(d) Employee Numbers

The number of employees at year end

8

-

5

-

17. CONTINGENT LIABILITIES

There were no contingent liabilities at balance date or as at the date of this report.

18. SUBSEQUENT EVENTS

On 9 August 2004 the Company announced the acquisition of Traffic Services Australia Holdings Pty Ltd and that the Company intends to issue a prospectus as soon as possible to raise additional capital to complete the acquisition and fund further acquisitions.

TRAFFIC TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

19. EARNINGS PER SHARE

	Consolidated 2004 Dollars per share	Consolidated 2003 Dollars per share
Basic earnings per share	\$(0.073)	\$2.29
Diluted earnings per share	\$(0.065)	\$2.11
Earnings used in calculating basic and diluted earnings per share	\$(391,763)	\$4,056,877
	Number of shares 2004	Number of shares 2003
Weighted average number of ordinary shares used In calculating basic earnings per share	5,333,418	1,769,171
Dilutive potential ordinary shares Share options	706,011	157,500
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	6,039,429	1,926,671

The 2003 comparatives have been adjusted to take effect of the share consolidation that occurred in 2004 to enable effective comparison

Consolidated 2004 \$	Consolidated 2003 \$	Company 2004 \$	Company 2003 \$
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20. AUDITORS REMUNERATION

Amounts received or due and receivable by Pitcher Partners for:

Auditing or reviewing the financial report	10,000	9,500	4,000	9,500
Other services	15,000	-	15,000	-
	25,000	9,500	19,000	9,500

TRAFFIC TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

21. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Specified Directors and Specified Executives

(i) Specified Directors

Mr. Samuel Kavourakis	Non-Executive Chairman (appointed 30 January 2004)
Mr. Constantine Scrinis	Joint Managing Director
Mr. Constantinos Liosatos	Joint Managing Director
Mr. Alan Brown	Non-Executive Director (appointed 30 January 2004)
Mr. Cary Stynes	Non-Executive Director (appointed 30 January 2004)
Mr. Peter Stedwell	Non-Executive Director (resigned 30 January 2004)

(ii) Specified Executives

The Company had one Specified Executive during the financial year ended 30 June 2004, as follows:

Mr. Peter Crafter	Chief Financial Officer and Company Secretary
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(b) Remuneration of Specified Directors and Specified Executives

(i) Remuneration Policy

The Remuneration Committee is responsible for determining and reviewing remuneration arrangements for the Directors, the Joint Managing Directors 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. Currently remuneration is paid in the form of cash remuneration, superannuation contributions and share options where applicable. The Company paid no bonuses during the financial year ended 30 June 2004.

All Directors and executives have the opportunity to qualify for participation in the Company Share Option Plan. The issue of options under this plan is at the discretion of the Board and is not currently based on Company performance. 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 would be subject to shareholder approval.

The Company has entered into executive service agreements with Mr. Constantine Scrinis and Mr. Constantinos Liosatos. Under the agreements, Mr. Constantine Scrinis and Mr. Constantinos Liosatos agreed to act as Joint Managing Directors of Traffic Technologies Limited for a remuneration of \$75,000 per annum each in the financial year ending 30 June 2004, increasing to \$200,000 per annum each in the financial year ending 30 June 2005, with a review in the financial year ending 30 June 2006. On 30 January 2004 shareholders approved the issue of 300,000 options each to Mr. Scrinis and Mr. Liosatos.

The Company has accrued Director's fees in respect of each of the Non-Executive Directors (see below), which were not however paid during the financial year ended 30 June 2004. Shareholders have also approved the issue of options to each of the Non-Executive Directors (see below).

Each executive has an employment or contractor agreement with notice periods varying between seven days and one month.

TRAFFIC TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

21. DIRECTOR AND EXECUTIVE DISCLOSURES (Continued)

(ii) Remuneration of Specified Directors and Specified Executives

		Primary Salary & Fees \$	Post Employment Superannuation \$	Equity Options \$	Other \$	Total \$	Options As % of Remuneration %
Specified Directors							
Mr. Samuel Kavourakis	2004	20,833	-	19,500	-	40,333	48%
	2003	-	-	-	-	-	-
Mr. Constantine Scrinis	2004	31,250	-	11,700	-	42,950	27%
	2003	-	-	-	-	-	-
Mr. Constantinos Liosatos	2004	31,250	-	11,700	-	42,950	27%
	2003	-	-	-	-	-	-
Mr. Alan Brown	2004	14,583	-	11,700	-	26,283	45%
	2003	-	-	-	-	-	-
Mr. Cary Stynes	2004	14,583	-	11,700	-	26,283	45%
	2003	-	-	-	-	-	-
Total Remuneration: Specified Directors							
	2004	112,499	-	66,300	-	178,799	37%
	2003	-	-	-	-	-	-
Specified Executives							
Mr. Peter Crafter	2004	10,740	-	-	-	10,740	-
	2003	-	-	-	-	-	-
Total Remuneration: Specified Executives							
	2004	10,740	-	-	-	10,740	-
	2003	-	-	-	-	-	-

Although Directors' fees have been accrued, this remuneration was not paid to the Directors during the financial year ended 30 June 2004.

