

Release to Australian Securities Exchange

FY2010 First Half Results

25 February 2010

Redflex has recorded revenue from operations of \$65.08 million which is a 13.1% increase on the corresponding first half of the previous financial year.

Earnings before interest, tax, depreciation and amortization (EBITDA) were up 2.2% from \$19.5 million to \$19.9 million.

The net profit before tax for the Group from operations was \$4.29 million compared to the previous corresponding half-year profit of \$6.10 million, a decrease of 29.7%.

The net profit after tax for the Group from operations was \$2.86 million compared to the previous corresponding half-year after tax profit of \$4.20 million, a decrease of 32.0%.

The increased revenue occurred despite a 10.1% adverse movement in the average AU\$/US\$ exchange rates between the comparative periods. The average AU\$/US\$ exchange rate for the half was 0.870 cents compared to 0.782 in the corresponding first half of FY2009.

Redflex has maintained and enhanced its number one position in its industry over the past half year, with a record installation base in the USA and significant sales in key regions in the rest of the world.

However, the business, particularly in the US, has become more difficult over recent years, and the results reflect the influence of a range of adverse issues and circumstances on the business, including:

- the increase in the scope and cost of litigation against the company;
- the adverse impact of a major program in the USA which is running at a loss;
- the difficulty in collecting fines in some key jurisdictions, and the consequent effect on revenues;
- adverse developments in legislation at state level;
- the rise of opposition from various groups opposed to photo enforcement, resulting in challenges to programs through citizen initiated referenda;
- the cost of a targeted public safety awareness campaign in the state of Arizona to highlight the dangers of speeding and the contribution of Redflex in that environment;
- the litigation action taken by Redflex Holdings Limited against the arranger of the Interactive Telephony Partnership; and
- costs associated with the action which led to the changes to the board at the AGM.

At the AGM in November 2009 shareholders voted to change the board with the election of three new non-executive directors. The new board has moved quickly to understand and assess the business and has set the following key parameters for the strategic direction of the group:

- Reduction of risk in the business, particularly in the USA where Redflex currently assumes almost all of the risk of shared programs;
- Maximising revenue from existing, new and renewed contracts;
- Investigation of new sources of revenue from existing customers;
- Improvement in the performance of the poorly performing state wide contract;
- Diversification of the business into lower risk collateral areas; and
- A specific focus on reducing the capital costs of camera systems through technology development.

The issues that have dominated the first half of the 2010 financial year are expected to continue in some measure for the remainder of the year.

There have been many initiatives taken already to improve on the poor performance of the Arizona state-wide program, which should give rise to progressive and incremental improvement. Over time the collection rates on this program should rise to the average level achieved in Arizona, however that average rate in the State is significantly lower than in other states. There remains a risk that the contract could be terminated in July 2010.

As has been experienced over prior years, there is no guarantee that all contracts will be renewed at completion of their base contract term. Some cities have decided not to continue, and we have experienced early shutdowns in two cities. This can result in write-downs where there are assets that are not fully amortised.

The rate of new contract signings has clearly decreased since a year ago. It is not clear at this stage whether this is driven by the economic environment, by the level of opposition, or by a slowdown in the rate of growth in the industry as a whole. However, Redflex's rate of capture of new contracts is much greater than any of our competitors.

Revenue is expected to grow broadly in line with new installations planned, and efforts are under way to reduce risks to that revenue and improve margins, which are currently at low levels. A range of initiatives in technology and operations should reduce direct costs and give rise to some improvement in margins progressively.

Outside of the United States, some of the larger projects are expected to be implemented progressively, both in the second half of the current financial year and into the next year. The Saudi Arabia and Ireland projects are key examples. Margins have generally held up well in these markets. In Australia, our relationships with state governments are good and we expect ongoing opportunities in most states.

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REDFLEX HOLDINGS LIMITED
ABN: 96 069 306 216

APPENDIX 4D
REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

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

REDFLEX HOLDINGS LIMITED
ABN: 96 069 306 216

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It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2009 and considered together with any public announcements made by Redflex Holdings Limited during the half-year ended 31 December 2009 in accordance with the continuous disclosure obligations of the ASX listing rules.

| | | | | \$'000 |
|---|------|-------|----|------------|
| Results from continuing operations | | | | |
| Revenue from continuing operations | Up | 13.1% | to | 65,084 |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) | Up | 2.2% | to | 19,929 |
| Profit before tax attributable to members | down | 29.7% | to | 4,291 |
| Profit after tax attributable to members | down | 32.0% | to | 2,855 |
| Basic earnings per share | | | | |
| Basic EPS from continuing activities | down | 36.7% | to | 2.79 cents |
| Diluted EPS from continuing activities | down | 36.1% | to | 2.74 cents |
| Net tangible assets per share | up | 2.6% | to | 98.7 cents |

| Dividends (distributions) | Amount per security | Franked amount per security |
|--|----------------------------|------------------------------------|
| Final dividend in respect of financial year 2009 | 5.0 cents | 5.0 cents |
| Interim dividend | Nil | Nil |
| No dividends were paid or proposed in respect of the half-year | | |

DIRECTORS' REPORT

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

- Max Findlay (Chairman) (appointed 19 November 2009)
- Robin Debernardi (appointed 19 November 2009)
- Ian Davis (appointed 19 November 2009)
- Ron Langley
- Graham Davie
- Karen Finley
- Christopher Cooper (resigned 19 November 2009)
- Peter Lewinsky (resigned 19 November 2009)
- Roger Sawley (resigned 19 November 2009)

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 which focus efforts on geographical regions – Redflex Traffic Systems Inc based in the USA focuses primarily on the large US market, and Redflex Traffic Systems Pty Ltd, based in Australia focuses on the international market outside of the USA. A Build Own Operate Maintain business model prevails in the US, where Redflex provides camera systems and a comprehensive range of services to customers on a fully outsourced basis, with revenue flowing over an extended contract term of typically three to five years with optional extension periods. The international business comprises a mix of product sales and BOOM contracts.

Redflex has maintained and enhanced its number one position in its industry over the past half year, with a record installation base in the USA and significant sales in key regions in the rest of the world.

