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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

- ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended June 30, 2010

OR

- TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File No. 0-51838

Global Traffic Network, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

33-1117834

(I.R.S. Employer Identification No.)

880 Third Avenue, 6th Floor
New York, New York 10022

(Address of principal executive offices)(Zip Code)

(212) 896-1255

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class:
Common Stock, \$.001 par value

Name of Each Exchange
 on which Registered:
The Nasdaq Stock Market

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company
 (Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of common stock held by non-affiliates of the registrant was approximately \$43.4 million as of December 31, 2009 (the last business day of the registrant's most recently completed second quarter), assuming solely for the purpose of this calculation that all directors, officers and more than 10% stockholders of the registrant are affiliates. The determination of affiliate status for this purpose is not necessarily conclusive for any other purpose.

As of September 13, 2010, the registrant had 18,466,824 shares of common stock outstanding.

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Part I

Item. 1 Business

Our Company and Its Subsidiaries

Global Traffic Network, Inc. (“Global Delaware”) was a Delaware corporation formed on May 16, 2005 to be a holding company. On December 12, 2007, Global Delaware formed a wholly owned subsidiary, Global Traffic Network, Inc., a Nevada corporation (“Global Nevada”), for the purpose of changing Global Delaware’s state of incorporation from Delaware to Nevada. The re-incorporation was completed on February 26, 2008 when Global Delaware merged with and into Global Nevada, with Global Nevada remaining as the surviving corporation. All references in this report to “we”, “us”, “our”, “our company” and “the Company” pertain to Global Delaware for time periods from its formation until the merger and to Global Nevada for time periods following the merger. Our direct and indirect wholly-owned subsidiaries include The Australia Traffic Network Pty Limited, an Australian proprietary company organized on June 20, 1997 and registered under the Corporations Act of Australia, Global Traffic Canada, Inc., a Delaware corporation incorporated on May 20, 2005, Canadian Traffic Network ULC, an Alberta business corporation formed on July 5, 2005, Global Traffic Network (UK) Limited, a private company limited by shares incorporated in England and Wales on October 19, 2006, Global Traffic Network (UK) Commercial Limited, a private company limited by shares incorporated in England and Wales which we acquired effective March 1, 2009 (formerly The Unique Broadcasting Company Limited) and Mobile Traffic Network, Inc., a Nevada corporation incorporated on March 7, 2008. We refer to these entities throughout this report as “Australia Traffic Network”, “Global Canada”, “Canada Traffic Network”, “UK Traffic Network”, “UK Commercial Traffic Network” and “Mobile Traffic Network”, respectively.

Prior to our initial public offering, Australia Traffic Network, our wholly-owned Australian operating subsidiary, was a separate entity controlled by the same shareholder base that controlled us immediately prior to such initial public offering. On March 23, 2006, the effective date of our initial public offering, and pursuant to a Securities Exchange Agreement (the “Securities Exchange Agreement”) dated December 13, 2005 among us, Australia Traffic Network and the holders of all of the outstanding ordinary shares of Australia Traffic Network, we exchanged 4,000,000 shares of our common stock and issued an aggregate of \$1.4 million in promissory notes to the shareholders of Australia Traffic Network for all of the outstanding ordinary shares of Australia Traffic Network. We refer to this transaction throughout this report as the “Share Exchange.” As a result of the Share Exchange, Australia Traffic Network became our wholly-owned subsidiary. The promissory notes issued in the Share Exchange (the “Share Exchange Notes”), which were intended to cover the estimated tax consequences to the Australia Traffic Network shareholders of the Share Exchange, were paid in their entirety on March 29, 2006, the closing date of our initial public offering, out of the net proceeds from the initial public offering.

References in this report to time periods prior to the May 16, 2005 establishment of Global Traffic Network, Inc. pertain solely to operations of Australia Traffic Network.

Overview of Our Business

We provide traffic and news information reports to radio and television stations in international markets. We are the largest provider of traffic information reports to radio stations in Australia, Canada and the United Kingdom. We also provide television traffic reports in Australia and Canada, radio entertainment news reports in the United Kingdom, news information reports to radio stations in Canada and we believe that we maintain the largest inventory of commercial advertising embedded in radio news reports in Australia. We derive the substantial majority of our revenues from the sale to advertisers of commercial advertising inventory embedded within these information reports. We obtain our advertising inventory from radio and television stations in exchange for providing them with information reports and/or cash compensation. We provide broadcasters in international markets a cost-effective alternative to gathering and delivering their own traffic and news information reports and offer advertisers an efficient, broad-reaching alternative to that offered by traditional radio and television stations. In the United Kingdom, in addition to the sale of commercial advertising inventory, we also generate revenue by providing services to the Highways Agency under a Traffic Radio Services Contract that is discussed below under “UK Traffic Network.”

- *Australia Traffic Network.* We began providing traffic reports to radio stations in Australia in 1997 and currently deliver traffic reports to radio stations and traffic reports, video and other services to television stations in Australia. In July 2005, we began leveraging our radio traffic reporting services as a platform to launch advertising embedded in news reports on radio stations in Australia.

According to AC Nielsen, our Australian information reports have a weekly reach of approximately 9.0 million radio listeners (ages ten and over), which represents approximately 100% of the commercial radio listeners, and approximately 7.1 million television viewers (ages 13 and over), which represents over 50% of the commercial television viewers, in each case throughout the five major Australian markets.

The number of Australian network affiliate stations from which we receive advertising inventory and the number of Australian markets in which we operate are set forth below:

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Australia	Number of Affiliate Stations	Number of Markets
Radio traffic reports	82	19
Radio news reports	26	7
TV reports	14	7

We also provide traffic reports to approximately 74 stations on the ABC radio network, which is the public, non-commercial radio network in Australia. Although we are acknowledged as the source of the traffic reports we provide to the ABC stations, the stations are not included in the table above or any other analysis contained in this report because we receive no advertising inventory from the ABC stations due to the non-commercial nature of their broadcast operations.

We conduct our Australian business operations through Australia Traffic Network, which became our wholly-owned subsidiary as a result of the Share Exchange.

- Canadian Traffic Network.* We began delivering traffic reports to radio stations in Canada in December 2005 and we currently deliver traffic and/or news information reports to approximately 84 radio stations and four television stations. Effective April 2, 2007, we acquired substantially all of the assets of Wise Broadcasting Network Inc., after which we commenced providing news, weather, sports and business information reports to radio stations on a limited basis. This information is primarily aggregated from third parties that we compensate. According to BBM Canada, the Canadian industry consortium for audience ratings, our Canadian information reports have a weekly reach of approximately 12.8 million radio listeners (ages 18 and over), which represents approximately 47% of the commercial radio listeners in the markets we serve. BBM has recently replaced the traditional diary method of audience measurement with the portable people meter, an electronic measurement in five of our largest markets. This has caused significant changes in the estimate of audience and thus the current audience estimates for our Canadian operations may not be comparable to previously published estimates. Our TV Network in Canada has a weekly reach of more than 2.6 million television viewers (ages 18 and over), which represents approximately 9% of commercial television viewers in Canada.

The number of Canadian network affiliate stations from which we receive advertising inventory and the number of Canadian markets in which we operate are set forth below:

Canada	Number of Affiliate Stations	Number of Markets
Radio traffic reports	71	8
Radio news, sports, business and weather reports	23	2
TV reports	4	4

We intend to add TV reports in our remaining Canadian markets should opportunities present themselves.

We conduct our Canadian business operations through Canadian Traffic Network, our indirect wholly-owned subsidiary.

- UK Traffic Network.* On March 1, 2009, our wholly owned subsidiary UK Traffic Network acquired all the outstanding share capital of The Unique Broadcasting Company Limited (“Unique”) from UBC Media Group plc (“UBC”), for a total purchase price of approximately £11.2 million (approximately \$16.5 million), including amounts paid to satisfy a closing date working capital adjustment and in settlement of contingent cash “earn-out” compensation that UBC would have been entitled based upon the financial performance of the acquired business during the 2009, 2010 and 2011 calendar years. Unique housed UBC’s Commercial Division operations that supplied traffic and travel information and entertainment news information to radio stations in the United Kingdom in exchange for commercial airtime inventory that is then sold to advertisers. The acquisition was accomplished through the purchase of the entire share capital of Unique, which we have subsequently renamed Global Traffic Network (UK) Commercial Limited (“UK Commercial Traffic Network”).

We currently provide radio traffic reporting services and/or radio entertainment news reports to approximately 273 radio stations in the United Kingdom. According to RAJAR, our information reports have a weekly reach of approximately 24 million commercial radio listeners aged 15 and over, representing approximately 76% of all commercial radio listenership. Currently, we only sell advertising embedded in our traffic and entertainment news reports on a national basis.

The number of United Kingdom network affiliate stations from which we receive advertising inventory is set forth below:

United Kingdom	Number Of Stations
Radio traffic reports	273
Radio entertainment news reports	137

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Prior to the Unique acquisition, substantially all of our United Kingdom revenue was produced under a Traffic Radio service contract with the United Kingdom's Highways Agency, which is an executive agency of the United Kingdom Department for Transport responsible for operating, maintaining and improving the strategic trunk road network in England on behalf of the Secretary of State for Transport. Under the terms of the agreement, which became effective July 1, 2008, UK Traffic Network provides traffic radio reports via digital audio broadcasting stations throughout England, with a possible expansion of the service to Scotland, Wales and Northern Ireland. The initial contract term is through September 2011, subject to a possible extension by the Highways Agency through the summer of 2012, during which London is scheduled to host the 2012 Summer Olympic Games. The annual revenue associated with the contract at June 30, 2010 is approximately £2.4 million (or approximately \$3.6 million at June 30, 2010 exchange rates) and the maximum revenue associated with the contract, assuming the expansion of service to all markets for the maximum contract period of 50 months, is approximately £14 million (or approximately \$20.9 million at June 30, 2010 exchange rates). Although similar to our core business in that it involves broadcasting traffic reports over radio stations, our contract with the Highways Agency differs in that it is not advertising supported. Rather we are paid a fee by the Highways Agency to provide our Traffic Radio service.

Our commercial advertising inventory, which is primarily comprised of ten second advertising spots embedded in information reports that are broadcast on radio or television, is generally sold as advertising packages on a local, regional or national network basis. Our commercial advertising inventory in the United Kingdom currently differs in that it is generally 20 to 60 seconds in length (with 30 seconds and 40 seconds being the most prevalent length) and is only sold on a national basis. We market our advertising packages on a percentage-based rotation. Each advertiser receives its pro rata share of our aggregate advertising inventory, which airs primarily during prime morning and afternoon drive periods. Because we consolidate our commercial advertising inventory exclusively on a network basis, rather than station by station, we are able to offer advertisers a cost-effective, broad-based advertising vehicle that reaches mass audiences. Since July 1, 2009, our advertising customers have included nine of the top ten Australian advertisers and 18 of the top 20 global advertisers, each as published by AdvertisingAge.

We formed Mobile Traffic Network to pursue business opportunities related to a mobile phone passive alerting technology. The technology is designed to provide location aware information, for instance traffic reports, that can be disseminated to users based on their proximity to the content of the report (for example, a report may be sent as a subscriber approaches a traffic incident or a sponsor location). Where applicable, information can be disseminated to users in the form of audio files, which are automatically played, obviating the need for users to interact with their mobile phones in any manner. To date, Mobile Traffic Network's operations have generated insignificant revenue.

Industry Background and Trends

Radio and television stations generally attempt to attract listeners and viewers by selecting a style of programming that appeal to a target listening or viewing audience. Although there are many programming formats, broadcasters across a variety of formats recognize that traffic and news reports appeal to a wide range of audiences. Because there can be substantial expenses involved in preparing and delivering traffic and news reports, many broadcasters have elected to outsource the preparation and delivery of these reports to third parties that specialize in packaging such information. Outsourcing companies are often able to provide better information in a more cost-effective manner, which allows broadcasters to focus on improving service to its listeners or viewers, reduce costs, and improve profitability.

The media advertising market has experienced many changes and innovations in recent years, particularly the introduction and rising popularity of non-traditional media outlets such as internet, broadband wireless, cable television, satellite television and radio, as well as consumer products, such as portable digital audio players, personal digital video recorders and mobile telephones. Although advertisers continue to seek out radio and television audiences, audiences are more fragmented and traditional broadcasters increasingly compete with these additional media platforms. This trend has resulted in more mature advertising markets with limited or no growth, which increases the pressure on traditional broadcasters to manage their operations and expenses in a cost-effective manner.

The fragmentation of media markets also poses a challenge to advertisers. Although innovations in non-traditional media provide advertisers with additional platforms with which they can reach consumers, the rising number of media platforms creates increasingly segmented audiences that make it difficult for advertisers, especially large companies that rely on national or global brand recognition, to reach the broad-based audiences that they desire. Advertisers are increasingly looking for a return on investment for each advertising dollar spent that is generally measured by the audience reach of their chosen advertising media and the advertisers' target demographics within those media.

We believe that the advertising markets in the countries in which we operate are up slightly from the previous fiscal year when taken in aggregate. Nonetheless, our advertising revenue for the fiscal year ended June 30, 2010 (when measured in local currencies) exceeded revenue from the fiscal year ended June 30, 2009 in all the markets in which we operate and we believe that our revenue growth rate significantly exceeded that of each of the markets in which we operate.

Our Business Model, Products and Services

We are well positioned to capitalize on the desire of radio and television broadcasters to deliver traffic information to audiences in a cost-effective manner and the desire of advertisers to reach a broad, demographically diverse audience using the traditional media of radio and television.

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We believe that our business model addresses the needs of multiple constituencies. We are the largest provider of traffic information reports to radio stations in Australia, Canada and the United Kingdom and we believe that we maintain the largest inventory of commercial advertising embedded in radio news reports in Australia. Our large inventory of network-based advertising allows advertisers to reach a broad, demographically diverse audience using the traditional media of radio and television. For broadcasters, we facilitate the delivery of traffic and news information to audiences in a cost-effective manner.

We embed our advertisements within information reports such that advertisers' messages are broadcast along with regularly scheduled programming primarily during peak morning and afternoon drive times when a majority of the radio audience is listening. Because the advertisements within the information reports are generally read live by on-air broadcasters (except in the United Kingdom, where they are pre-produced) and the reports are actively sought out by listeners, we believe the advertisements embedded in the information reports are less likely to be avoided by a listener or viewer changing stations or "tuning out" than traditional advertising messages.

The radio stations that receive radio traffic reports and radio news reports become members of our Radio Network. Likewise, the television stations that receive TV reports become members of our TV Network. Collectively, we refer to members of these networks as our network affiliates.

Preparation of Information Reports

We gather traffic data utilizing our information-gathering infrastructure which includes helicopters, airplanes, scanners, station listener lines and cellular phones. Traffic information is also gathered through various government-based traffic tracking systems and other services, including remote camera systems positioned at strategically located ground positions. The information is processed, written into broadcast copy and entered into computer systems by local writers and producers. Professional broadcasters then read the customized reports on the air. Our TV reports are compiled using a similar infrastructure, which is supplemented in certain markets by video footage obtained from remote omni-directional camera systems that are positioned on our aircraft. In the United Kingdom, substantially all our radio station traffic network affiliates receive their information from a third party that we compensate. With the exception of the use of aviation, this third party uses substantially the same information gathering techniques that we do.

We currently obtain our Australian radio news advertising inventory from our news network affiliates in exchange for cash compensation. References to the provision of news reports in Australia throughout this report refers to our purchase from radio stations of news advertising inventory embedded in news reports that we then make available to our advertisers. A substantial portion of our radio news information in Canada is purchased from a third party wire service.

We purchase our radio entertainment news information in the United Kingdom from a third party that provides the information reports directly to radio stations for broadcast in which our advertising commercials are embedded.

Our information-gathering infrastructure and the flexibility created by our ability to collect traffic information and thereby provide our services 24 hours per day, seven days per week in certain markets to our network affiliates enables us to respond to changing conditions and enables our network affiliates to provide their listeners with accurate and up-to-the-minute news and traffic information. For example, responding to numerous radio and television station requests we have provided video coverage and reports on the May 2010 M5 tunnel collapse in Sydney, the March 2010 Queensland floods and the landslide in Oliver, British Columbia in June 2010 to radio and television stations throughout our markets and the world.

As a result of our extensive network of operations and broadcasters, we often report important news stories and provide our network affiliates with live coverage of these stories. We are able to customize and personalize our reports of breaking stories using our network affiliates' call letters from the scene of news events.

We believe that our aircraft and other information-gathering technology and broadcast equipment enable us to provide high quality programming, and to retain and expand our base of network affiliates. The table below outlines our fleet of owned and leased aircraft.

	United Kingdom		Australia		Canada	
	Leased	Owned	Leased	Owned	Leased	Owned
Fixed Wing Aircraft	0	2	0	1	2	0
Helicopters	0	0	0	4	0	7

We currently utilize 13 broadcast studios in Australia, seven broadcast studios throughout Canada and three broadcast studios in the United Kingdom. In addition, our out-source traffic provider in the United Kingdom operates approximately six broadcast studios throughout the United Kingdom.

