FY2011 Preliminary Final Results

23 August 2011

Redflex has maintained its key position in the global traffic safety industry with a growing base of installed cameras in the USA and significant growth in international markets. The underlying business remains strong with the Redflex Group recording revenue of $139.8 million in the 2011 financial year.

Earnings before interest, tax, depreciation and amortisation (EBITDA) was up 31.4% to $43.3 million. Profit before tax was $13.1 million and profit after tax $10.3 million.

Key positive factors reflected in the result for the 2011 financial year were:

- installation of new camera systems across the USA;
- the ramp up of operations in Saudi Arabia which has an outsourced service provision element;
- the Notice of Award and preliminary orders for Abu Dhabi in the United Arab Emirates; and
- growth in the international business with revenue increase of 51%.

Adverse factors impacting on the reported result included:

- The adverse movement of the AU$/US$ exchange rate which resulted in the USA result being reduced substantially when converted to AU$ for reporting. The FY2011 average exchange rate of 0.99 compares with an average for the previous financial year of 0.88;
- The general slowdown in the US economy post the global financial crisis continues to make for a challenging business environment in North America;
- The Canadian contract did not give rise to anticipated profit; and
- The costs to Redflex of the unsuccessful sale process were $2.48 million for the year.

At 30 June 2011, bank debt had been reduced to US$40million, down US$29 million from the prior period. Subsequent to year end the company renewed its facilities with the consortium of Australian banks and now has a US$70 million facility available for capital growth together with a working capital facility of AU$8. The new banking facility, which matures on 1 October 2014, has been renewed on substantially improved terms, and has been reduced to reflect the lower expected borrowing requirements.

Net debt is approximately AU$26.1 million. We anticipate that over the course of FY2012 we will further reduce debt, absent a significant upturn in growth opportunities requiring capital. The debt reduction highlights the strong cashflow from operations that the company continues to deliver.

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APPENDIX 4E

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2011

RESULTS FOR ANNOUNCEMENT TO THE MARKET LODGED WITH ASX UNDER LISTING RULE 4.3A

RESULTS FROM OPERATIONS

				$'000
Revenue from operations	**Up**	**2.4%**	to	**139,817**
EBITDA from operations	**Up**	**31.4%**	to	**43,332**
Profit before tax attributable to members *				**13,129**
Profit after tax attributable to members *				**10,290**
Basic earnings per share *				**9.33 cents**
Net tangible assets per share (2010: 91.69 cents)	**Down**	**14.5%**	to	**78.36 cents**

* The percentage increases attributable to these items for the FY2011 year are largely inappropriate considering the low base in FY2010 from which they would be calculated.

DIVIDENDS (DISTRIBUTIONS)

At the date of this report any dividend in respect of the financial year ended 30 June 2011 has not yet been decided.

	Amount per security	Franked amount per security
Final dividend in respect of financial year 2010	5.0 cents	5.0 cents
Interim dividend	Nil	Nil

OPERATING AND FINANCIAL REVIEW

REDFLEX GROUP OVERVIEW

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

The company's vision is to enhance public safety through innovative technologies. A particular focus of the company is to provide red-light and speed photo enforcement solutions.

The Group comprises two main subsidiaries – Redflex Traffic Systems Inc, based in the USA, with a primary focus on the large North American market, and Redflex Traffic Systems Pty Ltd that focuses on the international market outside of the North American region.

A Build Own Operate Maintain (BOOM) business model prevails in the USA where Redflex provides a comprehensive range of services to customers on a fully outsourced basis, with revenue flowing over contract terms of typically three to five years with optional extension periods. The international business comprises a mix of product sales, support contracts and BOOM contracts.

REVIEW OF OPERATIONS

Redflex has maintained its key position in the global traffic safety industry with a growing base of installed cameras in the USA and significant growth in international markets. The underlying business remains strong with the Redflex Group recording revenue of $139.8 million in the 2011 financial year.

Key positive factors that showed in the result for the 2011 financial year were:

- installation of new camera systems across the USA;
- the ramp up and commencement of operations of the Saudi contract which has an outsourced service provision element based in Saudi Arabia;
- the signing and commencement of the Notice of Award and preliminary orders for Abu Dhabi in the United Arab Emirates; and
- growth in the international business with revenue increase of 51%.

A number of adverse factors contributed to the reported result:

- The adverse movement of the AU$/US$ exchange rate which means that the USA result is reduced substantially when converted to AU$ for reporting. The FY2011 average exchange rate of 0.99 compares with an average for the previous financial year of 0.88;
- The general slowdown in the US economy post the global financial crisis continues to make for a challenging business environment in North America;
- The Canadian contract has not given rise to anticipated profitability although it is now well advanced towards completion; and
- The unsuccessful sale process under which it was anticipated that Macquarie and Carlyle would acquire the company by means of a Scheme of Arrangement added significantly to the costs incurred for the year.

OPERATING AND FINANCIAL REVIEW

Year on year comparison

A comparison of underlying performance for FY2010 and FY2011 follows. In the previous annual report, write-downs on terminations of contracts were shown as add-backs in determining underlying profit. Write-downs on termination of contracts are now considered an ongoing cost of doing business in the USA and are excluded from the underlying profit comparison. Write-downs and impairments on termination of contracts in FY2011 were $1.548 million compared to $2.75 million in FY2010 (excluding the Arizona DPS contract).

The results were realised in the context of an adverse average exchange rate movement of 12%. The results here do not reflect the adverse exchange rate impact on pre-tax profits of approximately $1.27 million.

	Net Profit Before Tax		EBITDA	
	FY2011	FY2010	FY2011	FY2010
	$'000	$'000	$'000	$'000
Reported result	13,129	442	43,332	32,984
Cost of ATS litigation	-	4,330	-	4,330
DPS operational loss	-	5,010	-	2,619
DPS write-down	-	5,686	-	5,688
Precontract costs and restructure	-	850	-	850
Potential sale transaction costs	2,481	-	2,481	-
Underlying Result	**15,610**	**16,318**	**45,813**	**46,471**

Strategic Direction

The key elements of the strategic direction of the company are:

- Reduction of risk in the business, particularly in the USA where Redflex currently assumes almost all of the risks in shared programs;
- Maximising revenue from existing, renewed and new contracts;
- Investigation of new sources of revenue from existing customers;
- Diversification of the businesses into related areas;
- A Research and Development focus on reducing the capital costs of camera systems, improving operational efficiencies, and enhancing camera yields. Longer term, the aim is to reduce the sunken cost of installed cameras so that the impact of write-downs on contract terminations is eliminated; and
- A focus on improved project management to ensure satisfactory profits are achieved upon implementation of contracts.

Financial Resources

At 30 June 2011, the bank debt had been reduced to US$40million, down US$29 million from the prior period. Subsequent to year end the company has renewed its facilities with the consortium of Australian banks and, effective from August 2011, now has a US$70 million facility available for capital growth together with a working capital facility of AU$8 million to fund requirements for bonding and guarantees for the Australian/International business. The new banking facility is for a period of just over three years and matures on 1 October 2014. The facility has been renewed on substantially improved terms, but reduced to reflect the lower expected borrowing requirements.

The continuing support of the three participating Australian banks is appreciated, and in particular the Commonwealth Bank which had the role of lead arranger of the facility.