TRAFFIC TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

21. DIRECTOR AND EXECUTIVE DISCLOSURES (Continued)

(c) Remuneration options: granted and vested during the year

During the financial year options were granted as equity compensation benefits to Specified Directors as set out below. The options were issued at no cash consideration. Each option entitles the holder to subscribe for one fully paid ordinary share in the entity at an exercise price of \$0.20 (20 cents) per share. The options vest immediately on grant and expire five years after vesting. The issue of options was at the discretion of the Board and was not based on specified performance criteria. No options have been issued to specified Executives.

	Vested Number	Granted Number	Grant Date	Terms & Value per option at grant date \$	Conditions Exercise price per share \$	For Each First Exercise Date	Grant Last Exercise Date
Specified Directors							
Mr. Samuel Kavourakis	500,000	500,000	30 Jan 04	\$0.20	\$0.20	30 Jan 04	30 Jan 09
Mr. Constantine Scrinis	300,000	300,000	30 Jan 04	\$0.20	\$0.20	30 Jan 04	30 Jan 09
Mr. Constantinos Liosatos	300,000	300,000	30 Jan 04	\$0.20	\$0.20	30 Jan 04	30 Jan 09
Mr. Alan Brown	300,000	300,000	30 Jan 04	\$0.20	\$0.20	30 Jan 04	30 Jan 09
Mr. Cary Stynes	300,000	300,000	30 Jan 04	\$0.20	\$0.20	30 Jan 04	30 Jan 09
Total	1,700,000	1,700,000					

(d) Shares issued on exercise of remuneration options

No shares have been issued as a result of the exercise of remuneration options.

(e) Option holdings of Specified Directors and Specified Executives

	Balance at beginning of period 1 July 2003 Number of options	Granted as remuneration Number of options	Balance at end of period 30 June 2004 Number of options	Vested at 30 June 2004 Number of options
Specified Directors				
Mr. Samuel Kavourakis	-	500,000	500,000	500,000
Mr. Constantine Scrinis	-	300,000	300,000	300,000
Mr. Constantinos Liosatos	-	300,000	300,000	300,000
Mr. Alan Brown	-	300,000	300,000	300,000
Mr. Cary Stynes	-	300,000	300,000	300,000
Total	-	1,700,000	1,700,000	1,700,000

No options have been issued to or are held by Specified Executives.

Fair value of options

The fair value of each option is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used:

Dividend yield	Nil
Expected volatility	45%
Historical volatility	45%
Risk-free interest rate	5.715%
Expected life of option	5.0 years

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 expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

All options issued to date have vested. Currently the fair values of options are not recognised as expenses in the financial statements.

TRAFFIC TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

21. DIRECTOR AND EXECUTIVE DISCLOSURES (Continued)

(f) Shareholdings of Specified Directors and Specified Executives

	Balance at beginning of period 1 July 2003 Number of shares	Consolidation of share capital Number of shares	Purchased during year Number of shares	Issued during year Number of shares	Balance at end of period 30 June 2004 Number of shares
Specified Directors					
Mr. Samuel Kavourakis	796,720	(786,761)	-	30,642	40,601
Mr. Constantine Scrinis	45,013,266	(44,450,600)	-	1,731,279	2,293,945
Mr. Constantinos Liosatos	45,013,266	(44,450,600)	-	1,731,279	2,293,945
Mr. Alan Brown	796,720	(786,761)	-	30,642	40,601
Mr. Cary Stynes	-	-	-	-	-
Specified Executives					
Mr. Peter Crafter	-	-	-	-	-
Total	91,619,972	(90,474,722)	-	3,523,842	4,669,092

(g) Loans to Specified Directors and Specified Executives

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

TRAFFIC TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

21. DIRECTOR AND EXECUTIVE DISCLOSURES (Continued)

(h) Other transactions and balances with Specified Directors and Specified Executives

Loans with Directors or Director-related entities

Moonlighting Australasia Pty Ltd (a company associated with Directors, Mr. Constantine Scrinis and Mr. Constantinos Liosatos) has made interest free loans to the consolidated entity during the financial year to provide working capital. The loans are unsecured and are repayable on demand. The balance at 30 June 2004 was \$583,601.

