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

**HALF-YEAR FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016
PROVIDED TO THE ASX UNDER LISTING RULE 4.2A**

***This half-year financial report is to be read in conjunction with the
financial report for the year ended 30 June 2016***

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

Appendix 4D

**Half-year financial report
Period ended 31 December 2016
(Comparative period: period ended 31 December 2015)**

Results for announcement to the market

1. Results				
		%		A\$'000
Revenues from ordinary activities	Up	7%	to	22,592
Earnings before interest and tax	Up	911%	to	1,000
Profit/loss after tax attributable to members	Up		to	152
Net profit/loss from ordinary activities after tax attributable to members	Up		to	152
For commentary on the results for the period and review of operations, refer to Directors' Report.				
2. Dividends		Amount per security	Franked amount per security	
Interim dividend		Nil	Nil	
Previous corresponding period: Interim dividend		Nil	Nil	
Record date for determining entitlements to the dividend		N/A		

3. Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	-3.8 ¢	-3.6 ¢

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

Control gained over entities

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

Control lost over entities

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

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

No interim dividend has been declared in respect of the half-year ended 31 December 2016 (2015: Nil). Total dividend Nil (2015: Nil).

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

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

7. Details of associates and joint venture entities

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

8. Financial reporting framework

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

9. Independent review of the financial report

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



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

**FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2016**

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2016.

TRAFFIC TECHNOLOGIES LTD
FINANCIAL REPORT FOR THE HALF-YEAR ENDED
31 DECEMBER 2016

TABLE OF CONTENTS

	Page
Corporate Information	2
Directors' Report	3-6
Statement of Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Notes to the Financial Statements	11-12
Directors' Declaration	13
Independent Auditor's Review Conclusion	14
Auditor's Independence Declaration	16

Traffic Technologies Ltd

Financial report for the half-year ended 31 December 2016

CORPORATE INFORMATION

This financial report covers Traffic Technologies Ltd (ABN 21 080 415 407) (the Company) and its subsidiaries (the Group) for the half-year ended 31 December 2016. The Group's functional and presentation currency is AUD (\$). A description of the Group's operations and principal activities is included in the Operating and Financial Review section within the Directors' Report.

Directors

Mr. Garry Lowrey
Mr. Con Liosatos
Mr. Mark Hardgrave
Mr. Ken Daley (retired 24 November 2016)

Company Secretary & Chief Financial Officer

Mr. Peter Crafter

Registered Office & Principal Place of Business

Traffic Technologies Ltd
31 Brisbane Street
Eltham VIC 3095

Share Register

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

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

Lawyers

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

Bankers

Westpac Banking Corporation
Level 6
150 Collins Street
Melbourne VIC 3000

Auditors

ShineWing Australia
Level 10
530 Collins Street
Melbourne VIC 3000

Traffic Technologies Ltd

Half-year financial report

Directors' report for the half-year ended 31 December 2016

The Directors of Traffic Technologies Ltd (the Company) present their financial report for the half-year ended 31 December 2016 in order to comply with the provisions of the Corporations Act 2001:

DIRECTORS

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

Mr. Garry Lowrey BBus MAppFin CA (Non-Executive Chairman)

Mr. Con Liosatos MAICD (Managing Director)

Mr. Mark Hardgrave B Com ACA MAICD (Non-Executive Director)

Mr. Ken Daley M.Eng.Sci (Transport) FIEAUST (Non-Executive Director) (retired 24 November 2016)

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Company under ASIC Class Order 2016/191. The Company is an entity to which the Class Order applies.

OPERATING AND FINANCIAL REVIEW

Operations

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

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

The Group, through its subsidiary, Aldridge Traffic Systems, has been the major participant in the traffic signals market in Australia for almost 50 years where customers are mainly State Road Authorities or contractors building or maintaining traffic intersections for State Road Authorities. The Group's key manufacturing facility for traffic signals, lighting and Intelligent Transport Systems (ITS) equipment is based in Rhodes, New South Wales. The Group is also involved in maintenance and installation of traffic signals and associated equipment. The Group has developed an LED road light for streets, roads and major highways. To date the Group's LED road light has been approved and installed around the country, especially in Victoria, South Australia, Queensland and New South Wales. The Group exports its traffic signals and associated products such as pedestrian countdown timers and emergency telephones to an increasing number of international customers.

The Company, through its subsidiary, Quick Turn Circuits Pty Ltd (QTC), is involved in the manufacture of traffic controllers. A traffic controller is an automated device that regulates the sequencing and timing of traffic signals by monitoring vehicular and pedestrian demands and adjusting to meet these requirements. The controller has the ability to allow co-ordination of traffic flows between adjacent intersections when connected to a co-ordinated adaptive traffic system. QTC's traffic controller is based on the Sydney Coordinated Adaptive Traffic System (known as SCATS) which is used and operated in 27 countries and 37,000 intersections worldwide.

