

**REDFLEX**  
H O L D I N G S

Redflex Holdings Limited

ACN 069 306 216

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Release to Australian Stock Exchange

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## **Redflex reports revenue jump and significant profit turnaround**

**25 February 2004.** The Directors are delighted to report a profit of \$773,000 for the half year ending 31 December 2003, which represents a \$2.1 million turnaround on the corresponding period in the previous year.

Revenues increased by 27% to \$13.9 million over the same period. This increase was despite the significant adverse movement in the AUD/USD exchange rate, which increased by approximately 33% over the twelve months ending 31 December 2003.

The Appendix 4D attached contains the full report and accompanying commentary.

For further information:

Graham Davie  
Chief Executive Officer  
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Marilyn Stephens  
Company Secretary  
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# Appendix 4 D

## REDFLEX HOLDINGS LIMITED

ABN: 96 069 306 216

### ASX REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

#### Results for announcement to the market and lodged with the ASX under Listing Rule 4.3A

The Company showed revenue from ordinary activities of \$ 13.90 million which was up 26.8 % on the corresponding first half of the previous financial year.

The improved revenue was achieved despite the adverse move in the AUD/USD exchange rate by approximately 33% over the 2003 calendar year reducing the reported revenue from the growing USA Traffic business due to translation effects.

The net profit for the group was \$773k compared to a loss of \$1.346 million for the corresponding period in the last financial year.

\$A'000		
<b>Revenues from ordinary activities</b>	up <b>26.8%</b> to <b>13,902</b>	
<b>Profit (loss) from ordinary activities after tax</b>	Up from loss to profit of <b>773</b>	
<b>Net profit (loss) for the period attributable to members</b>	Up from loss to profit of <b>773</b>	
<b>Dividends (distributions)</b>	Amount per security	Franked amount per security
Final dividend	<b>Nil</b>	<b>Nil</b>
Interim dividend	<b>Nil</b>	<b>Nil</b>

<b>Ratios</b>	<b>Current period</b>	<b>Previous corresponding Period</b>
<b>Profit before tax / revenue</b> Consolidated profit (loss) from ordinary activities before tax as a percentage of revenue	<b>5.6%</b>	<b>(12.3%)</b>
<b>Profit after tax / equity interests</b> Consolidated net profit (loss) from ordinary activities after tax attributable to members (as a percentage of equity (similarly attributable) at the end of the period	<b>1.5%</b>	<b>(3.5%)</b>
<b>Earnings per share Basic EPS</b>	<b>1.11 cents</b>	<b>(2.96 cents)</b>
<b>Net tangible asset backing per ordinary security</b>	<b>45 cents</b>	<b>66 cents</b>

The Net Tangible Asset per share calculations include those shares issued on January 15 2004 as a result of a placement and converted options finalised and listed for quotation subsequent to period end.

# Director's Report

Your Directors submit their report for the half-year ended 31 December 2003

The names of the Company's Directors in office during the half year and until the date of this report are as below. Directors were in office for the entire period unless otherwise stated.

- Christopher Cooper (Chairman)
- Robin Debernardi
- Graham Davie
- Peter Lewinsky (appointed 16 October 2003)
- Bruce Higgins (appointed 16 January 2004)

## Review and result of operations

For the first half of the 2003/2004 year the Redflex Consolidated entity reported:

- Revenues: \$13.90 million - up 26.8 % on the corresponding period in the previous financial year.
- Profit: \$773,000 compared to a loss of \$1,346,000 for the corresponding period last year.

Movement in the USD/AUD Exchange rate of approximately 33% over the twelve months to December 2003 adversely affected US revenues when translated to Australian dollars. Without the impact of the adverse exchange rate move over this period revenue would have been significantly higher.

## Outlook

The company is positioned to grow its business significantly given its strong operating achievement and signed contracts in the USA.