However, the business, particularly in the US, has become more difficult over recent years, and the results reflect the influence of a range of adverse issues and circumstances on the business, including:

- the increase in the scope and cost of litigation against the company,
- the adverse impact of a major program in the USA which is running at a loss,
- the difficulty in collecting fines in some key jurisdictions, and the consequent effect on revenues,
- adverse developments in legislation at state level,
- the rise of opposition from various groups opposed to photo enforcement, resulting in challenges to programs through citizen initiated referenda,
- the cost of a targeted public safety awareness campaign in the state of Arizona to highlight the dangers of speeding and the contribution of Redflex in that environment'
- the litigation action taken by Redflex Holdings Limited against the arranger of the Interactive Telephony Partnership,
- costs associated with the action which led to the changes to the board at the 2009 AGM,
- general issues with collections in the USA, and
- the impact of exchange rates.

STRATEGIC DIRECTION

At the AGM in November 2009, shareholders voted to change the board with the election of three new non-executive directors. The new board has moved quickly to understand and assess the business and has set the following key parameters for the strategic direction of the group:

- Reduction of risk in the business, particularly in the USA where Redflex currently assumes almost all of the risk of shared programs;
- Maximising revenue from existing, new and renewed contracts;
- Investigation of new sources of revenue from existing customers;
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- Diversification of the business into lower risk collateral areas.
- A specific focus on reducing the capital costs of camera systems through technology development.

FINANCIAL RESOURCES

The group has a US\$100 million revolving credit facility with a syndicate of three Australian banks. The facility was drawn to US\$69.7million at the end of the half.

A capital raising, comprising a placement and rights issue, which occurred during the half, raised a total of AU\$35.6 million.

The US business continues to require capital to fund growth. The proceeds of the capital raising are providing this growth funding, and there is no short term expectation to draw against the bank facility.

OPERATING RESULTS FOR THE FIRST HALF OF THE 2009/2010 FINANCIAL YEAR

For the half-year ended 31 December 2009, the company reports revenue from operations of \$66.0 million which is up 14.7% on the corresponding first half of the previous financial year (H1 FY2009 - \$57.55 million). The increase in revenue is predominantly due to an increase in the number of revenue generating camera installations within our USA Build Own Operate and Maintain business and also strong sales in the Australian/International operation.

The increased revenue occurred despite a 10.1% adverse movement in the average AU\$/US\$ exchange rates between the comparative periods. The average AU\$/US\$ exchange rate for the half was 0.870 cents compared to 0.782 in the corresponding first half of FY2009.

SEGMENT REVENUE FROM OPERATIONS:

| | First half FY10 \$'000 | First half FY09 \$'000 | % change |
|--------------------------------|---------------------------|---------------------------|-------------|
| USA Traffic business | 53,272 | 50,804 | 4.9 |
| Australian traffic business | 11,709 | 6,745 | 73.6 |
| Head Office Interest income | 103 | 0 | |
| Revenue from operations | 65,084 | 57,549 | 13.1 |

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

| | First half FY10 \$'000 | First half FY09 \$'000 | % change |
|---------------------------------------|---------------------------|---------------------------|------------|
| EBITDA from combined Traffic business | 21,942 | 21,088 | 4.0 |
| Head Office costs | (2,013) | (1,581) | 27.2 |
| EBITDA | 19,929 | 19,507 | 2.2 |

PRE-TAX PROFIT FROM OPERATIONS:

| | First half FY10 \$'000 | First half FY09 \$'000 | % change |
|---|---------------------------|---------------------------|---------------|
| Pre-tax profit from combined Traffic business | 6,950 | 8,850 | (21.5) |
| Impairment of plant and equipment | (622) | (1,140) | (45.4) |
| Head Office costs | (2,037) | (1,606) | 26.8 |
| Pre-tax profit from operations | 4,291 | 6,104 | (29.7) |

NET PROFIT AFTER TAX FROM OPERATIONS:

| | First half FY10 \$'000 | First half FY09 \$'000 | % change |
|-----------------------------|---------------------------|---------------------------|---------------|
| Net profit after tax | 2,855 | 4,199 | (32.0) |

PROFIT COMPARISON BASIS

Redflex has delivered a profitable first half, despite a number of items that have reduced the reported result against original expectations. Removing these effects show a steadily improving underlying profit over prior periods.

In order to gain an understanding of the underlying profitability of operations the following items have been identified as having a negative impact on the result for the half year relative to the previous corresponding period:

| | <u>AU\$ '000</u> | <u>Reference below</u> |
|---|---------------------|------------------------|
| Loss on major Statewide speed program | 4,906 | (a) |
| Litigation by a competitor | 1,372 | (b) |
| Board related matters | 197 | (c) |
| Items affecting half year result | <u>6,475</u> | |

- (a) RTSI was successful in being selected to run the first statewide speed program within the USA in the State of Arizona. There have been significant problems with this program since inception. Citation payment rates remain low due to the inability to achieve acceptable payment rates from violators. The collection system is immature, the penalty regime for non compliance is relatively weak and overall compliance is significantly lower than the state and Redflex expectations.

The teething problems around the introduction of the State-wide program manifested in a significant volume of unpaid citations reaching the Court system. A large number of violations were dismissed without hearing as a result of the overload on the judicial system and the limited resources they have to deal with them. RTSI has no recourse for the action of the courts. The estimated foregone revenue resulting from this was approximately \$2,910,000.

- (b) The Arizona state speed enforcement selection was challenged by an unsuccessful competitor, American Traffic Solutions (ATS), initially through litigation, which was dismissed, then through an administrative protest which was disallowed, then through an appeal, which was subsequently withdrawn. Separately, ATS has taken legal action against Redflex for damages relating to claims the Company had engaged in false advertising. Redflex refutes these claims and is vigorously defending this action; however costs will continue to be incurred in doing so. The matter is scheduled for trial in May 2010. In December 2009 Redflex filed suit against the same competitors in which we claim they were involved in false advertising.
- (c) Costs were incurred relating to a challenge to certain Board members prior to the 2009 AGM. These costs are not expected to be recurring in nature.

USA OPERATIONS**Highlights**

- Redflex Traffic Systems, Inc. continues to hold the number one position in the US market in terms of installed cameras and new business being won;
- An increase of 20.1% in traffic revenue compared to the previous corresponding period;
- An increase of 11.4% in the number of camera systems installed in the USA Build Own Operate and Maintain market from 1661 to 1851 (23.9% over the last twelve months);
- 15 new contracts signed with cities in the USA from 1 July 2009 to 31 December 2009;
- The first contract in the State of New York, in the City of Rochester. Redflex now has programs in 22 states;
- Operating the largest red light camera program in the US with 374 operational systems in the City of Chicago.

