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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 2010
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 2010***

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

Appendix 4D

**Half-year financial report
Period ended 31 December 2010
(Comparative period: period ended 31 December 2009)**

Results for announcement to the market

Results				
			%	A\$'000
Revenues from ordinary activities	Down	1%	to	23,348
Earnings before interest, tax, depreciation, amortisation and non-recurring items	Down	12%	to	1,923
Loss after tax attributable to members	N/A	N/A	to	(503)
Net loss from ordinary activities after tax attributable to members	N/A	N/A	to	(503)
For commentary on the results for the period and review of operations, refer to Directors' Report.				
Dividends		Amount per security		Franked amount per security
Final dividend Interim dividend		Nil ¢		Nil ¢
Previous corresponding period:				
Final dividend Interim dividend		Nil ¢		Nil ¢
Record date for determining entitlements to the dividend	Not applicable			

3. Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	-10.0 ¢	-17.3 ¢

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	Traffic Management business	
Date(s) of loss of control	9 August 2010	

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

There have been no dividend or distribution payments in the period (2009: \$nil).

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

There were no dividend or distribution reinvestment plans in operation.

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 2010**

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2010.

TRAFFIC TECHNOLOGIES LTD
FINANCIAL REPORT FOR THE HALF-YEAR ENDED
31 DECEMBER 2010

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Traffic Technologies Ltd

Financial report for the half-year ended 31 December 2010

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 2010. The Group's functional and presentation currency is AUD (\$). A description of the Group's operations and principal activities is included in the review and results of operations section within the Directors' report.

Directors

Mr. Alan Brown
Mr. Constantinos Liosatos
Mr. Raymond Horsburgh
Mr. Kenneth Jarrett

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 787 272

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

Lawyers

Middletons
Level 25
525 Collins Street
Melbourne VIC 3000

Bankers

Westpac
Level 10
360 Collins Street
Melbourne VIC 3000

Auditors

BDO Audit (NSW-Vic) Pty Ltd
525 Collins Street
Melbourne VIC 3000

Traffic Technologies Ltd
Half-year financial report
Directors' report for the half-year ended 31 December 2010

The Directors of Traffic Technologies Ltd (the Company) present their financial report for the half-year ended 31 December 2010 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. Constantinos Liosatos (Managing Director)

Mr Raymond Horsburgh AM B.Eng (Chem.) FAICD (Hon D Univ) FIEAust (Non-Executive Director)

Mr. Kenneth Jarrett BComm MBA (Non-Executive Director)

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.

REVIEW AND RESULTS OF OPERATIONS

Principal Operations

In its goal of providing a suite of traffic products and traffic services to the traffic industry, the Group operates through its Traffic Products and Traffic Services divisions.

The Traffic Products division specialises in the design, manufacture and installation of traffic signals, emergency telephones and portable roadside technology and provides a wide range of directional and regulatory traffic signs and traffic control products to road traffic authorities, municipal councils and construction companies.

Traffic Services provides equipment hire (barrier guard and portable roadside technology) services to road traffic authorities and construction companies.

The Group completed the sale of its labour hire (traffic controllers) business on 9 August 2010.

Review of Operations

The following table summarises the Group's results for the half-year ended 31 December 2010 and for the half-year ended 31 December 2009 (comparative period).

In August 2010 the Group completed the sale of its Traffic Management business. The divestment of the Traffic Management business enables management to focus on the Group's Traffic Products business, while also significantly reducing Group debt. Net cash consideration for the sale was \$11.4m. The net proceeds of the sale, which included the collection of net debtors, have been applied in reducing net debt by \$14m.

Accounting standards require the results of the Traffic Management business to be classified as discontinued operations in the Half-Year Financial Report and the comparative period results to be restated.

Traffic Technologies Ltd
Half-year financial report
Directors' report for the half-year ended 31 December 2010

	Half-year Ended 31 December (\$'m)	
	2010	2009*
Sales revenue from continuing operations	23.3	23.6
EBITDA from continuing operations before non-recurring items from continuing operations	1.9	2.2
Non-recurring items	(0.6)	(0.6)
Depreciation and amortisation expenses	(1.0)	(1.1)
Finance costs	(1.9)	(1.5)
Income tax benefit/(expense)	0.5	(0.2)
Discontinued operations	0.6	1.6
Net loss	(0.5)	0.4

* The results for the comparative period have been restated to present the results of the Traffic Management business as "discontinued operations".

