



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

**HALF-YEAR FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014
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 2014***

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

Appendix 4D

Half-year financial report
Period ended 31 December 2014
(Comparative period: period ended 31 December 2013)

Results for announcement to the market

1. Results				
		%		A\$'000
Revenues from ordinary activities	Up	14%	to	22,624
Earnings before interest and tax	Up	198%	to	638
Loss after tax attributable to members	Down	67%	to	(216)
Net loss from ordinary activities after tax attributable to members	Down	67%	to	(216)
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	-3.6 ¢	-4.9 ¢

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 2014 (2013: Nil). Total dividend Nil (2013: 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.



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

**FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2014**

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2014.

TRAFFIC TECHNOLOGIES LTD
FINANCIAL REPORT FOR THE HALF-YEAR ENDED
31 DECEMBER 2014

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Traffic Technologies Ltd

Financial report for the half-year ended 31 December 2014

CORPORATE INFORMATION

This financial report covers the Group comprising Traffic Technologies Ltd (ABN 21 080 415 407) (the Company) and its subsidiaries for the half-year ended 31 December 2014. 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. Alan Brown
Mr. Con Liosatos
Mr. Mark Hardgrave
Mr. Ken Daley (appointed 25 November 2014)

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 Pty Ltd
Level 10
530 Collins Street
Melbourne VIC 3000

Traffic Technologies Ltd

Half-year financial report

Directors' report for the half-year ended 31 December 2014

The Directors of Traffic Technologies Ltd (the Company) present their financial report for the half-year ended 31 December 2014 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. Alan Brown FAICD (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) (appointed 25 November 2014)

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

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 a key participant in the traffic signals market in Australia for over 40 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 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 in 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 2014

Profit

The results for the first half of the 2015 financial year reflect a significant improvement compared to the previous corresponding period. After a slow start to the year, the Group has started to win significant orders for the upgrade of traffic signals in New South Wales to LED technology. Further orders are expected in the second half of the current financial year.

Revenue for the half-year ended 31 December 2014 was \$22.6m (2013: \$19.9m), an increase of 14% compared to the previous corresponding period.

The Quick Turn Circuits (QTC) traffic controller business, acquired in December 2013, benefitted in the first half from a significant order from Saudi Arabia for traffic controllers. QTC has also continued to win orders both domestically and from overseas.

Earnings before Interest and Tax (EBIT) were \$0.6m (2013: \$0.2m), reflecting the improvement in the first half. The first half result included one-off restructuring costs of \$0.3m.

Net Profit after Tax (NPAT) was a loss of \$0.2m (2013: loss \$0.7m). Depreciation and amortisation expense increased by \$0.3m compared to the previous corresponding period, including the amortisation of intangible assets associated with QTC. Finance costs were \$1.0m, compared to \$0.8m in the previous corresponding period. The Group's income tax benefit was \$0.1m (2013: expense \$32,000). The Group continues to benefit from prior period tax losses.

Earnings per share (EPS) were a loss of 0.08 cents, (2013: loss 0.33 cents).

Financial Position

Net assets were \$28.7m at 31 December 2014, compared to \$28.9m at 30 June 2014.

Receivables were \$8.5m compared to \$8.5m at 30 June 2014 whilst payables were \$6.6m compared to \$5.4m at 30 June 2014.

Inventory was \$11.5m compared to \$10.2m at 30 June 2014.

Property, plant and equipment was \$2.0m compared to \$2.2m at 30 June 2014.

The Group has \$30.5m of goodwill associated with the Technical Products business and \$4.1m of intangible assets mainly comprising development costs and type approval certification associated with the Technical Products business. In addition there is \$19,000 of goodwill and \$2.1m of intangible assets associated with QTC.

Net debt was \$22.4m at 31 December 2014. The Group's term debt facility was \$18.2m and the working capital facility was \$6.0m at 31 December 2014. The Company's debt facilities have been extended to 1 October 2016.

Net operating cash inflows were \$0.7m for the period (2013: \$1.5m). Net investing cash outflow was \$1.2m (2013: \$4.3m). Net financing cash inflow was \$0.7m (2013: \$4.1m).

Traffic Technologies Ltd
Half-year financial report
Directors' report for the half-year ended 31 December 2014

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 current upgrade of traffic signals in New South Wales to LED technology is now expected to be completed by 30 June 2015.

In addition there are a number of other traffic signal upgrade opportunities in Australia with approximately 30% of the market not yet converted to LED. Further opportunities will be presented in Australia because LED traffic signals that were installed over the past 14 years are slowly coming to the end of their useful life and they will also need to be replaced or upgraded.

The Group is continuing to develop its road lighting business and has developed a range of LED road lights which are significantly more energy efficient than conventional lights. LED road lighting represents an attractive opportunity for road authorities, local councils and other customers to make significant savings on their power bills in a time of rising electricity prices. Our LED road lights have been approved in various States and our first commercial sales have now been achieved. There are approximately 2.25 million road lights in Australia and the roll-out of LED road lights offers an exciting opportunity for the Group.

