22 February 2012

FY2012 First Half Results

The company is pleased to release the first half-year results for FY2012.

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REDFLEX HOLDINGS LIMITED
ABN: 96 069 306 216

APPENDIX 4D
REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

RESULTS FOR ANNOUNCEMENT TO THE MARKET
AND LODGED WITH AUSTRALIAN SECURITIES EXCHANGE

REDFLEX HOLDINGS LIMITED
ABN: 96 069 306 216

APPENDIX 4D
REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

RESULTS FOR ANNOUNCEMENT TO THE MARKET AND LODGED WITH THE AUSTRALIAN SECURITIES EXCHANGE

Redflex has recorded revenue from operations of $74.5 million which is a 3.9% increase on the corresponding first half of the previous financial year.

Earnings before interest, tax, depreciation and amortisation (EBITDA) were up 16.4% from $21.6 million to $25.1 million.

The net profit before tax for the Group from operations was $10.92 million compared to the previous corresponding half-year profit of $5.94 million, an increase of 84.0%. However the prior year's result included costs of $1.38 million relating to a proposed sale of the company which did not eventuate. The increase in net profit before tax was 49.3% excluding the sale process costs included in the results for the prior corresponding period.

The net profit after tax for the Group from operations was $7.16 million compared to the previous corresponding half-year after tax profit of $4.16 million, an increase of 72.1%.

The increased revenue occurred despite a 9.2% adverse movement in the average AU$/US$ exchange rate between the comparative periods. The average AU$/US$ exchange rate for the half was 1.032 cents compared to 0.945 in the corresponding first half of FY2011.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2011 and considered together with any public announcements made by Redflex Holdings Limited during the half-year ended 31 December 2011 in accordance with the continuous disclosure obligations of the ASX listing rules.

				$'000
Results from continuing operations				
Revenue from continuing operations	Up	3.9%	to	74,515
Earnings before interest, tax, depreciation and amortisation (EBITDA)	Up	16.4%	to	25,101
Profit before tax attributable to members and prior to sales transaction costs*	Up	49.3%	to	10,924
Profit before tax attributable to members	Up	84.0%	to	10,924
Profit after tax attributable to members	Up	72.1%	to	7,159
Basic earnings per share				
Basic EPS from continuing activities	Up	71.7%	to	6.49 cents
Diluted EPS from continuing activities	Up	70.4%	to	6.35 cents
Net tangible assets per share	Up	7.4%	to	80.1 cents

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend in respect of financial year 2011	5.0 cents	5.0 cents
Directors have declared an interim dividend of 3 cents per share fully franked. The record date is 2 March 2012, and the payment date will be 26 March 2012.	3.0 cents	3.0 cents

*The financial report on pages 12 to 23 is prepared in accordance with IFRS. This release including the financial report is unaudited.

DIRECTORS' REPORT

The directors in office during the half-year and until the date of this report are:

- Max Findlay (Chairman and Non-executive Director)
- Ian Davis (Non-executive Director)
- Rob Debernardi (Non-executive Director)
- Michael McConnell (Non-executive Director)
- Graham Davie (CEO and Executive Director)
- Karen Finley (RTSI CEO and Executive Director)

OPERATING AND FINANCIAL REVIEW

GROUP OVERVIEW

Redflex Holdings Limited has been in existence since 1995 and has been listed on the Australian Securities Exchange since 1997.

The focus of the company is on enhancing public safety through the use of innovative technologies, with a particular focus on red-light and speed photo enforcement solutions.

The Redflex Group comprises two main subsidiaries. Redflex Traffic Systems Inc, based in the USA, focuses on the large North American market, and Redflex Traffic Systems Pty Ltd, based in Australia, focuses on the Australian and International markets outside of North America.

A Build-Own-Operate-Maintain (BOOM) model prevails in the USA, where Redflex provides camera systems and a comprehensive range of services to customers on a fully outsourced basis with revenues flowing over extended contract terms which are typically three to five years with optional extension periods.

The international business comprises a mix of product and service sales, and Build-Own-Operate-Maintain type contracts.

The strong results for the first half were achieved despite the ongoing effects of the global financial crisis and the consequent slowing in growth rates in the USA, and the 9.2% adverse movement in the average AU$/US$ exchange rate.

In the previous corresponding period costs associated with an unsuccessful sale process were $1.38 million, which included the costs of investment banking and legal advice and various expert opinions in the process of dealing with unsolicited bids for the company and running an extensive process in an effort to achieve the maximum terms.

Year to date results are tracking ahead of internal budgets and we expect them to continue to do so for the remainder of the year, reflecting improvements in the business and realisation of new opportunities.

FINANCIAL RESOURCES

The Group has an $68.8 million (US$70 million) revolving credit facility with a syndicate of three Australian banks, and, in addition, an $8 million working capital facility for guarantees and bonds required to be put in place in support of contracts with customers.