Astra Glen Pty Ltd (a company associated with Director, Mr. Constantine Scrinis) was owed \$81,250 at balance date in respect of accrued Directors' fees and other advances made to the Company during the year ended 30 June 2004.

Contelite Pty Ltd (a company associated with Director, Mr. Constantinos Liosatos) was owed \$81,250 at balance date in respect of accrued Directors' fees and other advances made to the Company during the year ended 30 June 2004.

Springbuild Pty Ltd (a company associated with Directors, Mr. Constantine Scrinis and Mr. Constantinos Liosatos) has provided an equity facility of up to \$1,000,000, which can be drawn down by the Company on agreed terms and as required by the Company. The facility is to be provided by way of a convertible loan to the Company and secured by way of a fixed and floating charge over the Company. The loan is convertible into shares in the Company at \$0.20 (20 cents) per share for a period of 12 months from 26 February 2004, subject to shareholders' approval. The convertible note facility bears interest at 8.95% to the extent that it is not converted. As at 30 June 2004 this facility was undrawn.

Other unpaid Directors' fees totalling \$50,000 at balance date comprised \$20,833 due to Mr. Samuel Kavourakis, \$14,583 due to Mr. Alan Brown and \$14,583 due to Mr. Cary Styne.

Other transactions with Directors or Director-related entities:

A number of directors of the Company, or their director-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

On 30 January 2004 shareholders approved the acquisition of Traffic Technology International Pty Ltd from Moonlighting Australasia Pty Ltd (a company associated with Mr. Constantine Scrinis, Mr. Constantinos Liosatos, Mr. Samuel Kavourakis and Mr. Alan Brown) for \$500,000 in consideration for the issue of 5,000,000 fully paid ordinary Shares in the Company.

The terms and conditions of the transactions with directors and their director-related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

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

		Consolidated 2004	Consolidated 2003	Company 2004	Company 2003
Director	Transaction	\$	\$	\$	\$
C Styne	Legal and business consulting fees	31,570	-	31,570	-

Amounts recognised at the reporting date in relation to loans from Director-related entities

	Consolidated 2004	Consolidated 2003	Company 2004	Company 2003
Payables (Current)	\$	\$	\$	\$
Payable to Moonlighting Australasia Pty Ltd	583,601	23,351	214,994	23,351
Payable to Astra Glen Pty Ltd	81,250	-	-	-
Payable to Contelite Pty Ltd	81,250	-	-	-
Unpaid Directors' fees	50,000	-	50,000	-
	<u>796,101</u>	<u>23,351</u>	<u>264,994</u>	<u>23,351</u>

Other transactions

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

TRAFFIC TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

22. RELATED PARTY TRANSACTIONS

Ultimate parent

Traffic Technologies Limited is the ultimate parent company.

Wholly-owned group transactions

Loans

During the financial year ended 30 June 2004 Traffic Technologies Limited made interest-free advances to its wholly-owned subsidiary entity Traffic Technology International Pty Ltd of \$10,000. This amount is repayable on demand.

23. SEGMENT INFORMATION

The consolidated entity has the following two geographical segments:

Geographical segments:

2004

	Asia \$	Australia \$	Total \$
Revenue			
External sales	74,570	40,296	114,866
Other segments	-	-	-
Total segment revenue	<u>74,570</u>	<u>40,296</u>	<u>114,866</u>
Unallocated revenue			-
Total revenue from ordinary activities			<u>114,866</u>
 Result			
Segment result	<u>44,570</u>	<u>(436,333)</u>	<u>(391,763)</u>
Unallocated expenses net of unallocated revenue			-
Loss from ordinary activities before income tax			<u>(391,763)</u>
Income tax expense			-
Loss from ordinary activities after income tax			<u>(391,763)</u>
 Segment assets and liabilities			
Segment assets	<u>74,205</u>	<u>880,734</u>	<u>954,939</u>
Unallocated assets			-
Total assets			<u>954,939</u>
Segment liabilities	<u>-</u>	<u>(924,262)</u>	<u>(924,262)</u>
Unallocated liabilities			-
Total liabilities			<u>(924,262)</u>
Net assets			<u>30,677</u>
 Acquisition of non current segment assets	-	(11,791)	(11,791)
Depreciation and amortisation of segment assets	-	(33,031)	(33,031)
Other non cash segment expenses	-	-	-
Net cashflow from operating activities	<u>-</u>	<u>(364,822)</u>	<u>(364,822)</u>