Delivery of Our Information Reports

We provide daily scheduled customized information reports to network affiliates. Our information reports in Australia and Canada generally utilize our own on-air broadcasters. In the United Kingdom, however, we generally either utilize pre-produced traffic reports voiced by our out-source provider's broadcasters or our out-source provider furnishes traffic information to our radio network affiliates that use such information to produce their own traffic reports. We customize our information reports to meet each network affiliate's requirements as to the number of reports broadcast per day, the time of the broadcast, the length and content of the report, including the geographic area covered by the report. We typically work closely with our network affiliates' program directors, news directors, and general managers to ensure that our information reports meet their specifications and quality standards. Our network affiliates participate in the selection of the on-air broadcasters for their stations to ensure that each broadcaster's style is appropriate for their

stations' formats. Our broadcasters often become integral "on-air personalities" on our network affiliates' stations as a result of their on-air presence and interaction with the stations' on-air personnel. In order to realize operating efficiencies, we endeavor to utilize our professional broadcasters on multiple stations within a particular market. Generally, each of our broadcasters delivers information reports to between two and four of our network affiliates, although we do provide exclusive talent for certain network affiliates or commonly owned network affiliates.

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Due to the customized nature of our information reports and the fact that we do not require network affiliates to identify us as the supplier of the information reports, each network affiliate may present the information reports we provide as if the network affiliate had generated such information report with its own resources. As a result, multiple network affiliates in a single market may intimate that the helicopters, fixed-wing aircraft and on-air broadcasters are those of the network affiliate.

Significant Network Affiliates

Austereo Pty Limited (“Austereo”). Austereo, one of our Australian network affiliates, is the largest radio broadcaster in Australia and, as of June 30, 2010, provided us with approximately 20% of our Australian radio commercial advertising inventory. When sold to advertisers, this commercial advertising inventory accounts for a material amount of our Australian revenues. This radio commercial advertising inventory is supplied pursuant to a four year agreement effective July 1, 2008 under which we provide regularly-scheduled radio traffic reports to, and receive radio traffic report and radio news report inventory from, ten Australian radio stations operated by Austereo in Sydney, Melbourne, Brisbane, Adelaide and Perth.

Australian Radio Network Pty Limited (“ARN”). ARN, another large radio broadcaster in Australia, provided us approximately 16% of our Australian radio commercial advertising inventory as of June 30, 2010. This inventory is provided under an agreement to provide traffic reporting services through June 2012 to eleven ARN stations in Sydney, Canberra, Melbourne, Brisbane and Adelaide and a two year agreement effective February 1, 2009 to acquire news radio commercial advertising inventory from eight ARN stations in Sydney, Melbourne, Brisbane and Adelaide.

In addition, ARN and Austereo operate various joint ventures in Canberra (included above) and Newcastle. Stations under these joint ventures not included above account for approximately an additional 1% of our commercial advertising inventory in Australia.

Corus Entertainment Inc. (“Corus”). Effective January 1, 2009, we entered into a three year agreement with Corus, one of the largest radio broadcasters in Canada, to provide radio traffic reports on 24 radio stations throughout seven Canadian markets. Currently we service 22 radio stations under this agreement as Corus ceased broadcasting on two of the contracted stations. Corus’ stations accounted for approximately 49% of our Canadian advertising inventory (excluding regional suburban stations) as of June 30, 2010. We currently provide traffic reporting services to 23 Corus radio stations.

GCAP Media Services Limited (“Global”). We provide traffic reporting services and receive radio commercial advertising inventory on 81 Global radio stations throughout the United Kingdom pursuant to a two year agreement that commenced November 17, 2008. These Global radio stations accounted for approximately 17% of our United Kingdom radio traffic advertising inventory as of June 30, 2010 and approximately 27% of the traffic network’s advertising delivery “impacts.”

Bauer Radio Limited (“Bauer”). We provide traffic reporting services to, and receive radio commercial advertising inventory on, 42 Bauer radio stations throughout the United Kingdom pursuant to the terms of an agreement that expired August 31, 2010. The Bauer radio stations accounted for approximately 15% of our United Kingdom radio traffic advertising inventory as of June 30, 2010 and approximately 26% of the traffic network’s impacts. We also provide entertainment news reporting services to, and receive radio commercial advertising inventory on, 42 Bauer radio stations throughout the United Kingdom pursuant to the terms of an agreement that expired August 31, 2010. Pending negotiation and execution of a renewal of our agreements with Bauer, we have continued to provide service to and receive inventory from Bauer under the terms of the expired agreements. The Bauer radio stations accounted for approximately 30% of our United Kingdom radio entertainment news advertising inventory as of June 20, 2010 and approximately 43% of our entertainment news network’s impacts. Bauer is paid variable compensation based on the sale of impacts corresponding to the Bauer stations.

Generating Revenue Through Advertising Sales

In exchange for our information reports and/or, for certain broadcasters, cash compensation, our network affiliates provide us with commercial advertising inventory that we sell to advertisers. Although we also sell our commercial advertising inventory directly to advertisers, a majority of our advertising revenue is placed through advertising agencies engaged by the advertisers. With the exception of standard agency commissions, we do not believe there is a material effect on our business when receiving orders for advertising placed through agencies versus those placed directly by advertisers.

The typical radio advertisement on our Radio Network consists of a ten second commercial message presented as the final segment of a regularly scheduled information report. We package our commercial advertising inventory on a network basis, covering all of our network affiliates in relevant markets, and sell this inventory as advertising packages on a local, regional or national network basis, except in the United Kingdom where advertising packages are sold only on a national basis. In addition, our commercial advertising inventory in the United Kingdom currently differs from our typical radio advertisement in that it is generally 20 to 60 seconds in length, with 30 seconds and 40 seconds being the most prevalent length. We run our advertising packages on a percentage-based rotation such that each advertiser receives its pro rata share of advertisements sold by us for broadcast on all of our network affiliates’ stations throughout the relevant market or markets, primarily during prime morning and afternoon drive periods.

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Similar to our typical radio advertisements, advertisements on our TV Network generally consist of ten second commercial messages immediately following regularly scheduled information reports. Typically, our TV reports and the commercial messages that follow them are broadcast live by an on-camera announcer wearing a shirt bearing the advertiser's logo. The advertisers' logo and/or a pre-submitted visual advertising message also generally appear at the bottom of the television screen throughout the report.

Advertising on a Network Basis. Because we have numerous network affiliates in each of our markets, we believe that sponsorship package advertisements enable advertisers to reach more listeners, more often, with a higher impact than can be achieved through other advertising media. Due to our large base of network affiliate stations and the audience reach it provides, we offer advertisers the opportunity to reach a broad-based local, regional or national audience through a single purchase of commercial advertising inventory from us. Currently in the United Kingdom, our traffic and entertainment news service is sold on a national basis only. Our plan is to sell advertising associated with our United Kingdom operations on a regional basis in the future. However, certain of our contracts with United Kingdom network affiliates prohibit the sale of their advertising inventory on anything other than a national basis and, as a result, we may be unable to do so. Because we sell our radio commercial advertising inventory exclusively on a network basis, rather than station by station, we do not believe our advertising products compete directly with those offered by our local radio station network affiliates.

Our Customer Base of Advertising Clients. Due to the number of our markets, our reach within each of these markets and the range of services that we provide, we have garnered a broad base of advertising clients in a diverse group of industries, which since July 1, 2009 have included nine of the top ten Australian advertisers and 18 of the top 20 global advertisers, each as published by AdvertisingAge. Examples of our larger and higher profile advertising customers in Australia, Canada and United Kingdom include the following companies:

Australia	Canada	United Kingdom
<ul style="list-style-type: none"> • Holden Motors Dealers • McDonalds • RTA • Target Australia • Virgin Blue Airways • Woolworths 	<ul style="list-style-type: none"> • Canadian Direct Insurance • General Motors • McDonalds • Telus Corporation • Wal-Mart Canada • Western Canada Lottery 	<ul style="list-style-type: none"> • Carbon Trust • Direct Line • Kwik Fit • Mercedes • Skoda • Volkswagen

Although many large advertisers utilize our advertising platform, we maintain a broad and diverse customer base. No one advertiser comprises more than 6% of our revenue base and our top ten advertising customers represent only 28% of our overall advertising sales. However, three unrelated groups of advertising agencies that each represent a number of the Company's clients in Australia, United Kingdom and Canada constituted approximately 26%, 12% and 11%, respectively, of the Company's revenues for the year ended June 30, 2010 and approximately 26%, 10% and 10%, respectively, of the Company's net accounts receivable as of June 30, 2010. Another advertising agency that represents a number of the Company's clients in Australia only constituted approximately 12% of the Company's revenues for the year ended June 30, 2010 and approximately 9% of the Company's net accounts receivable as of June 30, 2010. In addition to the aforementioned agencies, it is likely other advertising agencies may exceed 10% of our net revenues and/or 10% of our net receivables in the future based on the current billing levels of certain agencies. In the United Kingdom, substantially all our advertising related net revenues come from five agency groups (including one agency group placing in excess of 50% of our United Kingdom advertising net revenues for the year ended June 30, 2010); therefore our concentration of revenue by agency is greater in the United Kingdom market than for our Company as a whole.

Many of our larger advertising clients market their products by leveraging regional, national or global brands. Because our network-based advertising can reach broad-based, regional or national audiences, our advertising sponsorship packages appeal to these large, recognizable companies that seek a broader demographic reach than the narrow, specific demographic audience that individual radio stations generally deliver. Part of our operating strategy involves replicating our business model in additional international markets that will allow advertisers to reach major population centers around the world. We believe the appeal of our network-based advertising to customers with global brands will continue to increase as we expand the reach of our radio and television networks.

Our Sales Force. We maintain an advertising sales force throughout Australia, Canada and the United Kingdom, located in markets where we have operation centers. Our advertising sales force sells available commercial advertising inventory throughout their national markets in addition to selling such inventory in their local market, which we believe affords our sales representatives an advantage over certain of their competitors. For example, an advertiser can purchase commercial advertising inventory in multiple markets from the sales representative in the locale in which the advertiser is headquartered. Our advertising sales force in Australia is comprised of approximately 22 sales representatives and managers. The number of sales representatives in an individual market ranges up to 10 depending on the size of the market and the number of potential national and regional advertising clients headquartered in the market. Specialized programs and marketing campaigns, which support nationwide sales and other special forms of advertising, are managed from our Australian headquarters in Sydney. In Canada, we currently have a corporate and sales office in Toronto and marketing offices in Montreal, Vancouver, Edmonton and Calgary, as well as U.S. based sales representatives. Our Canadian sales force, including sales management, currently consists of approximately 17 people. We intend to continue to expand our Canadian sales force as our operations expand. Our United Kingdom sales staff, including sales management, currently consists of approximately seven employees located in London and we intend to expand the sales staff further in the future.

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Although the majority of our advertising customers execute their purchase of commercial advertising inventory from our sales force through advertising agencies as a matter of course, we have historically focused on maintaining direct relationships with our advertising customers. We believe that maintaining direct relationships with our advertisers helps ensure that our relationships remain intact when advertising agency changes occur.

Our Strategy

Our objective is to become the leading aggregator of premium radio and television advertising inventory in the markets we serve. Key elements of our strategy include:

- *Expand the geographic markets we serve.* We began our operations in Australia in 1997, commenced operations in Canada in December 2005, began broadcasting in the United Kingdom in October 2007 and completed the Unique acquisition in the United Kingdom in March 2009. We intend to continue to expand the geographic scope of the markets in which we operate, targeting markets that have: (i) large population clusters in tight geographic areas; (ii) a free market advertising culture similar to the United States; and (iii) established information centers for traffic data. We intend to leverage our existing customer base of global marketers to sell our advertising inventory in the new markets that we enter, enabling advertisers to efficiently, effectively and economically reach major population centers.
- *Increase the number of network affiliates using our radio traffic reports within existing markets.* Although we currently operate in eight of the largest population centers in Canada, we believe that there are substantial opportunities for continued growth in our Canadian radio network. We are currently exploring and plan to enter the remaining large markets in Canada that we find to be economically feasible. In addition, because our operations in Canada are still at a relatively early stage, there is significant opportunity for growth by adding network affiliates in our existing markets. While we continue to seek opportunities for growth in our other existing markets, our radio network penetration in Australia and United Kingdom make it unlikely that we will add significant additional stations utilizing our traffic reports in those markets.
- *Accumulate additional advertising inventory by continuing to expand the scope of our information reports.* We intend to leverage our established relationships with broadcasters in the Australian, Canadian and United Kingdom markets by continuing to expand the scope of our information reports.

Radio News Reports. We believe that consolidation in the radio industry may increase the demand for our radio news reports as radio station owners are likely to increase their outsourcing of various programming elements in order to lower costs. We plan to focus on increasing the number of radio stations broadcasting our radio news reports within our current markets, either by providing the service ourselves or purchasing the radio stations' embedded news advertising availabilities. We believe this will in turn increase our commercial advertising inventory, expand our audience reach and result in increased revenue from the sale of such inventory.

TV Reports. We have developed an infrastructure of airborne video surveillance and broadcast equipment. In addition, through agreements with various governmental agencies, we have access to over 1,500 static mounted traffic surveillance cameras in Australia and approximately 450 static mounted surveillance cameras in Canada. We use this infrastructure to offer traffic and breaking news reports to our television broadcasters and currently provide service to 14 television stations in seven Australian markets and four television stations in four Canadian markets. In many of our television markets, we provide TV reports that include proprietary video coverage from our helicopters that can cover news stories and traffic conditions at any time, subject to weather conditions and air traffic control restrictions. In addition, our access to strategically located fixed-position ground-based camera systems offer allow us to provide our network affiliates coverage of crucial traffic arteries. We intend to expand our TV reports to additional network affiliates in our Australian and Canadian markets, which would provide us with additional advertising inventory. We may also provide a similar television product to television stations in the United Kingdom although we have not yet explored the feasibility of doing so.

- *Continue to strengthen marketing, sales and inventory management operations.* We continue to implement new operating strategies to increase revenue growth and drive profitability. In order to increase the percentage of our commercial advertising inventory sold in Australia and Canada, we have: (i) increased our sales force and acquired extensive research and sales and marketing materials; (ii) hired additional sales managers to better manage the activities of our sales representatives; and (iii) automated our commercial advertising inventory management system to improve inventory control and pricing. We are continuing the process of combining the "best practices" of our Australian and Canadian operations with those of our recently acquired United Kingdom operations.
- *Grow our business through strategic acquisitions.* Historically, our expansion strategy has focused on organic growth. Although we expect that organic growth will continue to be a significant source of expansion, we also intend to explore growth through the acquisition of businesses that have strong relationships with broadcasters which we can leverage. For example, in April 2007, our Canadian operations acquired substantially all the assets of Wise Broadcasting Network Inc. In March 2009, we completed our acquisition of Unique, which provided radio traffic services to approximately 230 radio stations and entertainment news services to approximately 125 radio stations in the United Kingdom.

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Corporate Structure

Sales and Marketing. Our sales operations in Australia and Canada have been organized into marketing regions. A region generally has a Regional Sales Manager who oversees a sales staff charged with reaching sales goals. The Regional Sales Manager also is responsible for the direct selling of commercial advertising inventory to advertisers. A National Director of Sales has oversight responsibility for the Regional Sales Managers and maintains a selective listing of significant advertisers. By requiring the Regional Sales Managers and the National Director of Sales to maintain advertising clients in addition to their management responsibilities, we believe that our managers remain better apprised of advertising conditions. The National Director of Sales reports to the President of Australia Traffic Network, who also serves as our International Director of Sales and Training. In Canada, our Regional Sales Managers report to our National Director of Sales, who in turn reports to our International Director of Sales and Training. Our sales operations in the United Kingdom are located in London, with the sales staff reporting to the Sales Manager who, in turn, reports to the Chief Operating Officer of UK Commercial Traffic Network.

Operations. Each of our Australian and Canadian markets is overseen by a Director of Operations who is responsible for all aspects of the day-to-day operations in a defined market or markets. Each Director of Operations is responsible for supervising all of the broadcasters, airborne reporters, producers, editors, and writers in such Director's operation center. Moreover, the Director of Operations is responsible for maintaining day-to-day relations with network affiliates and pursuing relationships with unaffiliated stations. In addition, we employ a National Director of Operations in Australia and Canada who supervise the Directors of Operations in their country and who reports to the President of Australia Traffic Network and the President of the Canadian Traffic Network. The President of Australia Traffic Network and the President of the Canadian Traffic Network report to our Chief Executive Officer and President. In the United Kingdom, our entertainment news and the majority of our traffic reporting are outsourced to third parties. These third parties report to either the Chief Operating Officer of UK Commercial Traffic Network or the managing director of UK Traffic Network, depending on the situation. Our Highways Agency operations are managed in manner similar to our operations in Australia and Canada, with the manager of the contract reporting to senior management of UK Traffic Network. The Chief Operating Officer of UK Commercial Traffic Network and managing director of UK Traffic Network report to our Chief Executive Officer and President.

Competition

We market our information reports to radio and television stations in Australia, Canada and the United Kingdom, where we face various sources of competition in providing our information reporting services. We believe that single market operators and groups of stations (whether or not under common ownership) that prepare and deliver their own traffic and news reports comprise our primary competition. We also face competition in Canada from Skywords, Inc., a company that provides information reporting services in exchange for network-based advertising spots using a business model similar to ours. Consolidation in the radio and television markets may create additional opportunities and economies of scale for large radio and/or television groups to provide their own services, which would pose greater competition for us. In addition to providers of broadcast reports, there are also alternative means of compiling traffic information and delivering such information to the public. Several companies throughout the world generate speed and travel time data through various technologies, including the tracking of cell phones and tracking truck fleet data. In addition, certain governmental agencies, including some state, provincial and local departments of transportation, generate selected traffic flow data through strategically positioned cameras and/or sensors that monitor traffic flow, which could be used by our competitors or accessed by consumers. Most of these traffic systems and cameras, however, were built for purposes such as infrastructure planning, road operation and road safety, and were not designed to provide real-time traffic flow information to consumers and do not provide information reporting services in a manner that engages radio listeners and television viewers. As such, we do not believe such services are directly competitive with the information reporting services we provide. However, others may view these alternative sources of traffic data as competitors, and as demand for traffic information services and technologies increase, we expect that additional new competitors may enter the market in the future.