With our relatively strong cash position, net debt is approximately AU$26.1 million. We anticipate that over the course of FY2012 we will further reduce debt, absent a significant upturn in growth opportunities requiring capital. The pay down of debt highlights the strong cashflow from operations that the company continues to deliver.

OPERATING AND FINANCIAL REVIEW

Sale Process

On 9 June 2010 the company announced receipt of an indicative, non-binding and confidential proposal to acquire all of the issued capital of Redflex by scheme of arrangement from a wholly owned subsidiary of Macquarie Group Limited at a price of $2.50 per share.

As a result of that proposal, the Board of Redflex, in conjunction with its financial adviser Greenhill Caliburn, assessed a range of potential strategic options for the business, and, based on an assessment of relevant factors including the stand-alone prospects of the business, the Board determined that Macquarie Group Limited's proposal significantly undervalued Redflex. Furthermore, Redflex was contacted by a number of other third parties.

Accordingly, the Board decided that the interests of shareholders would be best served by commencing discussions with a number of parties to determine their interest in making an acquisition proposal for Redflex on acceptable terms. Redflex and its financial adviser, Greenhill Caliburn, undertook an exhaustive formal global sale process, which involved approaching over 40 parties, to determine whether a change of control offer could be secured at a price and on terms that the Board would recommend. Macquarie was invited to participate in that process.

On 21 February 2011 Redflex entered into a Scheme Implementation Agreement with an entity associated with The Carlyle Group and Macquarie Group Limited (the "Consortium") under which it was proposed the Consortium would acquire all of the shares in Redflex by way of a Scheme of Arrangement ("Scheme"). Under the terms of the Scheme, Redflex shareholders would receive AU$2.70 cash per share where the AU$:US$ exchange rate at the relevant payment date was within the range of 0.98 – 1.02. If the spot exchange rate at the relevant payment date was less than 0.98 shareholders would receive more than AU$2.70 and if it was greater than 1.02 shareholders would receive less than AU2.70.

In early April 2011, the company dispatched to its shareholders an explanatory booklet in relation to the Scheme and possible financial assistance associated with implementing the Scheme. The explanatory booklet also included an independent experts report from Lonergan Edwards opining that the Scheme was fair and reasonable and in the best interests of Redflex shareholders in the absence of a superior proposal. The Scheme Meeting, at which shareholders were asked to vote on the Scheme, was held on 9 May 2011. Redflex Directors unanimously recommended that Redflex shareholders vote in favour of the Scheme and the financial assistance resolution at the May 2011 meetings, in the absence of a superior proposal.

On 5 May 2011 the company received an improved offer from the Consortium, which, if approved by Shareholders, would result in a minimum price on Implementation of the Scheme of AU$2.75 compared to AU$2.57 if the Scheme had been implemented without the improved offer on the day of the improved offer announcement, ie 5th May 2011.

At the Scheme Meeting on 9 May 2011, shareholders voted against the scheme of arrangement and also voted against a preliminary resolution to amend the Scheme in accordance with the improved offer proposal.

The company incurred costs of $2.48 million up to the closure of the sale process. These costs are included in the FY2011 results.

USA Operations

Highlights

We have seen an improvement in profitability and cash flow in FY2011, resulting from the focus on maximizing profitable accounts, the termination of the Arizona statewide speed program, operating efficiency improvements and the resolution of the various lawsuits with our main competitor.

For the financial year ended 30 June 2011:

- Revenue decreased 2.5% or US$2.4 million from US$94.2 million to US$91.8 million;
- Profit before tax increased US$13.1 million from a loss of $5.0 million to an operating profit before tax of US$8.1 million; and
- EBITDA increased 61% or US$13.7 million from US$22.6 million to US$36.3 million.

OPERATING AND FINANCIAL REVIEW

USA Operations - continued

Highlights - continued

The decrease in revenue was primarily attributable to the termination of Arizona statewide speed program at the end of FY2010, partially offset by the installation of 159 new approaches during the year. The improvements in profit before tax and EBITDA were primarily the result of the reduction of legal expenses related to a lawsuit filed by a competitor (which was successfully resolved in FY2010), and the write off of non-recoverable costs and operating losses related to the Arizona statewide speed program in FY2010. In addition, the company realised the benefit of cost reduction efforts initiated during FY2011.

During FY2011, the company began to see the benefits of reduced construction costs associated with new system configurations which will result in lower depreciation expenses and per system capital expenditure requirements in future periods.

Systems infrastructure and process improvements were continued and enhanced to provide better operating performance data at the contract/approach level. This detailed data provides better intelligence to refine pricing and ROI models when making investment decisions on contract renewals, new builds, and new business. This data also provides valuable information to enhance profitability on existing contracts.

In FY2011 48 contracts were available for renewal representing 365 approaches. Of the 365 approaches, 321 were successfully renewed for an annual renewal rate of 88% compared to the company's goal of an 85% renewal rate for the year.

New Contracts

Adverse economic forces facing local governments will continue to have, at best, a flat impact on municipal finances. The threats to municipal and state economic stability remain securely on the horizon. State legislatures have indicated the intention to shift many service responsibilities from the State to the Counties; the Counties have already passed on their costs wherever and whenever possible to local jurisdictions. Government budget tightening and spending cuts in the foreseeable future will continue to impose a significant drag on the financial health of the North American customer base.

Recent signs of a rebound in the United States macroeconomic climate are positive, but not significant. We anticipate that full recovery and economic revitalisation is still years away. Responsive to these municipal vulnerabilities, Redflex has taken a strategy that focuses on the corporate economic health and stabilization of customers. This included a focus on pursuing and executing only the healthiest of new contracts during the financial year.

While this has contributed to a slowdown in the level of new contracts signed, our results reflect the strength of our contract base. This focus on building robustness in our contract portfolio will provide a secure buttress to enable profitable growth even if the macroeconomic climate remains flat in the foreseeable future.

Since 1 July 2010, Redflex has executed 17 new municipal contracts, including as a result of a highly competitive process, securing Alexandria Virginia, an incumbent contract previously maintained by a Redflex competitor. Contracts include:

Rio Rancho NM	Springfield NJ	South Euclid OH
Philipsburg NJ	Cherry Hill NJ	St Helens OR
Rancho Cordova CA	Alexandria VA	South Brunswick NJ
Uplands Park MO	Round Rock TX	Woodland Park NJ
Sierra Vista AZ	Roseland NJ	Englewood Cliffs NJ
Hillside NJ	East Orange NJ	

In addition, Redflex has executed 5 new contracts between 1 July 2011 and the date of this report. The new contracts are:

Burlington NJ	Kissimmee FL	Glendale Heights IL
Charlack MO	Vinita Park MO	

OPERATING AND FINANCIAL REVIEW

USA Operations - continued

New contracts - continued

In the Redflex incumbent cities of Albuquerque New Mexico and Dayton Ohio, Redflex successfully won competitive tenders to secure new contracts. The new contract in Dayton included an expansion in scope to include a full suite of speed enforcement applications. Furthermore, speed enforcement solutions have been included in 30% of the total new contracts executed in FY2011.

Redflex is confident that the rate of growth in contract profitability seen this year will extend into FY2012.

One key area of sales growth being pursued is through product diversification. We have been able to exploit our core competencies in technology development, and our expertise and extensive network in legislative affairs. These efforts have resulted in opportunities to provide broader and expanded solutions in several new markets.