Comments on the half-year result are set out below.

Segmental Performance

The following table summarises revenue and EBITDA from continuing operations before non-recurring items for the Group's business segments for the half-years ended 31 December 2010 and 2009 and exclude the results of the Traffic Management business which have been classified as "discontinued operations" in the Half-Year Financial Report and the comparative period's results restated.

	Revenue \$m		EBITDA [^] \$m	
	Half-Year to	Half-Year to	Half-Year to	Half-Year to
	31 Dec 2010	31 Dec 2009*	31 Dec 2010	31 Dec 2009*
Traffic Products	22.5	23.1	3.1	3.5
Traffic Services	1.0	1.5	0.3	0.7
Other	(0.2)	(1.0)	(1.5)	(2.0)
Total Group	23.3	23.6	1.9	2.2

[^] - EBITDA is before non-recurring items

* The results for the comparative period have been restated to present the results of the Traffic Management business as "discontinued operations".

Traffic Technologies Ltd
Half-year financial report
Directors' report for the half-year ended 31 December 2010

Traffic Products

Traffic Products EBITDA was \$3.1m compared to \$3.5m in the comparative period, due to a slowdown in Federal and State Government infrastructure programs. However the Group has recently been awarded a \$12.3 million contract by Vic Roads for the replacement of incandescent and hybrid (incandescent and quartz halogen) traffic signals with LED traffic signals in Victoria to be delivered over a 65 week time frame, which is expected to benefit the result for the second half of the financial year.

Traffic Services

Traffic Services EBITDA was \$0.3m compared to \$0.7m in the comparative period. The comparative period included a number of major projects, which have now been completed.

Finance Costs

Finance costs were higher when compared to the comparative period due to higher market interest rates and the fact that the comparative period benefitted from a greater reduction in the fair value of interest rate contracts. Finance costs are expected to reduce in the second half following the reduction of debt in the first half.

Outlook

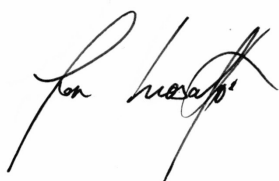
One of the key priorities for the Group in the year ahead is to reduce gearing and associated finance costs. With this in mind, the Board and management are continuing to investigate ways in which debt can be reduced.

With the continued uncertainty in the world economy, the Group remains cautious about the economic outlook and accordingly is not yet in a position to give earnings guidance for the full financial year ending 30 June 2011.

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditors, BDO Audit (NSW-Vic) Pty Ltd, which immediately follows the 31 December 2010 Review Conclusion.

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



Constantinos Liosatos
Managing Director

Melbourne, 21 February 2011

Traffic Technologies Ltd
Half-year financial report
Statement of comprehensive income for the half-year ended 31 December 2010

	Note	Half-Year to 31 Dec 2010 \$'000	Half-Year to 31 Dec 2009 \$'000
<i>Continuing operations</i>			
Revenue from continuing operations		23,279	23,613
Other income		69	69
Changes in inventories of finished goods and work in progress		117	215
Raw materials and consumables used		(11,770)	(10,540)
Employee benefits expense		(7,737)	(8,502)
Occupancy costs		(1,063)	(1,054)
Advertising and marketing expense		(102)	(119)
Equipment rental		(151)	(328)
Other expenses		(719)	(1,170)
Earnings before interest, tax, depreciation, amortisation expenses and non-recurring items		1,923	2,184
Non-recurring items	3	(621)	(631)
Depreciation and amortisation expenses		(1,064)	(1,072)
Finance costs		(1,891)	(1,541)
Loss for the period from continuing operations before income tax benefit		(1,653)	(1,060)
Income tax benefit / (expense)		531	(204)
Loss for the period from continuing operations		(1,122)	(1,264)
<i>Discontinued operations</i>			
Profit for the period from discontinued operations	4	619	1,614
Net (loss) / profit for the period		(503)	350
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		(503)	350
<i>Earnings / (Loss) per share</i>		Cents	Cents
From continuing operations			
- Basic earnings per share		(0.68)	(0.90)
- Diluted earnings per share		(0.64)	(0.72)
From discontinued operations			
- Basic earnings per share		0.38	1.15
- Diluted earnings per share		0.35	0.92
From continuing and discontinued operations			
- Basic earnings per share		(0.30)	0.25
- Diluted earnings per share		(0.29)	0.20