Competitive factors in international markets will vary from market-to-market and may change over time. We believe that most European markets lack competitors that aggregate traffic information for radio and television broadcasters, and we do not believe that any companies currently provide traffic reports in exchange for advertising inventory outside of the United Kingdom. As such, we believe this is an optimal time to explore expansion into certain European markets.

We also face competition in the sale of our commercial advertising inventory. While we compete for advertising dollars with radio and television stations, including our network affiliates, we do not believe we compete directly with such radio stations because we position our advertisements within the framework of our information reports and sell our radio commercial advertising inventory to our advertisers on a network basis. In the United Kingdom, Independent Radio News Limited operates a model similar to ours, with the primary difference being the advertising messages are attached to newscasts rather than traffic reports. In addition to radio and television stations and networks, we compete for advertising dollars with other media, including local print and other forms of communications media including newspapers, magazines, outdoor advertising, transit advertising, internet advertising, direct response advertising, yellow page directories, mobile advertising and point-of-sale advertising, among others.

Environmental Regulation

We are not subject to environmental regulations that have a material effect upon our capital expenditures or otherwise.

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Intellectual Property

We do not have any material registered trademarks, nor do we believe that intellectual property is important to the success of our existing business. We allow our network affiliates to take credit for all of the information reports that we provide.

Mobile Traffic Network has filed for patent protection for certain location aware passive alerting applications for mobile devices. There has been no indication as to whether we will be successful in our pursuit for patent protection for these applications. To date, Mobile Traffic Network has operated at a loss.

Employees

As a holding company, Global Traffic Network, Inc. currently employs seven individuals. Australia Traffic Network currently employs approximately 68 full-time employees, 19 part-time employees and 16 independent contractors. Of these employees and independent contractors, approximately 65 were engaged in broadcasting and operations, 25 in sales and marketing and 13 in general and administrative activities. Canadian Traffic Network currently employs approximately 55 individuals on a full-time basis, 20 on a part-time basis and six independent contractors. Of these employees, approximately 60 were engaged in broadcasting and operations, 17 in sales and marketing and four in general and administrative activities. UK Traffic Network, including its wholly owned subsidiary UK Commercial Traffic Network currently employs 29 full-time employees, two part-time employee and five independent contractors. Of these employees, 21 are employed in broadcasting operations, including Traffic Radio, nine are employed in sales and six are employed in general and administrative activities. Mobile Traffic Network currently employs five individuals. None of our employees or independent contractors are covered by a collective bargaining arrangement. We consider our relationship, and our subsidiaries' relationships, with our employees to be satisfactory. We have never had a strike or work stoppage.

In addition, we contract with outside sales agents for the sale of some of our advertising inventory.

Available Information

We are subject to the reporting and information requirements of the Securities Exchange Act of 1934, as amended, and, as a result, we file periodic and current reports, proxy statements, and other information with the SEC. You may read and copy this information at the Public Reference Room of the SEC located at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. The SEC maintains an internet site that contains periodic and current reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of the SEC's website is <http://www.sec.gov>.

The periodic and current reports, proxy statements, and other information that we file with the SEC, and any amendments thereto, filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available free of charge at www.globaltrafficnetwork.com (click on "Investor Relations" and "SEC Filings") as soon as reasonably practicable after we file such material with, or furnish it to, the SEC.

Item 1A. Risk Factors

Some of the statements made in this report are forward-looking statements. These forward-looking statements are based upon our current expectations and projections about future events. When used in this report, the words "believe," "anticipate," "intend," "estimate," "expect" and similar expressions, or the negative of such words and expressions, are intended to identify forward-looking statements, although not all forward-looking statements contain such words or expressions. The forward-looking statements in this report are primarily located in the material set forth under the headings "Business," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," but are found in other locations as well. These forward-looking statements generally relate to our plans, objectives and expectations for future operations and are based upon management's current estimates and projections of future results or trends. Although we believe that our plans and objectives reflected in or suggested by these forward-looking statements are reasonable, we may not achieve these plans or objectives. You should read this report completely and with the understanding that actual future results may be materially different from what we expect. We will not update forward-looking statements even though our situation may change in the future.

Specific factors that might cause actual results to differ from our expectations or may affect the value of the common stock, include, but are not limited to:

- our inability to compete successfully with current or future competitors within our industry;
- our inability to retain members of our executive management or other key employees;
- the termination or impairment of our relationships with key network affiliates;
- the termination or impairment of our advertiser relationships;
- our inability to manage our growth effectively;

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- our inability to successfully expand into additional international markets;
- fluctuations in foreign currency exchange rates and the results of hedging transactions, if any;
- our inability to obtain additional debt or equity financing, if required; and
- unforeseen litigation.

Industry data and other statistical information used in this report are based on independent publications, government publications, reports by market research firms or other published independent sources. Some data is also based on our good faith estimates, derived from our review of internal surveys and the independent sources listed above. Although we believe these sources are reliable, we have not independently verified the information.

Other factors that could cause actual results to differ from those implied by the forward-looking statements in this report are more fully described herein.

Our past operating results may not be indicative of our future performance and we may be unable to continue operating successfully in our existing markets or to establish successful operations in additional markets.

Our wholly-owned subsidiary, Australia Traffic Network, introduced its services in Australia in 1997. Through our indirect wholly-owned subsidiary, Canadian Traffic Network, we began delivering radio traffic reports to radio stations in Canada in December 2005 and generating revenue from our Canadian operations in January 2006. We formed UK Traffic Network in October 2006 and purchased Unique in March 2009. Although certain members of management have experience with providing traffic information in certain international markets, we have a limited history of providing our services in Canada and the United Kingdom and no experience providing our services in other international markets. See “We intend to expand into additional international markets and our inexperience in those markets increases the risk that our international expansion efforts will not be successful.” The success of any previous operations in Australia may not be indicative of the results of our efforts to provide continued or additional services in Australia, or to provide our services in Canada, the United Kingdom and other markets. The successful operation of our business in Australia, Canada, United Kingdom or other international markets, will require a certain level of continued capital expenditures and operating expenditures which we are committed to undertaking. There can be no assurance that we will be able to operate and expand our business as contemplated.

We have incurred operating losses in connection with our expansion of operations into Canada and the United Kingdom and may be unable to operate profitably in those markets.

In connection with our expansion in to Canada, we have incurred net losses of approximately \$160,000 for the period from May 16, 2005 (inception) through June 30, 2005, \$2.6 million for the year ended June 30, 2006, \$3.8 million for the year ended June 30, 2007, \$3.1 million for the year ended June 30, 2008, \$3.1 million for the year ended June 30, 2009 and \$4.4 million for the year ended June 30, 2010. In addition, after five consecutive quarters of reduced net losses (when compared to the previous year period), our net losses in Canada during the last six months of fiscal 2009 and first six months of fiscal 2010 were significantly higher than the previous year period, due to higher costs and decreased revenue. We expect losses from our Canadian operations to continue as we continue to incur significant expenses and capital expenditures in connection with providing our service offerings, building our infrastructure and developing our base of advertisers. As of June 30, 2010, we have invested approximately \$23.7 million in our Canadian subsidiary in the form of an intercompany advance. If our Canadian revenue grows more slowly than we anticipate, or if our Canadian operating expenses are higher than we expect, we may not be able to achieve, sustain or increase profitability from our Canadian operations.

On October 19, 2006, we formed a wholly-owned subsidiary, UK Traffic Network, in anticipation of launching business operations in the United Kingdom. For the fiscal years ended June 30, 2007, 2008 and 2009, UK Traffic Network incurred net losses of approximately \$0.8 million, \$1.8 million and \$1.8 million, respectively. Our acquisition of Unique closed effective March 1, 2009 and our consolidated United Kingdom operations continued to generate losses for the period from closing to June 30, 2009. For the year ended June 30, 2010, our consolidated United Kingdom operations generated a loss of approximately \$1.3 million. In addition, business operations in the United Kingdom (and especially the Unique acquisition) requires significant management attention and financial resources that could otherwise be devoted to expanding operations in our other existing markets.

Although our delivery of radio traffic reports in Australia has historically been profitable, we may be unable to replicate such profitable operations in Canada and the United Kingdom due to cultural differences, regulatory restrictions, economic conditions, or otherwise. If we continue to operate at a loss in Canada, or we are unable to operate profitably in the United Kingdom, we may be forced to abandon our operations in those countries without recovering the costs incurred in our expansion efforts (including the approximately \$16.1 million paid to UBC in connection with our purchase of Unique), which may have a material adverse effect on our consolidated company’s financial condition and results of operations and negatively impact our business prospects. The price of our common stock could decline as a result.

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There is significant risk and uncertainty surrounding our acquisition of The Unique Broadcasting Company Limited from UBC Media Group plc.

There are numerous risks associated with our March 2009 acquisition of Unique, for which we paid total cash consideration of approximately \$16.1 million. Among these risks is our lack of experience with acquisitions in general and large acquisitions in particular. Although certain members of management have experience with acquisitions of existing businesses (including traffic reporting services), our company's only previous acquisition was that of Wise Broadcasting Network Inc., which was not material to our operations. Additional risks associated with the Unique acquisition include issues overlooked or improperly assessed during our due diligence process, loss of key employees, radio stations and/or advertisers following completion of the transaction and additional competition arising after the acquisition. In addition, despite similarities between the radio networks that we purchased in the United Kingdom and our networks in Australia and Canada, the business models are not identical and may require significant transition, which may not prove successful. Some of those differences in the existing business model of the acquired business include the variable nature of station compensation payments, the outsourcing of operations to third parties, the pre-produced and lengthier structure of commercial advertisements, the provision of traffic information to many stations in lieu of anchored reports, the sale of commercial inventory on a national network basis only, the more restrictive nature of sales limitations from the radio stations and the group approach to advertising sales. An inability to transition successfully this business model to a model that is more consistent with our Australian and Canadian operations may result in a retrospective determination that we misjudged the true value of the target company's business. Further, it is likely that we will not be able to completely transition the acquired business to our existing model, resulting in a hybrid approach of our practices in Australia and Canada and the existing practices in the United Kingdom. In addition, the United Kingdom radio market has been in a recent sharp recession. These risks are increased by our relative inexperience in the United Kingdom market. Because we paid a high multiple of operating income for Unique, if we do not improve the performance of the acquired business, the amount of capital that we expended may be greater than the ultimate value of the acquired business. All of these potential risks may have a material adverse effect on our company's consolidated financial condition and results of operations and negatively impact our business prospects. The price of our common stock could decline as a result.

We have incurred operating losses in connection with our formation of Mobile Traffic Network and our expansion of its operations and may be unable to operate Mobile Traffic Network profitably in the United States or elsewhere.

On March 7, 2008, we formed Mobile Traffic Network as a wholly owned subsidiary to take advantage of the opportunities surrounding passive alerting technology to deliver information and advertising to mobile devices. As an unproven technology and business model, there are significant risks and uncertainties involving this business plan.

Our core business of radio and television information reports is not generally technology oriented. Our initial effort to build a product utilizing our passive alerting technology was not successful. We have since licensed a third party's application for a one-time upfront payment and a royalty on future revenues. We are currently in the process of adapting this application to our needs but may not be successful in doing so. Even if we are successful in adapting the technology, there is no assurance that the technology will work as planned. Technology dependent industries are often characterized by uncertain and conflicting intellectual property claims and frequent intellectual property litigation, especially regarding patent rights. We could be subject to claims of infringement of third party intellectual property rights, which could result in significant expense and could ultimately result in the loss of intellectual property rights. Any litigation to determine the validity of these claims, including claims arising through any contractual obligations that we may have to indemnify business partners, regardless of their merit or resolution, would likely be costly and time consuming and divert the efforts and attention of our management and technical personnel. If any such litigation resulted in an adverse ruling, we could be required, among other things, to pay substantial damages, cease offering our application, or obtain a license under the intellectual property rights of the third party claiming infringement, and such a license may not be available on reasonable terms or at all.

Our intention is to initially offer traffic reports in the United States via arrangements with third parties to deliver the messages, however there is no assurance that we will be able to come to sufficient satisfactory agreements with such third parties. We may incur significant costs demonstrating the product's functionality prior to determining that we are unable to reach satisfactory agreements. Because we do not produce traffic information in the United States, there is no assurance we will be able to enter into an agreement that will supply us with the data required to offer services. If we come to agreement with parties to deliver the traffic alerts and one or more suppliers of traffic data, those agreements may not be on terms attractive to us. Because we anticipate that our product offering will be mainly advertising supported, there is no assurance that sufficient mobile phone users will "opt in" to make our application an attractive advertising platform. Even if a critical mass of mobile phone users "opt in" to our application, we may not be successful in selling advertising opportunities on the platform to advertisers. In addition, we currently have limited operations in the United States and our experience in selling advertising is limited to commercials broadcast on radio and television, for which there is an established advertising market. Our lack of presence in the United States (including the lack of an established sales staff) will likely increase our costs, as we are unlikely to be able to take advantage of existing infrastructure.

The market for mobile device applications and related software is competitive and reliant on technology developments and adapting to changing market demands and consumer preferences. Even if we are able to develop and commercialize our application, we may face competition from one or more companies that introduce related technologies and applications. These companies may have significantly greater financial, technical and marketing resources than we do and may be able to respond more rapidly than we can to new or emerging technologies or changes in customer demands. They may also devote greater resources to the development, promotion and sale of their products than we do. If we are able to commercialize our application but unable to compete successfully with such companies, results of operations from Mobile Traffic Network, and consequently our Company as a whole, would suffer.

Our level of expenditure on the technology and our product offering may be significant prior to our knowing whether the product has a likelihood of success. For the year ended June 30, 2010 our losses related to Mobile Traffic Network were approximately \$0.8 million on \$31 thousand of revenue. For the year ended June 30, 2009, we incurred approximately \$1.4 million in losses without generating any revenue. To date, our Mobile Traffic Network revenue has been insignificant and unrelated to our current business plan. If we are unable to operate Mobile Traffic Network profitably, we may be forced to abandon our operations without recovering the up-front costs incurred, which may have a material adverse effect on our company's consolidated financial condition and results of operations and negatively impact our business prospects. The price of our common stock could decline as a result.

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Our financial success depends on our ability to compete successfully in obtaining and maintaining contracts with radio and television stations and we may be unable to acquire or renew such contracts.

The success of our business is largely dependent on our ability to maintain and acquire contracts with radio and television stations (“Affiliate Contracts”) in Australia, Canada, the United Kingdom and any other market into which we may expand our operations in the future. We face various sources of competition in providing our information reporting services. We believe that single market operators and groups of radio or television stations (whether or not under common ownership) that prepare and deliver their own traffic reports comprise our primary competition. Consolidation in the radio and television markets may create additional opportunities and economies of scale for large radio and/or television groups to provide their own traffic reporting services, which would pose greater competition to us. In addition to providers of broadcast reports, there are also alternative means of compiling traffic information and delivering such information to the public. Certain governmental agencies, including some state and local departments of transportation, generate selected traffic flow data through strategically positioned cameras or sensors that monitor traffic flow, which can be used by our competitors and directly accessed by consumers. Certain private entities generate selected traffic flow data and provide such information directly to consumers. We may also face future competition from providers of information reporting services that utilize new technologies to which we may not have access, both for the gathering and delivery of information. Such new technologies may reduce the demand for our services or render our services obsolete. Our current and potential competitors may offer alternative types of information services and may have substantially greater financial, technical, marketing or other resources than we do. There can be no assurance that our business will not be adversely affected by current or increased competition for acquiring Affiliate Contracts and providing information services in the markets in which we operate.

We obtain our advertising inventory from radio and television stations in exchange for information reports and/or, for certain broadcasters, cash compensation. We may be required to increase the cash compensation that we pay for our commercial advertising inventory in certain cases, including in response to competition from third party information providers or groups of radio and television stations that prepare and deliver their own information reports. If we are required to increase the amount of cash compensation that we pay to certain network affiliates in exchange for our commercial advertising inventory, or to pay cash compensation to additional network affiliates, our financial condition may suffer and our stock price may decline.

Due to the relatively short-term nature of our Affiliate Contracts, which generally range from one to four years, and because we deliver information reports to several of our network affiliates pursuant to unwritten arrangements or expired Affiliate Contracts that may be construed as cancelable at will, we are vulnerable at all times to competition from other providers of information reporting services and from stations or groups of stations that may elect to prepare and deliver their own information reports. For example, our contracts with our two largest station group network affiliates in the United Kingdom expire during the current fiscal year. Combined, these two network affiliates represented approximately 32% of our United Kingdom radio advertising inventory as of June 30, 2010 and approximately 53% of the United Kingdom traffic network’s impacts. If we are unable to maintain a significant number of our network affiliates, either due to non-renewal of our Affiliate Contracts upon expiration or termination of unwritten arrangements with network affiliates, our commercial advertising inventory would decrease significantly, which would likely lead to significant declines in revenues.

Our financial success depends on our ability to compete successfully in selling commercial advertising inventory to advertisers and we may be unable to sell such inventory.

Our business success is dependent on our ability to sell the commercial advertising inventory that we receive from our network affiliates in exchange for providing our information reporting services and/or, for certain broadcasters, cash compensation. Selling advertising is highly competitive. We compete for advertising sales with radio and television stations, including our network affiliates, as well as with other media, including other forms of communications media such as newspapers, magazines, outdoor advertising, transit advertising, internet advertising, mobile advertising, direct response advertising, yellow page directories and point-of-sale advertising, among others. As a result of the advertising competition we face, we experience and expect to continue to experience increased price competition, which could lower our rates for radio and television advertising and could result in a decline in our revenues for radio and television advertising, which may have a material adverse effect on our financial condition and results of operations and negatively impact our business prospects. The price of our common stock could decline as a result.