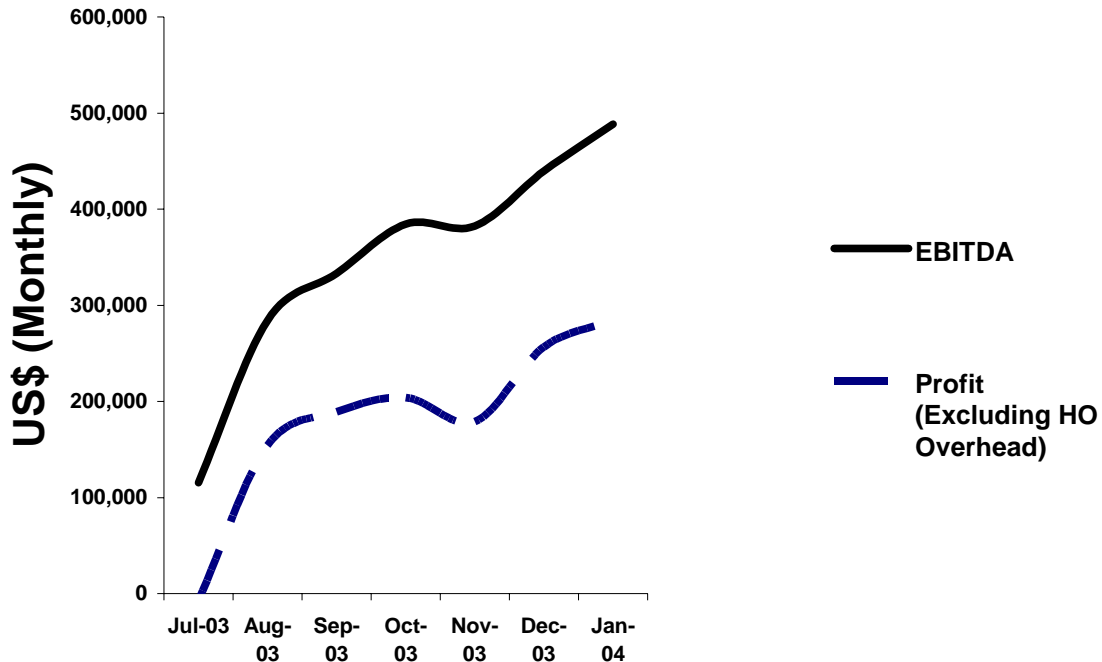
The Board is confident, based on the company's present performance, of achieving a profit in excess of \$3.0 million for the full financial year.

## Redflex Traffic Systems

- Redflex Traffic Systems has contracts with 53 cities world wide in seven countries and is the largest provider of digital red light photo enforcement services in North America with contracts in 43 cities across nine states. It has led the market in installed systems, installation rate, and market share over the past 12 months
- The business performed strongly in the first 6 months of the financial year, highlighted by these key points:
  - First USD 1,000,000 plus revenue for the month of November as announced at the AGM. These levels have been sustained since that date.
  - Consolidated operating profit before tax of A\$2,579,000 on revenue of A\$10,133,000.
  - The AUD revenue is up 48% on the same period in 2002.
  - In USD terms US revenues increased by 95%.

- Profit up to A\$2,579,000 compared to a loss of \$335k for the corresponding period in 2002.

### Redflex Traffic System USA EBITDA and Operating Profit Performance



- A favourable legislative environment is developing quickly within the USA with significant new enabling legislation in new states, which supports Redflex' strategy for the Build–Own-Operate business model.
- The Contract base was extended with 19 new cities announced since 1 July 2003.
- An installation rate of 15 systems per month has been achieved, with the exception of the Christmas/Holiday period.
  - 135 systems Installed at 1 July 2003
  - 212 systems installed at 31 December, representing a 57% increase over six months.
  - Approximately 300 cameras are expected to be installed by the end of June 2004.
- The Board plans to increase the rate of red light photo enforcement systems installations beyond the current plan of 15 systems per month.
- Market share in Australia has been extended and consolidated to position Redflex as number one in photo enforcement. Significant developments have been:
  - Western Australia Police back office order

- Tasmanian order for mobile radar camera systems which was the first sale of these systems for Redflex in Australia
- Stage 1 commissioning of the Liverpool-Parramatta Busway enforcement system completed
- Increase in red-light camera systems for Victoria
- New contract for maintenance with the RTA NSW for 31 systems installed by Poltech.
- International sales (excluding USA)
  - Redflex first orders for Lasercam in the UK and South Africa.
  - Achieved certification and new sales of Redflex red light systems in South Africa
  - Appointed a sales director for Europe.
- Completed acquisition of the assets and intellectual property of Poltech International.