The Group is a key supplier to the road signage market through our seven offices across Australia. Customers include State Road Authorities, local councils and construction companies. The Signage business has depots around Australia with manufacturing focused in Victoria, Western Australia and the Northern Territory.

Traffic Technologies Ltd

Half-year financial report

Directors' report for the half-year ended 31 December 2016

Financial Performance

In the first half of the current financial year the Company experienced a positive NPAT swing of \$1.1m compared to the previous corresponding period. Revenue increased by 7%, EBITDA by 82% and EBIT by 911%, with the Company returning to a net profit after tax, compared to a loss in the previous year.

The Company has benefitted from the program undertaken to diversify its product range with greater emphasis on:

- Road and street lighting;
- ITS (Intelligent Transportation Systems or electronic signage);
- Traffic controllers;
- Maintenance contracts; and
- Export initiatives.

Revenue for the half-year ended 31 December 2016 was \$22.6m (2015: \$21.1m). Earnings before Interest and Tax (EBIT) were \$1.0m (2015: \$0.1m), reflecting the improvement in the first half compared to the previous corresponding period. The first half result included one-off costs of \$0.3m, associated with a restructure and other non-recurring expenditure. EBIT before one-off costs was \$1.3m.

Net Profit after Tax (NPAT) was a profit of \$0.15m (2015: loss \$0.95m). Depreciation and amortisation expense was \$1.0m (2015: \$1.0m). Finance costs were \$0.7m, (2015: \$0.8m). The Group's income tax expense was \$0.1m (2015: expense \$0.2m). The Group continues to benefit from prior period tax losses. Earnings per share (EPS) were 0.06 cents, (2015: loss 0.35 cents).

Although the Company is not yet in a position to issue earnings guidance for the full year to 30 June 2017, the second half result is expected to benefit from contracts recently awarded to the Group, including further sales of LED road lights and electronic signs and further export sales as well as further savings from the Group's profit improvement program.

Financial Position

Net assets were \$7.2m at 31 December 2016, compared to \$7.1m at 30 June 2016.

Receivables were \$7.5m compared to \$11.8m at 30 June 2016 whilst payables were \$6.6m compared to \$8.7m at 30 June 2016.

Inventory was \$11.3m compared to \$10.4m at 30 June 2016.

Property, plant and equipment was \$1.4m compared to \$1.7m at 30 June 2016.

The Group has \$10.6m of goodwill and \$7.0m of intangible assets mainly comprising development costs and type approval certification associated with the development of its traffic signals, traffic controllers, pedestrian countdown timers, electronic road signs, emergency telephones, portable roadside technology and road lighting products.

Net debt was \$21.7m at 31 December 2016. The Group's term debt facility was \$17.5m and the working capital facility was \$6.1m at 31 December 2016. During the period the Group repaid \$1.6m of debt. The Company's debt facilities have been extended to 1 April 2018.

Net operating cash inflows were \$2.7m for the period (2015: \$0.3m). Net investing cash outflow was \$0.9m (2015: \$1.0m). Net financing cash outflow was \$1.6m (2015: inflow \$1.3m), comprising repayment of debt.

Traffic Technologies Ltd

Half-year financial report

Directors' report for the half-year ended 31 December 2016

Business Strategies and Prospects

The Group is committed to maintaining its predominant position as the leading supplier of traffic intersection products to the Australasian market and works closely with road traffic authorities ensuring that its products are state-of-the-art and competitive. In addition to its core business of supplying traffic signals for new intersections and maintenance across Australasia, the Group will continue to be involved in supplying traffic signals for upgrade projects in States and Territories where previous generation traffic signals are upgraded by State road authorities to the latest technology.

The Group has diversified its earnings base, both in terms of products and markets and this is expected to provide further growth opportunities in the year ahead. The Group's product range has been extended with commercialisation of a range of road and street lights, as well as a range of ITS products in the electronic signage area and an increased focus on innovative traffic signal products such as pedestrian countdown timers, signal safety products and control systems.

The Group's traffic signal business has retained its position as the dominant supplier of traffic signals to the Australian market. The Group has continued to develop innovative traffic signal products, such as the "Central Light Source" traffic signal along with pedestrian countdown timers, which utilise the latest LED technology and software which has been supplied to customers in a number of states of Australia, together with New Zealand and the United Kingdom.

Over the past few years we have developed an LED road light which is significantly more energy efficient than conventional road lights and represents an attractive opportunity for state road authorities, local councils and other customers to make significant savings in their power bills and maintenance costs in a time of rising electricity prices. The Group has secured a number of significant supply contracts including contracts with a number of Energy Distribution Businesses (EDB's) for the supply of "V" category LED road lighting, as well as supply contracts for a number of freeway upgrades including the Monash, Calder and Tullamarine Freeways in Victoria and the Darlington Upgrade in South Australia. The Group has also obtained approvals for a range of "P" category LED street lights and has started to supply these to its customers.