In addition, our overall business is subject to competition from existing or future entities that provide information reporting services in exchange for network-based advertising spots using a business model that is similar to ours. We currently compete with such an entity in Canada, Skywords Inc., which primarily operates in the Toronto market, but which also operates in certain other Canadian markets in which we provide our services. In addition, Independent Radio News Limited operates a model similar to ours in the United Kingdom, with the primary difference being the advertising messages are attached to newscasts rather than traffic reports. In the face of such competition, whether in Australia, Canada, the United Kingdom or any other market in which we introduce our services, we may not be able to provide information reporting services that are superior to our competitors’ or competitively priced against the services of our competitors. Even if we provide superior services, the presence of a competing service provider may lead to confusion and increase pricing competition, which may provide advertisers with additional leverage in negotiating the sale terms of our commercial advertising inventory. Such effects of competition may have a material adverse effect on our financial condition and results of operations and negatively impact our business prospects. The price of our stock could decline as a result.

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Our ability to sell commercial advertising and generate revenues may be subject to economic and industry fluctuations that are beyond our control.

Because we generate substantially all of our revenues through the sale of commercial advertising, the success of our business is closely linked to the performance of the advertising industry. The advertising industry overall, in turn, tends to be affected by general economic conditions and is sensitive to the overall level of consumers' disposable income within a given market. If people migrate to markets where we have a smaller or no presence, or if the general population shifts into a less desirable age or geographical demographic from an advertising perspective, advertisers may only be willing to pay lower fees for our commercial advertising inventory. A decline in general economic conditions within a market in which we operate could adversely affect advertising revenues generated from that market and, in turn, have an adverse effect on our profitability, operating results, financial conditions and the price of our common stock. We experienced such a decline in the last two quarters of the year ended June 30, 2009 as well as the first quarter of the year ended June 30, 2010.

In addition, our business is dependent upon the performance of the highly competitive radio and television industries. We generate revenue by selling commercial advertising inventory of our network affiliate radio and television stations. Radio and television stations compete for audiences and advertising revenues with other radio and television stations, as well as with other media, such as newspapers, magazines, direct mail, satellite radio, mobile and internet based media, within their respective markets. As a result, radio and television audience ratings and market shares are subject to change, which, if adverse, may result in a reduction of our advertising revenues. Our network affiliates' competitors may develop services or media that are equal or superior to those our network affiliates provide or that achieve greater market acceptance and brand recognition than our network affiliates achieve. It is possible that new competitors may emerge and rapidly acquire significant market share from our network affiliates. Other variables that could adversely affect our network affiliates' operations, and therefore potentially adversely affect our operations, include, without limitation:

- unfavorable economic conditions, both general and relative to radio and television broadcasting and all related media industries, which may cause companies to reduce their expenditures on advertising;
- unfavorable shifts in population and other demographics which may cause our network affiliates to lose customers, viewers and listeners and possibly terminate operations;
- an increased level of competition for advertising dollars, which may lead to lower advertising rates as our network affiliates attempt to retain customers or which may cause our network affiliates to lose customers to their competitors who offer lower rates than our network affiliates are able or willing to match;
- technological changes and innovations that our network affiliates are unable to adopt or are late in adopting that offer more attractive advertising, listening or viewing alternatives than what our network affiliates currently offer, which may lead to a loss of advertising customers or to lower advertising rates; and
- changes in governmental regulations and policies and actions of federal regulatory bodies which could restrict the advertising media which our network affiliates employ or restrict some or all of our customers that operate in regulated areas from using certain advertising media, or from advertising at all.

Radio and television stations face increasing competition from new broadcast technologies, such as internet, broadband wireless, cable television and satellite television and radio and mobile phones, and new consumer products, such as portable digital audio players and personal digital video recorders. These new technologies and alternative media platforms increasingly compete with radio and television stations for audience share and advertising revenue, and in the case of some products, allow listeners and viewers to avoid traditional commercial advertisements. We are unable to predict the effect such technologies and related services and products will have on the radio and television broadcasting industry, but the capital expenditures required for us to implement such technologies could be substantial and other companies employing such technologies could compete with our radio and television affiliates.

Potential consolidation of radio and television stations in the markets in which we operate and will operate in the future may result in reduction of our negotiating leverage for Affiliate Contracts and, subsequently, may increase costs and risk of loss with respect to our Affiliate Contracts.

The continued financial success of our business is largely dependent upon our ability to maintain Affiliate Contracts with radio and television stations in Australia, Canada, the United Kingdom and any other market into which we may expand our operations in the future. If radio and television stations in the markets in which we operate consolidate, a broadcaster may determine that it is in its best interest to produce a product similar to ours internally and terminate our Affiliate Contract, subsequently eliminating the supply of commercial advertising inventory that we receive from such broadcaster. In addition, consolidation in the industry will result in fewer station owners who may then be able to negotiate with increased leverage for Affiliate Contracts. Further, consolidation may result in our entering into fewer Affiliate Contracts, each comprising a larger number of stations and constituting a greater percentage of our base of contracts. Subsequent to any consolidation, the loss of any one Affiliate Contract may have a much greater impact on the results of our operations. Consolidation in the industry and its potential effects could result in a significant decline in our revenues or increase in our expenses, which may have a material adverse effect on our financial condition and results of operations and negatively impact our business prospects. The price of our common stock could decline as a result.

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The loss of Austereo Pty Limited or Australian Radio Network Pty Limited as one of our network affiliates in Australia would significantly decrease the amount of our commercial advertising inventory, which could have an adverse effect on our results of operations and our stock price.

Austereo Pty Limited (“Austereo”), one of our network affiliates, is the largest radio broadcaster in Australia and, as of June 30, 2010, provided us with approximately 20% of the Australian radio commercial advertising inventory (approximately 25% of such inventory from stations in our five largest Australian markets). When sold to advertisers, this radio commercial advertising inventory accounts for a material amount of our Australian revenues. Effective July 1, 2008, we entered into a four year agreement under which we provide regularly-scheduled radio traffic reports to and receive radio traffic report and radio news report inventory from ten Australian radio stations operated by Austereo in Sydney, Melbourne, Brisbane, Adelaide and Perth. Australian Radio Network Pty Limited (“ARN”), a large radio broadcaster in Australia, provided us approximately 16% of our Australian radio commercial advertising inventory (approximately 18% of the inventory in our five largest Australian markets) as of June 30, 2010. When sold to advertisers, this radio commercial advertising inventory accounts for a material amount of our Australian revenues. This inventory is provided under a four year agreement effective July 1, 2008 to provide traffic reporting services to eleven ARN stations in Sydney, Canberra, Melbourne, Brisbane and Adelaide and a two year agreement effective February 2009 to acquire news radio commercial advertising inventory from eight ARN stations in Sydney, Melbourne, Brisbane and Adelaide. In addition, via various joint ventures, Austereo and ARN operate four radio stations in Canberra (included above) and Newcastle that account for approximately an additional 1% of our commercial advertising inventory in Australia. If we are unable to retain Austereo and/or ARN as a network affiliate, the amount of our radio commercial advertising inventory would decrease significantly. As a result, we would likely experience a corresponding or greater decrease in revenues from sales of our radio commercial advertising inventory, which may be compounded by the decrease in value of our Australian advertising network as a whole due to the reduction in our Australian audience reach. This would be particularly damaging because Australia is currently our only profitable subsidiary. Should this occur, it would likely have a material adverse effect on our financial condition and results of operations and negatively impact our business prospects and the price of our common stock could decline as a result.

The loss of Corus Entertainment, Inc. as one of our network affiliates in Canada would significantly decrease the amount of our commercial advertising inventory in Canada, which could have an adverse effect on our results of operations and our stock price.

Corus Entertainment, Inc. (“Corus”), one of our Canadian network affiliates, is one of the largest radio broadcasters in Canada and its radio stations comprise approximately 38% of our affiliate network stations (excluding suburban regional stations) in Canada. Corus currently provides us with approximately 49% of the Canadian radio commercial advertising inventory we receive (excluding suburban regional stations) pursuant to a four year contract effective January 1, 2009 pursuant to which we provide traffic reporting services and receive radio traffic inventory from 22 Corus stations in Vancouver, Edmonton, Calgary, Winnipeg, Toronto, Montreal and Hamilton and an additional contract we have separately with one additional Corus station. If Corus were to not renew our agreement, and we were unable to replace their stations as network affiliates with comparable stations, we would have a significantly reduced presence in terms of amount of commercial advertising inventory and audience delivery in seven of our eight markets. If this were to occur, it would be difficult for us to become profitable in Canada which would likely have a material adverse effect on our financial condition and results of operations and negatively impact our business prospects and the price of our common stock could decline as a result.

The loss of GCAP Media Services Limited or Bauer Radio Limited as one of our network affiliates in the United Kingdom would significantly decrease the amount of our commercial advertising inventory, which could have an adverse effect on our results of operations and our stock price.

We provide traffic reporting services and receive radio commercial advertising inventory on 81 radio stations throughout the United Kingdom pursuant to a two year agreement with GCAP Media Services Limited (“Global”) that commenced November 17, 2008. The Global radio stations accounted for approximately 17% of our United Kingdom radio traffic advertising inventory as of June 30, 2010 and approximately 27% of the traffic network’s impacts. We provide traffic reporting services to, and receive radio commercial advertising inventory on, 42 radio stations throughout the United Kingdom pursuant to the terms of an agreement with Bauer Radio Limited (“Bauer”) that expired August 31, 2010. The Bauer radio stations accounted for approximately 15% of our United Kingdom radio traffic advertising inventory as of June 30, 2010 and approximately 26% of the traffic network’s impacts. We also provide entertainment news reporting services to, and receive radio commercial advertising inventory on, 42 Bauer radio stations throughout the United Kingdom pursuant to the terms of an agreement that expired August 31, 2010. The Bauer radio stations accounted for approximately 30% of our United Kingdom radio entertainment news advertising inventory as of June 30, 2010 and approximately 43% of the entertainment news network’s impacts. Our agreements with Global and Bauer are each up for renewal in 2010. Pending negotiation and execution of a renewal of our agreements with Bauer, which expired August 31, 2010, we have continued to provide service to and receive inventory from Bauer under the terms of the expired agreements. If we are unable to retain Global and/or Bauer as a network affiliate, the amount of our radio commercial advertising inventory would decrease significantly. As a result, we would likely experience a corresponding or greater decrease in revenues from sales of our radio commercial advertising inventory, which may be compounded by the decrease in value of our U.K. advertising network as a whole due to the reduction in our U.K. audience reach. This would also likely lead to an impairment of at least a portion of the intangible assets (including radio station contracts and goodwill) related to our acquisition of Unique, which had a carrying value of \$17.1 million as of June 30, 2010. Should this occur, it would likely have a material adverse effect on our financial condition and results of operations and negatively impact our business prospects and the price of our common stock could decline as a result.

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Our business is subject to risks based on our compliance with multiple legal and regulatory regimes due to our international operations.

We conduct business in multiple international markets and, as a result, face added expenses related to the engagement of legal, accounting and other experts in each country in which we currently operate or may operate in the future. In addition, our future results could be materially adversely affected by a variety of uncontrollable and changing factors including, among others, regulatory, social, political, or economic conditions in a specific country or region, trade protection measures and other regulatory requirements, government spending patterns and natural disasters. We are also exposed to risks associated with changes in the laws and policies that govern foreign investments in countries where we have operations as well as, to a lesser extent, changes in United States laws and regulations relating to foreign trade and investment. Such changes in laws, regulations and conditions could result in a significant increase in our expenses for regulatory compliance or require us to alter our operations, which may have a material adverse effect on our financial condition and results of operations and negatively impact our business prospects. The price of our common stock could decline as a result.

Our revenues may be adversely affected by fluctuations in currency exchange rates.

Nearly all of our expenditures are made and nearly all of our revenues are generated outside of the United States. However, we report our financial condition and results of operations in U.S. dollars. As a result, any fluctuation between the U.S. dollar and the currencies of the countries in which we operate will impact the amount of revenues and expenses that we report. If foreign currencies depreciate relative to the U.S. dollar, there will be a negative impact on the revenues we report due to such fluctuation. It is possible that the impact of currency fluctuations will result in a decrease in reported sales even though we have experienced an increase in sales when reported in the applicable foreign currency. Such a decrease in reported U.S. sales occurred in Australia for the year ended June 30, 2009 as our Australian revenues decreased 4% when measured in U.S. dollars but increased 16% when measured in Australian dollars. Foreign currency exchange rates in the markets in which we operate have been subject to substantial fluctuation. For example, the exchange rates to U.S. dollars from Australian dollars applicable to our income statement data for fiscal years 2010, 2009, 2008, 2007, 2006, 2005, 2004 and 2003 are approximately 0.8825, 0.7446, 0.8969, 0.7859, 0.7473, 0.7539, 0.7140, and 0.5850, respectively. Although we have not hedged our exposure to foreign currency exchange rate changes in the past, we may choose to do so in the future. There is no guarantee such hedging, if undertaken, will be successful.

If we fail to expand into new markets, we may be unable to increase our revenue and expand our profits in the future.

Although our current business operations are conducted in Australia, Canada and the United Kingdom, we intend to explore future opportunities to expand our operations into additional international markets as opportunities present themselves and as our financial resources permit. Our continued growth and expansion as a company is dependent, in part, on our ability to establish relationships with radio and television stations in new international markets by developing new operations or acquiring existing operations. We have begun to explore opportunities for expansion into several European markets. To date, however, we have not contracted to provide services to any radio or television stations in any European market other than the United Kingdom and we have no commitments or agreements with respect to any stations in these markets. Despite our interest and recent activities in exploring expansion into additional international markets, there can be no assurance that we will be able to establish operations in new markets or that we will be able to finance such acquisitions or expansion in the future. There can be no assurance that we will be able to integrate successfully any acquired business or realize any operating efficiencies from any acquisition. Further, if we engage in any such strategic transaction, we may encounter unforeseen operating challenges and expenses that may require a significant amount of management time that otherwise would be devoted to running our operations, which may harm the quality of our services and products.

Inexperience in additional international markets increases the risk that international expansion efforts will not be successful.

Expansion into international markets requires significant management attention and financial resources, and our ability to provide radio traffic reports profitably in Australia may not be indicative of our results in Canada, the United Kingdom or in any other country in which we may attempt to expand. Certain members of our management and Board of Directors have experience in operating a business similar to ours in Japan. In 1999, William L. Yde III, our Chairman, President and Chief Executive Officer, and Dale C. Arfman, a member of our Board of Directors, among others, founded Nihon (Japan) Traffic Network, a Japanese entity unrelated to us, which operated a traffic reporting service in the Japanese market ("Japan Traffic Network"). Japan Traffic Network invested significant funds in starting its Japanese operations and experienced a net loss of approximately \$8 million from its inception in 1999 until January 2002, after which Japan Traffic Network ceased its operations. Gary O. Benson, another one of our directors, was a director of Japan Traffic Network. The risks and obstacles Japan Traffic Network faced in introducing operations in Japan are indicative of the types of risks and obstacles we may face generally if and when we expand into additional international markets, including:

- challenges caused by distance, language and cultural differences;
- increased labor costs as a result of the existence or prevalence of collective bargaining arrangements, prevailing compensation structures and other employment-related matters;
- legal, legislative and regulatory restrictions;

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- foreign exchange controls that might prevent us from repatriating cash earned in countries outside the United States;
- longer payment cycles in some countries;
- potentially adverse tax consequences in the United States and in the foreign countries in which we operate;
- nationalization or seizure of private assets; and
- higher costs associated with doing business internationally.

These risks and obstacles may prevent us from operating profitably in any international market into which we attempt to expand our operations. If we attempt to expand into additional international markets but are unable to do so successfully, such a failed attempt could have a material adverse effect on our financial condition and results of operations, negatively impacting our business prospects and the price of our common stock.

If we fail to secure adequate financing in the future, our continued growth and financial performance may suffer.

Our expansion into new Australian, Canadian, United Kingdom and other international markets and continued growth of our services in these markets may require significant additional capital resources. These future capital needs are difficult to predict. We may require additional capital in order to implement an expanded business model, to take advantage of certain opportunities, including strategic alliances and potential acquisitions, or to respond to changing business conditions and unanticipated competitive pressures. Moreover, our day-to-day operations require the use of sophisticated equipment and technology. The maintenance and replacement of such equipment requires significant expenditures. In addition, the development of Mobile Traffic Networks' mobile phone applications could require significant amounts of capital in order to pursue the opportunity, with no guarantee of future profitability. We used \$16.1 million to fund our purchase of Unique in March 2009, including our settlement of the related contingent payment obligations. These payments constituted a significant portion of our cash on hand at the time of the closing. Although we believe that our current cash and cash equivalents and the availability of financing under our line of credit will be sufficient to fund our operations for the next 12 months, we may need to seek additional funds either by borrowing money or issuing additional equity in order to handle unforeseen contingencies or take advantage of new opportunities. As the terms and availability of financing depend to a large degree upon general economic conditions and third parties over which we have no control, we can give no assurance that we will obtain the needed financing or that we will obtain such financing on attractive terms. In addition, our ability to obtain financing depends on a number of other factors, many of which are also beyond our control, such as interest rates and national and local business conditions. If the cost of obtaining needed equity or debt financing is too high or the terms of such equity or debt financing are otherwise unacceptable in relation to the strategic opportunity we are presented with, we may be unable to take advantage of new opportunities or take other actions that otherwise might be important to our business or prospects. Additional indebtedness could increase our leverage and make us more vulnerable to economic downturns and may limit our ability to withstand competitive pressures. Additional equity financing could result in dilution to our stockholders and the price of our common stock could decline as a result.

