



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

**HALF-YEAR FINANCIAL INFORMATION  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013  
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 2013***

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

**Appendix 4D**

**Half-year financial report  
Period ended 31 December 2013  
(Comparative period: period ended 31 December 2012)**

***Results for announcement to the market***

<b>1. Results</b>				
		<b>%</b>		<b>A\$'000</b>
Revenues from ordinary activities	Down	25%	to	19,926
Earnings before interest and tax	Down	91%	to	214
Profit/(loss) after tax attributable to members	Down	142%	to	(664)
Net profit/(loss) from ordinary activities after tax attributable to members	Down	142%	to	(664)
For commentary on the results for the period and review of operations, refer to Directors' Report.				
<b>2. Dividends</b>		Amount per security	Franked amount per security	
Interim dividend		Nil	Nil	
Previous corresponding period:				
Interim dividend		0.200¢	0.200¢	
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	-4.9 ¢	-7.4 ¢

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

#### Control gained over entities

Name of entities	Quick Turn Circuits Pty Ltd
Date(s) of gain of control	17 December 2013
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	Loss \$38,000

#### 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 2013 (2012: 0.2 cents). Total dividend Nil (2012: \$352,000).

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

During the financial year ended 30 June 2013 the Company 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**<sup>®</sup>  
technologies.ltd

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

**FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED  
31 DECEMBER 2013**

*This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2013.*

**TRAFFIC TECHNOLOGIES LTD**  
**FINANCIAL REPORT FOR THE HALF-YEAR ENDED**  
**31 DECEMBER 2013**

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# **Traffic Technologies Ltd**

## **Financial report for the half-year ended 31 December 2013**

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### **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 2013. 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

#### **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  
Level 10  
360 Collins Street  
Melbourne VIC 3000

#### **Auditors**

Moore Stephens Melbourne  
Level 10  
530 Collins Street  
Melbourne VIC 3000

# **Traffic Technologies Ltd**

## **Half-year financial report**

### **Directors' report for the half-year ended 31 December 2013**

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The Directors of Traffic Technologies Ltd (the Company) present their financial report for the half-year ended 31 December 2013 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)

#### **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, 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, as well as emergency telephones to an increasing number of international customers.

In December 2013 the Company completed a capital raising which raised a total of \$7m at 8 cents per share in two tranches by way of placement to institutional and sophisticated investors to finance the purchase of Quick Turn Circuits Pty Ltd (QTC) (\$4m), retire bank debt (\$2m) and pay for capital raising and acquisition costs.

QTC has developed a traffic controller based on the Sydney Coordinated Adaptive Traffic System (known as SCATS) which is used and operated in 27 countries and 37,000 intersections worldwide. This 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.

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 2013**

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**Profit**

FY14 trading has to date been behind expectation due to expenditure cutbacks by State governments, uncertainty associated with the Federal election in September 2013. The slow start to the 2014 financial year has resulted in earnings for the first half being considerably lower than the first half of 2013.

Revenue for the half-year ended 31 December 2013 was \$19.9m (2012: \$26.6m), 25% lower than the previous corresponding period. The decrease in revenue was primarily due to the lack of government funding.

Earnings before Interest and Tax (EBIT) were \$0.2m, compared to \$2.4m in the previous corresponding period, reflecting lower revenue and weak trading conditions in the first half. Costs included \$0.1m restructuring costs and \$0.2m costs associated with the acquisition of QTC.

Net Profit after Tax (NPAT) was a loss of \$0.7m, compared to a profit of \$1.6m in the previous corresponding period, reflecting the weak trading conditions in the first half. Finance costs were \$0.8m, consistent with the previous corresponding period. The Group's income tax expense was \$32,000 compared to \$25,000 in the previous corresponding period. The Group continues to benefit from prior period tax losses.

Earnings per share (EPS) were a loss of 0.33 cents, compared to earnings of 0.90 cents per share in the previous corresponding period.

**Financial Position**

Net assets were \$29.3m at 31 December 2013, compared to \$23.4m at 30 June 2013. The increase in the Group's net assets reflects the capital raising in the first half, the acquisition of QTC in December 2013 and the loss for the period.

Receivables were \$7.0m compared to \$8.6m at 30 June 2013 whilst payables were \$5.1m compared to \$5.9m at 30 June 2013.

Inventory was \$10.3m compared to \$9.5m at 30 June 2013. Inventory included inventory acquired with QTC.

Property, plant and equipment was \$2.3m compared to \$2.5m at 30 June 2013.

The Group has \$30.5m of goodwill associated with the Technical Products business and \$3.8m of intangible assets mainly comprising development costs and type approval certification associated with the Technical Products business, compared to \$30.5m and \$3.7m respectively at 30 June 2013. In addition there is \$0.3m of goodwill and \$2.2m of intellectual property associated with the acquisition of QTC in December 2013.

Net debt reduced by \$3.7m to \$20.7m in the period, including the repayment of \$2m debt following the capital raising completed in December 2013. The Group's term debt facility was \$18.7m and the working capital facility was \$6.0m at 31 December 2013. The Company's debt facilities have been extended to 1 October 2015.

