



Release to Australian Securities Exchange

Redflex Group Profit Announcement Year ended 30 June 2009

25 August 2009

The directors are pleased to release Redflex Group results for the financial year ended 30 June 2009.

For further information:

Graham Davie
Chief Executive Officer
graham.davie@redflex.com.au
+61 3 9674 1715

Ron Johnson
Chief Financial Officer
ronald.johnson@redflex.com.au
+ 61 3 9674 1754

**APPENDIX 4E
 PRELIMINARY FINAL REPORT FOR THE
 YEAR ENDED 30 JUNE 2009**

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

Results from Operations				\$'000
Revenue from operations	up	48.4%	to	130,925
EBITDA from operations	up	40.7%	to	45,466
Profit before tax attributable to members	up	16.6%	to	13,371
Profit before tax attributable to members prior to discontinued operations	down	12.4%		
Profit after tax attributable to members	up	21.4%	to	9,633
Profit after tax attributable to members prior to discontinued operations	down	9.1%		
Basic Earnings per share	up	19.4%	to	10.54 cents
Basic Earnings per share prior to discontinued operations	down	10.6%		
Net tangible assets per share (2008: 62.88)	up	33.9%	to	84.22 cents
Dividends (distributions)				
No dividends have been paid or proposed in respect of the financial year ended 30 June 2009, however the directors intend to pay a dividend. At the date of this report, the amount of the dividend and any discount to be offered under the Dividend Reinvestment Plan have not yet been decided. The directors expect to announce the final dividend upon release of the Annual Report.				
		Amount per security		Franked amount per security
Final dividend in respect of financial year 2008		4.5 cents		4.5 cents
Interim dividend		Nil		nil

FINANCIAL PERFORMANCE SUMMARY

GROUP OVERVIEW

Redflex Holdings Limited was incorporated in 1995 and was listed on the Australian Securities Exchange (ASX) in 1997. The company has a total focus on traffic photo-enforcement for public safety.

In the USA, Redflex Traffic Systems Inc, a wholly owned subsidiary is the leading provider and operator of photo enforcement solutions with the largest market share and the largest growth in its market.

The Australian/International Traffic business is responsible for provision of photo-enforcement solutions to the rest of the world and has achieved substantial sales in Australia and a number of other countries, with recent announcements of major new contract wins with the Department of Justice in Victoria and with the Government of Hong Kong SAR.

Redflex has continued to deliver its Public Safety solutions to the global market, particularly the USA.

Road crashes continue to be a major cause of death and injuries world wide, with World Health Organization estimates of 1.2 million people killed on roads around the world each year, and up to 50 million people injured. Speed is a major cause of preventable death on roads, and speed cameras are a key tool in addressing the safety problem. Estimates of the economic costs of road crashes are over US\$200 billion in the US alone, and over US\$500 billion globally.

The safety problems are enormous and Redflex is proud to be the key player in an industry that is assisting in saving lives and making roads safer.

OPERATING RESULTS FOR THE 2008/2009 FINANCIAL YEAR

The 2008/2009 financial year has been profitable, however the year has been a challenging one, and while a number of growth indicators (revenue, EBITDA and installed base of cameras) have been strongly positive, this has not reflected in growth in profit relative to the prior year.

We have been adversely affected by reduced collection rates on some of our US contracts, write-downs on several contracts that have not been renewed, extended start-up difficulties with a major state-wide speed contract in Arizona, and costs in dealing with litigation and legislative issues. These and other factors have affected profitability for the year.

Despite the adverse effects and challenges of the 2009 financial year, there have been some positives that have emerged, and there is considerable optimism for the future.

GROUP HIGHLIGHTS FOR THE YEAR

- Revenue – up from \$88.2 million to \$130.9 million, an increase of 48%.
- Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) – up from \$32.3 million to \$45.5 million, an increase of 41%.
- Net Profit Before Tax (NPBT) of \$13.4 million. This is down on the \$15.3 million profit from continuing operations in the previous financial year.
- Net Profit After Tax (NPAT) of \$9.6 million. This is 9.1% down on the prior period.
- Our number one position in the key US market has been maintained.
- We have successfully negotiated a new banking facility for US\$100 million on favourable commercial terms with a syndicate of three Australian banks.
- Our Australian based International traffic enforcement business has made further inroads into both the Australian and overseas market.
- Ongoing research and development investment in new technology that places Redflex at the forefront of the industry.

Revenue	First half	Second half	2009	2008	% change
	\$'000	\$'000	\$'000	\$'000	
USA Traffic business	50,804	63,739	114,543	71,036	61.2
Australian Traffic business	6,745	9,628	16,373	17,132	(4.4)
Head Office interest income	0	9	9	57	
Revenue	57,549	73,376	130,925	88,225	48.4

FINANCIAL PERFORMANCE SUMMARY

EBITDA	First half	Second half	2009	2008	% change
	\$'000	\$'000	\$'000	\$'000	
Traffic business	21,088	25,875	46,963	34,765	35.1
Head Office costs	(1,581)	84	(1,497)	(2,456)	39.0
EBITDA	19,507	25,959	45,466	32,309	40.7

Net profit before tax	First half	Second half	2009	2008	% change
	\$'000	\$'000	\$'000	\$'000	
Traffic business	8,850	7,865	16,715	17,741	(5.8)
Write-down of plant and equipment	(1,140)	(460)	(1,600)	0	
Head Office costs	(1,606)	(138)	(1,744)	(2,472)	29.4
Net profit before tax prior to discontinued operations	6,104	7,267	13,371	15,269	(12.4)
Discontinued operations	0	0	0	3,800	
Net profit before tax	6,104	7,267	13,371	11,469	16.6

BANKING FACILITY

The new banking facility was signed on 30 June 2009. It is a revolving credit facility for US\$100 million. Initial cost of funds is less than 6%. Interest rates are based on the London Inter Bank Offer Rate (LIBOR) with the banks' margin and line fee applied. The facility was drawn to US\$66.7 million on commencement to pay out the previous facility. Reasonably standard terms and conditions, including covenants apply to the facility.

The 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.

The banking facility will be used primarily to fund additional capital required for our growth plans, beyond our cash flow from operations.

ACQUISITION EXPRESSIONS OF INTEREST

Over the course of the 2008/2009 financial year a number of indicative expressions of interest to acquire the company were received by the board. The board retained corporate advisers to assist with establishing a process to deal with these approaches, and where appropriate provide access to due diligence information under suitable confidentiality arrangements to give opportunity to the interest parties to refine and firm up their offers. Despite a comprehensive process and an extended due diligence period that lasted for many months, no firm offers were forthcoming that were capable of acceptance and the process was ended in May 2009. The cost incurred for this process was \$438,000.

USA OPERATIONS

HIGHLIGHTS

- Redflex Traffic Systems, Inc. continues to hold the number one position in the US market in terms of installed cameras and new business being won;
- An increase of 31% in traffic revenue from US\$63.349 million to US\$82.921 million;
- An increase of 31% in the number of camera systems installed in the USA Build Own Operate and Maintain market from 1,267 to 1,661;
- 49 new contracts signed in the USA from 1 July 2008 to 30 June 2009;
- Contracted with the Arizona Department of Public Safety for the first state-wide freeway photo enforcement program in the US;
- 61.5% increase in the number of new notices issued compared to previous financial year;
- Operating the largest red light camera program in the US with over 300 operational systems in the City of Chicago.

FINANCIAL PERFORMANCE SUMMARY

NEW CONTRACTS

Redflex continues to lead the market in North America in new contracts executed and system delivery, and continues to lead the industry as the largest supplier and operator of outsourced photo enforcement systems in the USA.

In the USA, Redflex now has contracts with 244 cities across 21 states. New contracts were signed with the following cities from 1 July 2008 to 30 June 2009.