Because of the constrained economy in the US after the global financial crisis, the growth rate and hence the demand for capital has been reduced. Based on the current anticipated growth in the US, cash flow from operations should be more than sufficient to fund capital requirements for growth, and further drawings against the bank facility are not contemplated in the short term.

During the half, $4.9 million (US$5.0 million) was repaid, bringing the total drawn amount to $34.4 million (US$35 million). At the time of this report a further $9.3 million (US$10 million) has been repaid, and further repayments are expected in the second half.

In addition a 5 cents per share dividend was paid in November 2011 totalling $5.5 million.

Cash reserves are comfortable and the net debt position of the Group is $19.8 million (excluding restricted cash) at 31 December 2011.

OPERATING RESULTS FOR THE FIRST HALF OF THE 2011/2012 FINANCIAL YEAR

For the half-year ended 31 December 2011, the company reports revenue from operations of $74.5 million which is up 3.9% on the corresponding first half of the previous financial year (H1 FY2011: $71.7 million). The increase in revenue arises from a strong sales performance for the international business, and despite adverse currency effects from a further weakening US dollar. The number of revenue generating camera installations within our USA Build Own Operate and Maintain business is marginally higher than this time last year.

Sales during the half to our international customers totalled $20.8 million. Sales to those customers in the prior corresponding period were $13.9 million.

The increased Group revenue occurred despite an adverse movement of 9.2% in the average AU$/US$ exchange rate between the comparative periods. The average AU$/US$ exchange rate for the half was 1.0321 cents compared to 0.9453 in the corresponding first half of FY2011.

SEGMENT REVENUE FROM OPERATIONS:

	First half FY12 $'000	First half FY11 $'000	% change
North American Traffic business	46,941	53,464	(12.2)
Australian/International Traffic business	27,573	17,991	53.2
Head Office Interest income	1	232	
Revenue from operations	74,515	71,687	3.9

EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA) FROM OPERATIONS:

	First half FY12 $'000	First half FY11 $'000	% change
EBITDA from combined Traffic business	26,972	24,456	10.3
Head Office costs	(1,871)	(1,505)	(24.3)
Potential sale transaction costs	0	(1,382)	
EBITDA	25,101	21,569	16.4

PRE-TAX PROFIT FROM OPERATIONS:

	First half FY12 $'000	First half FY11 $'000	% change
Pre-tax profit from combined Traffic business	14,226	9,577	48.5
Impairment of plant and equipment	(1,421)	(727)	(95.5)
Head Office costs	(1,881)	(1,531)	(22.9)
Potential sale transaction costs	0	(1,382)	
Pre-tax profit from operations	10,924	5,937	84.0

NET PROFIT AFTER TAX FROM OPERATIONS:

	First half FY12 $'000	First half FY11 $'000	% change
Net profit after tax	7,159	4,159	72.1

PROFIT COMPARISON BASIS

The adverse currency movement of the AU$/US$ has had the effect of reducing revenue by $1.5 million and pretax profits by $0.3 million compared to the previous corresponding period.

During the first half of the previous corresponding period, $1.38 million in costs associated an unsuccessful sale process was expensed.

NORTH AMERICAN OPERATIONS

Highlights

The first half of FY12 has seen consistent revenue and profitability together with significant positive cash flow resulting from the focus on reducing construction and material costs for new installations.

Revenue and profit before taxes for the six months ended December 31, 2011 were consistent with the same period in the prior year at $44.7 million (US$46.1 million) and $3.2 million (US$3.3 million), respectively and ignoring exchange rate impact.

EBITDA margins for the six months ended December 31, 2011 increased slightly to 48.7% from 48.2% in the prior year. Operating expenses as a percent of sales decreased slightly to 34.4% for the first half of FY12 from 34.6% for the same period in the prior year.

For FY12, 49 contracts were forecasted for renewal representing 386 approaches. As of 31 December 2011, 6 of 30 contracts, representing 72 approaches did not renew, of which 30 approaches were terminated as a result of city council action reversing the ordinance allowing for local photo enforcement in Albuquerque and 19 in Tempe due to contract expiration. The non renewals caused a shortfall for the first two quarters but the renewal trend is expected to improve over the remainder of the year.

Profit before tax was negatively affected by write-downs of non-recoverable costs on terminated contracts which totalled $1.4 million (US$1.5 million) during the first half of FY 12 compared to $0.7 million (US$0.7 million) in the prior year first half. This negative impact was substantially offset by a significant reduction in interest expense related to the Company's line of credit to $1.4 million (US$1.5 million) for the period compared to $2.1 million (US$2.0 million) in the prior year first half. This reduction was due to the pay down of the line of credit from $58.3 million (US$60 million) at December 31, 2010 to $34 million (US$35 million) at December 31, 2011 through cash flow generated by operations and the negotiation of more favourable terms upon renewal of the facility in July 2011.