Traffic Technologies Ltd
Half-year financial report
Statement of financial position as at 31 December 2010

	Note	31 Dec 2010 \$'000	30 Jun 2010 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents		1,952	3,457
Trade and other receivables		10,335	17,290
Inventories		7,354	7,237
Assets of disposal group classified as held for sale		-	13,171
Total Current Assets		19,641	41,155
Non-Current Assets			
Property, plant and equipment		5,551	5,699
Intangible assets		34,390	34,241
Other financial assets		2	1
Deferred tax assets		364	316
Total Non-Current Assets		40,307	40,257
TOTAL ASSETS		59,948	81,412
LIABILITIES			
Current Liabilities			
Trade and other payables		8,618	13,750
Interest-bearing liabilities	5	7,202	19,135
Provisions		2,325	2,392
Liabilities directly associated with assets of disposal group classified as held for sale		-	3,597
Total Current Liabilities		18,145	38,874
Non-Current Liabilities			
Trade and other payables		86	116
Interest-bearing liabilities	5	23,854	23,936
Provisions		106	96
Other liabilities		203	333
Total Non-Current Liabilities		24,249	24,481
TOTAL LIABILITIES		42,394	63,355
NET ASSETS		17,554	18,057
EQUITY			
Contributed equity	8	41,663	41,663
Accumulated losses		(25,109)	(24,606)
Other reserves		1,000	1,000
TOTAL EQUITY		17,554	18,057

Traffic Technologies Ltd
Half-year financial report
Statement of changes in equity for the half-year ended 31 December 2010

	Contributed equity		Share-based payment reserve	Accumulated losses	Total
	Ordinary Shares	Convertible redeemable preference shares			
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2010	37,538	4,125	1,000	(24,606)	18,057
Loss for the period	-	-	-	(503)	(503)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(503)	(503)
Transactions with owners in their capacity as owners:					
Share Conversion					
Conversion of 16,191,208 preference shares to 16,191,208 ordinary shares	4,048	(4,048)	-	-	-
At 31 December 2010	41,586	77	1,000	(25,109)	17,554
At 1 July 2009	33,062	8,000	993	(24,352)	17,703
Profit for the period	-	-	-	350	350
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	350	350
Transactions with owners in their capacity as owners:					
Share Placement					
18,838,717 new ordinary shares issued at 3.5 cents per share	659	-	-	-	659
Transaction costs	(69)	-	-	-	(69)
Deferred tax on transaction costs	21	-	-	-	21
Share Conversion					
Conversion of 500,000 preference shares to 500,000 ordinary shares	125	(125)	-	-	-
Share-based payments	-	-	3	-	3
At 31 December 2009	33,798	7,875	996	(24,002)	18,667

(i) Refer to Note 8 for contributed equity transactions during the half-year ended 31 December 2010.

Traffic Technologies Ltd
Half-year financial report
Statement of cash flows for the half-year ended 31 December 2010

	Half-Year to 31 Dec 2010 Inflows / (Outflows) \$'000	Half-Year to 31 Dec 2009 Inflows / (Outflows) \$'000
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers (inclusive of GST)	39,777	50,893
Payments to suppliers and employees (inclusive of GST)	(35,452)	(47,468)
Interest received	58	33
Interest and other costs of finance paid	(2,204)	(1,735)
	<hr/>	<hr/>
Net cash provided by operating activities	2,179	1,723
 CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of plant and equipment	15	113
Proceeds from sale of business assets	9,710	5
Proceeds from sale of intangible assets	-	32
Capitalisation of development costs	(658)	(592)
Purchase of property, plant and equipment	(360)	(627)
Purchase of intangible assets	(119)	(172)
Transaction costs – sale of business assets	(338)	-
	<hr/>	<hr/>
Net cash provided by /(used in) investing activities	8,250	(1,241)
 CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings	2,035	-
Repayment of borrowings	(13,969)	(467)
Proceeds from share issue	-	659
Payment of share issue costs	-	(70)
	<hr/>	<hr/>
Net cash(used in) / provided by financing activities	(11,934)	122
	<hr/>	<hr/>
Net (decrease) / increase in cash and cash equivalents	(1,505)	604
Cash and cash equivalents at beginning of the period	3,457	3,591
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	1,952	4,195
	<hr/>	<hr/>