Bell Gardens, CA	Heath, OH	Roseburg, OR
Blue Island, IL	Highland Park, IL	Roseville, CA
Bozeman, MT	Huntington Beach, CA	Sacramento, CA
Brookfield, IL	Jonesborough, TN	San Rafael, CA
Bullhead City, AZ	Justice, IL	Santa Fe, NM
Calumet Park, IL	Las Cruces, NM	Sherwood, OR
Chicago, IL	League City, TX	Show Low, AZ
Clarksville, TN	Livingston Parish, LA	South Elgin, IL
Corona, CA	Middletown, OH	Sulphur, LA
Edison, NJ	Morristown, TN	Summit, IL
El Mirage, AZ	Naperville, IL	Superior, AZ
Elgin, IL	Newark, NJ	Tualatin, OR
Eloy, AZ	Newport News, VA	Virginia Beach, VA
Fairfax, VA	Oak Ridge, TN	West Carrollton, OH
Farragut, TN	Parma, OH	Westwego, LA
Fox Lake, IL	Phoenix, AZ	Zachary, LA

In addition to these individual cities, Redflex was awarded the Arizona Department of Public Safety ("AZDPS") contract, which is the first state wide photo enforcement program of its kind.

The 2008/2009 financial year saw 38 contracts renewed with long-term partner cities.

ARIZONA STATE-WIDE ENFORCEMENT PROGRAM

During the year Redflex entered into an agreement with the Department of Public Safety in Arizona to provide photo-enforcement services throughout that state. This was the first state-wide program and the largest speed enforcement program in the US. Redflex moved very quickly after contract signing to deliver 40 speed vans and 36 fixed camera systems to meet the requirements of the customer, and has been working closely with the customer to ensure the success of the program.

The program has encountered a number of difficulties, including:

- Despite initial expectations of installing 40 mobile and 60 fixed units, the installations have been held to 40 mobile and 36 fixed at this stage. We are hopeful of installing the additional 24 systems in the future but do not have a committed timeframe at this stage.
- Initially, deployments of the mobile units were limited in time and were constrained to less than ideal locations.
- There have been issues in the start-up phase in getting complete and comprehensive data through the court system. This has affected our ability to assist with fine collection follow-up, an essential part of the process.
- As a result of the tragic shooting death of a speed van driver, all Redflex operated speed vans were removed from service while the safety and security of staff was reviewed and assessed. The vans have subsequently been returned to service in a remotely monitored configuration, but were out of operation for a considerable period while most costs continued to be incurred.

The impact of the issues faced is reflected in the lower than expected result for the 2008/2009 financial year. Many of these issues encountered have been or are being addressed and we anticipate that the contract will make a significant contribution to Group results in the future.

FINANCIAL PERFORMANCE SUMMARY

BUSINESS DEVELOPMENT, FIELD SALES AND MARKETING

With 49 new contracts won over the financial year Redflex has significantly outperformed its nearest competitor. This continues to confirm the acceptance of photo enforcement across the US, and underpins Redflex' growth expectations.

The sales team secured some of the most comprehensive programs in the history of Redflex US, including contracts with:

- Arizona Department of Public Safety
- The City of Phoenix, Arizona
- The City of Newark, New Jersey
- The City of Chicago, Illinois
- The City of Virginia Beach, Virginia
- The County and City of Sacramento, California

Additionally, as a result of a focus on the development of the speed enforcement market, we have:

- secured 20 new speed enforcement related contracts;
- realized in excess of 100% growth in speed enforcement contracts from the previous financial year;
- executed multiple contracts in key speed enabled markets of Arizona, Louisiana, Tennessee and Ohio.

The use of external consultants/lobbyists to assist with the sales effort in targeted regions continued during the financial year.

INSTALLATIONS

The 2008/2009 financial year witnessed the greatest number of installed systems in the industry with 445 new systems activated. The installation base continues to grow with:

- 667 systems installed at 30 June 2006,
- 877 systems installed at 30 June 2007,
- 1,267 systems installed at 30 June 2008, and
- 1,661 systems installed at 30 June 2009.

The number of installed systems includes cameras that may not be generating revenues for reasons including: warning periods, delays in going live, legislative issues, road work, or maintenance actions.

The resumption of suspended programs during the 2008/2009 financial year reduced the number of systems pending legal/legislative decisions to 34 systems or 2% of the total camera portfolio.

PRODUCT AND PROCESS IMPROVEMENTS

REDFLEXplatescan

Redflex added an exciting new product to its suite of photo enforcement systems with the introduction of REDFLEXplatescan. REDFLEXplatescan uses the world's leading technology to provide license plate recognition to law enforcement. Intelligent neural network technology enhances optical character recognition (OCR) to providing accurate capture of license plate images as vehicles pass a REDFLEXplatescan camera – whether mobile or fixed. In real time, each license plate is automatically crosschecked against the local, regional and national databases the police use. As soon as a match occurs, officers can be alerted via email, SMS (short message service) or web based alert systems, or via the police departments existing dispatch process.

SMARTsceneLive!2.0

Redflex introduced its next major version of live and recorded streaming video web portal called SMARTsceneLive!2.0. Through this new portal, streaming video is accessed via a standard web browser 24 hours a day, 7 days a week by registered authorized users. The new version brings the following new features:

- View multiple video streams simultaneously by choosing a display layout where 1, 4, 9, or 16 viewers can be displayed at one time. Multiple viewing pages can be displayed on a screen.
- Archived video accessible 24/7 (30 days default), with ability to download video clips based on date and time, right from the webpage.
- Create approach filters to group approaches by criteria based on the users' preferences.
- Feedback form for reporting non-functional approach video feeds.

The new SMARTsceneLive! Web portal allows Redflex customers, where legal, to view each intersection in real-time with the added features of accessing archived video on demand. The system is commonly utilized for traffic management purposes or at 911 call centres in response to accidents or for general traffic management purposes at specific intersection locations. The system has been utilized in various investigations including traffic accidents, hit and runs, domestic disputes, robbery, homicides, and rape cases.

FINANCIAL PERFORMANCE SUMMARY

Photonotice Kiosk

Redflex delivered its violator portal photonotice.com in the form of a Kiosk, which has been installed at a customers' court house. The Kiosk provides a free service to the community to review their violation details online. This includes the high resolution still images and full motion video clip. The violators can also read frequently asked questions as a link while they log online to pay their fines.

REFLEXspeed Trailer

Redflex is in the process of completing a new addition to the REFLEXspeed mobile portfolio. Redflex is taking its mobile photo enforcement expertise and applying it in the form of a towable trailer. This unmanned vehicle offers the combination of remote security surveillance capabilities (video, intrusion detection, GPS tracking) with the proven mobile photo enforcement system in a highly secure and flexible package. The system is monitored throughout its deployment from a remote location and can offer the benefit of reduction in operating costs and longer uninterrupted deployment times, which can equate to greater speed enforcement.

Remotely Monitored Speed Van

Redflex has introduced a remotely monitored speed van solution, an industry first. In an extremely short period of time a Remote Operations Centre (ROC) was defined, outfitted, and implemented to remotely monitor Mobile Units through the use of broadband wireless connectivity. This unprecedented effort yielded a number of benefits resulting in an improved business model relative to the Mobile Product.

Flush Mount Sensors

The addition of a Flush Mount Sensor (FMS) to the suite of vehicle detection systems allows Redflex to further expand its ability to photo enforce scenarios previously unattainable using existing traditional technologies. There was a need to have a sensor that was better than video loop detection, but less destructive to roadway. The FMS is considered a compromise between the two. It is a semi-intrusive detection system, for which the Redflex Engineering team worked closely with a third party vendor to conduct field trials and introduce system enhancements to allow for rapid and effective deployment of this technology.

IACP Approval

The International Association of Chiefs of Police (IACP) officially informed Redflex that the REFLEX 3000 series speed enforcement system is IACP approved for attended and unattended operation. This is an enhanced version of the prior unit approved by IACP.