Installations

The total number of installed systems as at 30 June 2011 was 1,959 in the USA. While the construction team added 159 in the USA it also removed 136, of which 78 were related to the Arizona statewide program and 13 related to a program change in the City of Albuquerque, New Mexico. 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.

Successful field testing of several new equipment redesigns and new components was completed in the first half of FY2011 and deployment commenced in the second half of FY2011.

Marketing Communication Strategies

Redflex acknowledges the importance of building public awareness of the issues surrounding red light running, speeding and other dangerous driving behaviors. Audiences, ranging from the driving public to local and state legislators, need to be reminded of this public health threat in the USA and be educated on the effective use of Redflex technology to help deter these preventable motor vehicle crashes.

Redflex continues to support vigorous grassroots efforts in multiple states, including Illinois, Ohio, New Jersey, Tennessee, Virginia, Arizona and Texas, with California, Pennsylvania, Massachusetts and New Mexico being added in June 2011. In each of these states a coalition serves to add supporters of our programs in both the public and private sectors, primarily with police and firefighters associations, health care professionals, victims of motor vehicle crashes and like-minded safety oriented organizations.

To reach a broader audience, Redflex has created an educational print campaign accompanied by a documentary on road safety, both of which activate third-party voices. This has been useful in demystifying the technology with the general public and local and state lawmakers. In addition, Redflex customers have embraced the information which has been presented in our ongoing Customer Leadership Forum Series. This series allows our communications staff to conduct, in key states, on-the-ground seminars on best practices in public education, coalition building, safety data dissemination and working with the media.

Growth Initiatives and Operational Accomplishments

This financial year, Redflex has focused its efforts on strengthening its business model through tighter contract language, more aggressive collection efforts in key markets, strengthening its information technology infrastructure to become more efficient, and focusing on new products and services for growth outside of red light and speed enforcement programs.

Initial installation of the next generation product line has been completed. This implementation has contributed to reduced equipment and construction costs.

OPERATING AND FINANCIAL REVIEW

USA Operations - continued

Growth Initiatives and Operational Accomplishments - continued

Efforts are underway to streamline the new product research and development activities of the USA and Australian subsidiaries. New product concepts have been developed and standard operating procedures between the two divisions have been revised to further enhance efficiency.

In FY2011, the Mobile Unit Fleet Operations staff merged with the Field Services Technician team and began cross training so that all field staff can perform multiple field-related functions, increasing the field coverage for improved system maintenance and uptime through broader resource coverage.

A new Supply Chain Director has been added to tighten the controls in the procurement and supply chain to mitigate risk and drive down costs through improved competitive bidding for products and services. In addition, this resource will lead to the implementation of a new enterprise resource planning (ERP) system in financial year 2012 to improve overall efficiency of the selling and general overhead functions.

The initial phase rollout of automation efficiency enhancements for verification processing began in February 2011. The full rollout is now expected in the first half of FY2012 to achieve further operations labour efficiencies.

Additional costs saving initiatives were implemented during FY2011. A few of those initiatives include:

- A new application was deployed to automate the screening of certain image types, resulting in a 6.8% reduction in labor per detection in Operations processing.
- Requirements were identified and programming is underway to streamline the process for incident verification to further reduce the operations labor costs per detection.
- Court Pack automation efficiencies that allow customers to print court pack information without requiring Redflex operations personnel involvement.

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. During FY2011, all efforts to ban Redflex's programs through state legislation were defeated. 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.

Redflex continues to use its network of advisors and municipal customers to defeat the efforts of state legislators who introduce bills that either seeks to limit or remove traffic safety enforcement technologies while concurrently promoting new laws or amendments to existing law that enhance the efficiency and stability of road safety enforcement programs.

Legal Environment

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

The various commercial lawsuits filed between Redflex and a competitor were resolved during FY2011. 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 as well as the admissibility of business records in court. We continue to aggressively defend against these claims.

Overall, Redflex experienced success in suits brought against the Company and its partner cities with cases dismissed in Arizona, California, New Mexico, Ohio, Texas, Tennessee, Washington, South Dakota, and Illinois during FY2011. A ballot initiative seeking to prohibit Redflex's photo enforcement program in Port Lavaca, Texas was blocked through litigation.

OPERATING AND FINANCIAL REVIEW

USA Operations - continued

Redflex Canada

During FY2011 the company introduced an ungraded and expanded photo enforcement program for the Insurance Corporation of British Columbia. The contract is for the supply and installation of 140 fixed camera systems, together with a full back office system utilising Redflex Image and Infringement Processing System (IIPS) technology.

During the implementation of this program Redflex encountered unexpected implementation costs as a result of unique local laws and regulations, and construction issues. As a result, no profit on this project was recognised in the FY2011 year.

The implementation of back office software went live in January 2011, and all sites will be constructed by September. It is our first back office implementation in Canada and will be a reference site for future opportunities. Ongoing maintenance and support services will be provided for the five year duration of the contract.

Australian/International Operations

Redflex has continued its success in Australia and internationally achieving numerous and diverse orders while also completing significant implementations for our customers. Highlights include: the 'go live' for three major projects in the span of one month; back office installations for the Insurance Commission of British Columbia (ICBC) and Saudi Arabia; and the speed camera program in Ireland. Additionally, we ran five back-office software implementation projects at the same time: ICBC in Canada, Saudi Arabia, Ireland, Western Australia Police, and Queensland Police.

Award

Redflex received a second award for Excellence in Technology/Innovation from the Chartered Institute of Logistics & Transport Australia in NSW. The award was for our Mobile Radar Camera System and our outsourced mobile camera program with the Roads and Traffic Authority of NSW. The Chartered Institute of Logistics & Transport awards recognise the achievements of those who have made an outstanding contribution in the transport and logistics industry.

Abu Dhabi

In October 2010, Redflex hosted a delegation from the Abu Dhabi Police as part of a project for supply, installation and maintenance of fixed speed-radar, point-to-point camera systems, and a large scale enterprise back office system. The visit commenced in Phoenix to view our American operations, then moved on to Sydney and Melbourne. The purpose of the visits was to verify Redflex's credentials as the premium photo-enforcement provider in the world.

As a result of these efforts, Redflex was awarded an interim contract for the supply, installation and maintenance of systems to the Abu Dhabi Police in the United Arab Emirates Ministry of the Interior. This interim contract is worth over $5 million and is to provide: 40 fixed radar speed camera systems with battery backup, including 10 which are solar powered; 20 point-to-point speed enforcement systems; and the Redflex large scale enterprise ticket processing software system. These items are all expected to be delivered by the end of H1 FY2012.

This interim contract has been signed in advance of the main contract, which has also been awarded to Redflex and is currently being negotiated. The main contract, once signed, will generate revenue of approximately $30 million. It is for the supply of a further 435 fixed radar speed camera systems with battery backup, including 90 of which are solar powered, and a further 40 point-to-point speed enforcement systems.

The program is a key milestone for Redflex's success in the Middle East and we look forward to a long and successful relationship with the Abu Dhabi Police.