If we fail to manage our growth effectively by investing in the necessary infrastructure, the quality of our products and services may suffer, negatively impacting our Affiliate Contracts.

Pursuant to our business plan, we have experienced, and continue to experience, rapid expansion of our business and operations which has placed, and will continue to place, significant demands on our management, operational, technical and financial infrastructure. Since March 2005, we have introduced advertising in radio news reports and expanded our provision of TV reports in Australia, commenced traffic operations in eight Canadian markets and acquired a competitor in Canada. In the United Kingdom, we have commenced operations of a traffic reporting service, begun providing service to the Highways Agency and acquired Unique, the largest traffic and entertainment news network in the market. Continued growth will require continued investment in personnel, facilities, technology infrastructure, and financial and management systems and controls, especially if we expand our Canadian and Mobile Traffic operations as currently contemplated. If we do not effectively manage our growth, the quality of our products and services could suffer, which could negatively affect our Affiliate Contracts and our relationships with network affiliates, potentially resulting in the termination of such Affiliate Contracts and a decrease in our commercial advertising inventory. Furthermore, expansion could result in our expenses increasing faster than our revenue, causing our operating margins to be adversely affected in the short-term and the long-term.

Aircraft operations involve risks that may not be covered by our insurance or may increase our operating costs.

In February 2007, a helicopter owned by Canadian Traffic Network, but operated by a third-party vendor, crashed during a maintenance flight. Although none of our employees and no personnel of our network affiliates were in the helicopter at the time of the accident, and the majority of the replacement cost was covered by the third-party vendor's insurance, the crash is an example of how the operation of aircraft inherently involves a degree of risk. Hazards such as harsh weather, mechanical failures, pilot error, acts of terrorism, crashes, collisions and emergency safety landings may impact our business and can result in personal injury, loss of life, damage to property and equipment and suspension or reduction of operations, temporarily or indefinitely. In addition, if one of our aircraft were to crash or be involved in an accident, we could be exposed to significant tort liability and substantial unforeseen expenses. Even when such hazards do not lead to injury, loss of life or damage to property and equipment, their occurrence can result in negative publicity regarding us and our industry in the markets in which we operate. Harm to our public image may, in turn, adversely affect our ability to enter into new Affiliate Contracts or renew existing Affiliate Contracts, or to arrange for the sale of our commercial advertising inventory, any of which could negatively affect our results of operations.

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We attempt to protect ourselves against these losses and damage by carrying insurance, including general liability, aviation, workers' compensation and property and casualty insurance. Our insurance coverage is subject to deductibles and maximum coverage amounts, and we do not carry insurance for all types of losses, including business interruption and terrorism. We cannot assure you that our existing coverage will be sufficient or that in the future we will be able to maintain our existing coverage or that the premiums will not increase substantially. In addition, future events, including, without limitation, terrorist activity, accidents or other events could increase our insurance rates. The loss of our liability insurance coverage or inadequate coverage from our liability insurance could result in our exposure to substantial unforeseen expenses and subsequent reductions in our earnings.

In addition, we are subject to regulations and restrictions with regard to our operation of our aircraft in Australia. Violations of these regulations and restrictions could result in monetary penalties or the revocation of our air operating certificates. Although monetary penalties would have an impact on our results of operations if material in amount, the loss of our air operating certificates could result in temporary or permanent grounding of our aircraft, which would have a material adverse effect on our business operations and could result in a substantial loss of revenues or increase in expenses.

A substantial majority of our expenses are fixed and cannot be reduced in the short term.

With the exception of commissions and bonuses paid to our sales staff and management and variable compensation to certain radio station affiliates in the United Kingdom, the vast majority of our costs are fixed regardless of the level of our revenue. Station compensation, which is our largest cost, is generally contractually obligated for a number of years at any point in time and cannot generally be modified regardless of revenues. As a result, a decrease in revenues will likely have a material adverse impact on profitability which could in turn lead to a reduction in the price of our common stock.

The loss of the services of William L. Yde III, our Chairman, Chief Executive Officer and President, or Scott E. Cody, our Chief Operating Officer and Chief Financial Officer, or other key employees, or the failure to attract additional key individuals, could materially adversely affect our business.

Our financial success is dependent to a significant degree upon the efforts of our current executive officers and other key employees. We have entered into employment agreements with William L. Yde III and Scott E. Cody. However, there can be no assurance that these individuals will continue to provide services to us. A voluntary or involuntary termination of employment by Messrs. Yde or Cody could have a material adverse effect on our business operations and negatively impact the price of our common stock. At present, we do not maintain key man life insurance policies for any of these individuals.

Our success and viability is also dependent to a significant extent upon our ability to attract and retain qualified personnel in all areas of our business, especially our management, sales professionals and on-air broadcasters who become recognizable personalities for the radio and television stations for whom they deliver information reports. Although our Affiliate Contracts and/or non-competition agreements with our employees generally prevent stations from hiring our employees, there is no assurance that we will be able to retain our most recognizable on-air broadcasters or that such contractual restrictions will be enforceable. Our employee relations and related labor costs may be impacted by collective bargaining arrangements, prevailing compensation structures or other employment-related matters. If we are unable to retain broadcasters or attract replacements for them, our network affiliates may become dissatisfied with our delivery of information reports potentially resulting in the cancellation of Affiliate Contracts, a subsequent reduction in commercial advertising inventory and the loss of advertising revenue.

A substantial majority of our operations are out-sourced to third parties in the United Kingdom.

In the United Kingdom, the substantial majority of our traffic reporting services for radio stations and all of our entertainment news reporting services are out-sourced to third parties pursuant to contracts that were in place when we purchased Unique. While we spend considerable time and effort monitoring the performance of these vendors, ultimately their actions are not under our control. Among other things, it is conceivable that one or more of our vendors could cease servicing their contracts with us or go out of business altogether with little or no notice to us. In addition, the agreement governing our receipt of traffic information has a term ending December 31, 2012 and has substantial restrictions on our ability to service our traffic network affiliates directly as well as significant hurdles should we attempt to cancel the agreement, even in the case of a breach. Should important affiliates become dissatisfied with the service provided and cancel their affiliation agreements, our radio commercial advertising inventory may decrease significantly. As a result, we would likely experience a corresponding decrease in revenues from sales of our radio commercial advertising inventory, which may be compounded by the decrease in value of our U.K. advertising network as a whole due to the reduction in our U.K. audience reach. It is also possible that we would be forced to spend more money than we currently do to satisfy our network affiliates and prevent them from cancelling their contracts with us. Should this occur, it would likely have a material adverse effect on our financial condition and results of operations and negatively impact our business prospects and the price of our common stock could decline as a result.

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Our broadcasts are subject to regulatory bodies whose rules and regulations may adversely affect our business.

The ownership, operation and sale of radio and television stations in Australia, Canada and the United Kingdom, and therefore our network affiliates in those markets, are subject to the jurisdiction, regulations and policies of the of the Australian Communications and Media Authority (the “ACMA”), the Canadian Radio-television and Telecommunications Commission (the “CRTC”) and the United Kingdom’s Office of Communications (“Ofcom”), respectively. Such regulation also extends to the content of the information reports and advertising spots we provide to our network affiliates. Among other things, the ACMA, the CRTC and Ofcom adopt and implement regulations and policies that directly or indirectly affect the ownership, operations and sale of radio and television stations, and have the power to impose penalties for violations of their rules. In addition, our violations of the regulations or policies of the ACMA, the CRTC or Ofcom may be a breach of certain of our network affiliates’ contracts. Such regulations may adversely affect our business. We expect to be subject to similar regulations in other geographic markets we enter.

Because our operating subsidiaries are organized under the laws of foreign jurisdictions and substantially all of our assets are located outside of the United States, you may have difficulties collecting on judgments rendered against us in United States courts.

We are a Nevada corporation with executive officers and directors that reside in the United States. However, Australia Traffic Network, Canadian Traffic Network and UK Traffic Network, our subsidiaries that conduct our current operations, are organized as an Australian proprietary company, an Alberta business corporation, and a private company limited by shares incorporated in England and Wales, respectively. Because substantially all of our assets are owned by these subsidiaries and are located outside of the United States, if stockholders or other third parties obtain judgments against us in United States courts (including judgments based upon the civil liability provisions of the United States federal securities laws), they may be required to seize the equity interests of our foreign subsidiaries in satisfaction of such judgments. Because these subsidiaries are foreign entities, an attempt to seize our equity interests could be frustrated by objections raised in the applicable foreign jurisdiction to the transfer of such interests. Therefore, our stockholders and others may have difficulties in enforcing and collecting upon any potential judgments rendered against us in United States courts.

We have been, and will continue to be, required to implement and maintain additional finance and accounting systems, procedures and controls in order to satisfy requirements under the Sarbanes-Oxley Act of 2002 and the listing requirements of the NASDAQ Global Market, which will increase our costs and divert management’s time and attention.

Laws and regulations affecting public companies, including the provisions of the Sarbanes-Oxley Act of 2002 and the listing requirements for the NASDAQ Global Market, have imposed duties on us and on our executives, directors, attorneys and independent registered public accounting firms. In order to comply with these rules, we have engaged additional outside legal, accounting and advisory services, all of which may continue to increase our operating expenses in the future. In particular, we have incurred additional administrative expenses relating to compliance with provisions of the Sarbanes-Oxley Act of 2002 which require that we implement and maintain an effective system of internal controls over financial reporting and assess the effectiveness of such internal controls in the periodic reports that we file with the Securities and Exchange Commission. Those costs were approximately \$0.3 million, \$0.3 million and \$0.4 million for the years ended June 30, 2010, 2009 and 2008, respectively. In addition, to the extent that we qualify as an “accelerated filer” under the Securities Exchange Act of 1934 as of the last day of our fiscal year, our independent registered public accounting firm will be required to attest to our internal controls over financial reporting in our Annual Report on Form 10-K for such fiscal year. As a company with limited accounting resources, a significant amount of management’s time and attention has been diverted from our business to ensure compliance with these regulatory requirements. This diversion of management’s time and attention may have a material adverse effect on our business, financial condition and results of operations.

In the event we identify significant deficiencies or material weaknesses in our internal controls over financial reporting that we cannot remediate in a timely manner, or if we are unable to receive a positive attestation from our independent registered public accounting firm with respect to our internal controls over financial reporting if and when we are required to do so, investors and others may lose confidence in the reliability of our financial statements. If this occurs, the trading price of our common stock and ability to obtain any necessary equity or debt financing could suffer. In addition, in the event that our independent registered public accounting firm is unable to rely on our internal controls over financial reporting in connection with its audit of our financial statements, and in the further event that it is unable to devise alternative procedures in order to satisfy itself as to the material accuracy of our financial statements and related disclosures, we may be unable to file our periodic reports with the Securities and Exchange Commission. This would likely have an adverse affect on the trading price of our common stock and our ability to secure any necessary additional equity or debt financing, and could result in the delisting of our common stock from the NASDAQ Global Market, which would severely limit the liquidity of our common stock.

In the absence of an active trading market for shares of our common stock, the price of our common stock may be subject to wide fluctuations and you may find it difficult to resell shares of our common stock.

In general, since the effective date of our initial public offering, there has been limited trading activity in shares of our common stock. If such limited trading volume continues into the future, you may find it difficult to resell shares of our common stock publicly when you choose. Furthermore, small trading volumes generally depress market prices. As a result, you may not always be able to resell shares of our common stock publicly at the time and prices that you feel are fair or appropriate. You may not receive a positive return on your investment when you sell your shares and you may lose the entire amount of your investment.

The market price of our common stock is likely to be volatile and subject to fluctuations in response to various factors, many of which are beyond our control. These factors may include, without limitation:

- variations in our operating results;
- addition or loss of significant network affiliates or advertisers;

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- changes in the economies in which we provide our information services;
- the departure of the Chairman of our Board of Directors or other key executive officers;
- the level and quality of securities analysts' coverage of our common stock;
- announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- entry into new international markets and the costs associated therewith;
- changes in the governmental regulations to which we will be subject in various countries;
- announcements by third parties of significant claims or proceedings against us;
- the availability of new media for delivery of traffic and news reporting services; and
- future sales of our common stock or other debt or equity securities, including sales by existing holders.

In the past, following periods of volatility in the market price of a public company's securities, securities class action litigation has been instituted against the public company. Regardless of its outcome, should this type of litigation be instituted against us, it could result in substantial costs to us and a likely diversion of our management's attention from our business operations.

The concentration of our common stock ownership by our current management will limit your ability to influence corporate matters.

As of August 31, 2010, directors and executive officers own or are able to vote in the aggregate approximately 25.2% of our issued and outstanding common stock. As such, our directors and executive officers, as stockholders, have significant influence to elect any or all of our directors, as well as influence in connection with all corporate activities, including mergers, proxy contests, tender offers or other purchases of our common stock that could give our stockholders the opportunity to realize a premium over the then prevailing market price for their shares of our common stock. This concentrated control will limit your ability to influence corporate matters and, as a result, we may take actions that you do not view as beneficial. In addition, such concentrated control could discourage others from initiating changes of control of us. In such cases, the perception of our prospects in the market may be adversely affected and the market price of our common stock may decline.

Our Board of Directors' ability to issue "blank check" preferred stock and any anti-takeover provisions we adopt may depress the value of our common stock.

Our certificate of incorporation authorizes 10,000,000 shares of "blank check" preferred stock. Our Board of Directors has the power to issue any or all of the shares of such preferred stock, including the authority to establish one or more series and to fix the powers, preferences, rights and limitations of such class or series, without seeking the approval of our common stockholders, subject to certain limitations on this power under the listing requirements of the NASDAQ Global Market and the laws of the state of Nevada. The authority of our Board of Directors to issue "blank check" preferred stock, along with any future anti-takeover measures we may adopt, may, in certain circumstances, delay, deter or prevent takeover attempts and other changes in control of us not approved by our Board of Directors. As a result, our stockholders may lose opportunities to dispose of their shares of our common stock at favorable prices generally available in takeover attempts or that may be available under a merger proposal and the market price of our common stock and the voting and other rights of our stockholders may also be affected.

Our common stock could be delisted from the NASDAQ Global Market, which delisting could hinder your ability to obtain accurate quotations on the price of our common stock, or dispose of our common stock in the secondary market.

In order to maintain our listing on the NASDAQ Global Market, our common stock must sustain a minimum bid price of at least \$1.00 per share and we must satisfy the other requirements for continued listing on the NASDAQ Global Market. In the event our common stock is delisted from the NASDAQ Global Market and we are also unable to maintain a listing on another alternate exchange, trading in our common stock could thereafter be conducted in FINRA's OTC Bulletin Board or in the over-the-counter markets in the so-called "pink sheets". In such event, the liquidity of our common stock would likely be impaired, not only in the number of shares which could be bought and sold, but also through delays in the timing of the transactions, and there would likely be a reduction in our coverage by security analysts and the news media, thereby resulting in lower prices for our common stock than might otherwise prevail.

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Our low share price and small market capitalization may preclude certain institutional investors from holding our stock

During the past several years, our common stock has traded for significant periods of time at below \$5 per share, which is the minimum share price at which certain institutional investors are willing to own a stock. In addition, in June 2009, we were dropped from the Russell 2000 index due to our market capitalization falling below the cut-off capitalization for the index, which meant that certain mutual funds, pension funds and other institutional investors no longer hold our common stock nor will certain index funds be making purchases of our common stock in the future. A smaller pool of potential investors for our stock may decrease demand for the shares, resulting in a lower prices for our common stock than might otherwise prevail.

Because we do not intend to pay dividends on our common stock, you must rely on stock appreciation for any return on your investment.

We intend to retain any future earnings and do not expect to pay any dividends in the foreseeable future. As a result, you must rely on stock appreciation and a liquid trading market for any return on your investment in our common stock.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We lease operation centers, broadcast studios and marketing and administrative offices in Australia, Canada and the United Kingdom. We lease approximately 11,000 square feet in the aggregate in Australia, approximately 18,000 square feet in the aggregate in Canada, approximately 4,000 square feet in the aggregate in the United Kingdom pursuant to the terms of various lease agreements. For the year ended June 30, 2010, we incurred approximately \$1.2 million in facilities rental expense.

Item 3. Legal Proceedings

From time-to-time, we are involved in various legal actions arising in the ordinary course of business. Currently, there are no legal matters pending the ultimate dispositions of which will, in the opinion of our management, have a material effect on our consolidated financial position and results of operations.

Item 4. Removed and Reserved

Part II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

As of August 31, 2010, we had 25 shareholders of record and an estimated 2,280 beneficial shareholders.

The Company's common stock is traded on NASDAQ Global Market under the stock symbol "GNET". The following table sets forth the range of high and low sales prices of the Company's the common stock on NASDAQ for the calendar quarters indicated.

	<u>High</u>	<u>Low</u>
Fiscal 2010		
Quarter Ended September 30, 2009	\$ 5.10	\$ 3.59
Quarter Ended December 31, 2009	\$ 5.60	\$ 3.85
Quarter Ended March 31, 2010	\$ 5.72	\$ 4.23
Quarter Ended June 30, 2010	\$ 6.39	\$ 4.75
Fiscal 2009		
Quarter Ended September 30, 2008	\$ 10.63	\$ 8.16
Quarter Ended December 31, 2008	\$ 9.18	\$ 4.28
Quarter Ended March 31, 2009	\$ 6.19	\$ 3.03
Quarter Ended June 30, 2009	\$ 5.32	\$ 2.98

The closing sales price for the Company's common stock on August 31, 2010 was \$5.12.