First Class Mail Pre-Sorting

Groundwork was completed in the final months of the 2008/2009 financial year for the implementation of Phase I of First Class Mail Pre-Sorting. Following implementation in July 2009, it is estimated to produce a savings of US\$250,000 for the year ahead. Phase II, to follow, should double the postage discounts resulting in US\$500,000 annualized savings.

Customer Service Enhancements

Redflex completed development of Phase I of a new Customer Service application in the 2008/2009 financial year which began rollout to customers in July 2009. This application is expected to reduce call duration by 20%, resulting in Redflex labour savings per citation in the Violator Call Centre of approximately 20%.

Project Platinum

To maintain its position as first in the industry Redflex needs to continually examine its technology and service offerings, as well as its processes, policies and systems to ensure that they support plans for future growth. In this context the company commenced "Project Platinum," a corporate-wide quality initiative in November 2008. Project Platinum's goal is to create a strong and scalable infrastructure, that is in alignment with Redflex's growth objectives.

Initial projects are focused on the areas of customer service, profitability and supply chain management. These efforts are well underway and already beginning to yield results. Further initiatives are planned for the 2009/2010 financial year to ensure Redflex retains its status as the world-class provider in photo enforcement.

US FIELD OPERATIONS

In the 2008/2009 financial year the US field operations team, which is responsible for construction and maintenance:

- increased new build activity by 6.7% with no additional staff;
- supported global supply chain initiatives through North America channel partners;
- increased operational span of control in all maintenance and support functions;
- initiated a flash repair program resulting in: savings in shipping costs, improved turnaround time for repaired equipment, reduction in inventory requirements and increased equipment utilization;
- in an unprecedented effort produced 42 Mobile Speed Units in an 8 week period for immediate deployment under the Arizona state-wide enforcement contract; and
- seamlessly moved all facilities from Scottsdale to the new premises in Phoenix.

FINANCIAL PERFORMANCE SUMMARY

LEGISLATIVE ENVIRONMENT

The legislative environment continues to be challenging and Reflex has demonstrated superior representation at State Legislatures to assist with legislative programs. This year has been the most active to date for legislative efforts. Key developments in this area have been:

- IOWA: A Supreme Court ruling allowed resumption of suspended programs and 18 systems were reactivated. Contracts were extended for the length of the dark period.
- ARIZONA: Despite various bills with a range of provisions being raised, the formal legislative session ended without passage of material changes to the program.
- NEW JERSEY: A clarification bill was passed, following legislation enabling a 5 year red light pilot program in 2008. Reflex was awarded a contract for up to 400 systems with the city of Newark.
- TEXAS: Despite adverse provisions being drafted into proposed bills, the session ended without passage of restrictive legislation.
- MARYLAND: passed a state-wide speed enablement bill opening the landscape for a second state to commence broad-scale safety programs.
- FLORIDA: A bill which would have enabled red light programs fell short of passage in the 2009 legislative session.
- MISSISSIPPI, MONTANA, and MAINE: These states passed banning legislation in the most recent session. This resulted in the loss of two Reflex cameras from operation in Mississippi.

LEGAL ENVIRONMENT

In recent years, several suits have been filed against Reflex based on requirements for possession of Private Investigators Licenses. All of those suits were successfully resolved in the 2008/2009 financial year.

In addition, Reflex had success in other suits brought against the Company and its partner cities with cases dismissed in Arizona, New Mexico, Ohio and Texas.

Reflex continues to address litigation by a competitor, which will be vigorously defended. Additional costs will be incurred in relation to this litigation in the 2010 financial year.

AUSTRALIA/INTERNATIONAL BUSINESS

The Australian/International business has performed well in a difficult environment.

GOVERNOR OF VICTORIA EXPORT AWARD

To underscore our mission of producing the best, we were named as the winner of the Large Advanced Manufacturer category in the Governor of Victoria Export Awards. This is a tribute to the team's focus on innovation and continuous improvement and is recognition of many years of considered endeavour.

AWARD FOR EXCELLENCE IN TECHNOLOGY/INNOVATION

Reflex has received the award for Excellence in Technology/Innovation from the Chartered Institute of Logistics & Transport Australia in New South Wales. The award was for the Bus Lane Enforcement System installed throughout Sydney. The system uses a very sophisticated combination of Reflex camera, automated number plate recognition, and video technology to enforce the proper use of bus lanes throughout the city.

HONG KONG

We have just announced a major contract award to supply Hong Kong with cameras and associated services worth more than \$3 million. The contract is a first for Reflex in the region and we are very pleased to be working with the Government of Hong Kong SAR in their endeavours to increase road safety. Reflex will supply 20 radar based speed camera systems rotating among 100+ fixed locations on Hong Kong Roads and freeways. The program involves the addition of new sites and the replacement of a previous vendor's equipment.

QATAR

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

FINANCIAL PERFORMANCE SUMMARY

UNITED KINGDOM

Redflex has achieved United Kingdom Home Office Type Approval for our mobile Lasercam speed enforcement camera system. Redflex achieved its first sale of the new product, in the United Kingdom, through an order to supply them to the Suffolk Safety Camera Partnership. The order also contains delivery for red-light/speed and fixed speed camera equipment which is currently progressing through the type approval process.

EUROPE

In Europe, Redflex has achieved success in providing outsourced photo enforcement services in Poland. In partnership with Safety Camera Systems, our Polish distributor, we are delivering outsourced services to the city of Tarczyn. While the program is small, with 2 red-light/speed camera systems and a mobile camera system, it is significant as it is our first outsourced photo enforcement program in Europe.

NEW ZEALAND

Following our successful red-light camera project for the city of Auckland, Redflex has delivered 45 mobile radar speed cameras to the New Zealand Police. We are working closely with the police to ensure the success of the program.

SOUTH AUSTRALIA

The Red-light/Speed Camera Program for South Australia continues to be a success with an extra order for camera systems. Additionally, Redflex won the tender to supply 19 mobile radar speed cameras to grow the program. Also, the Redflex back-office processing software in South Australia now supports the prosecution of unregistered and uninsured vehicles.

NEW SOUTH WALES

Continuing with additional orders for bus lanes and school zone speed camera systems, in New South Wales Redflex continues to work closely with the Roads and Traffic Authority (RTA) to deliver a comprehensive program. In conjunction with the RTA, and in a first for Australia, Redflex provided a new product for the enforcement market: the Engine Brake Noise Enforcement System captures trucks using their exhaust brakes in breach of environmental laws. A calibrated microphone is used to detect excessive noise which triggers the Redflex camera to collect enforcement grade images, and full sound and motion video of the offending truck.

NORTHERN TERRITORY

In addition to supplying Red-light/Speed cameras, in the Northern Territory, Redflex was contracted to supply back office services to process the resulting infringement notices.

QUEENSLAND

In Queensland, Redflex is supplying our Image and Infringement Back-office processing system to the Queensland Police Service. Using distributed software development techniques, the system is being delivered by teams located in Melbourne and Brisbane. After success in a competitive tender, Redflex is in the process of installing red-light, speed and point-to-point camera systems for evaluation by the Queensland Police.

WESTERN AUSTRALIA

Also after a competitive tender process, Redflex has installed a red-light site for evaluation by the Western Australia Police. In an exciting development, Redflex is installing an Automatic Number Plate Recognition System for Main Roads Western Australia. The Redflex Image and Infringement Processing System continues to support the enforcement camera program in that State.

VICTORIA

Work also continues apace in Victoria. Redflex was awarded contracts to upgrade 16 wet-film red-light camera sites throughout metropolitan Melbourne. Valued at over \$4million, the systems will be installed in the coming months. The railway enforcement camera system trials have completed successfully, and the site at Bagshot, near Bendigo, is expected to go-live soon to protect the public at this dangerous railway crossing.