OPERATING AND FINANCIAL REVIEW

Australian/International Operations - continued

Ireland

In November 2010 the Go Safe project went live in Ireland, with the first mobile camera van completed. Working as a part of a consortium with Spectra (Ireland) and Egis Projects SA (France), Redflex delivered and installed an outsourced enforcement camera program comprising Radarcam mobile cameras, Redflex's Digital Camera Management System to manage the camera cars remotely, and our Image and Infringement Processing System to adjudicate the infringements. The system is being supported with the involvement of two full-time local on-site Redflex staff in Ireland.

Saudi Arabia

During the year we executed a further contract with the Etihad Al Afandi consortium for the supply of fixed speed-only and combination speed and red light camera systems for Saudi Arabia. The contract is expected to give rise to revenue of approximately AU$25 million through FY2012 and FY2013. Camera systems will be delivered progressively as orders are placed under the contract. This contract supplements related contracts executed in 2009 with the Etihad Al Afandi consortium for the supply of mobile speed enforcement systems, supply and set up of a violation processing centre (VPC), and operations and maintenance of the VPC for a period of five years. The contracts are to provide photo enforcement systems for the Automated Traffic Violations Administering and Monitoring (ATVAM) project awarded by the General Traffic Directorate, Ministry of Interior for the Kingdom of Saudi Arabia.

The Saudi ATVAM project went live on the 1st January 2011. Redflex has established an office in 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, Khamis Mushait and Ahad Rufaidah; and the region of Tabuk.

To date Redflex has supplied 65 Radarcam mobile speed camera systems plus fixed red light and speed camera systems installed in pairs. The rear camera captures an image of the number plate of the offending vehicle and the front camera captures an image of the offending drivers face.

Hong Kong

Business continues in Hong Kong with new service orders for loop systems which are now underway. We are currently in the process of handing over all sites and continue to complete works for the next phase of installation.

New South Wales

We have been successfully operating the mobile speed camera program in New South Wales for over a year. The New South Wales Auditor General was positive about the mobile program in his report to the newly elected State Government. As a result of that review, the State Government decided to remove 38 camera sites that did not have proven safety outcomes. This decision has little impact on Redflex, and on balance was a positive endorsement of the safety outcomes arising from photo enforcement.

Redflex deploys cameras at sites selected by the NSW Centre for Road Safety which has been tasked to change cultural values on road safety in NSW. Its first mission is to convince drivers that speeding is socially unacceptable. Speeding is the biggest killer on NSW roads and is a factor in 40% of road deaths in the state. We look forward to continuing to contribute to the safety of the travelling public in New South Wales through this program.

Our further wins in NSW include a range of additional cameras covering a bus priority system for Baulderstone, cameras for 3 point-to-point zones and a further 8 red-light and red-light/speed systems for the Road Traffic Authority of NSW. 2 Redflex Automatic Number Plate Recognition (ANPR) cameras were installed for the Sydney Ports Authority to monitor truck movements at Port Botany. Using a solar set-up, the software uses NextG wireless communications for a true stand-alone installation. The system provides number plate data, detection times, and dates for vehicles at two sites in the Port area.

OPERATING AND FINANCIAL REVIEW

Australian/International Operations - continued

Victoria

We have continued to expand our business in Victoria, with the installation of red-light and speed cameras for the Department of Justice. All contracted 29 red-light and speed sites are installed and 15 have gone live.

The Victorian Auditor General is due to bring down a report on his review of photo enforcement systems in the coming months. We expect that this report will provide valuable guidance on the effectiveness of camera systems and help us identify expansion opportunities.

South Australia

In South Australia, Redflex is working with the Department of Transport, Energy and Infrastructure and the Police to implement the contract for the supply of enforcement cameras to South Australia until 2013. The range of camera systems includes red light/speed cameras, fixed speed cameras, point-to-point cameras and railway crossing cameras. The team has installed 10 red-light and speed cameras systems and another 13 sites are currently being manufactured.

The Redflex in-car mobile radar systems and tripod mobile radar systems operated by the South Australia Police are all live and prosecuting throughout the State.

Western Australia

During the year we received a second Certificate of Appreciation from the Western Australia Police, signed by the Police Commissioner, Karl O'Callaghan. Redflex had a number of time critical deliveries, including software upgrades and red-light and speed camera systems required to meet Government deadlines to transition from film based to digital enforcement cameras.

Northern Territory

We have renewed our contract with the Northern Territory Government for the provision of the Back Office Processing Centre, collecting payments on behalf of the Government and assisting their Fines Recovery Unit in the recovery of unpaid fines and reconciliations.

RESEARCH AND DEVELOPMENT

The key focus of our research and development activities is to provide the required technologies to:

- Address risk minimisation strategies for shorter term contracts;
- Reduce embedded costs of camera installations;
- Improve yields from installed cameras;
- Ensure we remain at the leading edge of technology offerings in a competitive environment; and
- Create more efficient back office operations.

We are increasing the automation in our back-office processing software to manage our network of cameras in the United States. Maintenance teams are alerted by automatic alarms so that camera downtime is minimized and returns from cameras are optimised.

OPERATING AND FINANCIAL REVIEW

RESEARCH AND DEVELOPMENT - CONTINUED

The Redflex development of sophisticated speed radar technology determines the lane of an offending vehicle and provides a secondary speed measurement as a double check for prosecuting authorities. This development has been a success and the system has been installed in a number of countries.

Speed verification/radar targeting has been a main focus of work. This technology indicates in a photograph, a vehicle's position for radar incidents, to confirm alignment. The first vehicle is photographed as the radar speed is read and if the vehicle is not in the correct position in the picture, the radar then needs to be realigned.

Our Automatic Number Plate Recognition software is being developed for high definition video cameras in addition to the low definition video within our product portfolio. This will enable Redflex to support bus lane projects in the USA.

Redflex continues development of lower power and solar powered systems to reduce the infrastructure cost of installations, particularly in the USA. We have also developed architectural camera housing which form an integrated part of a modern streetscape. These systems are installed in Abu Dhabi to meet the Governments "Plan Abu Dhabi 2030" vision statement.

OUTLOOK FOR THE 2012 FINANCIAL YEAR

In the year ahead we expect to deliver improved results, considering the volatility in international markets and the strained global economic circumstances that appear to be continuing for the medium term future.

We are planning to increase the number of camera systems installed in the US, which should flow through to revenue increases.

Our objective is to renew around 85% of contracts that run full term and are up for renewal.

We will continue to invest in research and development to ensure that our technologies are current and competitive. This investment will be at the level of about 3% of revenue.

We will continue to focus on enhancing our sales efforts in the USA to drive future growth, despite the difficult economic circumstances and the political, legislative and legal challenges that we continue to encounter.

The Australian/International business has performed very well through FY2011 and we expect that performance to continue through FY2012, subject of course to the variability in timing of large projects that we encounter in international environments.