TRAFFIC TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

23. SEGMENT INFORMATION (Continued)

2003

	Asia \$	Australia \$	Total \$
Revenue			
External sales	-	4,216,340	4,216,340
Other segments	-	-	-
Total segment revenue	<u>-</u>	<u>4,216,340</u>	<u>4,216,340</u>
Unallocated revenue			-
Total revenue from ordinary activities			<u>4,216,340</u>
Result			
Segment result	<u>-</u>	<u>4,056,877</u>	<u>4,056,877</u>
Unallocated expenses net of unallocated revenue			-
Profit from ordinary activities before income tax			<u>4,056,877</u>
Income tax expense			-
Profit from ordinary activities after income tax			<u>4,056,877</u>
Segment assets and liabilities			
Segment assets	<u>-</u>	<u>-</u>	<u>-</u>
Unallocated assets			-
Total assets			-
Segment liabilities	<u>-</u>	<u>(77,560)</u>	<u>(77,560)</u>
Unallocated liabilities			-
Total liabilities			<u>(77,560)</u>
Net liabilities			<u>(77,560)</u>
Acquisition of non current segment assets	-	-	-
Depreciation and amortisation of segment assets	-	-	-
Other non cash segment expenses	-	-	-
Net cashflow from operating activities	<u>-</u>	<u>(273,595)</u>	<u>(273,595)</u>

Business segment

The company has one business segment being the provision of traffic management systems.

TRAFFIC TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

24. FINANCIAL INSTRUMENTS: INTEREST RATE RISK AND CREDIT RISK EXPOSURES

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues 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.

(b) Interest rate risk and exchange rate risk

The consolidated entity manages its exposure to interest rate and foreign currency fluctuations through a formal set of policies and procedures approved by the Board of Directors. The consolidated entity does not engage in any significant transactions that are speculative in nature.

Exposures of the consolidated entity to interest rate risks on financial assets and liabilities are summarised as follows:

2004	Non- interest Bearing \$	Floating Interest Rate \$	Total \$
Financial Assets:			
Cash	-	40,221	40,221
Receivables	132,682	-	132,682
	132,682	40,221	172,903
Financial Liabilities:			
Payables	922,559	-	922,559
	922,559	-	922,559
Weighted average interest rate	-	-	-
Net financial assets/ (liabilities)	(789,877)	40,221	(749,656)
<i>Weighted average interest rate</i>	-	1.52%	-

2003	Non- interest Bearing \$	Floating Interest Rate \$	Total \$
Financial Liabilities:			
Payables	77,560	-	77,560
Net financial assets/ (liabilities)	77,560	-	77,560
<i>Weighted average interest rate</i>	-	-	-

(c) Credit Risk

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with creditworthy counter-parties and obtaining sufficient "collateral" or other security, where appropriate, as a means of mitigating the risk of financial loss from default. The consolidated entity measures risk on a fair value basis. The carrying amount of financial assets recorded in the financial statements, net of any provision for losses, represents the consolidated entity's maximum exposure to credit risk, without taking account of the value of any collateral or other security obtained. The consolidated entity had no significant concentrations of credit risk with any single counterparty or group of counterparties.

(d) Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 of the financial statements.

TRAFFIC TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

25. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

The Company has commenced transitioning its accounting policies and financial reporting from current Australian standards to Australian equivalents of International Financial Reporting Standards (IFRS). The Company has, in consultation with its professional advisers, performed an assessment to identify key areas that will be impacted by the transition to IFRS. Set out below are the key areas where accounting policies will change and may have an impact on the consolidated entity's financial report. At this stage the Company has not been able to reliably quantify the impact on the financial report.

Classification of financial instruments

Under AASB 139 *Financial Instruments: Recognition and Measurement*, financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. This will result in a change in the current accounting policy that does not classify financial instruments. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been completed.

Goodwill

Under the Australian equivalent to IFRS 3 *Business Combinations* goodwill will no longer be able to be amortised but instead will be subject to annual impairment testing. This will result in a change in the group's current accounting policy under which goodwill is amortised on a straight-line basis over 10 years. Under the new policy, amortisation will no longer be charged, but goodwill will be written down to the extent it is impaired. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Impairment of assets

Under the Australian equivalent to IAS 36 *Impairment of Assets* the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the group's current accounting policy under which non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds the recoverable amount. Under the new policy it is likely that impairment of assets will be recognised sooner and that the amount of write-downs will be greater. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Share based payments

Under AASB 2 *Share Based Payments*, the Company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. Effects of this change in accounting policy is impracticable as the details of future equity based remuneration plans are unknown.