FINANCIAL PERFORMANCE SUMMARY

RESEARCH AND DEVELOPMENT

The continued drive in Research and Development has resulted in varied products for the changing market:

- Camera systems continue to be developed and enhanced;
- Radar detection technology has progressed significantly, and has been deployed widely both in the region and for the first state-wide speed-enforcement program in the United States by the Arizona Department of Public Safety;
- Many of our key technologies have been upgraded to be RoHS (Reduction of Hazardous Substances) compliant;
- Our Point-to-Point and Automatic Number Plate Recognition technology markets are beginning to grow, as demonstrated by sales in Queensland and Western Australia;
- The Reflex loop-based speed detection technology has been enhanced to meet the requirements of the UK Home Office;
- Applications of video technology have been extended throughout the product range;
- Night-time video systems with integrated infra-red illumination technology has been completed;
- Low voltage, battery powered flash technology has been developed for mobile applications and supports and will lead to low power, low cost installations in the future.

PRODUCT APPROVALS

Work has progressed in many jurisdictions to ensure compliance with local requirements.

- Reflex systems have been upgraded to be compliant with the new specification from the International Association of Chiefs of Police (IACP).
- Systems have attained approval from the Underwriters Laboratories for the North American markets.
- The Lasercam product has achieved United Kingdom Home Office Type Approval and has CE certification.

Reflex systems have been submitted for approval in a large number of countries throughout the world.

OUTLOOK FOR THE 2010 FINANCIAL YEAR

- Despite the adverse effects on profitability for the current year, we remain optimistic about the year ahead. Some of the cost increases that have been incurred will flow into the 2010 financial year, and some of the issues identified may continue.
- We expect, after a very difficult start-up period, that the performance of the Arizona state wide freeway program will improve significantly in the 2010 financial year.
- The growth that has been flagged to the market, at least 25% per year growth in the installed base over a five year period is on track, with an expectation that we will install over 450 new cameras in the USA in the 2009/2010 financial year. The number of new contracts that have been signed in the current year provide a base for that growth into the year ahead.
- Also, the number of contract renewals confirms that the business is long term in nature and in general we expect that there will be revenue flowing from the installed base of cameras for much longer than the base duration of current contracts.
- Collection rates remain an issue, and collection rate improvement is a particular focus of the US team for the year ahead.
- In our European market we have engaged new senior management to capitalise on the opportunities that are emerging in the region in future years
- We will continue to invest in Research and Development to ensure that our technologies remain at the forefront of the industry. Our planned expenditure on R&D is around 3% of revenue for the 2009/2010 financial year.
- The global economic environment may present opportunities and challenges in the year ahead. Municipalities will still need to address road safety issues and photo-enforcement is a crucial tool in that task. However in non-US markets, uncertainty for customers may: add complexity to decision making processes; result in deferred decisions or changes to priorities; or delay anticipated implementation work.

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated Entity	
		30 Jun 09 \$'000	30-Jun-08 \$'000
Continuing operations			
Sale of goods and services		17,897	24,464
Revenue from fee for service contracts		112,968	63,638
Finance revenue		60	123
Total Revenue	5	130,925	88,225
Cost of sales		10,678	14,348
Cost of fee for service contracts		35,988	17,534
Cost of Goods sold		46,666	31,882
Gross Profit		84,259	56,343
Sales and marketing expenses		12,787	9,772
Administrative expenses		20,504	12,100
Program management costs		3,902	2,162
Amortisation of intangibles		1,470	1,128
Depreciation on equipment used on fee for service contracts		25,719	13,911
Depreciation - other		448	419
Write-down on plant and equipment		1,600	0
		66,430	39,492
Profit from continuing operations before tax and financing costs		17,829	16,851
Interest		4,458	1,582
Profit from continuing operations before tax		13,371	15,269
Income tax expense		3,738	4,673
Profit after tax from continuing operations		9,633	10,596
Discontinued operations			
Loss on disposal of discontinued operations		0	2,660
Net Profit attributable to members of the parent		9,633	7,936
Earnings per share for profit from continuing operations attributable to ordinary equity holders of the parent company			
- basic earnings per share		10.54 cents	11.79 cents
- diluted earnings per share		10.32 cents	11.40 cents
Earnings per share for profit attributable to ordinary equity holders of the parent company			
- basic earnings per share		10.54 cents	8.83 cents
- diluted earnings per share		10.32 cents	8.54 cents
Proposed dividend per share attributable to ordinary equity holders of the parent company			4.50 cents

BALANCE SHEET AS AT 30 JUNE 2009

	Note	Consolidated Entity	
		30 Jun 09 \$'000	30-Jun-08 \$'000
Current Assets			
Cash and cash equivalents	8	15,222	12,090
Trade and other receivables	9	24,548	15,744
Inventories	10	19,049	10,805
Deferred cost asset		2,903	595
Deferred financing costs		1,275	470
Other assets		2,039	1,612
Total Current Assets		65,036	41,316
Non-Current Assets			
Property plant and equipment	11	118,620	71,281
Deferred tax asset		2,695	3,348
Intangible assets and goodwill	12	12,374	8,877
Deferred costs asset		8,843	3,480
Other long term assets		42	0
Total Non-Current Assets		142,574	86,986
Total Assets		207,610	128,302
Current Liabilities			
Trade and other payables	13	25,654	19,363
Interest bearing borrowings	14	554	295
Income tax payable		0	3,732
Provisions	15	2,900	1,544
Total Current Liabilities		29,108	24,934
Non Current Liabilities			
Interest bearing borrowings	14	82,595	33,683
Deferred tax liabilities		4,671	2,906
Provisions	15	1,856	1,395
Total Non Current Liabilities		89,122	37,984
Total Liabilities		118,230	62,918
Net Assets		89,380	65,384
Equity			
Equity attributable to equity holders of the parent company			
Contributed equity		86,117	83,161
Reserves		1,405	(14,052)
Accumulated (losses)/profits		1,858	(3,725)
Total Equity		89,380	65,384
Net tangible assets per share		84.22 cents	62.88 cents

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated Entity	
		30 Jun 09 \$'000	30-Jun-08 \$'000
Cash flows from operating activities			
Receipts from customers		122,724	88,132
Payments to suppliers and employees *		(93,945)	(59,502)
Interest received		60	123
Interest paid		(3,858)	(1,582)
Income tax paid		(5,527)	(2,216)
Net cash flows from (used in) operating activities	8	19,454	24,955
Cash flows from investing activities			
Purchase of property, plant and equipment		(60,760)	(35,452)
Capitalised development costs		(4,952)	(2,748)
Net cash flows from (used in) investing activities		(65,712)	(38,200)
Cash flows from financing activities			
Repaid bank borrowings		(81,425)	0
Proceeds from bank borrowings		131,553	16,853
Lease liability repaid		872	(101)
Proceeds from issue of ordinary shares		2,956	1,918
Proceeds from term deposits		0	672
Dividends paid		(4,052)	(3,174)
Net cash flows from financing activities		49,904	16,168
Net increase in cash held		3,646	2,923
Effect of exchange rate changes on cash		(514)	(1,012)
Cash at beginning of financial year		12,090	10,179
Cash and cash equivalents at the end of the period	8	15,222	12,090
Reconciliation of cash			
Cash at the end of the period consists of:			
Cash at bank and in hand		15,222	10,682
Short term deposits		0	1,408
	8	15,222	12,090

* Payments to suppliers and employees include Interactive Telephony Partnership settlement of \$3.8 million referred to in Note 5.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009

	Contributed Equity	Foreign Currency Translation Reserve	Employee Equity Benefits Reserve	Accumulated Profit / (Losses)	Total Entity
Consolidated Entity	\$'000	\$'000	\$'000	\$'000	\$'000
At 30 June 2007	81,243	(10,014)	3,355	(8,467)	66,117
Profit for the period	0	0	0	7,936	7,936
Exercise of employee options	192	0	0	0	192
Proceeds from Dividend Reinvestment Plan	1,726	0	0	0	1,726
Dividends paid	0	0	0	(3,176)	(3,176)
Currency translation differences	0	(8,190)	0	(18)	(8,208)
Cost of share based payment	0	0	797	0	797
At 30 June 2008	83,161	(18,204)	4,152	(3,725)	65,384
Profit for the period	0	0	0	9,633	9,633
Exercise of employee options	1,235	0	0	0	1,235
Reclassification	0	(302)	302	0	0
Proceeds from Dividend Reinvestment Plan	1,721	0	0	0	1,721
Currency translation differences	0	14,489	0	2	14,491
Dividends paid	0	0	0	(4,052)	(4,052)
Cost of share based payment	0	0	968	0	968
At 30 June 2009	86,117	(4,017)	5,422	1,858	89,380

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1 CORPORATE INFORMATION

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

This financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis. The carrying values of recognised assets and liabilities that are hedged with fair value hedges are adjusted to record changes in the fair values attributable to the risks that are being hedged.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the company under ASIC class order 98/100. The company is an entity to which the class order applies.