During the first half of FY12, the Company continued to see the benefits of reduced construction costs associated with its new system configurations as they became more broadly used across the US. First half FY12 construction costs have seen significant reductions. Additional R&D projects are underway involving both the USA and Australian teams to continue to drive down the capitalised cost of equipment and construction significantly over the next several years.

A new product, REDFLEX Student Guardian™, is being trialled to address the safety needs of children on school buses. The product has been designed to meet the requirements of this emerging US market and has been priced to compete in this space, while still maintaining the target profit goals.

Another area of sales growth being pursued is through product diversification leveraging our technology and expertise to open new opportunities to provide broader and expanded solutions, such as our REDFLEX HALO™ application, which is a collision preemption system. Redflex fully expects these efforts to result in some exciting prospects in the coming months.

NORTH AMERICAN OPERATIONS (CONT)

New Contracts

During this period, Redflex entered into the new markets of Florida and Alberta, Canada. These are very exciting new markets for Redflex and ones that are expected to provide an avenue for additional growth in the near-term. Additionally, Redflex is pleased to open up the new Missouri speed focused market.

The general economy continues to lack vigor and as a result, growth across the entire US photo enforcement market has witnessed a deceleration. In addition, growth is being further impacted by numerous pending negative state legislative efforts and local referendums underway in certain key markets.

Since 1 July 2011, Redflex has executed 12 new municipal contracts in the US and, as a result of a highly competitive process, secured Calgary, Alberta Canada, a contract previously maintained by a Redflex competitor.

Contracts include:

Glendale Heights IL	Charlack MO	Vinita Park MO
Burlington NJ	Kissimmee FL	Hackensack NJ
Fairview OR	Camden NJ	Isle of Wight VA
Clearwater FL	Vestavia Hills AL	Petersburg VA
Calgary, Alberta Canada		

Installations

Total installed systems as of 31 December 2011 was 1,989 in the US and an additional 140 in Canada. While the construction team added 91 new systems in the US in H1 FY12 it also removed 52.

Growth Initiatives and Operational Accomplishments

Redflex continues its focus on strengthening its business model through tighter contract language, more aggressive collection efforts, reducing the cost of new system installations and focusing on new products and services for growth outside of red light and speed enforcement programs.

Legislative Environment

Redflex continues to lead the industry in proactively seeking to enable and improve the statutory basis for road safety programs as well as defend against adverse developments. Redflex is supporting the filing of bills in many current markets and in certain new states seeking enablement and enhancements for red light and speed road safety cameras, as well as for photo enforcement of school bus arm infractions.

Redflex also continues to face challenges raised through local voter initiatives and referendums. In FY 2012, citizen initiatives caused the termination of several Redflex contracts, including the Albuquerque contract. Redflex actively opposes these initiatives using legal, political and public communications strategies.

Legal Environment

The level of litigation industry-wide, while still significant, has begun to decrease due to Redflex's successful efforts resulting in positive rulings in the majority of suits. The standard types of lawsuits filed contain challenges on a constitutional or administrative basis including claims involving due process, right to privacy, requirement of private investigators licenses and city enabling ordinance issues. In addition, the Company has received claims seeking relief for alleged violations of prevailing wage laws.

NORTH AMERICAN OPERATIONS (CONT)

Canada

The US Construction team completed the full build-out of the contract (140 systems) for the Insurance Corporation of British Columbia, with the final 25 systems being installed in early H1 FY12.

In addition, a new contract in Calgary, Canada resulted in the delivery of 6 fixed systems and 1 mobile system in December 2011. Additional rollout in support of this contract is expected in H2 FY12.

AUSTRALIAN / INTERNATIONAL OPERATIONS

International markets

Abu-Dhabi

Under the interim contract with the Abu Dhabi Police we have delivered 200 fixed radar speed enforcement camera systems. This world-leading technology enforces vehicle speed in heavy traffic and automatically identifies the lane number in which the vehicle is travelling. We expect to deliver more of this product in H2 FY12 and into next financial year.

Ireland Safety Camera Program

Forty-four vehicles are now operational in Ireland for the GoSafe project, in which Redflex operates as a Consortium partner with Spectra (from Ireland) and Egis Projects SA (from France). Redflex owns a 16% stake in the Consortium and expects to see a return on that investment in FY12 and beyond.

The GoSafe project is an outsourced enforcement camera program comprising Radarcam mobile cameras, our Digital Camera Management System to manage the camera cars remotely, and our Image and Infringement Processing System (IIPS) to adjudicate the infringements. The system is being supported with the involvement of two full-time local on-site Redflex staff in Ireland. Support services apply for a further five years.

Saudi Arabia Safety Camera Program

Redflex has established an office in Al-Khobar, Saudi Arabia where we provide back-office infringement processing services for the Eastern Province, including the cities of Dammam, Khobar and Dhahran; Aseer Province, including the cities of Abha, KhamisMushait and AhadRufaidah; and the region of Tabuk. Tickets are delivered to the infringement processing centre by a wide area network.