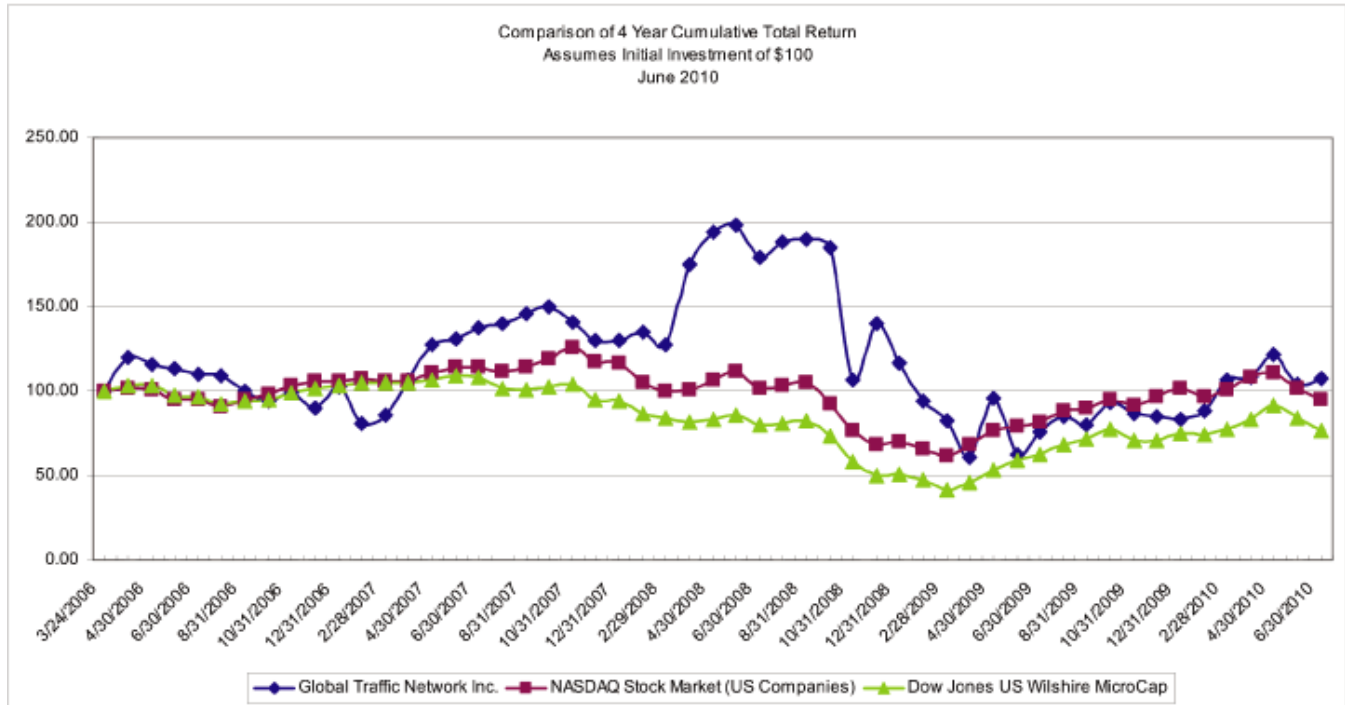
STOCK PERFORMANCE GRAPH

The Securities and Exchange Commission, requires that we include in this report a line-graph presentation comparing cumulative return to our stockholders (based on appreciation of the market price of our common stock) on an indexed basis with (i) a broad equity market index and (ii) an appropriate published industry or line-of-business index, or peer group index constructed by us. The following presentation compares our common stock price for the period from our first day of trading on March 24, 2006 through June 30, 2010, to the Nasdaq Composite Index and to the Dow Jones Wilshire Microcap Index.

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We have elected to use the Dow Jones Wilshire Microcap Index in compiling our stock performance graph because we believe the Dow Jones Wilshire Microcap Index represents a comparison to companies with similar market capitalization as ours.

The presentation assumes that the value of an investment in each of our common stock, the Nasdaq Composite Index and the Dow Jones Wilshire Microcap Index was \$100 on March 24, 2006, and that any dividends paid were reinvested in the same security.



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Legend

Symbol	Total Returns Index For:	3/24/2006	6/30/2006	6/30/2007	6/30/2008	6/30/2009	6/30/2010
◆	Global Traffic Network Inc.	100.00	110.00	137.80	178.80	75.80	107.60
■	NASDAQ Composite — Total Return	100.00	94.62	114.16	101.47	82.00	95.17
▲	Dow Jones US Wilshire MicroCap	100.00	96.41	108.12	79.64	62.65	76.41

Notes:

- The lines represent monthly index levels derived from compounded daily returns that include all dividends.
- The indexes are reweighted daily, using the market capitalization on the previous trading day.
- If the monthly interval, based on the fiscal year-end, is not a trading day, the preceding trading day is used.
- The index level for all series was set to \$100.00 on 3/23/2006.

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Dividends

We have not paid any dividends during the fiscal years ended June 30, 2009 and 2010 or during the interim period through the date of this report, and we do not expect to pay additional cash dividends or make any other distributions in the foreseeable future. We expect to retain our future earnings, if any, for use in the operation and expansion of our business. The payment of cash dividends in the future, if any, will be at the discretion of our Board of Directors and will depend upon such factors as earnings levels, capital requirements, our overall financial condition and any other factors deemed relevant by our Board of Directors.

Item 6. Selected Financial Data

The selected financial data presented below should be read in conjunction with the consolidated financial statements and notes included elsewhere in this Form 10-K, and in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this Form 10-K.

The selected financial data as of June 30, 2010, 2009, 2008, 2007 and 2006 and for the fiscal years then ended have been derived from the audited consolidated financial statements of the Company.

In thousands except per share data

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Income statement data for the year ended June 30:					
Revenues	\$93,335	\$60,337	\$50,953	\$31,699	\$19,502
Operating expenses (exclusive of depreciation and amortization expense shown separately below)	63,266	40,937	30,456	21,835	15,309
Selling, general and administrative expenses	21,038	15,615	15,214	10,120	6,415
Depreciation and amortization	5,326	2,547	1,500	907	587
Net operating income (loss)	3,705	1,238	3,783	(1,163)	(2,809)
Interest expense	15	39	90	170	319
Other (income)	(935)	(973)	(1,604)	(546)	(220)
Net income (loss) before taxes	4,625	2,172	5,297	(787)	(2,908)
Income tax expense	3,998	3,257	3,565	1,230	88
Net income (loss)	627	(1,085)	1,732	(2,017)	(2,996)
Income (loss) per common share:					
Basic	\$ 0.03	\$ (0.06)	\$ 0.10	\$ (0.16)	\$ (0.31)
Diluted	\$ 0.03	\$ (0.06)	\$ 0.10	\$ (0.16)	\$ (0.31)
Cash dividends declared	—	—	—	—	233

In thousands

Balance sheet data at June 30:

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	\$19,564	\$21,419	\$37,541	\$ 7,278	\$14,649
Total assets	65,088	69,170	62,602	23,840	24,288
Long-term obligations	3,096	3,785	871	1,161	1,508
Total liabilities	16,921	21,866	13,876	9,007	8,680
Stockholders’ equity	48,167	47,304	48,726	14,833	15,608

[Table of Contents](#)**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations****EXECUTIVE OVERVIEW**

We provide traffic and news information reports to radio and television stations in international markets. We are the largest provider of traffic information reports to radio stations in Australia, Canada and the United Kingdom and we provide traffic information reports to television stations in Australia and Canada. We also provide news information reports to radio stations in Canada, entertainment news reports to radio stations in the United Kingdom and we believe that we maintain the largest inventory of commercial advertising embedded in radio news reports in Australia. We derive a substantial majority of our revenues from the sale to advertisers of commercial advertising inventory associated with these information reports. We obtain this advertising inventory from radio and television stations in exchange for information reports and/or, for certain broadcasters, cash compensation. Although we are a Nevada corporation with principal executive offices located in New York, New York, we do not provide, nor do we intend to provide traffic or news reports to radio or television stations in the United States. However, we do intend to offer our mobile traffic products to radio and television stations in the United States.

Our operations are conducted through the following wholly owned direct and indirect subsidiaries:

- Australia Traffic Network
- Canadian Traffic Network
- UK Traffic Network & UK Commercial Traffic Network
- Mobile Traffic Network

Global Traffic Network, Inc. is a holding company and conducts no operations. Unless we indicate otherwise, the discussions below regarding our financial condition and results of operations present information on a consolidated basis and all material inter-company transactions and balances have been eliminated.

The Services We Provide — Radio Traffic Reports, Radio News Reports and TV Reports.

The information reports we provide to radio and television stations are divided into three categories, radio traffic reports, radio news reports and TV reports, based on the content of the report and the medium in which it is delivered. Collectively, we refer to these reports as our "information reports."

The radio stations that contract to provide us with traffic and news report advertising inventory become members of our "Radio Network." Likewise, the television stations that contract to receive our TV reports become members of our "TV Network." Collectively, we refer to the members of these networks as our "network affiliates." We currently offer radio traffic and television traffic reports and video footage to our network affiliates in Australia, while obtaining radio news report advertising inventory by paying cash compensation to our news network affiliates. We provide radio traffic reports and TV reports to our network affiliates in Canada, as well as news, weather, business and sports reports to our radio network affiliates on a limited basis. In the United Kingdom, we provide radio stations with traffic and entertainment news information and reports that are primarily provided through third party out-source providers that we compensate.

Our Sources of Revenue — Sale of Commercial Airtime Inventory

In exchange for providing our information reports and/or, for certain broadcasters, cash compensation, our network affiliates provide us with commercial advertising inventory. We generate revenues by packaging and selling this commercial advertising inventory for cash to advertisers on a local, regional or national network basis, except in the United Kingdom where it is sold on a national basis only. To date, we have recognized no revenue related to the bartering of goods and services and do not anticipate entering into barter transactions for the sale of our commercial advertising inventory in the future.

The substantial majority of our revenues have been generated from our Australian operations, including approximately \$56.5 million, or 60%, of our revenues for year ended June 30, 2010. Approximately \$41.7 million, or 45% of our total revenue for fiscal 2010, has been generated from the sale of commercial advertising inventory related to our Australian radio traffic reports. For the year ended June 30, 2009, approximately \$42.7 million, or 71% of our revenues, was generated by our Australian operations and approximately \$32.1 million, or 53%, was generated from the sale of commercial advertising inventory related to our Australian radio traffic reports. For the year ended June 30, 2008, approximately \$44.3 million, or 87% of our revenues, was generated by our Australian operations and approximately \$33.9 million, or 67%, was generated from the sale of commercial advertising inventory related to our Australian radio traffic reports. We expect to accumulate increasing amounts of commercial advertising inventory from our Australian operations as we continue to obtain more news report inventory in Australia. We began generating revenue in Canada in 2006 and currently have operations in eight Canadian cities: Calgary, Toronto, Hamilton, Vancouver, Montreal, Ottawa, Edmonton and Winnipeg. As commercial advertising inventory generated from our Canadian operations and our expanded Australian operations increases, we expect to sell the increased commercial advertising inventory in the same manner as we have sold commercial advertising inventory generated from our provision of radio traffic reports in Australia. Our experience indicates, however, that there is generally a delay between acquiring commercial advertising inventory from new or expanded operations and the realization of increasing revenue from the sale of such inventory. We experienced such a delay when we added Austereo as a network affiliate of our Radio Network in fiscal year 2004. Although the additional commercial advertising inventory we acquired from Austereo led to increased revenues during fiscal year 2004, the full impact on revenues from the sale of such inventory was not realized until fiscal

year 2005. We also experienced a similar lag when we began to receive news report inventory from Austereo in July 2006. We expect to experience similar delays in realizing revenues from the sale of commercial advertising inventory associated with additional radio news reports in Australia and our provision of additional radio traffic reports in Canada.

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Our Expenses

Our expenses are primarily comprised of three categories: operating expenses, selling expenses and general and administrative expenses. Operating expenses consist of station compensation and all expenses related to the gathering, producing, and broadcasting of our information reports, including aviation costs and expenses, salaries and benefits for our on-air personalities who deliver the information reports and payments to third parties that provide information and reporting services. Station compensation consists of the reimbursement of expenses incurred by stations which we would otherwise incur in providing services to the station, as well as any additional cash consideration paid to a network affiliate in exchange for commercial advertising inventory. We may incur increased expenses in the form of station compensation in connection with adding certain broadcasters to our base of network affiliates. As mentioned above, our experience indicates that in such instances there is generally a delay between acquiring commercial advertising inventory from new network affiliates and the realization of increased revenue from the sale of such inventory. Aviation costs relate to the costs of our airborne surveillance, an integral part of our information gathering, and consist both of payments to outside vendors to lease aircraft and the operating costs (including fuel, maintenance, and insurance costs) associated with the operation of our fleet of owned aircraft. Our fleet of leased and owned aircraft currently consists of:

	<u>Australia</u>		<u>Canada</u>		<u>United Kingdom</u>	
	<u>Leased</u>	<u>Owned</u>	<u>Leased</u>	<u>Owned</u>	<u>Leased</u>	<u>Owned</u>
Fixed-wing aircraft	0	1	2	0	0	2
Helicopters	0	4	0	7	0	0

Selling expenses include salaries and benefits for our sales personnel and commissions paid on sales of our commercial advertising inventory. General and administrative expenses consist of corporate overhead, including administrative salaries, real property lease payments, insurance, and benefits for our corporate executive officers, compensation expense related to stock options and restricted stock and legal and accounting fees. Expenses other than selling expenses are generally incurred evenly over the applicable fiscal year.

Basis of Presentation

We derive substantially all of our revenue and incur a substantial majority of our expenses from our Australian, Canadian and United Kingdom operations. However, the financial information contained in this Form 10-K, including the financial statements, report our financial condition and results of operation in United States dollars and unless stated otherwise, all references to monetary amounts refer to United States dollars. Income statement amounts are converted from Australian dollars, Canadian dollars or British pounds to United States dollars based on the average exchange rate for each quarterly period covered. Assets and liabilities are converted based on the exchange rate as of the applicable balance sheet date. Equity is converted based on the exchange rate in place at the time of the applicable investment. Foreign currency translation adjustments occur when the income statement and balance sheet are converted at different exchange rates and are recognized as other comprehensive income or loss in the financial statements. For reference, the exchange rates from Australian dollars, Canadian dollars and British pounds to United States dollars applicable to our income statement data for each of the three month periods ended June 30, 2010, 2009, and 2008, March 31, 2010, 2009 and 2008, December 31, 2009, 2008 and 2007 and September 30, 2009, 2008 and 2007 and applicable to our balance sheet data as of June 30, 2010 and 2009 are set forth below:

Australia

<u>Income Statement Period</u>	<u>Exchange Rate</u>	<u>Balance Sheet Date</u>	<u>Exchange Rate</u>
Three month period ended June 30, 2010	0.8827	June 30, 2010	0.8408
Three month period ended March 31, 2010	0.9039		
Three month period ended December 31, 2009	0.9094		
Three month period ended September 30, 2009	0.8340		
Three month period ended June 30, 2009	0.7611	June 30, 2009	0.8064
Three month period ended March 31, 2009	0.6645		
Three month period ended December 31, 2008	0.6654		
Three month period ended September 30, 2008	0.8875		
Three month period ended June 30, 2008	0.9444		
Three month period ended March 31, 2008	0.9060		
Three month period ended December 31, 2007	0.8890		
Three month period ended September 30, 2007	0.8483		

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Canada

Income Statement Period	Exchange Rate	Balance Sheet Date	Exchange Rate
Three month period ended June 30, 2010	0.9719	June 30, 2010	0.9399
Three month period ended March 31, 2010	0.9606		
Three month period ended December 31, 2009	0.9469		
Three month period ended September 30, 2009	0.9115		
Three month period ended June 30, 2009	0.8567	June 30, 2009	0.8604
Three month period ended March 31, 2009	0.8037		
Three month period ended December 31, 2008	0.8259		
Three month period ended September 30, 2008	0.9598		
Three month period ended June 30, 2008	0.9902		
Three month period ended March 31, 2008	0.9954		
Three month period ended December 31, 2007	1.0189		
Three month period ended September 30, 2007	0.9566		

United Kingdom

Income Statement Period	Exchange Rate	Balance Sheet Date	Exchange Rate
Three month period ended June 30, 2010	1.4917	June 30, 2010	1.4945
Three month period ended March 31, 2010	1.5614		
Three month period ended December 31, 2009	1.6344		
Three month period ended September 30, 2009	1.6411		
Three month period ended June 30, 2009	1.5522	June 30, 2009	1.6458
Three month period ended March 31, 2009	1.4369		
Three month period ended December 31, 2008	1.5681		
Three month period ended September 30, 2008	1.8921		
Three month period ended June 30, 2008	1.9718		
Three month period ended March 31, 2008	1.9783		
Three month period ended December 31, 2007	2.0438		
Three month period ended September 30, 2007	2.0217		

As reflected above, the U.S. dollar was generally weaker compared to the currencies of the markets in which we operate during the year ended June 30, 2010, especially in Australia which is our largest and most profitable market. This weakening of the U.S. dollar caused our Australian and Canadian revenues and expenses to be higher than they otherwise would be if the exchange rates were consistent for both periods. The United States dollar was stronger on average throughout the course of the year ended June 30, 2010 compared to the British pound, which resulted in our revenues and expenses being lower than they otherwise would have been had exchange rates remained constant. We estimate that the impact from the currency changes in Australia, Canada and United Kingdom on our operating results for the fiscal years ended June 30, 2010 and 2009 compared to the fiscal years ended June 30, 2009 and 2008, respectively, has been to increase or (decrease) income statement data as follows:

	Year ended June 30, 2010 <u>(in thousands)</u>	Year ended June 30, 2009 <u>(in thousands)</u>
Australia		
Revenues	\$ 9,221	\$ (8,690)
Operating expenses (exclusive of depreciation and amortization expense)	4,789	(4,711)
Sales, general & administrative expenses	1,849	(1,752)
Canada		
Revenues	1,040	(1,042)
Operating expenses (exclusive of depreciation and amortization expense)	893	(1,113)
Sales, general & administrative expenses	314	(307)
United Kingdom		
Revenues (exclusive of depreciation and amortization expense)	(436)	(2,969)
Operating expenses	(401)	(2,857)
Sales, general & administrative expenses	(56)	(322)
Australia, Canada and United Kingdom combined		
Revenues	9,825	(12,701)
Operating expenses (exclusive of depreciation and amortization expense)	5,281	(8,681)
Sales, general & administrative expenses	2,107	(2,381)

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When discussing changes in income statement accounts from the year ended June 30, 2009 to the year ended June 30, 2010 and from the year ended June 30, 2008 to the year ended June 30, 2009, the analysis under “Results of Operations” below includes both the impact of currency changes and changes in revenues and expenditures in the local currency.