(a) Compliance with IFRS

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(b) Changes in Accounting Policies

There have been no changes in accounting policies during the year ended 30 June 2009.

(c) New accounting standards and interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2009. The company does not believe these changes will have any substantial impact on the group financial report.

(d) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Redflex Holdings Limited and its subsidiaries (the Group) as at 30 June each year.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting including unrealised profits arising from intra-Group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

(e) Segment reporting

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

(f) Foreign currency translation

Both the functional and presentation currency of Redflex Holdings Limited and its Australian subsidiaries is Australian dollars (AU\$). The United States subsidiaries' functional currency is United States Dollars (US\$) which is translated to presentation currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Amounts payable to and by the entities within the consolidated entity that are outstanding at the balance date and are denominated in foreign currencies have been converted to local currency using rates of exchange ruling at the end of the financial year.

A monetary item arising under a foreign currency contract outstanding at the reporting date where the exchange rate for the monetary item is fixed in the contract is translated at the exchange rate fixed in the contract. All resulting exchange rate differences arising upon settlement or restatement are recognised as revenues and expenses for the year.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(g) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the balance sheet.

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

(h) Trade and other receivables

Trade receivables, which generally have 30-90 day terms are recognised initially at fair value and subsequently measured at amortised costs using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Group will not be able to collect the debt. Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(i) Inventories

Inventories including raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Work-in-progress: Cost of direct material and labour and a proportion of variable and fixed manufacturing overheads based on normal operating capacity. Costs are assigned on the basis of weighted average costs.
- Raw materials and camera components: Purchase costs on a first-in, first-out basis. Components held for resale or conversion into fixed in-ground installations for traffic contracts are carried at cost. The conversion of these components to property, plant and equipment occurs at the point newly contracted sites are commissioned.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(j) Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Certain derivative instruments are also held for trading for the purpose of making short term gains. These derivatives do not qualify for hedge accounting and changes in fair value are recognised immediately in profit or loss in other revenue and expenses. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to net profit or loss for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair values of interest rate swap and commodity contracts are determined by reference to market values for similar instruments.

For the purposes of hedge accounting, hedges are classified as:

- fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability;
- cash flow hedges when they hedge exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction; or
- hedges of a net investment in a foreign operation.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

(i) Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment that is attributable to a particular risk and could affect profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged and the derivative is remeasured to fair value. Gains and losses from both are taken to profit and loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to profit or loss. Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

(ii) Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the income statement.

(iii) Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to profit or loss.

(k) Non-current assets and disposal groups held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and the sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement and the assets and liabilities are presented separately on the face of the balance sheet.

(l) Property, Plant and Equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalization. All other repairs and maintenance are recognised in profit or loss as incurred.

Land and buildings are measured at fair value, based on periodic but at least triennial valuations by external independent valuers, less accumulated depreciation on buildings and less any impairment losses recognised after the date of the revaluation.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Depreciation is calculated over the estimated useful life of the asset as follows:

- Furniture, Fittings and Other 13-18% pa reducing balance
- Computer Equipment Straight line over a period of three years
- Plant and Equipment Straight line over a period of seven years

The depreciation rates are consistent with the prior year.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economical benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

(m) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit and loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(ii) Group as a lessor

Leases in which the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

(n) Impairment of non-financial assets other than goodwill

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group conducts an annual internal review of asset values, which is used as a source of information to assess any indicators of impairment. If any indicators of impairment exist, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(o) Goodwill and intangibles

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or secondary reporting format.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

The Group performs its impairment testing as at 30 June each year using a value in use, discounted cash flow methodology for the Traffic division to which goodwill is allocated.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

Intangibles

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective bases.

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project, typically being ten years.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognized.

Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured.

(p) Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(q) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs are recognised as an expense when incurred.

(r) Provisions and employee leave benefits

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Employee Benefits

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long Service Leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(s) Share Based payment transactions

Equity settled transaction

The Group provides benefits to employees, including key management personnel, in the form of share-based payment transactions whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There are currently two plans in place to provide these benefits:

(i) The Employee Option Plan

The cost of these equity-settled transactions under the Employee Option Plan is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a Black Scholes model.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Redflex Holdings Limited.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of

- (i) the grant date fair value of the award;
- (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and
- (iii) the expired portion of the vesting period.

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Equity-settled awards granted by Redflex Holdings Limited to employees of subsidiaries are recognised in the parent's separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. These amounts are eliminated on consolidation. As a result, the expense recognised by Redflex Holdings Limited in relation to equity-settled awards only represents the expense associated with grants to employees of the parent. The expense recognised by the Group is the total expense associated with all such awards.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

(ii) The Long Term Incentive Plan for Executives

Performance rights pricing model

The fair value of each performance right is estimated on the date of the grant using a Black-Scholes option formula, with a Monte Carlo simulation to take market conditions into consideration, with the following weighted average assumptions used for grants made during the year. The valuation of the performance rights is performed independently.

The company uses a measure of Total Shareholder Return (TSR) as the performance hurdle for the LTI Plan. TSR is calculated as the change in capital value of Redflex Holdings Limited over a three-year period, plus dividends expressed as a percentage of the opening capital value. The use of a relative TSR based hurdle is currently market best practice as it ensures an alignment between comparative shareholder return and rewards for executives.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

In assessing whether the performance hurdles for each grant have been met, the company receives independent data from its external consultant which benchmarks the company's TSR growth from the commencement of each grant against that of the pre-selected peer group (S&P/ASX 300) which is the comparison group selected by the board based on recommendations from Mercers. The key management personnel must satisfy the service conditions set at grant date. Performance Rights vest progressively from a threshold level of performance to a maximum level, evaluated against the comparator group of companies.

The expected life of the right is the period up to vesting. The expected volatility is based on the company's historical volatility and is designed to be indicative of future trends, which may also not necessarily be the actual outcome.

The weighted average remaining contractual life for the performance rights is between 29 months and 3 years.

Value of Options granted to certain USA employees

The difference between the market price and the exercise price at the time of exercise in respect of options granted to our USA employees gives rise to a tax deduction within our USA subsidiary. The value of these tax deductions are recouped directly in the Employee Equity Benefits Reserve to the extent they exceed the tax value of the expense recorded in relation to the options.

(t) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(u) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probably that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized. Refer also to Note (z) regarding Deferred Costs Asset.

Revenue from Sale of Goods and Services

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be reasonably measured. Revenue on certain fixed price contracts where the Group provides systems development integration and installation services are recognised over the contract term based on the percentage of completion. The percentage of completion methodology is used where the contract outcome can be reliably measured, control of a right to be compensated for the services has been attained and the stage of completion can be reliably measured. Under this method revenue recognised is measured by the percentage of costs incurred to date to total estimated costs for each contract. Stage of completion is measured by reference to the material costs and labour hours incurred to date as a percentage of total material costs and estimated labour hours for each contract. Where the contract outcome cannot be reliably measured, revenue is recognised only to the extent that costs have been incurred and are recoverable.