Traffic Technologies Ltd
Half-year financial report
Notes to the half-year report for the half-year ended 31 December 2010

1. CORPORATE INFORMATION

The financial report of Traffic Technologies Ltd (the Company) and its subsidiaries (the Group) for the half-year ended 31 December 2010 was authorised for issue in accordance with a resolution of directors on 21 February 2011. Traffic Technologies Ltd is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in Note 11.

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 2010 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 2010 and any public announcements made by Traffic Technologies Ltd during the half-year ended 31 December 2010, and subsequently to 21 February 2011, in accordance with the continuous disclosure obligations of the *ASX Listing Rules*.

b) Significant accounting policies

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report. The results of the Traffic Management business have been classified as discontinued operations in the Half-Year Financial Report and the comparative period's results restated.

Clarification of terminology used in income statement

Under the requirements of AASB 101 *Presentation of Financial Statements*, expenses (apart from finance costs) must be classified according to either the nature (type) of the expense or the function (activity to which the expense relates). Expenses have been classified using the nature classification as it more accurately reflects the type of operations undertaken. The presentation in the statement of comprehensive income has been amended where necessary to present expense items more clearly using the nature classification and comparatives have been restated accordingly.

Earnings before interest, income tax, depreciation, amortisation expenses and non-recurring items ("EBITDA before non-recurring items") reflects the results from continuing, recurring operational performance. This is believed to be a relevant and useful financial measure used by management to measure the Group's ongoing performance.

Traffic Technologies Ltd
Half-year financial report
Notes to the half-year report for the half-year ended 31 December 2010

3. NON-RECURRING ITEMS

	Half-year ended 31 Dec 2010 \$'000	Half-year ended 31Dec 2009 \$'000
Costs in relation to prior year business combinations	50	13
Extraordinary general meeting (EGM)	-	297
Consultancy costs – assessment of non-core assets	-	105
Redundancy costs	123	76
Lease termination costs	6	18
Other consultancy costs	3	74
Legal costs*	407	-
Other	32	48
	621	631

* Traffic Technologies Traffic Hire Pty Ltd and De Neefe Signs Pty Ltd are involved in an ongoing dispute with Build 1 (Qld) Pty Ltd. Build 1 (Qld) Pty Ltd was subcontracted to assist in the supply and installation of signs and structures in the construction of the North-South Bypass Tunnel. Build 1 (Qld) Pty Ltd is claiming a total of \$890,000 excluding interest and costs against the two entities. A Supreme Court hearing is pending. An amount of \$700,000 has already been paid in relation to this and a provision of \$304,000 has been made in these financial statements following legal advice from the Group's solicitors. Legal costs of \$407,000 have been incurred in relation to this dispute and have been disclosed in the table above.

4. DISCONTINUED OPERATIONS

Details of operations disposed

On 29 June 2010 the Group entered into a sale agreement to dispose of its Traffic Management business and assets ("Traffic Management"), a business which involved the hiring out of traffic controllers to road authorities, contractors and local councils. The disposal was completed on 9 August 2010, on which date control of the business passed to the acquirer. The final instalment of the deferred consideration was received on 9 February 2011.

Traffic Management has been classified as discontinued operations in the Half-Year Financial Report. Traffic Management was classified as disposal group held for sale in the Annual Financial Report as at 30 June 2010.