We have continued to invest in research and development to meet customer demand for more efficient and innovative products for the expanding Intelligent Transport Systems (ITS) industry. The Group is expanding its product range and has been developing a range of new products in the ITS area, including electronic speed signs, school speed zones, variable message signs, vehicle activated signs and ramp control signs.

Our export program continues to grow in overseas markets and in particular the United Kingdom where we have won a number of contracts to supply pedestrian countdown timers, traffic signals and emergency telephones to a number of transport authorities, including Transport for London (TfL), local councils and train operating companies. The UK is in its early stages of upgrades to LED traffic signals with only 13% of the 6,000 intersections in London converted to date. We see this is a very large opportunity for the Group, especially with the announcement from Transport for London of the award of 317 million pounds of maintenance contracts to three maintenance contractors, which the Group is a supplier to, for up to an 8 year period which will include the upgrade of 6,000 traffic intersections to LED technology.

The acquisition of QTC in 2013 has enabled the Group to expand its product range with the addition of traffic controllers and opened new markets overseas for the Group's traffic signals. The Group is also now able to develop export markets in conjunction with QTC which is able to export its products worldwide to the 27 countries and the 37,000 intersections which use the SCATS system.

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 2015 financial year may continue to 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 2015.

Traffic Technologies Ltd
Half-year financial report
Directors' report for the half-year ended 31 December 2014

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. Conversely, an increase in the Australian dollar exchange rate can affect export opportunities. The Group enters into foreign currency hedging arrangements where appropriate.
- Increasing costs of operations, including labour costs – the Group constantly monitors its cost base and implements cost savings and operating efficiencies where possible.

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditors, ShineWing Australia Pty Ltd, which immediately follows the 31 December 2014 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, 24 February 2015

Traffic Technologies Ltd
Half-year financial report
Statement of comprehensive income for the half-year ended 31 December 2014

	Note	Half-Year to 31 Dec 2014 \$'000	Half-Year to 31 Dec 2013 \$'000
Revenue from continuing operations		22,624	19,926
Other income		44	30
Changes in inventories of finished goods and work in progress		1,310	789
Raw materials and consumables used		(12,076)	(10,177)
Employee benefits expense		(8,045)	(7,322)
Occupancy costs		(1,041)	(1,079)
Advertising and marketing expense		(66)	(36)
Equipment rental		(4)	(3)
Transaction costs relating to acquisition of subsidiary		-	(166)
Other expenses		(885)	(835)
Depreciation and amortisation expenses		(1,223)	(913)
Earnings before interest and tax (EBIT)		638	214
Finance costs		(974)	(846)
Loss for the period before income tax expense		(336)	(632)
Income tax benefit/(expense)		120	(32)
Net loss for the period		(216)	(664)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		(216)	(664)
(Loss) per share		Cents	Cents
- Basic earnings per share		(0.08)	(0.33)
- Diluted earnings per share		(0.08)	(0.33)

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 2014

	Note	31 Dec 2014 \$'000	30 Jun 2014 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents		951	768
Trade and other receivables		8,533	8,514
Inventories		11,548	10,238
Total Current Assets		21,032	19,520
Non-Current Assets			
Property, plant and equipment		1,969	2,174
Goodwill	4	30,554	30,554
Intangible assets		6,222	6,063
Other financial assets		1	1
Deferred tax assets		1,789	1,669
Total Non-Current Assets		40,535	40,461
TOTAL ASSETS		61,567	59,981
LIABILITIES			
Current Liabilities			
Trade and other payables		6,668	5,443
Interest-bearing liabilities	3	6,329	5,028
Provisions		2,440	2,312
Derivative financial instruments		12	50
Total Current Liabilities		15,449	12,833
Non-Current Liabilities			
Interest-bearing liabilities	3	17,018	17,789
Provisions		398	441
Total Non-Current Liabilities		17,416	18,230
TOTAL LIABILITIES		32,865	31,063
NET ASSETS		28,702	28,918
EQUITY			
Contributed equity	6	49,029	49,029
Accumulated losses		(21,327)	(21,111)
Other reserves		1,000	1,000
TOTAL EQUITY		28,702	28,918

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 2014

	Ordinary Shares	Share-based payment reserve	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000
At 1 July 2013	42,015	1,000	(19,575)	23,440
Loss for the period	-	-	(664)	(664)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(664)	(664)
Transactions with owners in their capacity as owners:				
<i>Shares issued under Dividend Reinvestment Plan</i>				
1,177,296 new ordinary shares issued at 6.6 cents per share – 20 September 2013	78	-	(78)	-
<i>Shares issued under Shortfall Placement Agreement</i>				
4,765,199 new ordinary shares issued at 6.0 cents per share – 20 September 2013	286	-	(286)	-
<i>Share Placement</i>				
35,810,568 new ordinary shares issued at 8.0 cents per share – 7 November 2013	2,865	-	-	2,865
<i>Share Placement</i>				
52,000,000 new ordinary shares issued at 8.0 cents per share – 5 December 2013	4,160	-	-	4,160
Share issue costs	(498)	-	-	(498)
At 31 December 2013	48,906	1,000	(20,603)	29,303
At 1 July 2014	49,029	1,000	(21,111)	28,918
Loss for the period	-	-	(216)	(216)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(216)	(216)
Transactions with owners in their capacity as owners:				
At 31 December 2014	49,029	1,000	(21,327)	28,702