Additional revenue in the United States is derived from the sale of photo enforcement equipment to municipal governments under fixed contracts. Revenue on these equipment sales is recorded over the duration of the contract.

Revenue from fee for service contracts

Revenue in the United States is principally derived from fees and traffic citations issued in jurisdictions where the company's equipment is located. Revenue is recognised when a traffic infraction is recorded by the company's equipment in various jurisdictions. The company records an allowance on revenues based on historical collection rates and citation enforceability.

Deferred Revenue

Certain company's sales include the sale of equipment combined with the provision of services for a period not exceeding one year. Revenue is recognised based on a commercial equipment sales margin, and service revenue is deferred and recognised over the period of service. Deferred revenue principally represents payments received for which services remain to be provided. Amounts are recognised as revenue when service has been provided.

Interest revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(v) Income tax and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary differences associated with investments in associates, subsidiaries and investments in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or taxable profit or loss, or;
- when the deductible temporary difference is associated with investments in associates, subsidiaries and investments in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same tax authority.

Tax consolidation legislation

Redflex Holdings Limited and its wholly-owned Australian controlled entities implemented tax consolidation legislation as of 1 July 2003.

The head entity Redflex Holdings Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, Redflex Holdings Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognized as a contribution to wholly-owned tax consolidated entities.

Other Taxes

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and;
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from or payable to the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from or payable to the taxation authority.

(w) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share are calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenue and expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(x) Maintenance warranty

In determining the level of provision required for maintenance warranties the Group has made judgments in respect of the expected performance of the product, number of customers who will actually use the maintenance warranty and how often, and the costs of fulfilling the performance of the maintenance warranty. Historical experience and current knowledge of the performance of products has been used in determining this provision. The related carrying amounts are included in accrued liabilities.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

(y) Asset Retirement Obligation

The fair value of a liability for an Asset Retirement Obligation is recorded as an asset and a liability when there is a legal obligation associated with the retirement of a long-lived asset and the amount can be reasonably estimated.

(z) Deferred Costs Asset

Under contracts with the City of Chicago, the Company is required to sell cameras and installations, as well as providing full service back office processing of citations along similar lines to all other contracts performed under the BOOM model, however the sale and provision of services are dependent on each other. This dependency determines that the sale and provision of services be bundled together as a single transaction and accounted for accordingly.

Where the timing of the supply of fully installed cameras and provision of services are not in alignment with customer payment terms, a Deferred Costs Asset is created and released progressively over the contract term to align expected revenues with the full provision of the contracted services.

NOTE 3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgments and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgments, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Significant accounting judgments

Depreciation and impairment of property, plant and equipment

The major Group asset is represented by property, plant and equipment consisting principally of red light and speed camera detection equipment. These assets are installed in various cities throughout the USA. The contracts under which these assets are installed vary significantly between contracts, however most contract periods are for a period of at least five years.

The Group depreciates these assets over a seven year period on a straight line basis, regardless of the length of the contract. The major components of the installation relate to the construction and civil engineering works associated with the installation in addition to the camera and detection equipment. The company expects the infrastructure to last for decades once installed, whilst the camera and detection equipment is expected to last for a period approximating seven years.

Despite the longevity of the installation it is rendered worthless upon termination or non-renewal of a contract to process traffic violations. Accordingly, it is difficult to assess the appropriate length of time over which to depreciate these assets.

The Group assesses impairment of all assets at each reporting date based on each contract and evaluates conditions specific to the Group and to the particular assets that may lead to impairment. These include contract termination date, any cost neutrality issues, legislative and legal challenges combined with economic and political environments. This review is performed on a contract by contract basis.

If an impairment trigger exists, the recoverable amount of the asset is determined and a write-down taken.

Taxation

The Group's accounting policy for taxation requires management's judgment as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgment is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgments are also required about the application of income tax legislation. These judgments and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

Change in accounting estimate

Management in the USA have revised expected collection rates in relation to citation work in progress based on prevailing economic conditions for contracts paid on a per ticket basis. The revised estimate has the effect of reducing revenue for the twelve month period by approximately \$2.23 million.

NOTE 4 SEGMENT INFORMATION

The Group's primary segment reporting format is business segments.

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 Traffic division operates within two key markets, the USA and Australia/International. The USA Traffic business is predominantly a Build Own Operate and Maintain business providing fully outsourced traffic enforcement programs to municipalities. The Australian and International Traffic business involves the sale of traffic enforcement products to those markets.

The primary segmental split segregates the business units into revenue from recurring fee for service business and revenue related to the sale of goods and services. The Corporate division represents the Group's Head Office which is based in Melbourne, Australia.

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

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the years ended 30 June 2009 and 30 June 2008.

OPERATING RESULTS BY BUSINESS SEGMENTS:

Year ended 30 June 2009 Business Segments	Continuing Operations			Total Continuing Operations	Discontinued Operation	Total Operations
	Corporate	USA Traffic	Australian/ International Traffic			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue						
Revenue from sale of goods and services	0	997	16,322	17,319	0	17,319
Revenue from fee for service contracts	0	113,546	0	113,546	0	113,546
Finance revenue	9	0	51	60	0	60
Inter-segment revenue	0	0	27,715	27,715	0	27,715
Total segment revenue	9	114,543	44,088	158,640	0	158,640
Inter-segment elimination				(27,715)	0	(27,715)
Total Consolidated Revenue				130,925	0	130,925
Result						
Earnings before interest, tax, depreciation and amortisation	(1,497)	37,095	9,868	45,466	0	45,466
Depreciation	(48)	(25,719)	(400)	(26,167)	0	(26,167)
Amortisation	0	(199)	(1,271)	(1,470)	0	(1,470)
Segment result	(1,545)	11,177	8,197	17,829	0	17,829
Unallocated expenses				0	0	0
Profit before tax and finance charges				17,829	0	17,829
Finance charges				(4,458)	0	(4,458)
Profit before income tax				13,371	0	13,371
Income tax expense				(3,738)	0	(3,738)
Net Profit for the year				9,633	0	9,633
Assets and Liabilities						
Segment assets	13,067	153,763	40,780	207,610	0	207,610
Unallocated assets	0	0	0	0	0	0
Total assets	13,067	153,763	40,780	207,610	0	207,610
Segment liabilities	(187)	111,311	7,106	118,230	0	118,230
Unallocated liabilities	0	0	0	0	0	0
	(187)	111,311	7,106	118,230	0	118,230
Other segment Information						
Capital expenditure	55	61,392	430	61,877	0	61,877
Cash flow information						
Net cash flow from operating activities	(9,788)	16,488	12,754	19,454	0	19,454
Net cash flow from investing activities	11,030	(61,006)	(15,736)	(65,712)	0	(65,712)
Net cash flow from financing activities	(1,096)	51,000	0	49,904	0	49,904