OPERATING AND FINANCIAL REVIEW

OPERATING RESULTS FOR THE 2011 FINANCIAL YEAR

REVENUE	First half $'000	Second half $'000	2011 $'000	2010 $'000	% change
North America Traffic business	53,464	49,472	102,936	107,231	(4.0)
Australian/International Traffic business	17,991	18,641	36,632	28,770	27.3
Head Office interest income	232	17	249	590	
Revenue	**71,687**	**68,130**	**139,817**	**136,591**	**2.4**

EBITDA	First half $'000	Second half $'000	2011 $'000	2010 $'000
Traffic business	24,456	24,181	48,637	35,905
Head Office costs	(1,505)	(1,319)	(2,824)	(2,921)
Potential sale transaction costs	(1,382)	(1,099)	(2,481)	0
EBITDA	**21,569**	**21,763**	**43,332**	**32,984**

NET PROFIT BEFORE TAX	First half $'000	Second half $'000	2011 $'000	2010 $'000
Traffic business	9,577	9,610	19,187	11,434
Impairment of plant and equipment	(727)	(821)	(1,548)	(8,438)
Head Office costs	(1,531)	(498)	(2,029)	(2,554)
Potential sale transaction costs	(1,382)	(1,099)	(2,481)	0
Net profit before tax	**5,937**	**7,192**	**13,129**	**442**

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	4	16,543	37,474
Trade and other receivables	5	34,232	29,878
Inventories	6	17,966	27,900
Deferred cost asset		3,846	4,633
Other assets		3,183	2,061
Total Current Assets		**75,770**	**101,946**
Non-Current Assets			
Property plant and equipment	7	69,851	99,450
Deferred tax asset		5,016	4,460
Intangible assets and goodwill	8	18,152	15,223
Deferred cost asset		3,632	8,897
Other financial assets		2,057	683
Other non-current assets		782	163
Total Non-Current Assets		**99,490**	**128,876**
TOTAL ASSETS		**175,260**	**230,822**
LIABILITIES			
Current Liabilities			
Trade and other payables	10	20,776	22,504
Interest bearing borrowings	11	37,365	374
Income tax payable		357	181
Provisions	12	3,793	3,273
Total Current Liabilities		**62,291**	**26,332**
Non Current Liabilities			
Interest bearing borrowings	11	12	80,288
Deferred tax liabilities		5,670	4,357
Provisions	13	3,070	3,758
Total Non Current Liabilities		**8,752**	**88,403**
TOTAL LIABILITIES		**71,043**	**114,735**
NET ASSETS		**104,217**	**116,087**
EQUITY			
Equity attributable to equity holders of the parent company			
Contributed equity		121,765	121,765
Reserves		(19,470)	(2,827)
Retained (losses)/earnings		1,922	(2,851)
TOTAL EQUITY		**104,217**	**116,087**
Net tangible assets per share		**78.36 cents**	**91.69 cents**

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000
Revenue from operations			
Sale of goods and services		47,030	29,738
Revenue from fee for service contracts		92,507	106,254
Finance revenue		280	599
Total revenue	2	**139,817**	**136,591**
Cost of goods sold		33,505	21,668
Cost of fee for service contracts		22,695	33,825
Cost of sales		**56,200**	**55,493**
Gross profit		**83,617**	**81,098**
Sales and marketing related expenses		8,274	11,597
Administrative related expenses		25,287	24,686
Potential sale transaction costs		2,481	0
Program management expenses		2,695	3,393
Amortisation of intangibles		2,287	1,770
Depreciation - fee for service contract assets		23,706	26,202
Depreciation - other		456	383
Impairment on plant and equipment		1,548	8,438
		66,734	**76,469**
Profit before tax and financing costs		**16,883**	**4,629**
Finance costs		3,754	4,187
Profit before tax		**13,129**	**442**
Income tax (benefit)/expense		2,839	(273)
Net profit for the period		**10,290**	**715**
Other comprehensive income			
Foreign currency translation		(17,628)	(5,132)
Total comprehensive income for the period		**(7,338)**	**(4,417)**
Earnings per share (cents per share)			
Basic for profit attributable to ordinary equity holders of the parent company		9.33 cents	0.68 cents
Diluted for profit attributable to ordinary equity holders of the parent company		9.16 cents	0.66 cents
Dividends per share attributable to ordinary equity holders of the parent company		Nil	5.0 cents

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000
Cash flows from operating activities			
Receipts from customers		135,048	128,923
Payments to suppliers and employees		(90,433)	(101,672)
Interest received		280	599
Interest paid		(3,209)	(3,575)
Income tax paid		(844)	(1,077)
Net cash flows from operating activities	4	**40,842**	**23,198**
Cash flows from investing activities			
Purchase of property, plant and equipment		(17,391)	(29,850)
Capitalised development costs		(5,149)	(4,354)
Purchase of other financial assets		(1,374)	(683)
Net cash flows (used in) investing activities		**(23,914)**	**(34,887)**
Cash flows from financing activities			
Repaid bank borrowings		(28,293)	0
Proceeds from bank borrowings		0	3,449
Lease liability (repaid) incurred		(325)	(987)
Proceeds from issue of ordinary shares		0	35,648
Proceeds from term deposits		0	0
Dividends paid		(5,517)	(5,424)
Net cash flows (used in/from) from financing activities		**(34,135)**	**32,686**
Net (decrease)/increase in cash held		**(17,207)**	**20,997**
Effect of exchange rate changes on cash		(3,726)	1,255
Cash at beginning of financial year		37,476	15,222
Cash and cash equivalents at the end of the period	4	**16,543**	**37,474**
Reconciliation of cash			
Cash at the end of the period consists of:			
Cash at bank and in hand		16,543	37,474
	4	**16,543**	**37,474**

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	Contributed Equity	Foreign Currency Translation Reserve	Consolidated Employee Equity Benefits Reserve	Accumulated Profits / (Losses)	Total Equity
	$'000	$'000	$'000	$'000	$'000
At 30 June 2009	**86,117**	**(4,018)**	**5,423**	**1,858**	**89,380**
Profit for the period	0	0	0	715	**715**
Currency translation differences	0	(5,042)	0	0	**(5,042)**
Total other comprehensive income	**0**	**(5,042)**	**0**	**715**	**(4,327)**
Shares issued	32,122	0	0	0	**32,122**
Reclassification	0	0	0	0	**0**
Shares issued under the Dividend Reinvestment Plan	3,526	0	0	0	**3,526**
Dividends paid	0	0	0	(5,424)	**(5,424)**
Cost of share based payment	0	0	810	0	**810**
At 30 June 2010	**121,765**	**(9,060)**	**6,233**	**(2,851)**	**116,087**
Profit for the period	0	0	0	10,290	10,290
Currency translation differences	0	(17,628)	0	0	(17,628)
Total other comprehensive income	**0**	**(17,628)**	**0**	**10,290**	**(7,338)**
Shares issued	0	0	0	0	0
Reclassification	0	0	0	0	0
Dividends paid	0	0	0	(5,517)	(5,517)
Cost of share based payment	0	0	985	0	985
At 30 June 2011	**121,765**	**(26,688)**	**7,218**	**1,922**	**104,217**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

NOTE 1 SEGMENT INFORMATION

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and services different markets.

The Group operates within two key markets, the USA and Australia/International. The Traffic business in the USA 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 to those 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.

Transfer prices between business segments are set on an arm's 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 certain asset and liability information regarding business segments for the years ended 30 June 2011 and 30 June 2010.