New Contracts

Redflex continues to lead the market in North America as the largest supplier and operator of outsourced photo enforcement safety systems and programs in the USA. However, the rate of winning new contracts has declined somewhat, which may be indicative of the current economic circumstances or a slowdown in the US market. Despite this, Redflex more than doubled the contract flow of its largest competitor.

This included new contracts in key high potential and relatively unsaturated new markets, including New Jersey, Virginia and most recently, New York State. Additionally, new contracts were executed in the some of the largest and most stable existing markets, such as California and Oregon.

In the USA, Redflex now has contracts with over 250 cities across 22 states. New contracts were signed with the following cities from 1 July 2009 to 31 December 2009:

| | | |
|----------------------|-------------------|-------------------|
| Albemarle County, VA | Globe, AZ | Parma Heights, OH |
| Chesapeake, VA | Hamilton, OH | Paterson, NJ |
| Denham Springs, IL | Hillsboro, OR | San Bruno, CA |
| East St. Louis, IL | Johnson City, TN | Stratford, NJ |
| Garfield Heights, OH | New Brunswick, NJ | Surprise, AZ |

*Rochester, NY was signed in January 2010

Also, since 1 July 2009, Redflex has renewed 14 contracts, most of which are with long-term partner cities. A number were won through competitive tenders in incumbent cities, and in some cases include expansion of the existing program.

More than 40% of the new contracts executed have a speed enforcement component as part of the solution. This includes key contracts in the states of Arizona, Ohio, Louisiana and Tennessee.

Installations

FY09 witnessed the greatest number of installed systems in the industry with 445 systems activated by Redflex. The installation base continues to grow in the first half of FY 2010, with a net increase in installed systems of 190 over the half to 1,851 systems installed at 31 December 2009.

The number of installed systems includes cameras that may not be generating revenues for reasons including: warning periods; delays in going live; legislative issues; road work; or maintenance actions. Additionally, the 1,851 includes cameras that are non-operational for reasons of legislative shut-down and non-renewed programs.

Marketing Communication Strategies

In New Jersey a comprehensive public relations strategy led up to the go-live of our first city in the state. A university has been commissioned to work on a pedestrian safety study pre and post the installation of the red light cameras. A comprehensive media tour took place to ensure a good understanding of how the technology worked, and to prepare the citizens for the program.

In Illinois a firm was engaged to manage the media interface, develop an advocacy to write letters to the editor, blog on a micro-site about street safety, and be ready to testify in committee hearings. This has led to positive news coverage and citizen support.

In Arizona an opposition group is working to get an all out ban on the ballot for November 2010. There will be two phases to the effort to counter this initiative: a grass roots and media campaign about the problem of street safety; and a full campaign against any initiative to ban safety programs.

Growth Initiatives

An exciting new product added to the Redflex suite of photo enforcement systems was the introduction of REDFLEXspeed™ Mobile TAG (Tow And Go) violation monitoring system. The product was successfully launched at the International Association of Chiefs of Police (IACP) Denver 2009 Conference and Expo.

This field-proven speed enforcement technology is controlled and operated by Redflex's new state-of-the-art Remote Operations Center (ROC). The ROC is the first of its kind in the United States and offers cities and states the next generation in mobile speed enforcement monitoring to build upon the current fleet of Redflex mobile speed units. The ROC can remotely monitor speed enforcement vehicles from a centralized location allowing for unattended duration deployments in demanding environments.

A collaborative effort of both US and Australian engineering teams, and also including manufacturing and field operations staff, is focusing on the next generation of product that will reduce equipment and construction costs, and allow greater flexibility in re-deployment.

Operational Accomplishments

Groundwork was completed in the final months of FY09 for the implementation of Phase I of First Class Mail Pre-Sorting. Following implementation in July 2009, it is estimated to produce a savings of US\$250k for FY10. Phase II is estimated to be completed in 3rd quarter of FY10, doubling the postage discounts resulting in US\$500k annualized savings.

Redflex completed development of Phase I of a new Customer Service application in FY09 which began rollout to customers in July 2009. This application is expected to reduce call duration by 20%, resulting in Redflex labour savings per citation in the Violator Call Centre of approximately 20%.

Work is underway to improve and standardise program reporting for customer cities. This will improve the quality of reporting and streamline internal processes.

Arizona Statewide Speed Program Contract

The Arizona State-wide Speed Contract continues to present major challenges for the Group. On one hand it continues to be hugely successful in its impact on public safety and accident reduction. In the first year of the program, the State of Arizona experienced:

- 17.6% (2940) fewer property damage collisions;
- 18.5% (1189) fewer injury collisions;
- 19.2% (43) fewer fatal collisions (24 fewer lives lost).

The program has experienced many unforeseen issues related to the legislation that governs the operation of the program. Many bi-partisan and cross-agency teams have been working collaboratively with Redflex to propose legislative revisions that will resolve many of the current issues. Once corrective legislation is passed and effective, payment rates are expected to rise to the average historical payments rates typical for the Arizona business model. In January 2010, Redflex jointly filed a legal petition to the Arizona State Supreme Court seeking an amendment to allow service of notices through the mail.

The state administration has expressed intent not to renew the contract when its initial term expires, and to put the continuation of the program to a citizens' vote in November. Redflex is working aggressively to secure an extension of the agreement.

In spite of the negative publicity given to the program by a vocal minority, opinion polls show strong support for the safety and economic benefits of photo enforcement in Arizona. We are

Calendar year 2010 proves to be an arduous year to defend the operation of the program, though we remain confident in the future of the program and hope to significantly improve the performance of the program once the legislative issues are resolved during this 2010 legislative session.

These efforts, as well as our push to reform the laws governing traffic enforcement with the Arizona Legislature and with the Arizona Supreme Court makes 2010 a critical year for our company in Arizona.

Field Operations

The US field operations team has focused on process improvement, efficiencies, and expense reduction in FY10. The team has constructed, enabled, and maintained all new camera systems over the last 9 months without any additions to headcount and an overall reduction in capital requirements per camera installed and associated maintenance expense.

Initiatives driving this success have been:

- Robust rollout of digital camera monitoring software/systems;
- Centralization of administrative and monitoring duties formerly done by remote field technicians;
- Cross utilization of installation and maintenance manpower based on cyclical project loads;
- Improved violation throughput and reduced failure rates through hardware and software enhancements.

The department will continue these efficiency trends through the second half implementation of a Network Operations Centre (NOC) to further facilitate the centralization of systems intelligence and monitoring. Also, joint US/Australian development will enhance system health monitoring and self healing system software features. This portfolio of solutions is called Smartcheck/Smartview Plus and will drive additional expense savings both in field operations and the processing centres.