Traffic Technologies Ltd
Half-year financial report
Notes to the half-year report for the half-year ended 31 December 2010

Financial performance of operations disposed

The results of the discontinued operations for the period until disposal are presented below:

	Half-year ended 31 Dec 2010 \$'000	Half-year ended 31Dec 2009 \$'000
Traffic Management		
Revenue	4,226	23,378
Other income	1	-
Expenses	(4,543)	(20,992)
EBITDA before non-recurring items	(316)	2,386
Non-recurring items	-	(11)
Depreciation and amortisation expenses	(94)	(683)
Finance costs	(21)	(99)
(Loss) / profit before tax from discontinued operations	(431)	1,593
Income tax benefit / (expense)	(200)	21
(Loss)/ profit after tax from discontinued operations	(631)	1,614
Gain on sale before income tax	1,250	-
Income tax expense	-	-
Gain on sale after income tax	1,250	-
Profit from discontinued operations	619	1,614

Traffic Technologies Ltd
Half-year financial report
Notes to the half-year report for the half-year ended 31 December 2010

Assets and liabilities and cash flow information of discontinued operations

Details of the disposal of Traffic Management are as follows:

The major classes of assets and liabilities disposed of in the half-year ended 31 December 2010 were:

Traffic Management	31 Dec 2010	9 Aug 2010
	\$'000	\$'000
Assets		
Prepayments	-	52
Property, plant and equipment	-	3,295
Intangibles	-	9,626
Other financial assets	-	124
Deferred tax asset	-	283
Assets classified as discontinued operations	-	13,380
Liabilities		
Other payables	-	(89)
Finance lease liabilities	-	(2,514)
Employee entitlements	-	(965)
Liabilities directly associated with assets classified as discontinued operations	-	(3,568)
Net assets attributable to discontinued operations	-	9,812

The net cash flows of discontinued operations are as follows:

Traffic Management	Half-year ended	Half-year ended
	31 Dec 2010	31 Dec 2009
	\$'000	\$'000
Operating activities	5,246	2,667
Investing activities	-	(306)
Financing activities	-	(2,019)
Net cash inflow / (outflow)	5,246	342

Consideration received:

Traffic Management	Half-year ended
	31 Dec 2010
	\$'000
Cash	9,710
Deferred consideration (final instalment received 9 February 2011)	1,690
Total disposal consideration	11,400
Less transaction costs	(338)
Less net assets disposed	(9,812)
Gain on disposal before income tax expense	1,250
Income tax expense	-
Gain on disposal after income tax expense,	1,250

Net cash flow on disposal

Cash and cash equivalents consideration	9,710
Reflected in the statement of cash flows	9,710

Traffic Technologies Ltd
Half-year financial report
Notes to the half-year report for the half-year ended 31 December 2010

5. INTEREST-BEARING LOANS AND BORROWINGS

On 23 December 2010 Westpac Banking Corporation extended the repayment date for the Company's debt from 1 October 2011 to 1 October 2012. The Company's term debt facility has progressively reduced from \$34.0m at 30 June 2010 to \$24.0m at 9 February 2011 and the working capital facility from \$12.0m to \$8.6m, following the sale of the Company's Traffic Management business and the repayment of debt.

6. 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 no indicators of impairment exist at balance date.

7. DIVIDENDS

There were no dividends paid or proposed during the half-year. The directors have not recommended the payment of dividends since the period end.

8. CONTRIBUTED EQUITY

	Number of Shares (‘000)	\$'000
a) Movement in ordinary shares		
At 1 July 2010	159,930	37,538
<i>Share Conversion</i>		
Conversion of 16,191,208 preference shares to 16,191,208 ordinary shares at 25 cents per share - 21 October 2010	16,191	4,048
At 31 December 2010	176,121	41,586

	Number of Shares (‘000)	\$'000
b) Movement in preference shares		
At 1 July 2010	16,192	4,125
<i>Share Conversion</i>		
Conversion of 16,191,208 preference shares to 16,191,208 ordinary shares at 25 cents per share - 21 October 2010	(16,191)	(4,048)
At 31 December 2010	1	77

9. EVENTS AFTER BALANCE DATE

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

10. COMMITMENTS AND CONTINGENCIES

Commitments

There have been no material changes to the commitments and contingent liabilities disclosed in the most recent annual financial report.

11. OPERATING SEGMENTS

Identification of reportable segments

The Group has identified its operating/reportable segments based on the internal reports that are reviewed and used by the managing director (the chief operating decision maker) in assessing performance and in determining the allocation of resources. The reportable segments are identified by management based on the manner in which the products are sold and the nature of the services provided. Discrete financial information about each of these operating businesses is reported to the managing director on at least a monthly basis. The reportable segments are based on aggregated operating segments determined by the similarity of the products produced and sold and/or the services provided, as these are the sources of the Group's major risks and have the most effect on the rates of return.