Net operating cash inflows were \$1.5m for the period. Net investing cash outflow was \$4.3m, including the \$4m acquisition of QTC in December 2013 net of \$0.4m cash acquired. Net financing cash inflow was \$4.1m including the \$7.0m capital raising in the first half and \$2.4m net repayment of debt.

# **Traffic Technologies Ltd**

## **Half-year financial report**

### **Directors' report for the half-year ended 31 December 2013**

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#### **Business Strategies and Prospects**

The Group is committed to maintaining its predominant position as the leading supplier of Technical 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 acquisition of QTC in December 2013 is an important strategic development for the Group that will strengthen its core traffic signals and intersection business in Australia and New Zealand. In addition, the Group is able to add a controller to its product range without incurring significant research and development costs whilst at the same time opening up export opportunities to the 27 countries that currently use the SCATS system.

The Group is continuing to develop its road lighting business and is developing 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 and the carbon tax.

The Group's road lighting business forms part of the Group's strategy of expanding activities into the growing Intelligent Transport Systems (ITS) sector. This involves using information and communication technology to manage traffic flows and the Group is uniquely placed to achieve growth given its expertise in this area.

The Group is expanding its product range and has developed a number of new products in addition to the LED road light, such as pedestrian countdown timers and electronic road signs which have already been supplied to the Australian market. The Group will continue to develop overseas markets for its products including pedestrian countdown timers, traffic signals and emergency telephones.

Revenue and profit for the remainder of the 2014 financial year may continue to be affected by cutbacks in Government expenditure programs and economic uncertainty. The Group therefore remains cautious about the economic outlook and is not yet in a position to give earnings guidance for the financial year ending 30 June 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.

**Traffic Technologies Ltd**  
**Half-year financial report**  
**Directors' report for the half-year ended 31 December 2013**

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**AUDITOR'S INDEPENDENCE DECLARATION**

We have obtained an independence declaration from our auditors, Moore Stephens Melbourne, which immediately follows the 31 December 2013 Review Conclusion.

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

A handwritten signature in black ink, appearing to read 'Con Liosatos', written in a cursive style.

Con Liosatos  
Managing Director

Melbourne, 25 February 2014

**Traffic Technologies Ltd**  
**Half-year financial report**  
**Statement of comprehensive income for the half-year ended 31 December 2013**

	Note	Half-Year to 31 Dec 2013 \$'000	Half-Year to 31 Dec 2012 \$'000
Revenue from continuing operations		19,926	26,579
Other income		30	14
Changes in inventories of finished goods and work in progress		789	1,678
Raw materials and consumables used		(13,412)	(14,897)
Employee benefits expense		(4,087)	(7,194)
Occupancy costs		(1,079)	(1,223)
Advertising and marketing expense		(36)	(39)
Equipment rental		(3)	(98)
Transaction costs relating to acquisition of subsidiary		(166)	-
Other expenses		(835)	(1,542)
Depreciation and amortisation expenses		(913)	(857)
<b>Earnings before interest and tax (EBIT)</b>		<b>214</b>	<b>2,421</b>
Finance costs		(846)	(819)
<b>Loss/(profit) for the period before income tax expense</b>		<b>(632)</b>	<b>1,602</b>
Income tax expense		(32)	(25)
<b>Net loss(profit) for the period</b>		<b>(664)</b>	<b>1,577</b>
<b>Other comprehensive income for the period, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b>(664)</b>	<b>1,577</b>
<b>Earnings / (Loss) per share</b>		<b>Cents</b>	<b>Cents</b>
- Basic earnings per share		(0.33)	0.90
- Diluted earnings per share		(0.33)	0.90

*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 2013**

	Note	31 Dec 2013 \$'000	30 Jun 2013 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		2,054	681
Trade and other receivables		7,004	8,606
Inventories		10,329	9,540
<b>Total Current Assets</b>		<b>19,387</b>	18,827
<b>Non-Current Assets</b>			
Property, plant and equipment		2,346	2,477
Goodwill		30,819	30,535
Intangible assets		5,975	3,707
Other financial assets		1	1
Deferred tax assets		1,429	1,468
<b>Total Non-Current Assets</b>		<b>40,570</b>	38,188
<b>TOTAL ASSETS</b>		<b>59,957</b>	57,015
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		5,082	5,850
Interest-bearing liabilities	3	4,743	4,042
Provisions		2,262	2,351
<b>Total Current Liabilities</b>		<b>12,087</b>	12,243
<b>Non-Current Liabilities</b>			
Trade and other payables		-	23
Interest-bearing liabilities	3	18,031	21,034
Provisions		449	166
Derivative financial instruments		87	109
<b>Total Non-Current Liabilities</b>		<b>18,567</b>	21,332
<b>TOTAL LIABILITIES</b>		<b>30,654</b>	33,575
<b>NET ASSETS</b>		<b>29,303</b>	23,440
<b>EQUITY</b>			
Contributed equity	7	48,906	42,015
Accumulated losses		(20,603)	(19,575)
Other reserves		1,000	1,000
<b>TOTAL EQUITY</b>		<b>29,303</b>	23,440