Legislative Environment

Redflex continues to lead the industry in proactively seeking to enable and improve the statutory basis for traffic safety systems as well as defend against adverse developments.

During 2009 three cities in Ohio and Texas, as a result of a voter initiative, repealed local enabling ordinances. These types of efforts are expected to arise from time to time at both a municipal and state level and we are actively implementing measures to defend against them.

While the overall acceptance of traffic enforcement programs continues to rise, a vocal minority continues to appeal to various political leaders and attract media headlines with their efforts opposed to photo-enforcement.

Representatives from multiple state legislatures are introducing bills that either seek to limit or remove traffic safety enforcement. Redflex is using its network of advisors and municipal customers to defeat these efforts and concurrently promote new laws or amendments to existing law that enhances the efficiency and stability of traffic safety enforcement programs.

The following is a review of current legislative developments in the USA:

- In Arizona, despite various bills pending with a range of provisions, the 2009 legislative session ended without passage of material changes to the program. In January 2010, Redflex jointly filed a legal petition to the Arizona State Supreme Court seeking an amendment to allow service of notices through the mail. This petition will take up to a year to work its way through the system. Additionally, Redflex filed a reform bill seeking various improvements to the rules governing our programs and has proposed positive language to several other bills relating to traffic enforcement. We are working aggressively to limit or defeat several bills seeking to ban or limit traffic enforcement in the current legislative session and are also working to counter initiatives seeking either to limit or ban traffic enforcement on a state wide basis.
- California: During the 2009 session, efforts to enable a speed program failed to gain acceptance. In January 2010, the Governor called a special legislative session in order to address budget short falls. Among his proposals was a request to enable a speed program. The special session is expected to end 4 March 2010. At this time it is difficult to gauge the likelihood of speed enabling legislation passing during the special session.
- Florida: A bill which would have enabled red light programs fell short of passage in the 2009 legislative session. There is a substantial push for enabling legislation for both speed and red light enablement to occur during the 2010 legislative session.
- New Jersey: Following passage of a 5 year red light pilot program in 2008, a follow on clarification bill was passed during the 2009 session. The 2010 legislative session will include further efforts to refine and improve the rules governing our industry.
- Texas: The 2009 session ended without passage of restrictive covenants at the legislature. The majority of Redflex clients extended their commitments to their safety programs.
- Mississippi, Montana, and Maine: These states passed banning legislation in the most recent session. This resulted in Redflex losing two systems in Columbus and Mississippi.
- In Missouri the 2010 legislative session is expected to be active with potential opportunity to clarify state law to allow for enhanced Red Light programs as well as speed.
- In New York in January 2010, the Governor announced his intention to lobby for a state wide speed program. The Mayor of New York City also has announced that he will ask the legislature to enable speed in that city.

Legal Environment

The level of litigation industry wide has increased during the last year with the majority of suits testing the constitutionality or administrative legitimacy of traffic safety enforcement programs. Redflex continues to systematically and successfully cause dismissals to occur through motions to dismiss or summary judgment on all matters brought on a constitutional or administrative basis, including claims involving due process, right to privacy, private investigators licenses and city enabling ordinance issues.

A suit brought by a competitor in 2008 involving claims of false advertising continues with Redflex vigorously defending against all claims. In December 2009, Redflex filed suit against this same competitor in which we claim they engaged in false advertising.

A number of class action lawsuits involving others in our industry and Redflex have been filed challenging the pricing models used in several states alleging violation of cost neutrality laws. We continue to aggressively defend against these claims as do our competitors.

Overall, Redflex experienced success in suits brought against the Company and its partner cities with cases dismissed in Arizona, New Mexico, Ohio, Texas, Tennessee, and Louisiana during calendar year 2009.

AUSTRALIAN/INTERNATIONAL OPERATIONS

It has been another successful first half for the Australian/International business. Long term opportunities in Saudi Arabia and Ireland are coming to fruition and we look forward to starting deliveries this year.

Award

It was pleasing to receive the award for Excellence in Technology/Innovation from the Chartered Institute of Logistics & Transport Australia in NSW. These awards recognise the achievements of those who have made an outstanding contribution in the transport and logistics industry.

The award was for the Bus Lane Enforcement System installed throughout Sydney. The system uses a very sophisticated combination of Redflex camera, automated number plate recognition and video technology to enforce the proper use of bus lanes throughout the city.

International markets

Hong Kong

A highlight was our entry into the Hong Kong market. Our contract with the Hong Kong Government is for 20 Radar-based Speed-only systems, rotating among 100+ fixed locations, on Hong Kong roads and freeways. Redflex will supply, install and maintain the camera systems.

New Zealand

Our business in New Zealand continues as our mobile radar system has been gazetted and we have delivered this system to the New Zealand Police. We are working with the Police to ensure the continual success of the Mobile Speed Camera program.

Qatar

Our traffic safety program in Qatar is still one of the largest programs in the region. In addition to the initial order of 86 systems, we have delivered a further 24 red-light/speed camera systems to expand the safety program in the capital, Doha. We have also recently been contracted to deliver freeway speed camera systems and that project has commenced.

Ireland

In another first for Redflex, in Ireland, as a member of the GoSafe Consortium, a bid was submitted – and accepted - for the provision of an outsourced enforcement camera program in 2007. The project is a 5 year service program with a possible extension for another year. The GoSafe Consortium comprises Redflex, Spectra (in Ireland) and Egis Projects SA (in France). A substantial supply contract is still to be finalised.

Saudi Arabia

Another major project came to fruition after many years of negotiations. In October 2009, we signed a number of contracts for the Saudi Arabia ATVAM Project. The project encompasses the supply of mobile radar cameras, fixed cameras, ticket processing software and the outsourced management and operation of the back-office processing centre. The total order value for the 3 contracts is \$34.15M, the largest order in the history of Redflex Traffic Systems Pty Ltd. More orders are expected to complete the rollout of the camera program as required by the Government of Saudi Arabia. The majority of the revenue will be earned over a 5 year period once cameras have been delivered against firm Letters of Credit, and the cameras become operational in country.

Australian Market

Victoria

In Victoria, our close working association with the Department of Justice has resulted in a series of small wins and an excellent result in the latest competitive tender. Against our main competitors, Redflex was awarded 25 of the sites in the tender, out of a total of 31 sites available. That is a win rate of 80%, which reflects well in both the quality of the Redflex systems and the performance of the team.