Seasonality of Business

We believe that advertising revenues in general vary moderately over the calendar year, with the three month period ending December 31 generally resulting in the highest revenues and the three month period ending March 31 generally resulting in the lowest revenues. This industry trend is mainly attributable to increases in the level of advertiser demand, and resulting increases in average advertising spot rates and/or number of spots sold, during the months leading up to the Christmas holiday season and lower advertiser demand following the end of the holiday season which leads to lower average advertising spot rates and/or number of spots sold during that time. We believe that this general trend in advertising revenues is applicable to our business. Over the past five fiscal years however, the financial impact of seasonality has been offset by the rapid revenue growth, and in certain cases, favorable exchange rate movements, as revenues for the quarter ending March 31 have exceeded revenues for the quarter ended September 30 during four of these five fiscal years, with the lone exception being the year ended June 30, 2009. Our revenues during the third fiscal quarter of 2009 were significantly impacted by a stronger U.S. dollar, which lowered our reported revenues in U.S. dollars. For similar reasons as outlined above, our fiscal fourth quarter has generated more revenue than fiscal second quarter for each of the four fiscal years ended June 30, 2009. In fiscal 2010, however, revenues for the quarter ended December 31, 2009 exceeded revenues for the quarter ended June 30, 2010. Our expenses other than sales costs are generally spread evenly over the fiscal year. As a result, we generally experience seasonality in the amount of our net income absent growth due to the addition of new network affiliates.

Acquisition of The Unique Broadcasting Company Limited

On February 1, 2009, UK Traffic Network entered into a definitive share purchase agreement to acquire The Unique Broadcasting Company Limited (“Unique”) and the acquisition was completed effective March 1, 2009, at which point Unique was renamed Global Traffic Network (UK) Commercial Limited (“UK Commercial Traffic Network”). Consequently, our results for the year ended June 30, 2010 include UK Commercial Traffic Network’s operations whereas the corresponding year ended June 30, 2009 only includes four months of results for UK Commercial Traffic Network. For the year ended June 30, 2010, our net revenues and net loss attributable to UK Commercial Traffic Network were approximately \$23.2 million and \$(0.7) million, respectively. For the year ended June 30, 2009, our net revenues and net loss attributable to UK Commercial Traffic Network were approximately \$6.6 million and \$(0.4) million, respectively.

Results of Operations

Year Ended June 30, 2010 Compared With Year Ended June 30, 2009

Revenues. Revenues increased from approximately \$60.3 million for the year ended June 30, 2009 to approximately \$93.3 million for the year ended June 30, 2010, an increase of approximately 54.7%. The largest portion of the increase in revenues was an increase of approximately \$16.7 million from our United Kingdom operations, which was attributable to an increase of approximately \$16.6 million in revenues associated with the UK Commercial Traffic Network (formerly Unique) business operations. Because we consummated our acquisition of Unique on March 1, 2009, only four months of results from the UK Commercial Traffic Network’s operations were included in our results for the comparable 2009 period. Revenues from the sale of inventory related to our Canadian operations increased approximately \$2.6 million from the previous year period. The higher revenues were attributable to performance during the third and fourth quarters of fiscal 2010, in which revenues increased approximately \$2.7 million compared to the year ago six month period. As reflected in *Changes in Key Operating Statistics in Local Currencies*, Canadian revenues increased approximately 23.7% when measured in Canadian dollars. The revenue increase in local currency was driven by an increase in the number of spots sold (attributable to more spots available for sale and higher utilization) and higher spot rates. Australian revenues increased approximately \$13.8 million compared to the year ended June 30, 2009. The increase pertained solely to our radio network, as revenues on our TV network decreased approximately \$0.3 million for the year. Approximately \$9.1 million of the increase in radio network revenue related to our radio traffic network while our radio news network revenues increased approximately \$5.0 million. As reflected in *Changes in Key Operating Statistics in Local Currencies*, Australian revenues increased approximately 11.2% when measured in local currency compared to the year ended June 30, 2009. The Australian revenue increase in local currency was driven by an increase in the number of spots sold and higher spot rates compared to the previous year. The increase in spots sold was due both to having more advertising inventory available for sale as well as a higher percentage of available spots being sold compared to the previous year. Approximately \$9.8 million (or approximately 30%) of the consolidated revenue increase for the year ended June 30, 2010 was due to currency fluctuations related to the weaker U.S. dollar during the period compared with the previous year. Approximately \$9.2 million of the increase pertaining to currency fluctuation was attributable to our Australian operations.

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Operating expenses. Operating expenses increased from approximately \$40.9 million for the year ended June 30, 2009 to approximately \$63.3 million for the year ended June 30, 2010, an increase of approximately 54.8%. Approximately \$12.5 million of the increase pertained to our United Kingdom operations, of which approximately \$13.1 million pertained to the UK Commercial Traffic Network (formerly Unique) business operations that we acquired on March 1, 2009. Expenses from our other United Kingdom operations decreased approximately \$0.6 million compared to the previous year period. The main components of the reduction in operating expenses from our pre-existing UK operations were approximately \$0.3 million reduction in communications expenses related to our Highways Agency contract, which was also reflected as a reduction of revenue under the contract as well as approximately \$0.3 million reduction in operating expenses from our original traffic operations. Operating expenses related to our Australian and Canadian operations increased approximately \$7.4 million and \$2.5 million, respectively, each primarily due to an increase in station compensation. Approximately \$4.8 million and \$0.9 million of the overall increase in Australian and Canadian operating expenses, respectively was due to currency movements as both the Australia and Canada dollar significantly strengthened against the U.S. dollar during the year ended June 30, 2010. As reflected in *Changes in Key Operating Statistics in Local Currencies*, Australian and Canadian operating expenses increased approximately 11.8% and 21.1% respectively when measured in local currencies, mainly due to increases in station compensation.

Selling, general and administrative expenses. Selling, general and administrative expenses increased from approximately \$15.6 million for the year ended June 30, 2009 to approximately \$21.0 million for the year ended June 30, 2010, an increase of approximately 34.6%. Selling, general and administrative expenses increased approximately \$2.1 million in the United Kingdom due to a \$2.2 million increase from the acquired UK Commercial Traffic Network (formerly Unique) business operations. Australian selling, general and administrative costs increased approximately \$3.0 million for the year ended June 30, 2010. The main increases included approximately \$2.0 million in sales employee remuneration, \$0.3 million in administrative wages, \$0.5 million in other administrative and sales expenses and \$0.2 million increase in management fees which was due to currency changes and was offset on Global Traffic Network (unconsolidated parent). Approximately \$1.8 million of the overall \$3.0 million increase in Australian selling, general and administrative expenses related to currency fluctuations. Sales expense as a percentage of revenue in Australia increased from approximately 13.4% for the year ended June 30, 2009 to approximately 14.0% for the year ended June 30, 2010. Selling, general and administrative expenses in Canada increased approximately \$0.8 million primarily due to increased sales employee costs due both to increased staffing and higher commission costs related to the increased billing for the year. Selling, general and administrative expenses of Mobile Traffic Network were reduced approximately \$0.5 million compared to the year ago period as we actively reduced our staffing of this subsidiary. Non-cash compensation expense resulting from grants of employee and director stock options and restricted stock was approximately \$1.2 million for both the year ended June 30, 2010 and 2009.

Depreciation and amortization expense. Depreciation and amortization expense increased from approximately \$2.5 million for the year ended June 30, 2009 to approximately \$5.3 million for the year ended June 30, 2010. The majority of the increase pertains to amortization of the intangibles associated with the acquisition of UK Commercial Traffic Network (formerly Unique). Approximately \$0.2 million of the increase related to shortening the useful lives of the Canadian Traffic Network helicopters from eight years to six years and reducing the Canadian Traffic Network helicopter engine rebuild useful lives from three years to two years. This change in estimate was made due to our flying more hours per year in Canada than originally anticipated.

Interest expense. Interest expense decreased from approximately \$39,000 for the year ended June 30, 2009 to approximately \$15,000 for the year ended June 30, 2010. All of the outstanding debt balances were repaid during the period and we had no outstanding long term debt as of June 30, 2010.

Other income. Other income decreased from approximately \$1.0 million for the year ended June 30, 2009 to approximately \$0.9 million for the year ended June 30, 2010. Other income consists primarily of interest income on our cash balances and the reduction is attributable mainly to lower interest rates during the current period and our reduced cash balances due to the purchase of UK Commercial Traffic Network (formerly Unique). The reduction in other income was partially mitigated by foreign currency translation income of approximately \$0.1 million for the year ended June 30, 2010 compared to no foreign currency translation income or loss during the 2009 period. The foreign currency translation income resulted from the repayment of balances due to the Company by Australia Traffic Network. Intercompany balances between the Company and its subsidiaries are translated from the local currencies to U.S. dollars at each balance sheet date. To the extent these balances are intended to be ongoing, that is, settlement is neither planned nor anticipated, the translation adjustments to balance intercompany are reflected as a component of other comprehensive income. The repayment of the Australia Traffic Network intercompany balance triggered a realized foreign exchange income during the period.

Income tax expense. Income tax expense increased from approximately \$3.3 million for the year ended June 30, 2009 to approximately \$4.0 million for the year ended June 30, 2010. The increase was primarily due to an increase of \$1.0 million in Australia from the higher net income in the current period partially offset by approximately \$0.3 million increase in the deferred tax benefit in the United Kingdom. The effective tax rate in Australia was 30.1% and 30.0% for the year ended June 30, 2010 and 2009, respectively, compared to the statutory federal rate of 30.0%. There was no income tax benefit for the United States or Canada as a valuation allowance has been created for 100% of the Company's net deferred tax assets in those countries. The UK Traffic Network realized approximately \$0.7 million tax benefit due to the reduction of the deferred tax liability created by the acquisition of UK Commercial Traffic Network (formerly Unique), which was partially offset by the taxable income generated by UK Commercial Traffic Network during the period. UK Commercial Traffic Network's tax expense and benefit are non-cash items due to the deferred tax liability created as part of the acquisition and the significant net operating losses of Unique that we acquired.

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Net income (loss). Net income (loss) increased from approximately \$1.1 million of net loss for the year ended June 30, 2009 to net income of approximately \$0.6 million for the year ended June 30, 2010. Our increase in net income is primarily attributable to an increase of approximately \$2.2 million in Australia Traffic Network net income, a decrease of approximately \$0.6 million in Mobile Traffic Network net loss due to expense reductions and approximately \$0.5 reduction of the net loss of our consolidated UK operations. These increases in net income were partially offset by an increase in the net loss of the parent holding company that was primarily due to lower interest income in the current year and an increase in Canadian Traffic Network net loss of approximately \$1.3 million. The increase in Canadian Traffic Network net loss pertained to business operations in the first half of fiscal 2010, as Canadian Traffic Network's operations during the second half of fiscal 2010 showed a reduction in net loss of approximately \$0.4 million compared to the prior year period.

The table below sets forth changes in certain of our key operating statistics for our Australian operations for the comparable periods presented without taking into account foreign currency exchange rates. Amounts are expressed in Australian dollars. The exchange rates from Australian dollars to United States dollars for each of the applicable periods is set forth in the Executive Overview section of Management Discussion and Analysis of Financial Condition and Results of Operations under the heading "Basis of Presentation".

Changes in Key Operating Statistics in Local Currencies

Australian Operations:

Key operating statistic	Year Ended June 30, 2010 <small>(In thousands)</small>	Year Ended June 30, 2009 <small>(In thousands)</small>	Percentage Increase (Decrease)
Revenues	\$ 63,841	\$ 57,396	11.2%
Operating expenses (exclusive of depreciation and amortization expense shown separately below)	33,986	30,390	11.8%
Selling, general and administrative expenses	13,231	11,706	13.0%
Depreciation and amortization expense	1,113	994	12.0%
Interest expense	17	52	(67.3)%
Other (income)	(825)	(878)	(6.0)%
Income tax expense	4,914	4,542	8.2%
Net income	11,405	10,590	7.7%

The table below sets forth changes in certain of our key operating statistics for our Canadian operations for the comparable periods presented without taking into account foreign currency exchange rates. Amounts are expressed in Canadian dollars. The exchange rates from Canadian dollars to United States dollars for each of the applicable periods is set forth in the Executive Overview section of Management Discussion and Analysis of Financial Condition and Results of Operations under the heading "Basis of Presentation".

Canadian Operations:

Key operating statistic	Year Ended June 30, 2010 <small>(In thousands)</small>	Year Ended June 30, 2009 <small>(In thousands)</small>	Percentage Increase (Decrease)
Revenues	\$ 9,927	\$ 8,023	23.7%
Operating expenses (exclusive of depreciation and amortization expense shown separately below)	10,205	8,425	21.1%
Selling, general and administrative expenses	2,977	2,348	26.8%
Depreciation and amortization expense	1,455	881	65.2%
Interest expense	—	—	—
Other (income)	(4)	(30)	(86.7)%
Income tax expense	—	—	—
Net loss	(4,706)	(3,601)	30.7%

The table below sets forth changes in certain of our key operating statistics for our United Kingdom operations for the comparable periods presented without taking into account foreign currency exchange rates. Amounts are expressed in British pounds. The exchange rates from British pounds to United States dollars for each of the applicable periods is set forth in the Executive Overview section of Management Discussion and Analysis of Financial Condition and Results of Operations under the heading "Basis of Presentation".

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United Kingdom Operations:

Key operating statistic	Year Ended June 30, 2010	Year Ended June 30, 2009	Percentage Increase (Decrease)
	(In thousands)	(In thousands)	
Revenues	£ 17,301	£ 6,892	151.0%
Operating expenses (exclusive of depreciation and amortization expense shown separately below)	14,544	6,706	116.9%
Selling, general and administrative expenses	2,067	751	175.2%
Depreciation and amortization expense	1,804	661	172.9%
Interest expense	—	—	—
Other (income)	(80)	(7)	1,042.9%
Income tax (benefit)	(247)	(87)	183.9%
Net loss	(787)	(1,132)	(30.5)%

Year Ended June 30, 2009 Compared With Year Ended June 30, 2008

Revenues. Revenues increased from approximately \$51.0 million for year ended June 30, 2008 to approximately \$60.3 million for the year ended June 30, 2009, an increase of approximately 18.2%. Revenues from our Australian operations in fiscal 2009 decreased approximately \$1.6 million from the prior year period, with revenues from our Australian radio network decreasing approximately \$0.2 million and revenues from our TV network decreasing approximately \$1.3 million. The decrease in revenues from our Australian radio networks reflects a decrease of approximately \$1.0 million from our traffic network that was partially offset by an approximate \$0.8 million increase from our news radio network. Revenues from the sale of inventory related to our Canadian operations in fiscal 2009 increased approximately \$0.2 million over the prior year period, to approximately \$6.9 million. Revenues for our 2009 United Kingdom operations were approximately \$10.7 million compared to \$0 for the year ended June 30, 2008. Approximately \$6.6 million of our UK revenues was attributable to the Unique business operations that we acquired on March 1, 2009.

As reflected in *Basis of Presentation*, revenues were negatively impacted by unfavorable exchange rate movements in Australia and Canada during the year ended June 30, 2009. When measured in local currencies, Australian revenue increased approximately 16.4% and our Canadian revenue increased approximately 19.7%. The most significant portion of the revenues increase in Canada (when measured in local currency) was due to the sale of more spots albeit at a lower rate. The increase in the number of spots sold was primarily due to increased utilization of existing spot inventory. The most significant factors in the increase in revenues in Australia (when measured in local currency) was an increase in the average rate per advertising spot and the number of spots sold. The increase in advertising spots sold was primarily driven by obtaining additional inventory compared to the prior year period.