NOTE 1 SEGMENT INFORMATION - CONTINUED

Year ended 30 June 2011

Operating Segments	Traffic Operations North America $'000	Traffic Operations Australia/ International $'000	Total $'000
Revenue			
Revenue from sale of goods and services to external customers *	10,411	36,618	**47,029**
Revenue from fee for service contracts	92,507	0	**92,507**
Finance revenue	18	14	**32**
Inter-segment revenue	0	8,804	**8,804**
Total segment revenue	**102,936**	**45,436**	**148,372**
Inter-segment elimination			**(8,804)**
Head office finance revenue			**249**
Total consolidated revenue			**139,817**
Result			
Earnings before interest, tax, depreciation and amortisation	37,753	10,884	**48,637**
Inter-segment royalty	1,658	(1,658)	**0**
Depreciation	(23,706)	(403)	**(24,109)**
Amortisation	(371)	(1,916)	**(2,287)**
Segment result	**15,334**	**6,907**	**22,241**
Head office result			**(2,877)**
Potential sale transaction costs			**(2,481)**
Profit before tax and finance charges			**16,883**
Finance charges	(3,754)	0	**(3,754)**
Profit before income tax			**13,129**
Income tax expense			**(2,839)**
Net profit for the year			**10,290**
Assets and liabilities			
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**
Other segment information			
Capital expenditure	16,901	473	**17,374**
Head office capital expenditure			**17**
Total capital expenditure			**17,391**
Cash flow information			
Net cash flow from operating activities	43,847	3,711	**47,558**
Head office operating cash flow			**(6,716)**
Net cash flow from operating activities			**40,842**
Net cash flow from investing activities	(17,868)	(4,640)	**(22,508)**
Head office investing cash flow			**(1,406)**
Net cash flow from investing activities			**(23,914)**
Net cash flow frm financing activities	(28,739)	121	**(28,618)**
Head office financing cash flow			**(5,517)**
Net cash flow from financing activities			**(34,135)**

*Sales revenue shown under the North America segment relates predominantly to sales arising in Canada.

NOTES TO PRELIMINARY FINAL REPORT

FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1 SEGMENT INFORMATION – CONTINUED

Year ended 30 June 2010

Operating Segments	Traffic Operations North America $'000	Traffic Operations Australia/ International $'000	Total $'000
Revenue			
Revenue from sale of goods and services to external customers *	971	28,767	29,738
Revenue from fee for service contracts	106,254	0	106,254
Finance revenue	6	3	9
Inter-segment revenue	0	10,290	10,290
Total segment revenue	107,231	39,060	146,291
Inter-segment elimination			(10,290)
Head office finance revenue			590
Total consolidated revenue			136,591
Result			
Earnings before interest, tax, depreciation and amortisation	25,173	10,732	35,905
Inter-segment royalty	2,509	(2,509)	0
Depreciation	(26,202)	(332)	(26,534)
Amortisation	(191)	(1,579)	(1,770)
Segment result	1,289	6,312	7,601
Head office result			(2,972)
Potential sale transaction costs			0
Profit before tax and finance charges			4,629
Finance charges	(4,178)	(9)	(4,187)
Profit before income tax			442
Income tax expense (benefit)			273
Net profit for the year			715
Assets and liabilities			
Segment assets	140,775	39,474	180,249
Head office assets			50,573
Total assets			230,822
Segment liabilities	105,492	7,486	112,978
Head office liabilities			1,757
Total liabilities			114,735
Other segment information			
Capital expenditure	29,316	526	29,842
Head office capital expenditure			8
Total capital expenditure			29,850
Cash flow information			
Net cash flow from operating activities	21,917	1,569	23,486
Head office operating cash flow			(288)
Net cash flow from operating activities			23,198
Net cash flow from investing activities	(19,427)	312	(19,115)
Head office investing cash flow			(15,772)
Net cash flow from investing activities			(34,887)
Net cash flow frm financing activities	2,433	28	2,461
Head office financing cash flow			30,225
Net cash flow from financing activities			32,686

*Sales revenue shown under the North America segment relates predominantly to sales arising in Canada.

NOTE 2 OTHER REVENUE, OTHER INCOME AND EXPENSES

	Consolidated	
	30 June 2011 $'000	30 June 2010 $'000
Revenues and expenses		
Sale of goods and services	47,030	29,738
Revenue from fee for service contracts	92,507	106,254
Finance revenue	280	599
Total Revenue	**139,817**	**136,591**
Depreciation, amortisation and impairment costs included in income statement		
Depreciation on assets in fee for service business	23,706	26,202
Depreciation of other assets	456	383
Amortisation of intangibles	2,287	1,770
Impairment of assets	1,548	8,438
Employee benefits expense		
Wages and salaries	32,455	35,126
Payroll benefits	2,887	3,867
Contract labour	2,611	2,853
Superannuation	1,019	866
Payroll taxes	2,301	2,606
Share-based payment expense	985	810
Other payroll related expenses	1,656	1,841
	43,914	**47,969**
Research and development costs		
Expensed in administrative expenses	460	176

NOTE 3 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year adjusted for the effects of dilutive options not yet converted to shares.

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations:

	Consolidated	
	2011	2010
	$'000	$'000
Net profit for the period for basic and diluted earnings per share	**10,290**	**715**
	Thousands	**Thousands**
Weighted average number of ordinary shares for basic earnings per share	110,260	104,990
Effect of dilution –performance rights not yet converted to shares	2,030	2,611
Adjusted weighted average number of ordinary shares for diluted earnings per share	**112,290**	**107,601**
Weighted average number of converted, lapsed or cancelled potential ordinary shares included in diluted earnings per share.	97	601

There have been no transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

NOTE 4 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated	
	2011	2010
	$'000	$'000
Cash at bank and in hand	11,169	30,682
Restricted cash	5,374	6,792
Short term deposits	0	0
Cash and cash equivalents	**16,543**	**37,474**

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for periods between one day and three months, depending on the immediate cash requirements, and earn interest at the respective short-term deposit rates.

The fair value of cash and cash equivalents is $16,543,350 (2010: $37,473,580).

NOTE 4 CURRENT ASSETS - CASH AND CASH EQUIVALENTS - CONTINUED

The company collects citation revenue for cities under some contracts. The proceeds are received in lock-box accounts and are shown above as restricted cash. The allocation of entitlements to a city and to Redflex is determined and made subsequent to each month-end.

Reconciliation of cash

	Consolidated	
	2011	2010
	$'000	$'000
For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following:		
Cash at bank and in hand	11,169	30,682
Restricted cash	5,374	6,792
	16,543	**37,474**
Reconciliation from net profit after tax to net cash flows from operations		
Net profit/(loss) after income tax	**10,290**	**715**
Non cash flow items		
Depreciation expense	23,579	25,802
Asset retirement obligation depreciation	583	783
Amortisation of intangibles	2,287	1,770
Provision for employee entitlements	606	(10)
Impairment and write-down of property, plant and equipment	1,548	8,438
Deferred financing costs amortisation	545	612
Share based payments	985	810
Change in operating assets and liabilities		
Decrease/(Increase) in prepayments	(1,242)	(370)
Decrease/(Increase) in receivables	(4,116)	(6,466)
Decrease/(Increase) in inventories	3,203	(3,426)
Increase/(Decrease) in taxation provisions	294	444
Decrease/(Increase) in deferred tax asset	(1,224)	(1,765)
Increase/(Decrease) in deferred tax liability	2,925	(29)
Increase/(Decrease) in deferred revenue	(728)	(538)
Increase/(Decrease) in payables	(2,125)	(1,438)
Decrease/(Increase) in intangibles	330	0
Decrease/(Increase) in deferred costs asset	3,102	(2,134)
Net cash from operating activities	**40,842**	**23,198**

NOTE 5 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	Consolidated 2011 $'000	Consolidated 2010 $'000
Trade receivables	34,484	30,011
Allowance for impairment losses	(252)	(133)
	34,232	**29,878**

Trade receivables are non-interest bearing and are generally on 30 day terms.