New South Wales

Within New South Wales, the noise enforcement system developed for the RTA NSW has been accepted, a second system (mobile) has also been accepted, along with the purchase of an extra 3 systems. The RTA NSW's general Fixed Speed camera network continues to be upgraded as equipment reaches the end of its life cycle. The original bus-lane systems on the Liverpool to Parramatta Transitway have been upgraded and we continue to supply and install school zone systems for the RTA NSW.

South Australia

In South Australia, an additional 5 Fixed Red-light/Speed Camera Systems were delivered to South Australia Police. To supplement their Red-light/Speed Camera Program, we developed an in-car fit-out for mobile cameras.

Western Australia

In Western Australia, we received an order for an Automatic Number Plate Recognition system for the Western Australia Main Roads Department, and, for the Western Australia Police, we delivered a yellow NK6 system as their first fixed digital system for WA. This will be integrated with our existing IIPS Back Office system.

Queensland

We achieved another first in Queensland by winning a tender to replace the Queensland Police's Back Office system. This major project called for a team of Redflex staff to be based in Queensland. After specific customization and development, our IIPS Back Office system was integrated seamlessly. IIPS is already in use in Western Australia and the Northern Territory. Redflex has also installed for trial two Point-to-Point systems on the Bruce Highway, near Brisbane, a pilot Red-light/Speed system in the Brisbane CBD and a mobile radar unit.

Northern Territory

Redflex now provides a full end-to-end solution for the Northern Territory Government. After commissioning the Back Office Processing Centre, Redflex now collects payments on behalf of the Government and assists their Fines Recovery Unit in the non-payment of fines and reconciliations. An additional 6 Red light/Speed systems were also installed in Darwin.

Research and Development

Our Research and Development activities continue to maintain our competitive edge with the development of new products, enhancement of existing products, and we have tailored a number of products to meet the requirements of our customers.

Approvals

A number of approvals were granted which has increased our ability to enter European markets.

- Lasercam received United Kingdom Home approval,
- Radarcam was approved in Lithuania,
- our Red-Speed product has been approved by the "National Metrology Institut" of Turkey, and
- type approval was granted for the new Radarcam systems in the Netherlands. The Netherlands approval can be used to support type approval in other European countries.

We are continuing with our drive into new markets by seeking technical approvals in various European countries.

The new speed measuring device and digital loop were approved for use in the State of Victoria. We can now use our own secondary speed device instead of supplying a third party device. This gives us a significant competitive advantage in regards to cost and functionality.

The REDFLEXred-speed product was enhanced to meet the new Red-light enforcement requirements of the International Association of Chiefs of Police (IACP).

New and Enhanced Products

The design of the next generation of products is underway. The Next Generation Camera Control Unit will be compact and low power, to allow flexible deployment for many applications. The small size will allow systems to be deployed in more applications, and in a covert manner for increased enforcement. Low power will support lower cost installations, reducing the capital expenditure with the use of solar panels obviating the need to access the power grid.

The South Australia Police's Back Office software was updated to process Redflex offence files and Safe-T-Cam files for unregistered and uninsured cars in South Australia.

The Back Office team is working on a number of opportunities in the United States, including a printing solution for use by the Arizona processing office, the IIPS Back Office System for a North American opportunity, and efficiency improvements for the back office.

The REDFLEXpreview viewing tool has been installed on fifty-two US sites to assist in monitoring infringement camera performance. This has been successful and further developments are planned to optimise the prosecution rates from our camera network in the USA.

OUTLOOK FOR THE REMAINDER OF THE 2010 FINANCIAL YEAR

Our number one position in our industry is expected to be maintained and enhanced through further growth in the installed base.

The issues that have dominated the first half of the 2010 financial year are expected to continue in some measure for the remainder of the year.

There have been many initiatives taken already to improve on the poor performance of the Arizona state-wide program, which should give rise to progressive and incremental improvement. Over time the collection rates on this program should rise to the average level achieved in Arizona, however that average rate in the State is significantly lower than in other states. There remains a risk that the contract could be terminated in July 2010.

As has been experienced over prior years, there is no guarantee that all contracts will be renewed at completion of their base contract term. Some cities have decided not to continue, and we have experienced early shutdowns in two cities. This can result in write-downs where there are assets that are not fully amortised.

The possibility of the introduction of legislation to permit speed enforcement in California could give rise to an opportunity to upgrade a significant proportion of our installed base from red-light cameras to combination speed/red-light, however there is no guarantee that the legislation will pass.

Costs of litigation have grown significantly over the past two years, and litigation is expected to be a major cost driver for the foreseeable future. This is not a discretionary cost. We need to respond appropriately to threats in this area.

Also, the costs of responding to legislative challenges and actions of opposition groups will probably not diminish, and there may be a need to accelerate spending to deal with specific threats.

The rate of new contract signings has clearly decreased since a year ago. It is not clear at this stage whether this is driven by the economic environment, by the level of opposition, or by a slowdown in the rate of growth in the industry as a whole. However, Redflex's rate of capture of new contracts is much greater than any of our competitors.

Revenue is expected to grow broadly in line with new installations planned, and efforts are under way to reduce risks to that revenue and improve margins, which are currently at low levels. A range of initiatives in technology and operations should reduce direct costs and give rise to some improvement in margins progressively.

Outside of the United States, some of the larger projects are expected to be implemented progressively, both in the second half of the current financial year and into the next year. The Saudi Arabia and Ireland projects are key examples. Margins have generally held up well in these markets. In Australia, our relationships with state governments are good and we expect ongoing opportunities in most states.

EVENTS SUBSEQUENT TO 31 DECEMBER 2009

There were no significant events subsequent to 31 December 2009 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 25 February 2010.

Signed in accordance with a resolution of the directors.

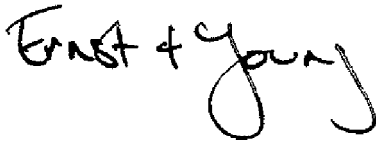
A handwritten signature in black ink, appearing to read 'G Davie', written in a cursive style.