*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 2013**

	Ordinary Shares	Share-based payment reserve	Accumulated losses	Total
	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2012</b>	41,663	1,000	(22,315)	20,348
Profit for the period	-	-	1,577	1,577
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	1,577	1,577
<b>Transactions with owners in their capacity as owners:</b>	-	-	-	-
<b>At 31 December 2012</b>	41,663	1,000	(20,738)	21,925
<b>At 1 July 2013</b>	<b>42,015</b>	<b>1,000</b>	<b>(19,575)</b>	<b>23,440</b>
Loss for the period	-	-	<b>(664)</b>	<b>(664)</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	<b>(664)</b>	<b>(664)</b>
<b>Transactions with owners in their capacity as owners:</b>				
<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)
<b>At 31 December 2013</b>	<b>48,906</b>	<b>1,000</b>	<b>(20,603)</b>	<b>29,303</b>

*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 2013**

	<b>Half-Year to 31 Dec 2013 Inflows / (Outflows) \$'000</b>	Half-Year to 31 Dec 2012 Inflows / (Outflows) \$'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Receipts from customers	24,172	34,155
Payments to suppliers and employees	(21,729)	(33,120)
Transaction costs relating to acquisition of subsidiary	(166)	-
Interest received	10	10
Interest and other costs of finance paid	(759)	(753)
Net cash provided by operating activities	<b>1,528</b>	292
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of plant and equipment	8	13
Payment of development costs	(495)	(543)
Purchase of property, plant and equipment	(23)	(90)
Purchase of intangible assets	(145)	(98)
Purchase of business assets, net of cash acquired	(3,608)	(2,004)
Net cash used in investing activities	<b>(4,263)</b>	(2,722)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	1,020	2,607
Repayment of borrowings	(3,439)	(1,078)
Proceeds from share issues	7,025	-
Payment for share issue costs	(498)	-
Payment for finance facility fees	-	(150)
Net cash provided by financing activities	<b>4,108</b>	1,379
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,373</b>	(1,051)
Cash and cash equivalents at beginning of the period	<b>681</b>	1,589
<b>Cash and cash equivalents at end of the period</b>	<b>2,054</b>	538

*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 2013**

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**1. CORPORATE INFORMATION**

The financial report of Traffic Technologies Ltd (the Company) and its subsidiaries (the Group) for the half-year ended 31 December 2013 was authorised for issue in accordance with a resolution of directors on 25 February 2014. 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 2013 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 2013 and any public announcements made by Traffic Technologies Ltd during the half-year ended 31 December 2013 and subsequently to 25 February 2014, 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 2013 Westpac Banking Corporation extended the repayment date for the Company's debt from 1 October 2014 to 1 October 2015. The Company's term debt facility is \$18.7m (2012: \$20.7m) and the working capital facility is \$6.0m (2012: \$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.

**5. DIVIDENDS**

	<b>2013</b>	2012
	<b>\$'000</b>	\$'000
Proposed dividend	-	352

During the financial year ended 30 June 2013 the Company 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

**Traffic Technologies Ltd**  
**Half-year financial report**  
**Notes to the financial statements for the half-year ended 31 December 2013**

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.

**6. 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
Payables	(517)
Provision for employee benefits	(502)
Hire Purchase liability	(53)
Net identifiable assets acquired	<u>1,492</u>
Intellectual property	2,224
Goodwill	284
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 2013
	\$'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.

**Traffic Technologies Ltd**  
**Half-year financial report**  
**Notes to the financial statements for the half-year ended 31 December 2013**

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**7. CONTRIBUTED EQUITY**

	<b>Number of Shares (‘000)</b>	<b>\$’000</b>
<b>Movement in ordinary shares</b>		
At 1 July 2013	181,804	42,015
Shares issued under Dividend Reinvestment Plan - 20 September 2013 (see note 5)	1,177	78
Shares issued under Shortfall Placement Agreement - 20 September 2013 (see note 5)	4,765	286
Share Placement - 7 November 2013	35,811	2,865
Share Placement – 5 December 2013	52,000	4,160
Share issue costs	-	(498)
<b>At 31 December 2013</b>	<b>275,557</b>	<b>48,906</b>

**8. EVENTS AFTER BALANCE DATE**

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

**9. COMMITMENTS AND CONTINGENCIES**

There have been no material changes to the commitments and contingent liabilities disclosed in the 30 June 2013 annual financial report.

**10. 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 2013 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:



Constantinos Liosatos  
Managing Director

Melbourne, 25 February 2014

Level 10, 530 Collins Street  
Melbourne VIC 3000

T +61 (0)3 8635 1800  
F +61 (0)3 8102 3400

[www.moorestephens.com.au](http://www.moorestephens.com.au)

## **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 2013, 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 2013 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.

Moore Stephens

Moore Stephens  
Chartered Accountants



Nick Michael  
Partner

Melbourne, 25 February 2014

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**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 2013 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.

Moore Stephens

MOORE STEPHENS  
Chartered Accountants



Nick Michael  
Partner

Melbourne, 25 February 2014