### **Redflex Communications Systems**

- Revenue for the first half was \$3.75 million, up 3.4% on the corresponding period for the previous year.
- Operating loss of \$869,000 was recorded for the first half. The second half is expected to be profitable.
- The business has continued to be affected by the depressed market conditions in the aviation and defence sectors in which it operates.
- There are indications that an expected upturn is occurring with new contracts totaling \$3.5 million won over the last two months. This work is predominantly short term in nature with the majority likely to occur in this financial year.
- The company has downsized its workforce by almost 30% since 30 June 2003 but retained its core capabilities on which to expand as conditions improve.
- The Directors commissioned an independent review of the Communications business in late 2003. The report is yet to be finalised, however interim advice has indicated that the Company's core capabilities are strong, that adverse market conditions have impacted the business and that the business is viable.

### **Financing Activities**

In November and December the Company raised \$13.8 million in equity through:

- the Share Purchase Plan which raised approximately \$3.5 million
- placements which raised approximately \$6.7 million, and
- the conversion of options expiring on December 31, 2003 for \$3.6 million

In addition changes to debt facilities were:

- Short term debt of \$3.3 million owing to Second Tee Pty Ltd has been repaid.
- National Australia Bank Limited extended further credit lines of USD 1.7 million and \$AUD 500,000 which have not been drawn at the date of this report.

The funding places the company in a strong financial position going forward with the ability to maintain and increase current installation rates.

**Events subsequent to 31 December 2003**

There have been no events of a material nature subsequent to 31 December 2003 that are likely to have an impact on the results and not otherwise dealt with in this report.

**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 2004**

**REDFLEX HOLDINGS LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL**  
**PERFORMANCE**  
**FOR HALF YEAR ENDED 31 DECEMBER 2003**

	Consolidated Entity	
	31-Dec-03	31-Dec-02
	\$'000	\$'000
<b>Revenue from operating activities:</b>		
Revenue from sale of services or systems	6,005	4,825
Revenue from fee for service contracts	7,877	6,030
<b>Total Revenue from operating activities</b>	<b>13,882</b>	<b>10,855</b>
<b>Revenues from outside the operating activities:</b>		
Interest from other persons	14	8
Sundry Income	6	98
<b>Total revenue from outside the operating activities</b>	<b>20</b>	<b>106</b>
<b>Total revenue from ordinary activities</b>	<b>13,902</b>	<b>10,961</b>
<b>Expenses from operating activities</b>		
Materials & consumables used	2,988	3,164
Depreciation expense	1,718	1,357
Amortisation of Intangibles	452	356
Borrowing costs	234	138
Salaries & wages expense	6,140	4,981
Rental/operating leases	107	219
Outlays Capitalised in Intangibles	(1,043)	(907)
Other expenses from ordinary activities	2,533	1,730
Nonrecurring costs associated with financing activities & restructuring	0	1,269
<b>Total expenses from ordinary activities</b>	<b>13,129</b>	<b>12,307</b>
<b>Profit (loss) from ordinary activities before tax</b>	<b>773</b>	<b>(1,346)</b>
Income tax on ordinary activities	0	0
<b>Profit (loss) from ordinary activities after tax attributable to members</b>	<b>773</b>	<b>(1,346)</b>
Net exchange difference on translation of foreign statements of foreign controlled entity.	(6,619)	(662)
Total changes in equity not resulting from transactions with owners as owners	(5,846)	(2,008)
Franked Dividends per share	0	0
Basic & diluted earnings per share	1.11 cents	(2.96 cents)

**REDFLEX HOLDINGS LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL**  
**POSITION**  
**AS AT 31 DECEMBER 2003**

	Consolidated Entity	
	31-Dec-03	30-Jun-03
	\$000	\$000
<b>Current Assets</b>		
Cash Assets	6,817	1,070
Term deposits	747	1,112
Receivables	4,870	5,330
Inventories	5,155	4,459
Work In Progress	4,874	6,089
Other assets	1,997	843
	<u>24,460</u>	<u>18,903</u>
<b>Non-Current Assets</b>		
Receivables	0	267
Property Plant & equipment	20,303	18,765
Intangible Assets	7,509	6,834
	<u>27,812</u>	<u>25,866</u>
<b>Total Assets</b>	<b><u>52,272</u></b>	<b><u>44,769</u></b>
<b>Current Liabilities</b>		
Payables	2,674	4,430
Interest- bearing liabilities	996	769
Provisions	616	415
	<u>4,286</u>	<u>5,614</u>
<b>Non Current Liabilities</b>		
Interest- bearing liabilities	2,986	2,171
Provisions	339	340
	<u>3,325</u>	<u>2,511</u>
<b>Total Liabilities</b>	<b><u>7,611</u></b>	<b><u>8,125</u></b>
<b>Net Assets</b>	<b><u>44,661</u></b>	<b><u>36,644</u></b>
<b>Equity</b>		
Contributed Equity	73,597	59,734
Reserves	(9,748)	(3,129)
Accumulated Losses	(19,188)	(19,961)
<b>Total Equity</b>	<b><u>44,661</u></b>	<b><u>36,644</u></b>