AUSTRALIAN / INTERNATIONAL OPERATIONS (CONT)

International markets (Cont)

Malaysia

A highpoint of the first half was the signing of the contract for the supply of camera systems, back-office software and related services for the Automated Enforcement System (AES) project in Malaysia. The award of this contract came after extensive competitive trials run by the Ministry of Transport, the Government of Malaysia's agency responsible for the implementation of the AES project. We have been working on the order for a number of years, reflecting the size and importance of the opportunity.

Beta Tegap Sdn Bhd, Redflex's distributor in Malaysia, has signed a Build, Own, Operate and Transfer contract with the Malaysian Government, which is subject to finance, for the area throughout central and south Malaysia, encompassing the main corridor between Kuala Lumpur and Johor Bahru. Redflex will be providing state-of-the-art speed enforcement technology for the program. For Redflex, the contract is worth over $50 million and is to provide 450 fixed speed cameras, 140 mobile cameras, extensive enterprise back-office software, and implementation services. Although there will be little business generated in FY12, we expect this business to commence in FY13 and occur over a number of years.

Australian Markets

Over the year there was significant activity in our enterprise scale ticket processing software market segment. We saw the simultaneous release of 3 systems. Firstly, there was the Queensland Police Service's Back-Office system. Additional to this, the component to issue Point-to-Point infringements went live at the end of December. The second was an upgrade to the Western Australia Police's Back-Office which was a significant step given the system's size. Thirdly, the GoSafe program in Ireland implemented an upgrade to use an Automatic Number Plate Recognition (ANPR) system.

NSW

Redflex continues to work with the NSW Roads and Maritime Services (NSW RMS), (previously known as the Roads and Traffic Authority), to provide a variety of camera systems in New South Wales. In addition to the continued installation of intersection safety cameras in Sydney, Redflex will be upgrading the Vehicle Exhaust Emission System (VEES) installed in the M5 tunnel. The VEES is used for the detection of heavy vehicles that emit excessive levels of exhaust smoke.

In August, the NSW RMS awarded Redflex a contract extension to the current Interim Mobile Program where we provide and operate six in-car mobile cameras with stage 1 back-office adjudication services. To support operator safety, all of the camera equipment is housed within the vehicles which are now quite inconspicuous when not in use. When deployed, NSW RMS livery is attached to the outside of the vehicle and signs are deployed. This interim Mobile Program, and the larger scale mobile program which we expect to tender for, are part of the NSW Government's $170 million road safety campaign.

For the Sydney Ports Authority, Redflex installed two Automatic Number Plate Recognition (ANPR) camera systems to monitor truck movements at Port Botany. The systems are solar powered and use wireless communications for a true stand-alone installation. This is the first implementation of this technology.

For the NSW Department of Primary Industries (NSW DPI), Redflex has recently completed the installation of a new gantry mounted camera systems located on the Pacific Highway. These detect unauthorised movements of livestock from Queensland into New South Wales. The NSW DPI has also placed an order for an additional camera system to be installed at Terranora, bringing the total number of border surveillance systems to eight.

AUSTRALIAN / INTERNATIONAL OPERATIONS (CONT)

Australian Markets (Cont)

Victoria

In Victoria, 29 red-light and speed camera sites have been installed and are now operational for the Department of Justice.

South Australia

Our work in South Australia for the Department of Planning, Transport & Infrastructure (DPTI) continues at a brisk pace. We have installed 5 Red-light/Speed cameras and delivered 2 tripod systems and 18 mobile systems. The mobile systems are now live. An additional 21 fixed Red-light/Speed systems were installed, 2 of these being system relocations. A further 4 fixed systems and 4 rail systems are scheduled to be installed by May 2012, although the rail systems are still pending regulatory approval.

In addition to the above, DPTI have ordered a further 36 systems consisting of red light and speed (including the option to monitor intersections with pedestrian access crossings), rail and point-to-point systems (with each system consisting of two enforcement stations configured with front and rear facing cameras). The DPTI are aiming to have all these additional systems installed by the end of 2012.

This range of camera systems forms part of the contract with DPTI and the South Australian Police for the supply of enforcement cameras to South Australia until 2013.

Western Australia

In Western Australia, 17 systems have been installed and handed over to the Western Australian Police Department (WAPOL). Two contract variations were received for further work on the IIPS back-office system. Subsequently, a significant order for further work on the back-office system was placed for delivery in April 2012.

Northern Territory

Following on from the awarded tender for installation and continued maintenance of 9 cameras from the Northern Territory Government, 3 cameras have been successfully installed taking the total number of cameras to 12. In addition, the contract which involves the running of a Back-Office Processing Centre, collecting payments on behalf of the Government and assisting their Fines Recovery Unit, has been extended for another year.