Types of products and services

Traffic Products

The Traffic Products division specialises in the design, manufacture and installation of traffic signals, emergency telephones and portable roadside technology and provides a wide range of directional and regulatory traffic signs and traffic control products to road traffic authorities, municipal councils and construction companies.

Traffic Services

Traffic Services provides equipment hire (barrier guard and portable roadside technology) services to road traffic authorities and construction companies.

Accounting policies and intersegment transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in Note 1 to the accounts and in the comparative period except as detailed below:

Inter-entity sales

Inter-entity sales are recognised based on internally set transfer prices. The prices are reviewed periodically to reflect what the business operations could achieve if they sold their output and services to external parties at arm's length.

Other

Other comprises non-segmental expenses such as head office expenses, finance costs and other unallocated costs such as consolidation adjustments. Corporate charges are not allocated to each operating segment.

Segment loans payable and loans receivable

Segment loans are initially recognised at the consideration received excluding transaction costs. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates.

Income tax expense

Current income tax expense is not calculated at the operating segment level; however, effect is given for taxable or deductible temporary differences (deferred tax expense) at the operating segment level. It is the Group's policy that if items of revenue and expense are not allocated to operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believe would be inconsistent.

Reportable segments

The following tables present revenue and profit information and certain asset information regarding reportable segments for the half-year periods ended 31 December 2010 and 31 December 2009.

Traffic Technologies Ltd
Half-year financial report
Notes to the half-year report for the half-year ended 31 December 2010

Half-Year Ended 31 December 2010

	Traffic Products	Traffic Services	Other	Total	Discontinued operations	Consol- idated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue						
Sales to external customers	22,376	903	-	23,279	4,226	27,505
Other income	12	3	54	69	1	70
Inter-segment sales	134	87	(221)	-	-	-
Total revenue per statement of comprehensive income	22,522	993	(167)	23,348	4,227	27,575
Segment EBITDA before non-recurring items	3,092	282	(1,451)	1,923	(316)	1,607

Half-Year Ended 31 December 2009

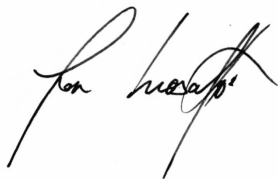
	Traffic Products	Traffic Services	Other	Total	Discontinued operations	Consol- idated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue						
Sales to external customers	22,614	1,066	(67)	23,613	23,378	46,991
Other income	19	17	33	69	-	69
Inter-segment sales	496	489	(985)	-	-	-
Total revenue per statement of comprehensive income	23,129	1,572	(1,019)	23,682	23,378	47,060
Segment EBITDA before non-recurring items	3,496	688	(2,000)	2,184	2,386	4,570
Total segment assets						
31 December 2010	22,573	4,120	33,255	59,948	-	59,948
30 June 2010	22,442	4,410	41,389	68,241	13,171	81,412
Reconciliation of EBITDA before non-recurring items to profit before income tax					2010	2009
					\$'000	\$'000
Segment EBITDA before non-recurring items					1,923	2,184
Non-recurring items					(621)	(631)
Depreciation & amortisation					(1,064)	(1,072)
Finance costs					(1,891)	(1,541)
Net loss before tax per the statement of comprehensive income					(1,653)	(1,060)

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 and the statement of cash flows, and notes of the Group are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2010 and the performance for the half-year ended on that date; and
 - (ii) complying 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:



Constantinos Liosatos
Managing Director

Melbourne, 21 February 2011

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, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such 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 on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. 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 in the same terms if given to the directors as at the time of this auditor's report.



Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

A handwritten signature in blue ink that reads 'BDO'.

BDO Audit (NSW-VIC) Pty Ltd

A handwritten signature in blue ink that reads 'Nicholas E Burne'.

Nicholas E Burne
Director

Melbourne, 21 February 2011

DECLARATION OF INDEPENDENCE BY NICHOLAS E BURNE TO THE DIRECTORS OF TRAFFIC TECHNOLOGIES LIMITED

As lead auditor for the review of Traffic Technologies Limited for the half-year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Traffic Technologies Limited and the entities it controlled during the period.



Nicholas E Burne
Director

BDO Audit (NSW-VIC) Pty Ltd

Melbourne, 21 February 2011