We have continued our research and development programs to ensure that we remain market leaders in a global traffic industry which demands energy efficient products and increasingly innovative solutions. The Group has developed a range of new products in the Intelligent Transport Systems (ITS) sector, including school speed zone signs, variable message signs and various electronic signs which have now been commercialised. We expect this to be a significant growth area for the Group in the years ahead as state road authorities use ITS equipment to manage the road network more efficiently.

Our controller business Quick Turn Circuits (QTC) has continued to develop its markets in Australia and win significant export orders. Sales continue to grow and new contracts and orders have come from countries and regions across Asia, Middle East and South America and have opened potential new future export markets for the Group's other products such as traffic signals and electronic signage.

The Group has continued its initiatives to develop and grow its export markets including the UK, New Zealand, Asia, the Middle East and South America. QTC in particular is continuing to win significant export contracts.

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

Revenue and profit for the remainder of the 2017 financial year may however be affected by cutbacks in Government expenditure programs and economic uncertainty. The Group remains cautious about the economic outlook and is not yet in a position to give earnings guidance for the financial year ending 30 June 2017.

Traffic Technologies Ltd
Half-year financial report
Directors' report for the half-year ended 31 December 2016

Material Business Risks

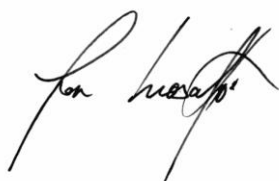
The material business risks faced by the Group that could have a significant impact on the financial prospects of the Group and how the Group manages these risks include:

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

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditors, ShineWing Australia, which immediately follows the 31 December 2016 Review Conclusion.

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



Con Liosatos
Managing Director

Melbourne, 22 February 2017

Traffic Technologies Ltd
Half-year financial report
Statement of comprehensive income for the half-year ended 31 December 2016

	Note	Half-Year to 31 Dec 2016 \$'000	Half-Year to 31 Dec 2015 \$'000
Revenue from continuing operations		22,592	21,092
Other income		301	24
Changes in inventories of finished goods and work in progress		927	577
Raw materials and consumables used		(13,053)	(11,800)
Employee benefits expense		(6,897)	(6,904)
Occupancy costs		(936)	(978)
Advertising and marketing expense		(168)	(47)
Equipment rental		(2)	(5)
Other expenses		(777)	(816)
Depreciation and amortisation expenses		(987)	(1,048)
Earnings before interest and tax (EBIT)		1,000	95
Finance costs		(748)	(808)
Profit/(loss) for the period before income tax expense		252	(713)
Income tax expense		(100)	(240)
Net profit/(loss) for the period		152	(953)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		152	(953)
<i>Profit/(Loss) per share</i>		Cents	Cents
- Basic earnings per share		0.06	(0.35)
- Diluted earnings per share		0.06	(0.35)

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

Traffic Technologies Ltd
Half-year financial report
Statement of financial position as at 31 December 2016

	Note	31 Dec 2016 \$'000	30 Jun 2016 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents		1,385	1,186
Trade and other receivables		7,513	11,764
Inventories		11,308	10,381
Total Current Assets		20,206	23,331
Non-Current Assets			
Property, plant and equipment		1,432	1,690
Goodwill	4	10,554	10,554
Intangible assets		7,021	6,832
Other financial assets		-	2
Deferred tax assets		251	351
Total Non-Current Assets		19,258	19,429
TOTAL ASSETS		39,464	42,760
LIABILITIES			
Current Liabilities			
Trade and other payables		6,560	8,662
Interest-bearing liabilities	3	5,778	7,056
Provisions		2,460	2,337
Total Current Liabilities		14,798	18,055
Non-Current Liabilities			
Interest-bearing liabilities	3	17,349	17,560
Provisions		77	57
Total Non-Current Liabilities		17,426	17,617
TOTAL LIABILITIES		32,224	35,672
NET ASSETS		7,240	7,088
EQUITY			
Contributed equity	5	49,029	49,029
Accumulated losses		(42,789)	(42,941)
Other reserves		1,000	1,000
TOTAL EQUITY		7,240	7,088

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

Traffic Technologies Ltd
Half-year financial report
Statement of changes in equity for the half-year ended 31 December 2016

	Ordinary Shares	Share-based payment reserve	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000
At 1 July 2015	49,029	1,000	(20,691)	29,338
Loss for the period	-	-	(953)	(953)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(953)	(953)
At 31 December 2015	49,029	1,000	(21,644)	28,385
At 1 July 2016	49,029	1,000	(42,941)	7,088
Profit for the period	-	-	152	152
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	152	152
At 31 December 2016	49,029	1,000	(42,789)	7,240