Graham Davie

Director
Melbourne, 25 February 2010

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 2009, 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



Ashley C Butler
Partner
25 February 2010

STATEMENT OF COMPREHENSIVE INCOME

| | Consolidated Entity | | |
|--|---------------------|----------------|---------------|
| | Note | 31-Dec-09 | 31-Dec-08 |
| | | \$'000 | \$'000 |
| Revenue from operations | | | |
| Sale of goods and services | | 12,324 | 7,549 |
| Revenue from fee for service contracts | | 52,655 | 49,960 |
| Finance revenue | | 105 | 40 |
| Total Revenue | | 65,084 | 57,549 |
| Cost of sales | | 8,790 | 2,430 |
| Cost of fee for service contracts | | 17,568 | 15,506 |
| Cost of goods sold | | 26,358 | 17,936 |
| Gross profit | | 38,726 | 39,613 |
| Sales and marketing related expenses | | 5,866 | 6,522 |
| Administrative related expenses | | 10,559 | 10,804 |
| Writedown of plant and equipment | | 622 | 1,140 |
| Program management costs | | 1,750 | 1,640 |
| Amortisation of intangibles | | 863 | 767 |
| Depreciation - fee for service contract assets | | 12,532 | 11,100 |
| Depreciation - other | | 186 | 260 |
| | | 32,378 | 32,233 |
| Profit before tax and financing costs | | 6,348 | 7,380 |
| Interest | | 2,057 | 1,276 |
| Profit before tax | | 4,291 | 6,104 |
| Income tax expense | | 1,436 | 1,905 |
| Net profit for the period | | 2,855 | 4,199 |
| Other comprehensive income | | | |
| Foreign currency translation | | (10,824) | 29,569 |
| Total comprehensive income for the period | | (7,969) | 33,768 |
| Earnings per share (cents per share) | | | |
| - basic for profit for half-year attributable to ordinary equity holders of the parent company | | 2.79 cents | 4.41 cents |
| - diluted for profit for the half-year attributable to ordinary equity holders of the parent company | | 2.74 cents | 4.29 cents |
| - dividends per share attributable to ordinary equity holders of the parent company | | Nil | Nil |

STATEMENT OF FINANCIAL POSITION

| | Note | Consolidated Entity | |
|--|-------------|----------------------------|------------------|
| | | 31-Dec-09 | 30-Jun-09 |
| | | \$'000 | \$'000 |
| Current Assets | | | |
| Cash and cash equivalents | | 35,839 | 15,222 |
| Trade and other receivables | | 28,212 | 24,548 |
| Inventories | | 20,676 | 19,049 |
| Deferred cost asset | | 3,864 | 2,903 |
| Other | | 1,869 | 2,039 |
| Total Current Assets | | 90,460 | 63,761 |
| Non-Current Assets | | | |
| Property plant and equipment | | 107,468 | 118,620 |
| Deferred Cost asset | | 9,611 | 8,843 |
| Deferred tax asset | | 2,970 | 2,695 |
| Intangible assets and goodwill | | 13,591 | 12,374 |
| Other long term assets | | 45 | 42 |
| Total Non-Current Assets | | 133,685 | 142,574 |
| TOTAL ASSETS | | 224,145 | 206,335 |
| Current Liabilities | | | |
| Trade and other payables | | 24,956 | 25,654 |
| Interest bearing borrowings | 4 | 472 | 554 |
| Provisions | | 2,842 | 2,900 |
| Total Current Liabilities | | 28,270 | 29,108 |
| Non Current Liabilities | | | |
| Interest bearing borrowings | 4 | 76,708 | 81,320 |
| Deferred tax liability | | 5,233 | 4,671 |
| Provisions | | 1,789 | 1,856 |
| Total Non Current Liabilities | | 83,730 | 87,847 |
| TOTAL LIABILITIES | | 112,000 | 116,955 |
| NET ASSETS | | 112,145 | 89,380 |
| Equity attributable to equity holders of the parent company | | | |
| Contributed equity | | 121,720 | 86,117 |
| Reserves | | (8,864) | 1,405 |
| Accumulated (losses) / profits | | (711) | 1,858 |
| TOTAL EQUITY | | 112,145 | 89,380 |

STATEMENT OF CASH FLOWS

| | Consolidated Entity | |
|--|---------------------|-----------------|
| | 31-Dec-09 | 31-Dec-08 |
| Note | \$'000 | \$'000 |
| Cash flows from operating activities | | |
| Receipts from customers | 59,139 | 54,848 |
| Payments to suppliers and employees | (45,987) | (38,994) |
| Increase in deferred cost assets | 6(b) (3,035) | (3,525) |
| Interest received | 105 | 40 |
| Interest paid | (1,771) | (962) |
| Income tax paid | (389) | (1,298) |
| Net cash flows from operating activities | 8,062 | 10,109 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (16,778) | (28,607) |
| Capitalised development costs | (2,326) | (2,008) |
| Net cash flows (used in) investing activities | (19,104) | (30,615) |
| Cash flows from financing activities | | |
| Bank borrowings | 3,449 | 15,627 |
| Proceeds from issue of ordinary shares | 35,603 | 2,702 |
| Lease liability incurred | (773) | (256) |
| Dividends paid | (5,424) | (4,050) |
| Net cash flows from financing activities | 32,855 | 14,023 |
| Net increase/(decrease) in cash held | 21,813 | (6,483) |
| Effect of exchange rate changes on cash | (1,196) | 1,595 |
| Cash at beginning of period | 15,222 | 12,090 |
| Cash and cash equivalents at end of period | 35,839 | 7,202 |
| Reconciliation of cash | | |
| Cash at the end of the period consists of: | | |
| Cash at bank | 35,839 | 6,919 |
| Deposits at call | 0 | 283 |
| | 35,839 | 7,202 |

STATEMENT OF CHANGES IN EQUITY

| Consolidated Entity | Contributed Equity | Foreign Currency Translation Reserve | Employee Equity Benefits Reserve | Accumulated (Losses)/ Profits | Total Equity |
|--|-----------------------|---|---|-------------------------------------|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| At 1 July 2008 | 83,161 | (18,204) | 4,152 | (3,725) | 65,384 |
| Profit for the half-year | 0 | 0 | 0 | 4,199 | 4,199 |
| Currency translation differences | 0 | 29,569 | 0 | 0 | 29,569 |
| Total comprehensive income for the period | 0 | 29,569 | 0 | 4,199 | 33,768 |
| Share based payments | 0 | 0 | 494 | 0 | 494 |
| Dividends paid | 0 | 0 | 0 | (4,050) | (4,050) |
| Proceeds from Dividend Reinvestment Plan | 1,721 | 0 | 0 | 0 | 1,721 |
| Exercise of employee options | 981 | 0 | 0 | 0 | 981 |
| At 31 December 2008 | 85,863 | 11,365 | 4,646 | (3,576) | 98,298 |
| At 1 July 2009 | 86,117 | (4,018) | 5,423 | 1,858 | 89,380 |
| Profit for the half-year | 0 | 0 | 0 | 2,855 | 2,855 |
| Currency translation differences | 0 | (10,824) | 0 | 0 | (10,824) |
| Total comprehensive income for the period | 0 | (10,824) | 0 | 2,855 | (7,969) |
| Shares issued | 32,227 | 0 | 0 | 0 | 32,227 |
| Transaction costs on share issue | (150) | 0 | 0 | 0 | (150) |
| Share based payments | 0 | 0 | 555 | 0 | 555 |
| Dividends paid | 0 | 0 | 0 | (5,424) | (5,424) |
| Proceeds from dividend reinvestment plan | 3,526 | 0 | 0 | 0 | 3,526 |
| At 31 December 2009 | 121,720 | (14,842) | 5,978 | (711) | 112,145 |