**REDFLEX HOLDINGS LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2003**

	Note	Consolidated Entity 31-Dec-03 \$000	31-Dec-02 \$000
<b>Cash Flows from Operating Activities</b>			
Receipts from customers		13,733	11,502
Payments to suppliers and employees		(15,839)	(13,984)
Interest received		14	8
Interest and other costs of finance paid		(234)	(130)
Net Cash Flows from (Used in) operating activities		<u>(2,326)</u>	<u>(2,604)</u>
<b>Cash Flows from Investing Activities</b>			
Payments for property, plant and equipment	2	(6,204)	(1,356)
Loans (to) from other entities		587	(204)
Capitalised research and development		(1,128)	(933)
Net Cash Flows from (Used in) investing activities		<u>(6,745)</u>	<u>(2,493)</u>
<b>Cash Flows from Financing Activities</b>			
Bank Borrowings		1,294	0
Shareholder loans received (paid)		(258)	258
Cash proceeds from share issues		13,863	7,893
Net Cash Flows from (Used in) financing activities		<u>14,899</u>	<u>8,151</u>
Net Increase/(Decrease) in Cash held		5,828	3,054
Cash at Beginning of Financial Year		2,183	401
Effect of currency translation on opening cash balance		(448)	0
Cash at End of Financial Year		<u>7,563</u>	<u>3,455</u>
<b>Reconciliation of Cash</b>			
Cash at the end of the year consists of:			
Cash on Hand and at Bank		6,816	3,200
Deposits at call		747	255
		<u>7,563</u>	<u>3,455</u>

## Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2003

### NOTE 1 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This general purpose half year financial report has been prepared in accordance with Accounting standard AASB 1029 'Interim Financial reporting' urgent Issues Group Consensus views, other authoritative pronouncements of the Australian accounting standards Board and the Corporations Act 2001.

This half-year financial report does not include all the notes of the type usually included in an annual financial report. It is recommended that this financial report be read in conjunction with the financial report for the year ended June 30 2003 and any public announcements made by Redflex Holdings Limited during the half year in accordance with any continuous disclosure obligations arising under the Corporations Law.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

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.

### NOTE 2 MATERIAL FACTORS AFFECTING THE ASSETS, LIABILITIES AND EQUITY OF THE ECONOMIC ENTITY FOR THE CURRENT PERIOD

#### Cash Assets

The balance of cash holding increased during the half-year ended 31 December 2003 by \$4.6 million

Major sources of cash reserves during the year were:

Proceeds from Share Purchase Plan, Private Placements and conversion of options	\$13.8 million
Bank borrowings repayable over a four year term	\$1.3 million

Major uses of cash reserves during the year were:

Investment in Infrastructure Assets installed in USA	\$6.9 million
Inventory of Infrastructure components that will convert to fixed assets	\$1.4 million

The investment in USA based assets has been made progressively during the year and Accumulated assets have been translated to AUD at half-year end exchange rate of AUD/USD 0.7495 using the current rate method. The downward revaluation of the net asset values has been taken to the Foreign Exchange Translation Reserve as required under AASB 1012 for entities deemed to be self-sustaining.

## NOTE 3 ISSUED AND QUOTED SECURITIES AT END OF CURRENT PERIOD

	Total number	Number quoted	Issue price per security	Amount paid up per security
Ordinary securities	83,041,428	83,041,428		
Changes during current period				
(a) Increases through issues				
Share Purchase Plan	4,098,494	4,098,494	\$0.8475	\$0.8475
Placement to directors	633,228	633,228	\$0.8475	\$0.8475
Placement	7,310,956	7,310,956	\$0.8475	\$0.8475
Conversion of options	3,275,035	3,275,035	\$1.10	\$1.10
Conversion of employee options	100,000	100,000	\$0.60	\$0.60
(b) Decreases through returns of capital, buybacks	0	0		
Options	0	0		
Issued during current period				
Employee Options	1,800,000	0	\$0.50	0
Employee Options	2,655,000	0	\$0.58 indexed	0
Exercised during current period	3,275,035	3,275,035	\$1.10	\$1.10
Expired during current period	2,986,761	2,986,761	\$1.10	31/12/03

The number of quoted securities at December 31 2003 shown above includes ordinary shares issued as part of a Private Placement and options exercised prior to their 31 December 2003 expiry date which were not formally quoted for trading until 15 January 2004.