Queensland

The IIPS Back-Office system went live for the Queensland Police Service at the end of June 2011. The customer was able to issue infringements after the initial short pilot stage. Additional scoping and design work was undertaken to support the processing of Point-to-Point incidents and infringements in IIPS. This important component went live on 29 November. The first Point-to-Point infringements were issued at the end of December 2011. This met a commitment made by the Queensland Government to have Point-to-Point cameras operational by the end of the year.

OUTLOOK FOR THE REMAINDER OF THE 2012 FINANCIAL YEAR

Our global leadership position in our industry is expected to be maintained and enhanced through further growth in the USA installed base. We are starting to see some improvement in the USA economy and Australian/International sales are greatly improving.

We are committed to follow a growth strategy and expect further strong sales into Saudi Arabia and Abu Dhabi during the second half of FY12, together with ongoing recurring revenues from Ireland, Canada and within Australia.

EBITDA is expected to remain strong and apart from the negative effect of the decline in the US dollar, the events that have harmed our profitability over the last couple of years are behind us. We expect to deliver improved results for FY12, with the strong H1 results expected to continue in H2.

Continuing strong cash flow should enable us to achieve further debt reductions in H2.

EVENTS SUBSEQUENT TO 31 DECEMBER 2011

There were no significant events subsequent to 31 December 2011 and prior to the date of this report.

ROUNDING

The amounts contained in the half-year financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

AUDITOR'S INDEPENDENCE

The company has received the Auditor's Independence Declaration dated 22 February 2012.

Signed in accordance with a resolution of the directors.

Graham Davie

Director
Melbourne, 22 February 2012

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Auditor's Independence Declaration to the Directors of Redflex Holdings Limited

In relation to our review of the financial report of Redflex Holdings Limited for the half-year ended 31 December 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Ashley C Butler
Partner
22 February 2012

STATEMENT OF COMPREHENSIVE INCOME

	Note	Consolidated Entity 31-Dec-11 $'000	Consolidated Entity 31-Dec-10 $'000
Revenue from operations			
Sale of goods and services		27,885	22,727
Revenue from fee for service contracts		46,615	48,720
Finance revenue		15	240
Total revenue		74,515	71,687
Cost of sales		18,818	16,242
Cost of fee for service contracts		11,701	12,350
Cost of goods sold		30,519	28,592
Gross profit		43,996	43,095
Sales and marketing related expenses		4,647	4,562
Administrative related expenses		12,358	13,449
Write-down of plant and equipment		1,421	727
Program management costs		469	1,406
Potential sale transaction costs		0	1,382
Amortisation of intangibles		1,386	1,047
Depreciation - fee for service contract assets		11,071	12,277
Depreciation - other		244	228
		31,596	35,078
Profit before tax and financing costs		12,400	8,017
Interest		1,476	2,080
Profit before tax		10,924	5,937
Income tax expense		3,765	1,778
Net profit for the period		7,159	4,159
Other comprehensive income			
Foreign currency translation		2,058	(16,334)
Total comprehensive income for the period		9,217	(12,175)
Earnings per share (cents per share)			
- basic for profit for half-year attributable to ordinary equity holders of the parent company		6.49 cents	3.78 cents
- diluted for profit for the half-year attributable to ordinary equity holders of the parent company		6.32 cents	3.71 cents
- dividends per share attributable to ordinary equity holders of the parent company		3.00 cents	Nil

STATEMENT OF FINANCIAL POSITION

	Note	Consolidated Entity 31-Dec-11 $'000	Consolidated Entity 30-Jun-11 $'000
Current Assets			
Cash and cash equivalents		19,630	16,543
Trade and other receivables		30,467	34,232
Inventories		21,888	17,966
Deferred cost asset		4,005	3,846
Other		2,328	3,183
Total Current Assets		78,318	75,770
Non-Current Assets			
Property plant and equipment		69,114	69,851
Deferred tax asset		5,103	5,016
Intangible assets and goodwill		20,141	18,152
Deferred cost asset		2,052	3,632
Other financial assets		2,057	2,057
Other long term assets		355	782
Total Non-Current Assets		98,822	99,490
TOTAL ASSETS		177,140	175,260
Current Liabilities			
Trade and other payables		18,280	20,776
Interest bearing borrowings	4	36	37,365
Income tax payable		1,500	357
Provisions		3,906	3,793
Other		332	0
Total Current Liabilities		24,054	62,291
Non Current Liabilities			
Interest bearing borrowings	4	33,919	12
Deferred tax liability		7,657	5,670
Provisions		2,963	3,070
Total Non Current Liabilities		44,539	8,752
TOTAL LIABILITIES		68,593	71,043
NET ASSETS		108,547	104,217
Equity attributable to equity holders of the parent company			
Contributed equity		101,765	121,765
Employee equity benefits reserve		7,848	7,218
Foreign currency translation reserve		(24,630)	(26,688)
Accumulated profits		23,564	1,922
TOTAL EQUITY		**108,547**	**104,217**