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 2009 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 2009 and considered together with any public announcements made by Redflex Holdings Limited during the half-year ended 31 December 2009 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 with the exception of those discussed below.

New accounting standards

From 1 July 2009, the Group has adopted:

AASB 101(revised) *Presentation of Financial Statements* which is mandatory for annual reporting periods beginning on or after 1 January 2009. The adoption of this standard has impacted the presentation of the financial statements through the replacement of the income statement, with a statement of comprehensive income and the replacement of the balance sheet, with a statement of financial position.

AASB8: *Operating segments* which is mandatory for annual reporting periods beginning on or after 1 January 2009. The adoption of this standard has impacted the presentation of the operating segment note.

(b) Changes in accounting policies

There have been no changes in accounting policies during the half-year ended 31 December 2009.

(c) Change in accounting estimate

Management in the USA continues to review expected collection rates in relation to citation work in progress. In the past a historical collection average was used, this has been revised to calculate citation work in progress on a city by city basis. This has resulted in a decrease in average collection rates, impacting the citation work in progress revenue balance by \$1.6 million (US\$1.4 million) in the current period.

(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 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 at balance date.

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 USA and Australia/International. The USA Traffic business is predominantly a Build Own Operate and Maintain business providing fully outsourced traffic enforcement programs to cities and townships. The Australian/International Traffic business involves the sale of traffic enforcement products and services to those markets.

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 2009 and 31 December 2008.

Operating segments

Half year ended 31 December 2009

| | Traffic Operations | | |
|---|--------------------|--|-----------------|
| | USA \$'000 | Australian /International \$'000 | Total \$'000 |
| Revenue | | | |
| Revenue from the sale of goods and services to external customers | 617 | 11,707 | 12,324 |
| Revenue from fee for service contracts | 52,655 | 0 | 52,655 |
| Interest income | 0 | 2 | 2 |
| Inter-segment revenue | 0 | 6,429 | 6,429 |
| Total segment revenue | 53,272 | 18,138 | 71,410 |
| Inter-segment elimination | | | (6,429) |
| Other revenue | | | 103 |
| Total revenue per the statement of comprehensive income | | | 65,084 |
| Result | | | |
| Earnings before interest tax, depreciation and amortisation | 16,869 | 5,073 | 21,942 |
| Intergroup royalty | 1,245 | (1,245) | 0 |
| Depreciation | (12,532) | (162) | (12,694) |
| Amortisation | (66) | (797) | (863) |
| Finance charges | (2,052) | (2) | (2,054) |
| Income tax | (944) | (575) | (1,519) |
| Segment result | 2,520 | 2,292 | 4,812 |
| Reconciliation of segment net profit after tax to net profit/loss before tax | | | |
| Income tax expense | | | 1,436 |
| Corporate charges | | | (1,957) |
| Net profit before tax per the statement of comprehensive income | | | 4,291 |
| Assets and liabilities (31 December 2009) | | | |
| Segment assets | 143,386 | 36,501 | 179,887 |
| Unallocated assets | 0 | 0 | 44,258 |
| Total assets | 143,386 | 36,501 | 224,145 |
| Segment liabilities | 103,043 | 7,048 | 110,091 |
| Unallocated liabilities | 0 | 0 | 1,909 |
| Total liabilities | 103,043 | 7,048 | 112,000 |

Operating segments (continued)

Half year ended 31 December 2008

| | Traffic Operations | | Total |
|---|--------------------|------------------------------|----------------|
| | USA | Australian /International | |
| | \$'000 | \$'000 | \$'000 |
| Revenue | | | |
| Revenue from the sale of goods and services to external customers | 844 | 6,705 | 7,549 |
| Revenue from fee for service contracts | 49,960 | 0 | 49,960 |
| Interest income | 0 | 40 | 40 |
| Inter-segment revenue | 0 | 14,463 | 14,463 |
| Total segment revenue | 50,804 | 21,208 | 72,012 |
| Inter-segment elimination | | | (14,463) |
| Other revenue | | | 0 |
| Total revenue per the statement of comprehensive income | | | 57,549 |
| Result | | | |
| Earnings before interest tax, depreciation and amortisation | 16,378 | 4,710 | 21,088 |
| Intergroup royalty | 2,453 | (2,453) | 0 |
| Depreciation | (11,100) | (235) | (11,335) |
| Amortisation | (179) | (588) | (767) |
| Finance charges | (1,854) | 0 | (1,854) |
| Income tax | (891) | (1,026) | (1,917) |
| Segment result | 4,807 | 408 | 5,215 |
| Reconciliation of segment net profit after tax to net profit/loss before tax | | | |
| Income tax expense | | | 1,905 |
| Corporate charges | | | (1,016) |
| Net profit before tax per the statement of comprehensive income | | | 6,104 |
| Assets and liabilities (30 June 2009) | | | |
| Segment assets | 151,323 | 40,780 | 192,103 |
| Unallocated assets | 0 | 0 | 14,232 |
| Total assets | 151,323 | 40,780 | 206,335 |
| Segment liabilities | 109,173 | 7,106 | 116,279 |
| Unallocated liabilities | 0 | 0 | 676 |
| Total liabilities | 109,173 | 7,106 | 116,955 |

NOTE 4 INTEREST BEARING BORROWINGS

| | Consolidated Entity | |
|--|---------------------|---------------|
| | 31-Dec-09 | 30-Jun-09 |
| | \$'000 | \$'000 |
| Current | | |
| Obligations under finance leases and hire purchase contracts | 472 | 554 |
| | 472 | 554 |
| Non-Current | | |
| Obligations under finance leases and hire purchase contracts | 193 | 957 |
| Bank borrowings | 78,043 | 82,878 |
| Deferred financing costs | (1,528) | (2,515) |
| | 76,708 | 81,320 |

Redflex Holdings Limited along with all other Group entities established a new US\$100 million (AU\$112.0 million) secured revolving credit facility on 30 June 2009 to fund growth within the USA Traffic Division. The Commonwealth Bank in conjunction with two other major Australian banks was granted a first and only priority senior security interest over all the assets of Redflex Traffic Systems Inc and its subsidiaries, together with a fixed and floating charge over all 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.