NOTE 4 SEGMENT NOTE

(a) Business Segments

	Corporate		Communications		Traffic		Total	
	31-Dec-03	31-Dec-02	31-Dec-03	31-Dec-02	31-Dec-03	31-Dec-02	31-Dec-03	31-Dec-02
	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)
Revenue from sale of goods & services	20	512	3,749	3,625	2,256	1,996	6,025	6,136
Revenue from fee for service contracts	0	0	0	0	7,877	4,825	7,877	4,825
<b>Total revenue</b>	<b>20</b>	<b>512</b>	<b>3,749</b>	<b>3,625</b>	<b>10,133</b>	<b>6,821</b>	<b>13,902</b>	<b>10,961</b>
Consolidated operating profit before tax	(937)	(1,432)	(869)	421	2,579	(335)	773	(1,346)
<b>Total assets</b>	<b>8,937</b>	<b>10,271</b>	<b>11,697</b>	<b>12,841</b>	<b>35,206</b>	<b>20,517</b>	<b>55,840</b>	<b>43,629</b>

(b) Geographical segments

	Australia		USA		Other		Total	
	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)
Revenue from sale of goods & services	1,805	3,289	3,230	2,541	990	306	6,005	6,030
Revenue from fee for service contracts	0	0	7,877	4,825	0	0	7,877	4,825
<b>Total revenue</b>	<b>1,805</b>	<b>3,289</b>	<b>11,107</b>	<b>7,366</b>	<b>990</b>	<b>306</b>	<b>13,902</b>	<b>10,961</b>
<b>Total assets</b>	<b>26,554</b>	<b>23,027</b>	<b>29,286</b>	<b>20,592</b>	<b>0</b>	<b>0</b>	<b>55,840</b>	<b>43,629</b>

NOTE 5 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There has been no change in contingent assets or liabilities since June 30, 2003.

**Redflex Holdings Limited**  
**Directors' Declaration for the half-year ended 31 December 2003**

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

In the opinion of the directors the financial report, in the form of Appendix 4D of the Australian Stock Exchange Listing Rules, of the Consolidated entity:

- (1) gives a true and fair view of the financial position as at 31 December 2003 and the performance for the half year ended on that date of the consolidated entity, and
- (2) complies with Accounting Standard AASB 1029: "Interim Financial Reporting" and the Corporations Regulations 2001, and
- (3) 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 W Davie  
Director  
Redflex Holdings Limited  
ABN 96 069 306 216  
25 February 2004

## Independent review report to members of Redflex Holdings Limited

### Scope

#### *The financial report and directors' responsibility*

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows and accompanying notes to the financial statements and the other information set out in Appendix 4D to the Australian Stock Exchange (ASX) Listing Rules for the consolidated entity comprising both Redflex Holdings Limited (the company) and the entities it controlled during the half year, and the directors' declaration, for the company, for the half year ended 31 December 2003.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 1029 "Interim Financial Reporting", in accordance with the *Corporations Act 2001*, and the ASX Listing Rules as they relate to Appendix 4D. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### *Review approach*

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the ASX and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia, and the ASX Listing Rules as they relate to Appendix 4D, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

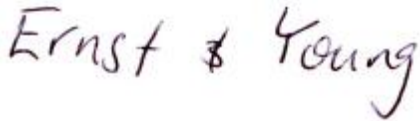
### Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.


**Statement**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report, as defined in the scope section, of the consolidated entity Redflex Holdings Limited and the entities it controlled during the half year is not in accordance with:

- (a) the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of the consolidated entity at 31 December 2003 and of its performance for the half year ended on that date; and
  - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia and the ASX Listing Rules as they relate to Appendix 4D.



Ernst & Young



David Petersen  
Partner  
Melbourne  
25 February 2004