Movements in the provision for impairment loss were as follows:

	Consolidated 2011 $'000	Consolidated 2010 $'000
At 1 July	**133**	**104**
Charged (utilised) for the year	119	29
At 30 June	**252**	**133**

At 30 June 2011, the ageing analysis of trade receivables is as follows:

	Consolidated						
	Total	0-30 days	31-60 days	61-90 days PDNI*	61-90 days CI*	+ 91 days PDNI*	+ 91 days CI*
At 30 June 2011	34,484	24,101	2,231	1,051	0	6,849	252
At 30 June 2010	30,011	21,468	1,725	983	0	5,702	133

*PDNI – Past due not impaired

*CI – Considered impaired

NOTE 6 CURRENT ASSETS - INVENTORIES

	Consolidated 2011 $'000	Consolidated 2010 $'000
Work in progress – at cost	7,172	12,099
Raw materials and camera components – net realisable value	10,794	15,801
	17,966	**27,900**

Raw material and camera components represent items held for the manufacture of photo enforcement camera systems for use within the business or for resale as individual components.

NOTE 7 NON CURRENT ASSETS - PROPERTY PLANT AND EQUIPMENT

Year ended 30 June 2011

	Consolidated				
	Plant and equipment	Furniture and other	Computer equipment	Asset Retirement Obligation *	Total
	$'000	$'000	$'000	$'000	$'000
At 1 July 2010 net of accumulated depreciation and impairment	**89,427**	**1,570**	**5,600**	**2,853**	**99,450**
Additions	15,633	43	1,715	359	**17,750**
Impairment	(1,548)	0	0	0	**(1,548)**
Disposals	0	(27)	(1)	0	**(28)**
Transfer to inventory	0	0	0	0	**0**
Depreciation for the year	(20,236)	(536)	(2,807)	(583)	**(24,162)**
Exchange adjustment	(19,688)	(252)	(955)	(716)	**(21,611)**
At 30 June 2011 net of accumulated depreciation and impairment	**63,588**	**798**	**3,552**	**1,913**	**69,851**
At 1 July 2010					
Cost	162,989	3,961	12,292	3,934	183,176
Accumulated depreciation and impairment	(73,562)	(2,391)	(6,692)	(1,081)	(83,726)
Net carrying amount	**89,427**	**1,570**	**5,600**	**2,853**	**99,450**
At 30 June 2011					
Cost	138,872	3,218	11,661	3,406	157,157
Accumulated depreciation and impairment	(75,284)	(2,420)	(8,109)	(1,493)	(87,306)
Net carrying amount	**63,588**	**798**	**3,552**	**1,913**	**69,851**

* Depreciation of the asset retirement obligation shall occur over the same time period that the liability accretes, and is calculated on a straight-line basis, primarily because the underlying equipment is depreciated on a straight-line basis.

NOTE 7 NON CURRENT ASSETS - PROPERTY PLANT AND EQUIPMENT - CONTINUED

Year ended 30 June 2010

	Consolidated				
	Plant and equipment	Furniture and other	Computer equipment	Asset Retirement Obligation	Total
	$'000	$'000	$'000	$'000	$'000
At 1 July 2009 net of accumulated depreciation and impairment	**110,015**	**2,328**	**4,869**	**1,408**	**118,620**
Additions	23,509	71	3,486	2,376	**29,442**
Impairment	(8,438)	0	0	0	**(8,438)**
Disposals	0	(1)	(4)	(106)	**(111)**
Transfer to inventory	(6,726)	0	0	0	**(6,726)**
Depreciation for the year	(22,627)	(673)	(2,502)	(783)	**(26,585)**
Exchange adjustment	(6,306)	(155)	(249)	(42)	**(6,752)**
At 30 June 2010 net of accumulated depreciation and impairment	**89,427**	**1,570**	**5,600**	**2,853**	**99,450**
At 1 July 2009					
Cost	170,310	4,245	9,262	1,910	**185,727**
Accumulated depreciation and impairment	(60,295)	(1,917)	(4,393)	(502)	**(67,107)**
Net carrying amount	**110,015**	**2,328**	**4,869**	**1,408**	**118,620**
At 30 June 2010					
Cost	162,989	3,961	12,292	3,934	**183,176**
Accumulated depreciation and impairment	(73,562)	(2,391)	(6,692)	(1,081)	**(83,726)**
Net carrying amount	**89,427**	**1,570**	**5,600**	**2,853**	**99,450**

NOTE 8 NON CURRENT ASSETS - INTANGIBLE ASSETS AND GOODWILL

Year ended 30 June 2011

	Consolidated			
	Development Costs	Goodwill	Other	Total
	$'000	$'000	$'000	$'000
At 1 July 2010, net of accumulated amortisation and impairment	**14,823**	**400**	**0**	**15,223**
Additions	5,149	0	330	**5,479**
Amortisation for the year	(2,287)	0	0	**(2,287)**
Exchange adjustment	(263)	0	0	**(263)**
At 30 June 2011, net of accumulated amortisation and impairment	**17,422**	**400**	**330**	**18,152**
At 1 July 2010				
Cost	21,738	400	0	**22,138**
Accumulated amortisation and impairment	(6,915)	0	0	**(6,915)**
Net carrying amount	**14,823**	**400**	**0**	**15,223**
At 30 June 2011				
Cost	26,506	400	330	**27,236**
Accumulated amortisation and impairment	(9,084)	0	0	**(9,084)**
Net carrying amount	**17,422**	**400**	**330**	**18,152**

Year ended 30 June 2010

	Consolidated			
	Development Costs	Goodwill	Other	Total
	$'000	$'000	$'000	$'000
At 1 July 2009, net of accumulated amortisation and impairment	**11,974**	**400**	**0**	**12,374**
Additions	4,750	0	0	**4,750**
Amortisation for the year	(1,770)	0	0	**(1,770)**
Exchange adjustment	(131)	0	0	**(131)**
At 30 June 2010, net of accumulated amortisation and impairment	**14,823**	**400**	**0**	**15,223**
At 1 July 2009				
Cost	17,135	400	0	**17,535**
Accumulated amortisation and impairment	(5,161)	0	0	**(5,161)**
Net carrying amount	**11,974**	**400**	**0**	**12,374**
At 30 June 2010				
Cost	21,738	400	0	**22,138**
Accumulated amortisation and impairment	(6,915)	0	0	**(6,915)**
Net carrying amount	**14,823**	**400**	**0**	**15,223**

NOTE 8 NON CURRENT ASSETS - INTANGIBLE ASSETS AND GOODWILL - CONTINUED

DEVELOPMENT COSTS

Development costs are capitalised at cost. This intangible asset has been assessed as having a finite life and is amortised over its useful life using the straight line method. The asset is tested for impairment when an indicator of impairment arises.

GOODWILL

Goodwill acquired through business combinations has been allocated to the Australian/International Traffic business as the cash generating unit for impairment testing.

Goodwill was acquired upon the acquisition of the business and business assets of Poltech Pty Ltd in 2003 and is impairment tested on an annual basis. The recoverable amount of the Australian/International Traffic segment has been determined based upon a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five year period.