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

Traffic Technologies Ltd
Half-year financial report
Statement of cash flows for the half-year ended 31 December 2016

	Half-Year to 31 Dec 2016 Inflows / (Outflows) \$'000	Half-Year to 31 Dec 2015 Inflows / (Outflows) \$'000
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	28,681	24,442
Payments to suppliers and employees	(25,328)	(23,521)
Interest and other costs of finance paid	(625)	(670)
	<hr/>	<hr/>
Net cash provided by operating activities	2,728	251
	<hr/>	<hr/>
CASH FLOW FROM INVESTING ACTIVITIES		
Payment of development costs	(796)	(847)
Purchase of property, plant and equipment	(8)	(31)
Purchase of intangible assets	(99)	(96)
	<hr/>	<hr/>
Net cash used in investing activities	(903)	(974)
	<hr/>	<hr/>
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings	-	2,023
Repayment of borrowings	(1,626)	(771)
	<hr/>	<hr/>
Net cash provided by/(used in) financing activities	(1,626)	1,252
	<hr/>	<hr/>
Net increase in cash and cash equivalents	199	529
Cash and cash equivalents at beginning of the period	1,186	1,010
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	1,385	1,539
	<hr/>	<hr/>

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

Traffic Technologies Ltd
Half-year financial report
Notes to the financial statements for the half-year ended 31 December 2016

1. CORPORATE INFORMATION

The financial report of Traffic Technologies Ltd (the Company) and its subsidiaries (the Group) for the half-year ended 31 December 2016 was authorised for issue in accordance with a resolution of directors on 22 February 2017. Traffic Technologies Ltd is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are described in the Operating and Financial Review section within the Directors' Report. The amounts contained in the notes to the financial statements have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Company under ASIC Class Order 2016/191. The Company is an entity to which the Class Order applies. The financial report is presented in Australian dollars (AUD). For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

a) Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2016 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. This half-year financial report does not include all the notes of the type usually included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full year financial report. It is recommended that the half-year financial report be considered together with the annual report for the year ended 30 June 2016 and any public announcements made by Traffic Technologies Ltd during the half-year ended 31 December 2016 and subsequently to 22 February 2017, in accordance with the continuous disclosure obligations of the *ASX Listing Rules*.

b) Significant accounting policies

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

3. INTEREST-BEARING LOANS AND BORROWINGS

In October 2016 Westpac Banking Corporation extended the repayment date for the Company's debt to 1 April 2018. The Company's term debt facility is \$17.5m (2015: \$17.5m) and the working capital facility is \$6.1m (2015: \$7.4m).

4. IMPAIRMENT OF GOODWILL

The Directors have considered impairment with respect to the Group's goodwill in accordance with AASB 134 *Interim Financial Reporting* and are satisfied that goodwill is not impaired at balance date.

5. CONTRIBUTED EQUITY

	Number of Shares (‘000)	\$'000
Movement in ordinary shares		
At 1 July 2016	275,557	49,029
At 31 December 2016	275,557	49,029

Traffic Technologies Ltd
Half-year financial report
Notes to the financial statements for the half-year ended 31 December 2016

6. EVENTS AFTER BALANCE DATE

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

7. COMMITMENTS AND CONTINGENCIES

There have been no material changes to the commitments and contingent liabilities disclosed in the 30 June 2016 annual financial report.

8. SEGMENT INFORMATION

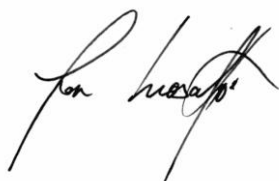
The Group has only one business segment: Traffic Products. The Group's chief operating decision maker (the Managing Director) reviews financial information on a consolidated basis and makes strategic decisions based on this consolidated information.

DIRECTORS' DECLARATION

The directors of the Company state:

- a) the financial statements, comprising the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and accompanying notes, of the Group are in accordance with the Corporations Act 2001, and:
 - (i) give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
 - (ii) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Con Liosatos
Managing Director

Melbourne, 22 February 2017

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF TRAFFIC TECHNOLOGIES LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Traffic Technologies Limited and controlled entities (the "consolidated entity") which comprises the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and explanatory information and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not prepared, in all material aspects, in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*. As the auditor of Traffic Technologies Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Traffic Technologies Limited and controlled entities is not in accordance with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

ShineWing Australia

ShineWing Australia
Chartered Accountants

Rami Eltchelebi

Rami Eltchelebi
Partner

Melbourne, 22 February 2017

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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2016 there have been:

- (i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review, and
- (ii) No contraventions of any applicable code of professional conduct in relation to the review.



ShineWing Australia
Chartered Accountants



Rami Eltchelebi
Partner

Melbourne, 22 February 2017