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.

FINANCING FACILITIES AVAILABLE

| | Consolidated Entity | |
|---|---------------------|---------------|
| | 31-Dec-09 | 30-Jun-09 |
| | \$'000 | \$'000 |
| Total facilities | | |
| Bank borrowings AUD | 111,969 | 124,255 |
| Facilities used at reporting date(in AU\$ reporting currency) | | |
| Bank borrowings | 78,043 | 82,878 |
| Deferred financing costs | (1,528) | (2,515) |
| | 76,515 | 80,363 |
| Facilities unused at reporting date | 35,454 | 43,892 |

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 2009 | 92,073,214 | 92,073,214 | | |
| Changes during current period | | | | |
| (a) Increases through issues | | | | |
| Dividend Reinvestment Plan | 1,538,627 | 1,538,627 | \$2.29 | \$2.29 |
| From Performance Rights | 601,148 | 601,148 | 0 | 0 |
| From Share issue | 7,500,000 | 7,500,000 | \$2.04 | \$2.04 |
| From Rights issue | 8,297,768 | 8,297,768 | \$2.04 | \$2.04 |
| Issued at 31 December 2009 | 110,010,757 | 110,010,757 | | |
| PERFORMANCE RIGHTS | | | | |
| Issued at 1 July 2009 | 1,962,012 | | | |
| Issued – performance to 1 October 2012 | 1,007,225 | | | |
| Converted to shares - performance to 1 October 2008 | (601,148) | | | |
| Forfeited - performance to 1 October 2009 | (83,529) | | | |
| - performance to 1 October 2010 | (18,774) | | | |
| - performance to 1 October 2011 | (71,584) | | | |
| Issued at 31 December 2009 | 2,194,202 | | | |

NOTE 6 CASH FLOW RECONCILIATION

| | Consolidated Entity | |
|---|---------------------|---------------|
| | 31-Dec-09 | 31-Dec-08 |
| Note | \$'000 | \$'000 |
| (a) Reconciliation from the net profit after tax to the net cash flows from operations | | |
| Net profit after tax | 2,855 | 4,199 |
| Non Cash Flow Items | | |
| Depreciation expense | 12,568 | 11,079 |
| Asset Retirement Obligation (ARO) depreciation expense | 150 | 281 |
| Amortisation of intangibles | 863 | 767 |
| Provision of employee entitlements | 103 | 359 |
| Impairment and write down of property, plant and equipment | 622 | 1,140 |
| Deferred financing costs amortization | 287 | 0 |
| Share based payments | 555 | 494 |
| Change in operating Assets and Liabilities | | |
| Decrease/(Increase) in prepayments | (10) | 538 |
| Decrease/(Increase) in receivables - current | (6,437) | (2,978) |
| Decrease/(Increase) in inventories | (3,024) | (7,363) |
| Decrease/(Increase) in taxation provisions | 58 | (773) |
| Decrease/(Increase) in deferred tax asset | (275) | 860 |
| Increase/(Decrease) in deferred tax liability | 1,263 | 519 |
| Increase/(Decrease) in deferred revenue | 588 | 337 |
| Increase/(Decrease) in payables | 931 | 4,715 |
| Decrease/(Increase) in deferred costs assets | (3,035) | (3,525) |
| Net cash flows from operating activities | 8,062 | 10,109 |

(b) The increase 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 functional currency which is Australian Dollars.

The majority of assets and liabilities reside within the USA Traffic division. During the half year ended 31 December 2009 there has been a substantial change in exchange rates which have had a significant effect on all Balance Sheet items.

At 30 June 2009 the exchange rate was US\$/AU\$0.8048 compared to the 31 December 2009 US\$/AU\$ exchange rate of 0.8931 a 10.97% increase.

A significant portion of the movement within the Foreign Currency Translation Reserve of (\$10.83) million relates to the conversion of the net USA domiciled assets and liabilities at 30 June 2009, converted at 31 December 2009 exchange rates. This has led to a (\$8.77) million decrease in the AU\$ equivalent value of those net assets.

The most significant effect on individual Balance Sheet line items relates to the following asset and liability balances:

| | AUD \$'000 |
|--|-----------------------|
| Impact on asset balances | |
| Cash and cash equivalents | (1,322) |
| Trade and other receivables | (2,182) |
| Inventories | (1,610) |
| Property plant and equipment | (13,654) |
| Other | (1,562) |
| | <u>(20,330)</u> |
| Increase on liability balances | |
| Trade and other payables | 2,306 |
| Interest bearing borrowings | 8,095 |
| Other | 1,156 |
| | <u>11,557</u> |
| Net impact on balance sheet items | <u>(8,773)</u> |

NOTE 8 CONTINGENCIES

There has been no other change in contingent assets or liabilities since 30 June 2009.

A suit brought by a competitor in 2008 involving claims of false advertising continues with Redflex vigorously defending against all claims. In December 2009, Redflex filed suit against this same competitor in which we claim they engaged in false advertising. The directors consider that the action by its competitor being successful is unlikely and have therefore not recognized a provision.

NOTE 9 EVENTS AFTER BALANCE SHEET DATE

There were no significant events subsequent to 31 December 2009 and prior to the date of this report.

DIRECTORS' DECLARATION FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

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:
 - (i) gives a true and fair view of the financial position as at 31 December 2009 and the performance for the half-year ended on that date of the consolidated entity, and
 - (ii) complies 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

25 February 2010

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 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes 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 and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 Interim and Other Financial Reports 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 2009 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.

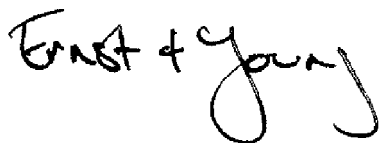
Independence

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.

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:

- i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its 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*.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive, stylized font.

Ernst & Young

A handwritten signature in black ink, appearing to be 'Ashley C. Butler', written in a cursive style.

Ashley C. Butler
Partner
Melbourne
25 February 2010