Operating expenses. Operating expenses increased from approximately \$30.5 million for the year ended June 30, 2008 to approximately \$40.9 million for the year ended June 30, 2009, an increase of approximately 34.1%. Approximately \$0.3 million of the increase pertained to our Australian operations, which was mainly attributable to higher news station compensation. As reflected in *Changes in Key Operating Statistics in Local Currencies*, Australian operating expenses increased approximately 22.2% when measured in local currency. Canadian operating expenses during fiscal 2009 increased approximately \$0.4 million over the fiscal 2008 period, due primarily to an approximately \$1.3 million increase in station compensation that was partially offset by reductions of approximately \$0.2 million in employee costs and approximately \$0.6 million in aviation expenses. As reflected in *Changes in Key Operating Statistics in Local Currencies*, the percentage increase in Canadian operating expenses was greater when measured in local currency. Canadian operating expenses increased approximately 22.5% when measured in local currency. Approximately \$9.2 million of the increase in operating expenses resulted from costs incurred by UK Traffic Network, the majority of which was related to the cost of providing service under our contract with the United Kingdom's Highways Agency, which commenced July 1, 2008, and our operation of the Unique business, which we acquired on March 1, 2009. Operating costs related to the Unique business were approximately \$5.6 million. The increase in our operating expenses for Mobile Traffic Network was approximately \$0.7 million for the year ended June 30, 2009. Mobile Traffic Network was formed March 8, 2008 and therefore was not in existence for a substantial portion of the year ended June 30, 2008.

Selling, general and administrative expenses. Selling, general and administrative expenses increased from approximately \$15.2 million for the year ended June 30, 2008 to approximately \$15.6 million for the year ended June 30, 2009, an increase of approximately 2.6%. Approximately \$0.4 million of the increase pertains to corporate overhead, including an increase of approximately \$0.4 million related to the granting of stock options and restricted stock. Non-cash compensation expense from the granting of employee and director stock options and restricted stock was approximately \$1.2 million for the year ended June 30, 2009 and \$0.8 million for the year ended June 30, 2008. Selling, general and administrative expenses in Australia decreased by approximately \$1.1 million mainly due to reductions of approximately \$0.5 million in general and administrative costs, approximately \$0.3 million in the management fee due Global Traffic Network and approximately \$0.3 million in selling costs primarily associated with sales staff compensation. The decrease in management fees resulted entirely from changes in currency exchange rates, was offset by a comparable increase on the unconsolidated income statement of Global Traffic Network and was eliminated in consolidation. As reflected in *Changes in Key Operating Statistics in Local Currencies*, Australian selling, general and administrative expenses increased approximately 6.8% in local currency. Selling, general and administrative expenses in Canada decreased approximately \$0.3 million, primarily due to decreases of approximately \$0.2 million in sales employee compensation and approximately \$0.1 million in general

and administrative expenses. As reflected in *Changes in Key Operating Statistics in Local Currencies*, Canadian selling, general and administrative expenses increased approximately 3.0% when measured in local currency. Our selling, general and administrative expenses for the year ended June 30, 2009 for Mobile Traffic Network increased approximately \$0.5 million. Mobile Traffic Network was formed March 8, 2008 and therefore was not in existence for a substantial portion of the year ended June 30, 2008. UK Traffic Network selling, general and administrative expenses increased approximately \$0.8 million, of which approximately \$0.7 million was associated with the newly acquired Unique business operations. Sales expense as a percentage of revenue in Australia decreased from approximately 13.7% for the year ended June 30, 2008 to approximately 13.4% for the year ended June 30, 2009.

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Depreciation and amortization expense. Depreciation and amortization expense increased from approximately \$1.5 million for the year ended June 30, 2008 to approximately \$2.5 million for the year ended June 30, 2009. Approximately \$1.0 million of the increase pertains UK Traffic Network including approximately \$0.8 million of amortization of intangibles acquired in the Unique purchase. As reflected in *Changes in Key Operating Statistics in Local Currencies*, Australian and Canadian depreciation and amortization expense increased in local currencies and was largely offset due to changes in exchange rates.

Interest expense. Interest expense decreased from approximately \$90,000 for the year ended June 30, 2008 to approximately \$39,000 for the year ended June 30, 2009. The decrease was mainly due to lower amounts of debt outstanding in Australia primarily as a result of regularly scheduled principal amortization.

Other income. Other income decreased from approximately \$1.6 million for the year ended June 30, 2008 to approximately \$1.0 million for the year ended June 30, 2009. Other income consists primarily of interest income on our cash balances and the reduction was primarily due to lower interest rates in the current period, unfavorable movement in Australia dollar/U.S. dollar exchange rates and a reduction in cash balances due to purchasing Unique for an initial payment of approximately \$12.9 million.

Income tax expense. Income tax expense decreased from approximately \$3.6 million for the year ended June 30, 2008 to approximately \$3.3 million for the year ended June 30, 2009. The decrease was primarily due to the decreased net profit in Australia in U.S. dollars for the year ended June 30, 2009 compared to the year ended June 30, 2008 due to the changes in currency exchange rates as well as the income tax benefit in the United Kingdom discussed below. As reflected in *Changes in Key Operating Statistics in Local Currencies* income tax expense from our Australian operations in local currency increased approximately 15.5%. The effective tax rate in Australia was 30.0% and 30.2% for the years ended June 30, 2009 and 2008, respectively, compared to the statutory federal rate of 30.0%. There was no income tax benefit for the United States or Canada as a valuation allowance has been created for 100% of the Company's tax loss carry forwards in those countries. The UK Commercial Traffic Network realized approximately \$0.1 million in tax benefit due to approximately \$0.2 million related to the amortization of the deferred tax liability created by the Unique acquisition offset by approximately \$0.1 million tax expense related to UK Commercial Traffic Network taxable income for the period March 1, 2009 through June 30, 2009. The tax expense was a non-cash item and was offset against the deferred tax asset acquired as part of the Unique acquisition.

Net income (loss). Net income (loss) decreased from net income of approximately \$1.7 million for the year ended June 30, 2008 to net loss of approximately \$1.1 million for the year ended June 30, 2009. Our decrease in net income is primarily attributable to higher non-cash equity compensation and reduced interest income at Global Traffic Network (parent) in 2009, leading to an increase in net loss of Global Traffic Network (the parent) compared to the fiscal 2008 period, as well as start-up losses from Mobile Traffic Network, which had only commenced operations for a small part of the previous year. In addition, the net income attributable to Australia Traffic Network's operations decreased approximately \$0.3 million for the year ended June 30, 2009 when reported in U.S. dollars compared to the year ended June 30, 2008. Although fiscal 2009 Australian net income increased approximately 16.5% in Australian dollars over the fiscal 2008 period (see *Changes in Key Operating Statistics in Local Currencies* below), the increase was more than offset by the negative effect of changes in foreign currency exchange rates.

Changes in Key Operating Statistics in Local Currencies

The table below sets forth changes in certain of our key operating statistics for our Australian operations for the comparable periods presented without taking into account foreign currency exchange rates. Amounts are expressed in Australian dollars. The exchange rates from Australian dollars to United States dollars for each of the applicable periods is set forth in the Executive Overview section of Management Discussion and Analysis of Financial Condition and Results of Operations under the heading "Basis of Presentation".

Australian Operations:

Key operating statistic	Year Ended June 30, 2009	Year Ended June 30, 2008	Percentage Increase (Decrease)
	(In thousands)	(In thousands)	
Revenues	\$ 57,396	\$ 49,323	16.4%
Operating expenses (exclusive of depreciation and amortization expense shown separately below)	30,390	24,871	22.2%
Selling, general and administrative expenses	11,706	10,964	6.8%
Depreciation and amortization expense	994	903	10.1%
Interest expense	52	101	(48.5)%
Other (income)	(878)	(539)	62.9%
Income tax expense	4,542	3,932	15.5%
Net income	10,590	9,091	16.5%

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The table below sets forth changes in certain of our key operating statistics for our Canadian operations for the comparable periods presented without taking into account foreign currency exchange rates. Amounts are expressed in Canadian dollars. The exchange rates from Canadian dollars to United States dollars for each of the applicable periods is set forth in the Executive Overview section of Management Discussion and Analysis of Financial Condition and Results of Operations under the heading “Basis of Presentation”.

Canadian Operations:

Key operating statistic	Year Ended June 30, 2009 <small>(In thousands)</small>	Year Ended June 30, 2008 <small>(In thousands)</small>	Percentage Increase (Decrease)
Revenues	\$ 8,023	\$ 6,701	19.7%
Operating expenses (exclusive of depreciation and amortization expense shown separately below)	8,425	6,880	22.5%
Selling, general and administrative expenses	2,348	2,279	3.0%
Depreciation and amortization expense	881	674	30.7%
Interest expense	—	—	—
Other (income)	(30)	(18)	66.7%
Income tax expense	—	—	—
Net loss	(3,601)	(3,114)	15.6%

The table below sets forth changes in certain of our key operating statistics for our United Kingdom operations for the comparable periods presented without taking into account foreign currency exchange rates. Amounts are expressed in British pounds. The exchange rates from British pounds to United States dollars for each of the applicable periods is set forth in the Executive Overview section of Management Discussion and Analysis of Financial Condition and Results of Operations under the heading “Basis of Presentation”.

United Kingdom Operations:

Key operating statistic	Year Ended June 30, 2009 <small>(In thousands)</small>	Year Ended June 30, 2008 <small>(In thousands)</small>	Percentage Increase (Decrease)
Revenues	£ 6,892	£ —	N/A
Operating expenses (exclusive of depreciation and amortization expense shown separately below)	6,706	667	905.4%
Selling, general and administrative expenses	751	201	273.6%
Depreciation and amortization expense	661	10	6,510.0%
Interest expense	—	—	—
Other (income) expense	(7)	3	(333.3)%
Income tax (benefit) expense	(87)	—	N/A
Net loss	(1,132)	(881)	28.5%

Liquidity and Capital Resources

At June 30, 2010, our primary source of liquidity was cash and cash equivalents of approximately \$19.6 million. In addition, we also had approximately \$1.7 million available under our unused overdraft credit line at June 30, 2010. The overdraft credit line is denominated in Australian dollars and has been translated into U.S. dollars for purposes of this report. Our excess cash has been mainly invested in short term bonds, short term agencies, short term commercial paper and money market accounts, all of which have maturities of 90 days or less.

Operating activities. Cash provided by operating activities was approximately \$3.1 million for the year ended June 30, 2010, due mainly to positive cash generation from operations (after net income was adjusted for non-cash expenses) that was partially offset by negative changes in working capital. The largest use of working capital was an increase in accounts receivable of approximately \$2.7 million associated with the increased revenue for the year.

Investing activities. Cash used in investing activities was approximately \$4.7 million for the year ended June 30, 2010. The cash used for investing activities consisted primarily of the early settlement of the potential contingent payment obligation and settlement of the purchase price adjustment related to working capital from the Unique acquisition, and to a lesser extent capital expenditures, the majority of which was for the regularly recurring rebuilding of helicopter engines in Canada and Australia.

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Financing activities. Cash used in financing activities was approximately \$0.4 million for the year ended June 30, 2010, which consisted of regularly scheduled principal amortization as well as prepayment of the remaining outstanding debt balance in December 2009.

Effect of exchange rate changes. Cash increased approximately \$0.2 million for the year ended June 30, 2010 due to changes in exchange rates.

On July 26, 2007 we entered into an underwriting agreement to sell 4,500,000 shares of stock (plus an underwriters' over-allotment option for an additional 675,000 shares) at a price of \$6.25 per share less a 6.5% underwriters' discount. On July 31, 2007 the underwriters exercised their over-allotment option in full and we closed on the follow on offering of our common stock. The net proceeds after expenses were approximately \$29.7 million.

On March 23, 2006, the SEC declared effective a registration statement of the Company that registered the offer and sale of up to 3,800,000 shares of the Company's common stock, at \$5.00 per share, in the Company's initial public offering and an additional 570,000 shares of the Company's common stock eligible for sale if the underwriter for our initial public offering exercised its over-allotment option. The Company's common stock was approved for trading on the Nasdaq Global Market and began trading on March 24, 2006. The initial closing of our initial public offering, at which the Company sold 3,800,000 shares of common stock, occurred on March 29, 2006, with the Company receiving proceeds of approximately \$16.5 million, net of offering expenses and underwriting discounts and commissions. On April 28, 2006, the underwriter for our initial public offering exercised its over-allotment option to acquire an additional 570,000 shares of the Company's common stock for a purchase price of \$4.65 per share (representing the public offering price less underwriting discounts and commissions). On May 4, 2006, the purchase of these shares was completed, resulting in additional net proceeds to the Company of approximately \$2.6 million after deducting offering expenses. The aggregate net proceeds of our initial public offering, inclusive of amounts obtained in connection with the over-allotment exercise, were approximately \$19.1 million, after deducting underwriting discounts and commissions and offering expenses.

Through Australia Traffic Network, we have in place \$1.7 million bank overdraft line of credit facility. Interest on amounts outstanding under the facility is variable at the ANZ Mortgage Index rate plus 0.83% (9.95% at June 30, 2010) and is secured by all assets of Australia Traffic Network. The facility contains covenants relating to dividends, liens, indebtedness, capital expenditures and interest coverage and leverage ratios. At June 30, 2010, the balance of the bank overdraft was \$0 and the entire \$1.7 million was available to us. The facility is denominated in Australian dollars (\$2.0 million Australian dollars) and the dollar amounts above have been translated into United States dollars.

We used the bank overdraft line of credit to finance the purchase of two additional helicopters in April 2005. In September 2005, we refinanced these helicopters under bank term loans in the original principal amount of \$1.4 million. The outstanding principal amount of these term loans accrue interest at a fixed annual rate of 6.97%, and we were required to make monthly principal and interest payments under the loans of approximately \$29,000. The loans, which matured on September 6, 2010, were secured by the two helicopters. We repaid the loan in full on December 31, 2009.

In November 2003, we financed the purchase of a helicopter under a bank term loan in the original principal amount of approximately \$0.5 million. The outstanding principal amount of this term loan accrued interest at a fixed annual rate of 8.43%, and we were required to make monthly principal and interest payments under the loan of approximately \$15,000. The loan was repaid on November 6, 2008.

We had a financing lease in place under which we financed the purchase of an automobile. The financing lease accrued interest at 7.67% per year and we were required to make monthly principal and interest payment of approximately \$2,000. The financing lease was repaid on August 27, 2008.

The Company believes its cash and cash equivalents on hand and its overdraft line of credit provide adequate resources to fund ongoing operations, including any net losses generated by Canadian Traffic Network, UK Traffic Network, Mobile Traffic Network and corporate overhead for at least the next twelve months.

Income Taxes. Prior to the consummation of the Share Exchange, Australia Traffic Network operated as an Australian corporation and paid federal income taxes in Australia. The United States shareholders of Australia Traffic Network recorded their share of Australia Traffic Network's income on their personal income tax returns and received deduction on their United States federal income tax returns for the Australian taxes paid. Because Australian income taxes are generally lower than United States income taxes, a tax liability was passed on to each United States shareholder. Australia Traffic Network's then existing shareholders became liable for the tax triggered by the Share Exchange. Prior to the effective time of the initial public offering, we issued the Share Exchange Notes, in an aggregate amount of \$1.4 million, to the Australia Traffic Network shareholders. The Share Exchange Notes were intended to cover the estimated tax consequences to such shareholders of the Share Exchange. Upon the closing of the initial public offering, we repaid the Share Exchange Notes in full.

We operate as a United States corporation with wholly-owned direct and indirect operating subsidiaries in Australia, Canada and United Kingdom. We will pay income taxes in those countries as well as in the United States. The current federal statutory tax rate is 30% in Australia while the estimated effective combined federal and provincial tax rate is approximately 28% in Canada, the estimated effective corporate tax rate in the United Kingdom is approximately 28% and the estimated federal and state tax rate in the United States is approximately 35%.

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Contractual Commitments

The table below sets forth our contractual obligations as of June 30, 2010:

<u>Contractual Obligations</u>	<u>Total</u>	<u>Payments due by period</u>			
		<u>Less than 1 Year</u>	<u>1-3 Years</u> <u>(in thousands)</u>	<u>4-5 Years</u>	<u>More Than 5 Years</u>
Operating Lease Obligations	\$ 2,360	\$ 782	\$ 1,040	\$ 435	\$ 103
Outsource Provider Obligations	7,285	2,914	4,371	—	—
Station Obligations	<u>62,899</u>	<u>30,916</u>	<u>30,870</u>	<u>1,113</u>	<u>—</u>
Total	\$ 72,544	\$ 34,612	\$ 36,281	\$ 1,548	\$ 103

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures. We evaluate these estimates on an on-going basis. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We consider the following accounting policies to be those most important to the portrayal of our results of operations and financial condition:

Revenue recognition. Revenues are earned and recognized at the time commercial advertisements are broadcast. Payments received in advance or amounts invoiced in advance are deferred until earned and such payments and amounts are included as a component of deferred revenue in the accompanying balance sheets. All revenues pertain to cash sales. We determine that commercial advertisements are broadcast based on the announcers' written verification on the broadcast log or written or electronic verification from our network affiliates for advertisements they broadcast. The broadcast log is a schedule of station, time and advertiser for each report that an announcer broadcasts. The broadcast logs are generated by our scheduling department through our automated scheduling system, based on advertising sales orders and our network affiliate stations' scheduled report times. Revenues are reported net of commissions given to third party advertising agencies that represent a majority of our advertisers. Sales taxes, goods and services taxes, value added taxes and similar charges collected by our operating subsidiaries on behalf of government authorities are not included as a component of revenue.

Accounts receivable. Accounts receivable are recorded at the invoice amount and are not interest bearing. We perform credit evaluations of new customers and generally require no collateral. Whether an accounts receivable is past due is determined in a subjective manner based primarily on how long it has been outstanding, but taking into consideration factors such as client size, payment history and country to which the receivable relates. Goods and services tax and value added tax, which is invoiced and collected by operating subsidiaries in Australia, Canada and United Kingdom are included in accounts receivable. Fees related to credit card payments are expensed when payment for the receivable is received and have historically