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 2014

	Half-Year to 31 Dec 2014 Inflows / (Outflows) \$'000	Half-Year to 31 Dec 2013 Inflows / (Outflows) \$'000
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	24,684	24,172
Payments to suppliers and employees	(23,159)	(21,729)
Transaction costs relating to acquisition of subsidiary	-	(166)
Interest received	1	10
Interest and other costs of finance paid	(844)	(759)
Net cash provided by operating activities	682	1,528
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of plant and equipment	15	8
Payment of development costs	(870)	(495)
Purchase of property, plant and equipment	(139)	(23)
Purchase of intangible assets	(183)	(145)
Purchase of business assets, net of cash acquired	-	(3,608)
Net cash used in investing activities	(1,177)	(4,263)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings	1,423	1,020
Repayment of borrowings	(745)	(3,439)
Proceeds from share issues	-	7,025
Payment for share issue costs	-	(498)
Net cash provided by financing activities	678	4,108
Net increase in cash and cash equivalents	183	1,373
Cash and cash equivalents at beginning of the period	768	681
Cash and cash equivalents at end of the period	951	2,054

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

1. CORPORATE INFORMATION

The financial report of Traffic Technologies Ltd (the Company) and its subsidiaries (the Group) for the half-year ended 31 December 2014 was authorised for issue in accordance with a resolution of directors on 24 February 2015. 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 98/0100. 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 2014 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 2014 and any public announcements made by Traffic Technologies Ltd during the half-year ended 31 December 2014 and subsequently to 24 February 2015, 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 December 2014 Westpac Banking Corporation extended the repayment date for the Company's debt from 1 October 2015 to 1 October 2016. The Company's term debt facility is \$18.2m (2013: \$18.7m) and the working capital facility is \$6.0m (2013: \$6.0m).

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.

Traffic Technologies Ltd
Half-year financial report
Notes to the financial statements for the half-year ended 31 December 2014

5. BUSINESS COMBINATION

Summary of Acquisition

On 17 December 2013 the parent entity acquired 100% of the issued share capital of Quick Turn Circuits Pty Ltd (QTC), a manufacturer and supplier 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. QTC is an excellent strategic fit with the Group's current traffic signals and intersection business and provides the Group with the ability to exploit the proprietary technology owned by QTC.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	\$'000
Purchase consideration	
Cash paid	4,000
Total purchase consideration	<u>4,000</u>

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value
	\$'000
Cash	392
Receivables	663
Inventories	1,343
Plant and equipment	121
Intangible assets	45
Deferred tax asset	265
Payables	(517)
Provision for employee benefits	(502)
Hire Purchase liability	(53)
Net identifiable assets acquired	<u>1,757</u>
Intellectual property	2,224
Goodwill	19
Net assets acquired	<u>4,000</u>

Revenue and profit contribution

The acquired business contributed revenues of \$13,000 and net loss of \$38,000 to the Group for the period from 17 December 2013 to 31 December 2013. If the acquisition had occurred on 1 July 2013, consolidated revenue and loss for the period ended 31 December 2013 would have been \$22.4m and \$0.5m respectively.

Purchase consideration – cash outflow

	Half-Year to 31 Dec 2014 \$'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	4,000
Less: Cash balances acquired	(392)
Outflow of cash – investing activities	<u>3,608</u>

Acquisition-related costs

Acquisition-related costs of \$166,000 are included in other expenses in profit and loss and in investing cash flows in the statement of cash flows for the half-year ended 31 December 2013.

Traffic Technologies Ltd
Half-year financial report
Notes to the financial statements for the half-year ended 31 December 2014

6. CONTRIBUTED EQUITY

	Number of Shares (‘000)	\$’000
Movement in ordinary shares		
At 1 July 2014	275,557	49,029
At 31 December 2014	275,557	49,029

7. EVENTS AFTER BALANCE DATE

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

8. COMMITMENTS AND CONTINGENCIES

There have been no material changes to the commitments and contingent liabilities disclosed in the 30 June 2014 annual financial report.

9. 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 2014 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, 24 February 2015

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 2014, 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 2014 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



Nick Michael
Partner

Melbourne, 24 February 2015

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 2014 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

SHINEWING AUSTRALIA
Chartered Accountants



Nick Michael
Partner

Melbourne, 24 February 2015