Impairment testing of goodwill

Key assumptions used in cash flow projections to undertake impairment testing of goodwill are:

- Basis used to determine the value assigned to budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year increased for marginal expected efficiency improvements.
- The yield on a five year Government Bond rate consistent with external informational sources is utilised.
- Projected cash flows have been discounted using a pre-tax discount rate of 13% (2010: 14%).
- Revenue growth has been forecast based on average historical rates for the budgeted period. An extrapolated growth rate of 3% has been used beyond the budgeted period.

The basis used to determine the value assigned to the materials and labour is the CPI forecast for Australia where resources are used.

NOTE 9 OTHER NON CURRENT ASSETS

	Consolidated	
	2011	2010
	$'000	$'000
Trade receivables	600	0
Allowance for impairment losses	(190)	0
Other non current assets	372	163
	782	**163**

Trade receivables are non-interest bearing.

NOTE 9 OTHER NON CURRENT ASSETS - CONTINUED

Movements in the provision for impairment loss were as follows:

	Consolidated 2011 $'000	Consolidated 2010 $'000
At 1 July	**0**	**0**
Charged (utilised) for the year	190	0
At 30 June	**190**	**0**

At 30 June 2011, the ageing analysis of trade receivables is as follows:

	Consolidated						
	Total	0-30 days	31-60 days	61-90 days PDNI*	61-90 days CI*	+ 91 days PDNI*	+ 91 days CI*
At 30 June 2011	600	0	0	0	0	410	190
At 30 June 2010	0	0	0	0	0	0	0

*PDNI – Past due not impaired

*CI – Considered impaired

NOTE 10 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated 2011 $'000	Consolidated 2010 $'000
Current		
Trade payables	19,033	19,604
Deferred revenue	1,743	2,900
Trade and other payables	**20,776**	**22,504**

Trade payables are non-interest bearing and are normally settled on 30 day terms. Other payables are non-interest bearing and have an average term of 60 days.

Deferred revenue represents payments received for which services remain to be provided. Amounts are recognised as revenue only when service has been provided. Deferred revenue normally applies to periods under one year in duration.

NOTE 11 INTEREST-BEARING LOANS AND BORROWINGS

	Consolidated 2011 $'000	Consolidated 2010 $'000
Current		
Obligations under finance leases and hire purchase contracts	119	374
Bank borrowings	37,754	0
Deferred financing costs	(508)	0
	37,365	**374**
Non-Current		
Obligations under finance leases and hire purchase contracts	12	184
Bank borrowings	0	81,359
Deferred financing costs	0	(1,255)
	12	**80,288**

Financing facilities available

	Consolidated 2011 $'000	Consolidated 2010 $'000
Total facilities		
Bank borrowings	86,361	106,805
AU$ working capital facility	8,000	11,500
	94,361	**118,305**
Facilities used at reporting date		
Bank borrowings	37,754	81,359
Deferred financing costs	(508)	(1,255)
Security for letters of credit issued to customers	8,431	2,317
	45,677	**82,421**
Facilities unused at reporting date	**48,684**	**35,884**

At 30 June 2011, the Group had a US$91.5 million (AU$86.4 million) secured revolving credit facility, together with an AU$8 million working capital facility to address international and local business opportunities. The facility was due to expire on 30 June 2012 and accordingly is shown as a current liability on the Statement of Financial Position.

Subsequent to year end, the company entered into a new secured revolving credit facility with the same banking syndication. The revised facility is for US$70 million (AU$66.1 million) and has been put in place with an expiry date of 1 October 2014. The working capital facility for AU$8 million has been similarly extended.

The facilities have been reduced due to lower expected borrowing requirements.

NOTE 11 INTEREST-BEARING LOANS AND BORROWINGS - CONTINUED

Financing facilities available - continued

The renewal has been accomplished with reduced margins and line fees, together with less restrictive covenants on dividend distributions and with the capacity for share buy backs to be considered as part of the company's capital management plans going forward.

The Commonwealth Bank of Australia, in conjunction with two other Australian banks has been 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.

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

NOTE 12 CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2011	2010
	$'000	$'000
Employee entitlements	2,356	2,163
Provision for warranties	706	445
Asset retirement obligation – liability	731	665
	3,793	**3,273**

NOTE 13 NON CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2011	2010
	$'000	$'000
Employee entitlements	266	284
Asset retirement obligation – liability	2,804	3,474
	3,070	**3,758**

NOTE 13 NON CURRENT LIABILITIES – PROVISIONS - CONTINUED

(a) Movements in provisions

	Consolidated			
	Maintenance Warranties	Employee Entitlements	Asset Retirement Obligation	Total
	$'000	$'000	$'000	$'000
At 1 July 2010	**445**	**2,447**	**4,139**	**7,031**
Arising during the year	921	1,016	398	2,335
Utilised during the year	(92)	(841)	(195)	(1,128)
Unused amounts reversed	(568)	0	0	(568)
Exchange adjustment	0	0	(807)	(807)
At 30 June 2011	**706**	**2,622**	**3,535**	**6,863**
Current 2011	706	2,356	731	3,793
Non Current 2011	0	266	2,804	3,070
At 30 June 2011	**706**	**2,622**	**3,535**	**6,863**
Current 2010	445	2,163	665	3,273
Non Current 2010	0	284	3,474	3,758
At 30 June 2010	**445**	**2,447**	**4,139**	**7,031**

Superannuation

During the year ended 30 June 2011 the Group had an obligation to contribute 9% of an Australian employee's salary into a superannuation fund of the employee's choice. All of the economic entities' responsibilities in respect to superannuation commitments relating to the year ended 30 June 2011 have been discharged.

NOTE 13 NON CURRENT LIABILITIES – PROVISIONS - CONTINUED

(b) Nature and Timing of Provisions

(i) Maintenance warranties

A provision is recognised for expected warranty claims on products sold during the last two years, based on past experience of the level of repairs and make good costs.

It is expected that most of these costs will be incurred in the next financial year and all will have been incurred within two years of the balance sheet date.

Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the warranty period for products.

(ii) Asset retirement obligation

The Build Own Operate and Maintain business within the North American traffic division is based on individual contracts with municipalities for Redflex to install and operate red light and/or speed enforcement equipment, generally for 5 years or less. Certain of these contracts require that, upon termination, Redflex remove the equipment and restore the municipality’s site to its original condition.

(iii) Employee entitlements

The movement in the employee entitlements provision relates to extra entitlements incurred net of entitlements taken during the financial year.

NOTE 14 EVENTS AFTER BALANCE SHEET DATE

Subsequent to year end, the company renegotiated the banking facility as described in Note 11.

There were no significant events subsequent to year end and prior to the date of this report that have not been dealt with elsewhere in this report.

COMPLIANCE STATEMENT

This report has been prepared in accordance with Australian accounting standards which includes Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures compliance with International Financial Reporting Standards (IFRS). The preliminary report is also in accordance with other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.

This preliminary report, and the accounts upon which the report is based, use the same accounting policies.

This report does give a true and fair view of the matters disclosed.

The accounts are in the process of being audited and no audit report is attached. The directors expect an unqualified opinion to be issued.

The entity has a formally constituted audit committee.

Graham Davie
Director
23 August 2011