STATEMENT OF CASH FLOWS

	Note	Consolidated Entity 31-Dec-11 $'000	Consolidated Entity 31-Dec-10 $'000
Cash flows from operating activities			
Receipts from customers		79,039	58,539
Payments to suppliers and employees		(52,985)	(41,942)
Increase in deferred cost assets		0	0
Interest received		15	240
Interest paid		(888)	(1,795)
Income tax paid		(971)	(310)
Net cash flows from operating activities		24,210	14,732
Cash flows from investing activities			
Purchase of property, plant and equipment		(7,869)	(8,614)
Capitalised development costs		(3,182)	(3,535)
Investment in other financial assets		0	(1,374)
Net cash flows (used in) investing activities		(11,051)	(13,523)
Cash flows from financing activities			
Bank borrowings repaid		(4,938)	(9,544)
Bank borrowings		0	0
Proceeds from issue of ordinary shares		0	0
Lease liability incurred		(92)	(156)
Dividends paid		(5,517)	(5,517)
Net cash flows (used in) financing activities		(10,547)	(15,217)
Net (decrease) / increase in cash held		**2,612**	**(14,008)**
Effect of exchange rate changes on cash		475	(2,886)
Cash at beginning of period		16,543	37,474
Cash and cash equivalents at end of period		19,630	20,580

Reconciliation of cash

		31-Dec-11 $'000	31-Dec-10 $'000
Cash at the end of the period consists of:			
Cash at bank		19,630	20,580
Deposits at call		0	0
		19,630	20,580

STATEMENT OF CHANGES IN EQUITY

Consolidated Entity	Note	Contributed Equity $'000	Foreign Currency Translation Reserve $'000	Employee Equity Benefits Reserve $'000	Accumulated (Losses)/ Profits $'000	Total Equity $'000
At 1 July 2010		**121,765**	**(9,150)**	**6,323**	**(2,851)**	**116,087**
Profit for the half-year		0	0	0	4,159	4,159
Currency translation differences		0	(16,334)	0	0	(16,334)
Total comprehensive income for the period		0	(16,334)	0	4,159	(12,175)
Shares issued		1	0	0	0	1
Share based payments		0	0	370	0	370
Dividends paid		0	0	0	(5,517)	(5,517)
At 31 December 2010		**121,766**	**(25,484)**	**6,693**	**(4,209)**	**98,766**
At 1 July 2011		**121,765**	**(26,688)**	**7,218**	**1,922**	**104,217**
Profit for the half-year		0	0	0	7,159	7,159
Currency translation differences		0	2,058	0	0	2,058
Total comprehensive income for the period		0	2,058	0	7,159	9,217
Shares issued		0	0	0	0	0
Share based payments		0	0	630	0	630
Dividends paid		0	0	0	(5,517)	(5,517)
Section 258F of the Corporations Act (2001) capital reduction	5	(20,000)	0	0	20,000	0
At 31 December 2011		101,765	(24,630)	7,848	23,564	108,547

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 CORPORATE INFORMATION

Redflex Holdings Limited is an Australian incorporated company limited by shares that are publicly traded on the Australian Securities Exchange (ASX).

The nature of the operations and principal activities of the Group are described in Note 3.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation and new accounting standards

Basis of preparation

This general purpose financial report for the half-year ended 31 December 2011 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The half-year financial report does not include all notes of the type normally 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 consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2011 and considered together with any public announcements made by Redflex Holdings Limited during the half-year ended 31 December 2011 in accordance with the continuous disclosure obligations of the ASX listing rules.

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

New accounting standards

With regard to the amendments to AASB that have been adopted since 30 June 2011, there has not been an impact on the accounting policies of the Group.

(b) Changes in accounting policies

There have been no changes in accounting policies during the half-year ended 31 December 2011.

(c) Change in accounting estimate

There were no significant changes in accounting estimates for the half year ended 31 December 2011.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(d) Uncertainty arising as a result of Group tax restructure

During the year ended 30 June 2009 the Group restructured its global tax affairs in order to provide for a more efficient flow of funds around the Group. The outcome of the restructure involves a significant degree of uncertainty, and as such the company commissioned independent advice from its professional legal and tax advisors. The outcome of the restructure at the time could result in future potential tax liabilities of up to $10.65 million, with corresponding off-setting tax benefits arising over future years. The likelihood of any such current tax liability was not considered probable.

NOTE 3 SEGMENT INFORMATION

The operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team. The operating segments are organised and managed separately according to the nature of the products and services that are provided, with each segment representing a strategic business unit that offers different products and services to different markets. The segmental split segregates the business units into revenue from recurring fee for service business and revenue related to the sale of goods and services.