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

OPERATING RESULTS BY BUSINESS SEGMENTS CONTINUED

Year ended 30 June 2008	Continuing Operations			Total	Discontinued Operation	Total Operations
	Business Segments	Corporate	USA Traffic			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue						
Revenue from sale of goods and services	0	7,398	17,066	24,464	0	24,464
Revenue from fee for service contracts	0	63,638	0	63,638	0	63,638
Finance revenue	57	0	66	123	0	123
Inter-segment revenue	0	0	24,067	24,067	0	24,067
Total segment revenue	57	71,036	41,199	112,292	0	112,292
Inter-segment elimination				(24,067)	0	(24,067)
Total Consolidated Revenue				88,225	0	88,225
Result						
Earnings before interest, tax, depreciation and amortisation	(2,456)	25,889	8,876	32,309	(3,800)	28,509
Depreciation	(16)	(13,911)	(403)	(14,330)	0	(14,330)
Amortisation	0	(161)	(967)	(1,128)	0	(1,128)
Segment result	(2,472)	11,817	7,506	16,851	(3,800)	13,051
Unallocated expenses				0	0	0
Profit before tax and finance charges				16,851	(3,800)	13,051
Finance charges				(1,582)	0	(1,582)
Profit before income tax				15,269	(3,800)	11,469
Income tax expense				(4,673)	1,140	(3,533)
Net Profit for the year				10,596	(2,660)	7,936
Assets and Liabilities						
Segment assets	3,288	90,922	32,952	127,162	1,140	128,302
Unallocated assets	0	0	0	0	0	0
Total assets	3,288	90,922	32,952	127,162	1,140	128,302
Segment liabilities	366	48,962	9,790	59,118	3,800	62,918
Unallocated liabilities	0	0	0	0	0	0
	366	48,962	9,790	59,118	3,800	62,918
Other segment Information						
Capital expenditure	0	35,282	170	35,452	0	35,452
Cash flow information						
Net cash flow from operating activities	(988)	9,967	15,976	24,955	0	24,915
Net cash flow from investing activities	(419)	(22,531)	(15,250)	(38,200)	0	(38,200)
Net cash flow from financing activities	(583)	16,751	0	16,168	0	16,168

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 5 OTHER REVENUE, OTHER INCOME AND EXPENSES

CONTINUING OPERATIONS

	Consolidated Entity	
	30 June 2009	30 June 2008
	\$'000	\$'000
Revenues and expenses		
Sale of goods and services	17,897	24,464
Revenue from fee for service contracts	112,968	63,638
Finance revenue	60	123
Total Revenue	130,925	88,225
Depreciation, amortisation and impairment costs included in income statement		
Depreciation on assets in fee for service business	25,719	13,911
Depreciation of other assets	448	419
Amortisation of intangibles	1,470	1,128
Employee benefits expense		
Wages and salaries	36,805	23,487
Payroll benefits	3,728	1,827
Contract labour	2,950	1,542
Superannuation	805	686
Payroll taxes	2,864	1,793
Share-based payment expense	968	797
Other payroll related expenses	1,578	1,682
	49,698	31,814
Research and development costs		
Expensed in administrative expenses	465	755

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

DISCONTINUED OPERATION

	Consolidated Entity	
	30 June 2009	30 June 2008
	\$'000	\$'000
Interactive Telephony Partnership Settlement (net of tax)	0	2,660

Settlement of the Interactive Telephony Partnership litigation

Subsequent to year ended 30 June 2008, but prior to finalising the 2008 annual report, an agreement was reached with the investment partners of the Interactive Telephony Partnership (ITP) transaction to settle the outstanding litigation with them, by an all-inclusive payment from Redflex of \$3.8 million.

The Interactive Telephony transaction has been reported in Redflex's annual accounts since 2000 and has been noted as a contingent liability since 2004.

The ITP was a structured financing transaction, entered into in June 2000, for the purpose of providing commercialisation funding for the Visible Voice subsidiary of Redflex. Visible Voice received \$2.6 million in funding and the transaction was expected to give rise to certain tax deductions for the partners on their investment. Redflex divested the Visible Voice subsidiary to which this transaction relates in May 2002.

Subsequent to the disallowance of the anticipated tax deductions by the Australian Tax Office, the partners issued proceedings against Redflex for approximately \$5.2 million plus accrued interest and costs. The basis of their claim was that an Exit Price of \$5.2 million was payable on the wind-up of the transaction. Redflex, on its interpretation of the transaction documents, maintained that the Exit Price was \$28,263.

The settlement constitutes a significant concession, by both Redflex and the partners relative to their initial positions, in recognition that there was risk as to the outcome of the litigation and that there would be significant additional cost, inconvenience, and uncertainty in proceeding to trial.

At 30 June 2008 the settlement was recorded as a current liability of \$3.8 million with the corresponding tax effect of \$1.14 million recorded as a Deferred Tax Asset.

Although this concludes direct action with the ITP, Redflex will continue its action against other parties that advised on the transaction, with a view to recovery of the settlement amount.

NOTE 6 DIVIDENDS PAID AND PROPOSED

(a) Recognised amounts

No dividends were proposed or paid during the year ended 30 June 2008. Subsequent to the adoption of the 2008 financial statements the directors declared a fully franked dividend of 4.5 cents per share.

No dividends have been paid or proposed in respect of the financial year ended 30 June 2009, however the directors intend to pay a dividend. At the date of this report, the amount of the dividend and any discount to be offered under the Dividend Reinvestment Plan have not yet been decided.

(b) Unrecognised amounts

Dividends on ordinary shares	Consolidated	
	30 June 2009	30 June 2008
	\$'000	\$'000
Final franked dividend	0	4,052
	0	4,052

(c) Tax rates

Any dividend proposed will be franked at the rate of 30% (2008: 30%).

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 7 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	
	30 June 2009	30 June 2008
	\$'000	\$'000
Net profit attributable to equity holders from continuing operations	9,633	10,596
Loss attributable to discontinued operation	0	2,660
Net profit attributable to ordinary shareholders of the parent for basic and diluted earnings per share	9,633	7,936
	Thousands	Thousands
Weighted average number of ordinary shares for basic earnings per share	91,429	89,862
Effect of dilution – share options and performance rights not yet converted to shares	1,910	3,066
Adjusted weighted average number of ordinary shares for diluted earnings per share	93,339	92,928
Weighted average number of converted, lapsed or cancelled potential ordinary shares included in diluted earnings per share.	1,153	642

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

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 8 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated	
	30 June 2009	30 June 2008
	\$'000	\$'000
Cash at bank and in hand	9,939	6,315
Restricted cash	5,283	4,367
Short term deposits	0	1,408
Cash and cash equivalents	15,222	12,090

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 of the consolidated entity, and earn interest at the respective short-term deposit rates.

The fair value of cash and cash equivalents is \$15,221,931 (2008: \$12,090,261).

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

	Consolidated	
	30 June 2009	30 June 2008
	\$'000	\$'000
Reconciliation of cash		
For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following:		
Cash at bank and in hand	15,222	10,682
Short-term deposits	0	1,408
	15,222	12,090

Reconciliation from the net profit after tax to the net cash flows from operations

Net profit/(loss) after income tax	9,633	10,596
---	--------------	---------------

Non cash flow items

Depreciation expense	25,665	14,330
Asset retirement obligation depreciation	502	0
Amortisation of Intangibles	1,470	1,128
Provision for employee entitlements	1,257	697
Impairment and writedown of property, plant and equipment	1,600	0
Deferred financing costs amortisation	600	0
Share based payments	968	797

Change in operating assets and liabilities

Decrease/(Increase) in prepayments	(297)	(1,779)
Decrease/(Increase) in receivables	(9,619)	(1,044)
Decrease/(Increase) in inventories	(9,654)	(4,021)
Increase/(Decrease) in taxation provisions	(3,994)	1,770
Decrease/(Increase) in deferred tax asset	578	3,414
Increase/(Decrease) in deferred tax liability	1,626	(2,727)
Increase/(Decrease) in deferred revenue	1,512	1,073
Increase/(Decrease) in payables	5,678	4,308
Decrease/(Increase) in deferred costs asset	(8,071)	(3,587)
Net cash from operating activities	19,454	24,955

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 9 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	Consolidated	
	30 June 2009	30 June 2008
	\$'000	\$'000
Trade receivables	24,652	16,284
Allowance for impairment losses	(104)	(540)
	24,548	15,744

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

MOVEMENTS IN THE PROVISION FOR IMPAIRMENT LOSS WERE AS FOLLOWS:

	Consolidated	
	30 June 2009	30 June 2008
	\$'000	\$'000
At 1 July 2008	540	140
Utilisation charge for the year	(436)	400
At 30 June 2009	104	540

AT 30 JUNE 2009, THE AGEING ANALYSIS OF TRADE RECEIVABLES IS AS FOLLOWS:

	Total	0-30 days	Consolidated				+ 91 days PDNI*	+ 91 days CI*
			31-60 days	61-90 days PDNI*	61-90 days CI*			
At 30 June 2009	24,652	19,579	1,341	1,104	0	2,524	104	
At 30 June 2008	16,284	13,098	919	514	0	1,211	540	

*PDNI – Past due not impaired

*CI – Considered impaired

NOTE 10 CURRENT ASSETS - INVENTORIES

	Consolidated	
	30 June 2009	30 June 2008
	\$'000	\$'000
Work in progress – at cost	7,768	873
Raw materials and camera components – at cost	11,711	10,214
Provision for write-downs	(430)	(282)
	19,049	10,805

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.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 11 NON CURRENT ASSETS - PROPERTY PLANT AND EQUIPMENT

Year ended 30 June 2009	Consolidated			Asset Retirement Obligation	Total
	Plant and equipment	Furniture and other	Computer equipment		
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2008 net of accumulated depreciation and impairment	66,270	1,076	2,617	1,318	71,281
Additions	55,061	1,959	3,740	441	61,201
Disposals	(1,422)	(56)	(43)	(79)	(1,600)
Depreciation for the year	(23,507)	(788)	(1,820)	(502)	(26,617)
Exchange adjustment	13,613	137	375	230	14,355
At 30 June 2009 net of accumulated depreciation and impairment	110,015	2,328	4,869	1,408	118,620
At 1 July 2008					
Cost	101,511	2,357	4,959	1,318	110,145
Accumulated depreciation and impairment	(35,241)	(1,281)	(2,342)	0	(38,864)
Net carrying amount	66,270	1,076	2,617	1,318	71,281
At 30 June 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
Year ended 30 June 2008					
At 1 July 2007 net of accumulated depreciation and impairment	55,421	858	2,753	0	59,032
Additions	33,582	723	1,147	1,318	36,770
Disposals	0	(7)	(71)	0	(78)
Depreciation for year	(13,028)	(416)	(886)	0	(14,330)
Exchange adjustment	(9,705)	(82)	(326)	0	(10,113)
At 30 June 2008 net of accumulated depreciation and impairment	66,270	1,076	2,617	1,318	71,281
At 1 July 2007					
Cost	84,034	1,705	4,617	0	90,356
Accumulated depreciation and impairment	(28,613)	(847)	(1,864)	0	(31,324)
Net Carrying amount	55,421	858	2,753	0	59,032
At 30 June 2008					
Cost	101,511	2,357	4,959	1,318	110,145
Accumulated depreciation and impairment	(35,241)	(1,281)	(2,342)	0	(38,864)
Net carrying amount	66,270	1,076	2,617	1,318	71,281

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

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 12 NON CURRENT ASSETS - INTANGIBLE ASSETS AND GOODWILL

Year ended 30 June 2009	Consolidated		Total \$'000
	Development Costs \$'000	Goodwill \$'000	
At 1 July 2008, net of accumulated amortisation and impairment	8,477	400	8,877
Additions	4,952	0	4,952
Amortisation for the year	(1,470)	0	(1,470)
Exchange adjustment	15	0	15
At 30 June 2009, net of accumulated amortisation and impairment	11,974	400	12,374
At 1 July 2008			
Cost	12,271	400	12,671
Accumulated amortisation and impairment	(3,794)	0	(3,794)
Net carrying amount	8,477	400	8,877
At 30 June 2009			
Cost	17,135	400	17,535
Accumulated amortisation and impairment	(5,161)	0	(5,161)
Net carrying amount	11,974	400	12,374
Year ended 30 June 2008			
At 1 July 2007, net of accumulated amortisation and impairment	7,049	400	7,449
Additions	2,748	0	2,748
Amortisation for the year	(1,128)	0	(1,128)
Exchange adjustment	(192)	0	(192)
At 30 June 2008, net of accumulated amortisation and impairment	8,477	400	8,877
At 1 July 2007			
Cost	9,328	400	9,728
Accumulated amortisation and impairment	(2,279)	0	(2,279)
Net carrying amount	7,049	400	7,449
At 30 June 2008			
Cost	12,271	400	12,671
Accumulated amortisation and impairment	(3,794)	0	(3,794)
Net carrying amount	8,477	400	8,877

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 where an indicator of impairment arises.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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 14% (2008: 13%).
- 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 13 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated	
	30 June 2009	30 June 2008
	\$'000	\$'000
Current		
Trade payables	22,361	13,676
Deferred revenue	3,293	1,887
Litigation settlement – discontinued operation	0	3,800
Trade and other payables	25,654	19,363

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.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 14 INTEREST-BEARING LOANS AND BORROWINGS

	Consolidated	
	30 June 2009	30 June 2008
	\$'000	\$'000
Current		
Obligations under finance leases and hire purchase contracts	554	295
	554	295
Non-Current		
Obligations under finance leases and hire purchase contracts	957	402
Bank borrowings	81,638	33,281
	82,595	33,683

Redflex Holdings Limited along with all other Group entities has established a new US\$100 million (AU\$124.3 million) secured revolving credit facility to fund growth within the USA Traffic Division. The Commonwealth Bank in conjunction with two other major Australian banks was granted a first and only priority senior security interest over all the assets of Redflex Traffic Systems Inc and its subsidiaries, together with a fixed and floating charge over all the assets and undertakings of Redflex Holdings Limited. The loan principal is not required to be repaid within the next twelve months and is available for redraw to the facility limit if repaid.

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

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

FINANCING FACILITIES AVAILABLE

	Consolidated	
	30 June 2009	30 June 2009
	\$'000	\$'000
Total facilities		
Bank borrowings	124,255	52,080
Facilities used at reporting date		
Bank borrowings	82,878	33,281
Deferred financing costs	(1,240)	0
Security for letters of credit issued to customers	0	276
	81,638	33,281
Facilities unused at reporting date		
	42,617	18,523

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 15 LIABILITIES – PROVISIONS

CURRENT PROVISIONS

	Consolidated	
	30 June 2009	30 June 2008
	\$'000	\$'000
Employee entitlements	2,064	952
Provision for warranty	617	592
Asset retirement obligation – liability	219	0
	2,900	1,544

NON CURRENT PROVISIONS

	Consolidated	
	30 June 2009	30 June 2008
	\$'000	\$'000
Employee entitlements	165	77
Asset retirement obligation – liability	1,691	1,318
	1,856	1,395

MOVEMENTS IN PROVISIONS

	Consolidated			Total
	Maintenance Warranties	Employee Entitlements	Asset Retirement Obligation	
	\$'000	\$'000	\$'000	\$'000
As at 1 July 2008	592	1,029	1,318	2,939
Arising during the year	344	1,796	441	2,581
Utilised during the year	(70)	(596)	(79)	(745)
Unused amounts reversed	(249)	0	230	(19)
As at 30 June 2009	617	2,229	1,910	4,756
Current 2009	617	2,064	219	2,900
Non Current 2009	0	165	1,691	1,856
As at 30 June 2009	617	2,229	1,910	4,756
Current 2008	592	952	0	1,544
Non Current 2008	0	77	1,318	1,395
As at 30 June 2008	592	1,029	1,318	2,939

The Build Own Operate and Maintain business within the USA 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.

NOTE 16 EVENTS AFTER BALANCE SHEET DATE

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

1. 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.
2. This preliminary report, and the accounts upon which the report is based, use the same accounting policies.
3. This report does give a true and fair view of the matters disclosed.
4. The accounts are in the process of being audited and no audit report is attached.
5. The entity has a formally constituted audit committee.



Graham Davie

Director

25 August 2009