Income taxes

Under the Australian equivalent to IAS 12 *Income Taxes*, the consolidated entity will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet. It is not expected that there will be a material impact as a result of adoption of this standard.

TRAFFIC TECHNOLOGIES LIMITED
DIRECTORS' DECLARATION
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

In accordance with a resolution of the Directors of the Company, the Directors declare that:

1. The financial statements and notes of the Company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - a) giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2004 and of their performance for the financial year ended on that date; and
 - b) comply with Accounting Standards in Australia and the Corporations Regulations 2001; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the board

Samuel Kavourakis
Chairman

Melbourne
16 August 2004

TRAFFIC TECHNOLOGIES LIMITED
ASX ADDITIONAL INFORMATION
(AS AT 9 AUGUST 2004)

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows.

(a) Distribution of Equity Securities

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

			Ordinary Shares	
			Number of Holders	Number of Shares
1	-	1,000	2,624	481,040
1,001	-	5,000	141	279,075
5,001	-	10,000	10	73,245
10,001	-	100,000	43	1,750,747
100,001 and over			9	5,672,809
			2,827	8,256,916
Holdings less than a marketable parcel			-	-

(b) Twenty Largest Holders

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

			Ordinary Shares	
Name	Number	Percentage		
1. Astra Glen Pty Ltd	2,293,945	27.78		
2. Contelite Pty Ltd	2,293,945	27.78		
3. A & S Whiting Holdings Pty Ltd	203,005	2.46		
4. Axe Holdings Pty Ltd	203,005	2.46		
5. Cantoll Pty Ltd	195,426	2.37		
6. Darren Simpson & Associates Pty Ltd	159,697	1.93		
7. Mr. Michael & Mrs. Monica Nicholls	111,518	1.35		
8. Intersuisse Issues Pty Ltd	107,728	1.30		
9. Schil Investments Pty Ltd	104,540	1.27		
10. Mr. Scott Amos	95,548	1.16		
11. Cordell Nominees Pty Ltd	83,334	1.01		
12. Pricewaterhouse Coopers	79,610	0.96		
13. Commonwealth Custodial Services Limited	74,116	0.90		
14. Nigel Huggett & Associates Pty Ltd	72,270	0.88		
15. Mr. A. Scrinis	72,107	0.87		
16. Mr. Dawson N. Johns	56,980	0.69		
17. Mr. Anthony J Oxley	56,980	0.69		
18. Ms. Anne M. Gillies	56,730	0.69		
19. Joard Pty Ltd	55,108	0.67		
20. Mr. Bert Beijnon	43,368	0.57		
Total	6,422,960	77.79		

TRAFFIC TECHNOLOGIES LIMITED
ASX ADDITIONAL INFORMATION
(AS AT 9 AUGUST 2004)

(c) Substantial Shareholders (greater than 5%)

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

Ordinary Shareholders	Ordinary Shares	
	Number	Percentage
Astra Glen Pty Ltd	2,293,945	27.78%
Contelite Pty Ltd	2,293,945	27.78%

(d) Voting Rights

All ordinary shares carry one vote per share without restriction.

(e) Options

There were 1,700,000 options held by the Directors exercisable at \$0.20 (20 cents) per share expiring on 30 January 2009.

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF
TRAFFIC TECHNOLOGIES LIMITED



PITCHER PARTNERS

Scope

We have audited the financial report of Traffic Technologies Ltd and controlled entity for the financial year ended 30 June 2004 comprising of the Directors' Declaration, Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and notes to the financial statements.

The financial report includes the consolidated financial statements 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. The company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and Corporations Act 2001 so as to present a view which is consistent with our understanding of the company's and consolidated entity's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Traffic Technologies Limited is in accordance with:


- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Inherent Uncertainty Regarding Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As indicated in Note 1 (c) to the financial statements, Going Concern Basis of Accounting, the continuing viability of the consolidated entity and its ability to continue as a going concern and meet its debts and commitments as they fall due is dependent upon continued financial support being maintained by Director-related entities. Without such continued financial support, there is significant uncertainty as to whether the consolidated entity will be able to continue as a going concern and it may become necessary for it to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial statements.

Dated at Melbourne on 16 August 2004


PITCHER PARTNERS


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Partner



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