The Traffic division operates within two key markets - the North American and Australia/ International. The North American Traffic business is predominantly a Build Own Operate and Maintain business providing fully outsourced traffic enforcement programs to cities and townships. The Australian and International Traffic businesses involve the sale of traffic enforcement products and services to those markets together with some recurring revenue contracts.

Transfer prices between business segments are set on an arms' length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated on consolidation.

The following tables present revenue and profit information and asset and liability information regarding business segments for the half years ended 31 December 2011 and 31 December 2010.

NOTE 3 SEGMENT INFORMATION - CONTINUED

Operating segments

Half year ended 31 December 2011

	North America $'000	Australian /International $'000	Total $'000
Revenue			
Revenue from the sale of goods and services	2,552	27,563	30,115
Revenue from fee for service contracts	44,385	0	44,385
Finance revenue	4	10	14
Inter-segment revenue	0	5,206	5,206
Total segment revenue	46,941	32,779	79,720
Inter-segment elimination			(5,206)
Head office finance revenue			1
Total consolidated revenue			74,515
Result			
Earnings before interest tax, depreciation and amortization	17,032	9,940	26,972
Inter-segment royalty	989	(989)	0
Depreciation	(11,071)	(234)	(11,305)
Amortisation	(274)	(1,112)	(1,386)
Segment result	6,676	7,605	14,281
Head office result			(1,881)
Potential sale transactions costs			0
Profit before tax and finance charges			12,400
Finance charges			(1,476)
Profit before income tax			10,924
Income tax expense			(3,765)
Net profit for the half			7,159
Assets and liabilities (31 Dec 2011)			
Segment assets	83,115	56,732	139,847
Head office assets			37,293
Total assets			177,140
Segment liabilities	55,820	13,392	69,212
Head office liabilities			(619)
Total liabilities			68,593

NOTE 3 SEGMENT INFORMATION - CONTINUED

Operating segments - continued

Half year ended 31 December 2010

	North America $'000	Australian /International $'000	Total $'000
Revenue			
Revenue from the sale of goods and services	4,744	17,983	22,727
Revenue from fee for service contracts	48,720	0	48,720
Finance revenue	0	8	8
Inter-segment revenue	0	4,227	4,227
Total segment revenue	53,464	22,218	75,682
Inter-segment elimination			(4,227)
Other revenue			232
Total consolidated revenue			71,687
Result			
Earnings before interest tax, depreciation and amortization	19,046	5,410	24,456
Inter-segment royalty	866	(866)	0
Depreciation	(12,277)	(203)	(12,480)
Amortisation	(155)	(891)	(1,046)
Segment result	7,480	3,450	10,930
Head office result			(1,531)
Potential sale transaction costs			(1,382)
Profit before tax and finance charges			8,017
Finance charges			(2,080)
Profit before income tax			5,937
Income tax			(1,778)
Net profit for the half			4,159
Assets and liabilities (30 June 2011)			
Segment assets	82,195	48,722	130,917
Head office assets			44,343
Total assets			175,260
Segment liabilities	58,682	11,829	70,511
Head office liabilities			532
Total liabilities			71,043

NOTE 4 INTEREST BEARING BORROWINGS

	Consolidated Entity	
	31-Dec-11	30-Jun-11
	$'000	$'000
Current		
Obligations under finance leases and hire purchase contracts	36	119
Bank borrowings	0	37,754
Deferred financing costs	0	(508)
	36	37,365
Non-Current		
Obligations under finance leases and hire purchase contracts	8	12
Bank borrowings	34,401	0
Deferred financing costs	(490)	0
	33,919	12

The Group has in place a $68.8 million (US$70.0 million) secured revolving credit facility for funding growth within the USA traffic division, together with an $8.0 million working capital facility to address international and local business opportunities. The Commonwealth Bank of Australia in conjunction with two other major Australian banks was granted a first and only priority senior security interest over the assets of Redflex Traffic Systems Inc and its subsidiaries, together with a fixed and floating charge over the assets and undertakings of Redflex Holdings Limited. The loan principal is not required to be repaid within the next twelve months and is available for redraw to the facility limit if repaid.

Costs associated with borrowings under this facility include a line fee and margin. Interest rates are based on US LIBOR. Together with amortisation of financing costs, cost of borrowing is approximately 5% pa on funds borrowed.

Lease liabilities are secured by way of a charge over the leased assets.

The carrying amount of the Group's current and non-current borrowings approximate their fair value.

BANK INDEMNITY GUARANTEES

The group's bankers have issued indemnity guarantees to certain customers in respect of letters of credit, bid bonds and performance bonds for $3,412,692 (30 June 2011: $8,430,790).

FINANCING FACILITIES AVAILABLE

	Consolidated Entity	
	31-Dec-11	30-Jun-11
	$'000	$'000
Total facilities		
Bank borrowings	68,803	86,631
Working capital facility	8,000	8,000
	76,803	94,361
Facilities used at reporting date		
Bank borrowings	34,401	37,754
Deferred financing costs	(490)	(508)
Security for letters of credit issued to customers	3,413	8,431
	37,324	45,677
Facilities unused at reporting date	39,479	48,684

NOTE 5 ISSUED AND QUOTED SECURITIES

	Total number	Number quoted	Issue price per security	Amount paid up per security
ORDINARY SECURITIES				
Issued at 1 July 2011	110,345,599	110,345,599		
Changes during current period				
(a) Increases through issues				
Dividend Reinvestment Plan	0	0	0	0
From Performance Rights	0	0	0	0
From Share issue	0	0	0	0
From Rights issue	0	0	0	0
Issued at 31 December 2011	110,345,599	110,345,599		

During the period ended 31 December 2011 the Company effected a loss reduction of capital of $20,000,000 under Section 258F of the Corporations Act (2001), such losses being considered permanent in nature. This has no effect on the number of issued and quoted securities above.

PERFORMANCE RIGHTS	
Issued at 1 July 2011	2,164,515
Issued – performance to 1 October 2014	1,301,256
Lapsed - performance to 1 October 2011	(515,710)
Forfeited - performance to 1 October 2012	(28,875)
- performance to 1 October 2013	(36,403)
- performance to 1 October 2014	(34,657)
Issued at 31 December 2011	2,850,126

NOTE 6 CASH FLOW RECONCILIATION

		Consolidated Entity	
		31-Dec-11	31-Dec-10
	Note	$'000	$'000
Reconciliation from the net profit after tax to the net cash flows from operations			
Net profit after tax		7,159	4,159
Non Cash Flow Items			
Depreciation expense		10,980	12,237
Asset Retirement Obligation (ARO) depreciation expense		335	269
Amortisation of intangibles		1,386	1,047
Provision of employee entitlements		282	77
Impairment and write down of property, plant and equipment		1,421	727
Deferred financing costs amortization		588	285
Share based payments		630	432
Change in operating Assets and Liabilities			
Decrease/(Increase) in prepayments		927	(549)
Decrease/(Increase) in receivables - current		4,991	(12,445)
Decrease/(Increase) in inventories		(4,243)	3,861
Decrease/(Increase) in taxation provisions		1,144	770
Decrease/(Increase) in deferred tax asset		35	(1,392)
Increase/(Decrease) in deferred tax liability		1,614	2,090
Increase/(Decrease) in deferred revenue		(403)	(466)
Increase/(Decrease) in payables		(4,639)	1,812
Decrease/(Increase) in deferred costs assets*		2,003	1,818
Net cash flows from operating activities		24,210	14,732

* The movement in deferred cost assets arises upon the installation of cameras under the City of Chicago contract. Whilst most camera installations are recorded as Plant and Equipment and are depreciated over their estimated useful lives, with the Chicago contract title to the assets passes to the City upon installation and the assets are amortised over the remaining contract term. Cash expended on these installations is reported as operating activity rather than as an investment activity.

NOTE 7 SIGNIFICANT MOVEMENTS IN BALANCE SHEET ITEMS

The company results are shown in the presentation currency which is Australian Dollars.

The majority of assets and liabilities reside within the North American Traffic division. During the half year ended 31 December 2011 there has been a substantial change in exchange rates which has had a significant effect on all Balance Sheet items.

At 30 June 2011 the exchange rate was US$/AU$1.0595 compared to the 31 December 2011 US$/AU$ exchange rate of 1.0174 a 3.97% decrease.

A significant portion of the movement within the Foreign Currency Translation Reserve of $2.058 million relates to the conversion of the net USA domiciled assets and liabilities at 30 June 2011, converted at 31 December 2011 exchange rates.

NOTE 8 CONTINGENCIES

There has been no other change in contingent assets or liabilities since 30 June 2011.

NOTE 9 EVENTS AFTER BALANCE SHEET DATE

There were no other significant events subsequent to 31 December 2011 and prior to the date of this report.

DIRECTORS' DECLARATION FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

In accordance with a resolution of the directors of Redflex Holdings Limited, I state that:

In the opinion of the directors,

(a) the financial report of the consolidated entity is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position as at 31 December 2011 and the performance for the half-year ended on that date of the consolidated entity, 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.

On behalf of the Board

Graham Davie
Director

Redflex Holdings Limited
ABN 96 069 306 216

22 February 2012

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To the members of Redflex Holdings Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Redflex Holdings Limited, which comprises the statement of financial position as at 31 December 2011, 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 summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of 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 and the *Corporations Act 2001* and for such internal controls as the directors determine are 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 2011 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 Redflex Holdings Limited and the entities it controlled during the half-year, 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 have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. We confirm that the Auditor's Independence Declaration would be in the same terms if given to the directors as at the time of this auditor's report.

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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 Redflex Holdings 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 2011 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

Ashley C Butler
Partner
Melbourne
22 February 2012