

REDFLEX HOLDINGS LIMITED  
ABN: 96 069 306 216

APPENDIX 4D  
REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

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

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

Redflex has recorded revenue from operations of \$57.55 million which is a 34.9% increase on the corresponding first half of the previous financial year. Earnings before interest, tax, depreciation and amortisation (EBITDA) was up 31.2% from \$14.9 million to \$19.5. The net profit before tax for the Group from operations was \$6.10 million compared to the previous corresponding half-year profit of \$6.87 million, a decrease of 11.2%. The net profit after tax for the Group from operations was \$4.20 million compared to the previous corresponding half-year after tax profit of \$4.72 million, a decrease of 11.0%.

The increase in revenue arose predominantly from the growth in the Redflex Traffic photo enforcement business in the USA. The increased revenue is also affected by a 10.0% favourable movement in the average US\$/AU\$ exchange rates between the comparable periods. The average US\$/AU\$ exchange rate for the half year was 0.782 compared to 0.869 in the correspondence first half of FY2008.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2008 and considered together with any public announcements made by Redflex Holdings Limited during the half-year ended 31 December 2008 in accordance with the continuous disclosure obligations of the ASX listing rules.

				\$'000
<b>Results from continuing operations</b>				
Revenue from continuing operations	up	34.9%	to	57,549
Earnings before interest, tax, depreciation and amortisation (EBITDA)	up	31.2%	to	19,507
Profit before tax and asset writedowns	up	5.4%	to	7,244
Profit before tax attributable to members	down	11.2%	to	6,104
Profit after tax attributable to members	down	11.0%	to	4,199
<b>Basic earnings per share</b>				
Basic EPS from continuing activities	down	12.7%	to	4.62 cents
Diluted EPS from continuing activities	down	12.3%	to	4.49 cents
<b>Net tangible assets per share</b>	up	44.4%	to	96.2 cents

<b>Dividends (distributions)</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
Final dividend in respect of financial year 2008	4.5 cents	4.5 cents
Interim dividend	Nil	Nil
No dividends were paid or proposed in respect of the half-year		

## DIRECTORS' REPORT

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

- Christopher Cooper (Chairman)
- Robin Debernardi
- Graham Davie
- Peter Lewinsky
- Roger Sawley
- Karen Finley

## OPERATING AND FINANCIAL REVIEW

### Group Overview

Redflex Holdings Limited has been in existence since 1995 and has been listed on the Australian Securities Exchange since 1997. The 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 the Australian market and in a number of other countries.

We have retained and strengthened our number one position in the USA photo-enforcement market with a record rollout of new camera systems across the country.

Our Australian based international traffic enforcement business has also performed very well and has made further inroads into the global market.

### Operating Results for the First Half of the 2008/2009 Financial Year

For the half-year ended 31 December 2008, the company reports revenue from operations of \$57.55 million which is up 34.9% on the corresponding first half of the previous financial year (H1 FY2008 - \$42.67 million). The increase in revenue is predominantly due to an increase in the number of revenue generating camera installations within our USA Build Own Operate and Maintain business and also strong sales in the Australian/International operation.

The increased revenue includes a 10.0% favourable movement in the average AU\$/US\$ exchange rates between the comparative periods. The average AU\$/US\$ exchange rate for the half was 0.782 cents compared to 0.869 in the corresponding first half of FY2008.

**Segment revenue from operations:**

	First half FY09 \$'000	First half FY08 \$'000	% change
USA Traffic business	50,804	34,017	49.3
Australian traffic business	6,745	8,595	(21.5)
Head Office Interest income	0	54	
<b>Revenue from operations</b>	<b>57,549</b>	<b>42,666</b>	<b>34.9</b>

**Earnings before interest, tax, depreciation and amortisation (EBITDA) from operations:**

	First half FY09 \$'000	First half FY08 \$'000	% change
EBITDA from Traffic business	21,088	16,223	30.0
Head Office costs	(1,581)	(1,358)	16.4
<b>EBITDA</b>	<b>19,507</b>	<b>14,865</b>	<b>31.2</b>

**The pre-tax profit from operations:**

	First half FY09 \$'000	First half FY08 \$'000	% change
Pre-tax profit from Traffic business	8,850	8,237	7.9
Writedown of plant and equipment	(1,140)	0	
Head Office costs	(1,606)	(1,366)	17.6
<b>Pre-tax profit from operations</b>	<b>6,104</b>	<b>6,871</b>	<b>(11.1)</b>

**The net profit after tax from operations:**

	First half FY09 \$'000	First half FY08 \$'000	% change
<b>Net profit after tax</b>	<b>4,199</b>	<b>4,720</b>	<b>(11.0)</b>

**Profit Comparison Basis**

Redflex has delivered a profitable first half, despite a number of one-off costs that have reduced the reported result from the underlying profit achieved. Eliminating these one-off effects show a steadily improving underlying profit over prior periods. This impact of one off costs was anticipated and flagged to the market near the beginning of the half year.

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

	AU\$ '000	Reference below
Reduction in revenue from reduced collection rates	1,100	(i)
Write-down of Knoxville and El Monte programs	1,140	(ii)
Legal and advisory costs for expressions of interest	155	(iii)
Legal action to address DPS challenges and FCC compliance issues	616	(iv)
Final costs of ITP settlement and restructure costs	290	(v)
Initial costs of new Business Development unit	398	(vi)
Asset retirement obligations	318	(vii)
Removal/New premises costs	365	(viii)
<b>Items affecting half year result</b>	<b>4,382</b>	

- (i) We are starting to see a significant reduction in collection rates on many of our programs where we are remunerated on a per ticket basis. We believe the economic downturn in the USA is a major contributing factor to this.
- (ii) Redflex Traffic Systems Inc achieved a number of contract renewals in the half year. However, the program for the City of Knoxville was not renewed and Redflex and the City of El Monte jointly decided not to renew the expiring contract on commercial grounds. Both categories of assets have been written off in the half.
- (iii) Redflex has received unsolicited expressions of interest to acquire 100% of the company's shares and has retained Gresham Advisory Partners as its corporate advisor. This process is continuing and further substantial costs will continue to be incurred in the second half.
- (iv) RTSI was successful in being selected to run the first statewide speed program within the USA. The selection was challenged by an unsuccessful competitor, American Traffic Solutions (ATS), initially through litigation, which was dismissed, then through an administrative protest which was disallowed, then through an appeal, which was subsequently withdrawn. Separately, ATS has taken legal action against Redflex for damages relating to the marketing and use of non-certified radar equipment. Redflex refutes these claims and will vigorously defend this action; however costs will continue to be incurred in doing so.
- (v) The Redflex Group had an internal structure that contained inefficiencies from a tax standpoint. Costs were incurred for an internal restructure to alleviate some of these inefficiencies.
- (vi) A new Business Development Unit focusing on speed programs and new ancillary products was created in the half. The leading costs associated with this initiative have been absorbed in the half year ahead of future returns.
- (vii) A change in accounting policy at 30 June 2008 required Redflex to provide for future make-good costs likely to be incurred on eventual finalisation of contracts. Under the relevant accounting standard the future liability to make-good is capitalised and amortised over the contract terms. This leads to an increased charge against profits not previously taken in the prior corresponding period.
- (viii) RTSI moved to larger new premises in late August. The one-off removal costs, together with stepped cost increases for the larger premises affect the comparison with the corresponding comparative period.

## USA Operations

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

## Highlights

- Maintaining the number one position in the USA market in terms of installed cameras and new business being won;
- An increase of 18% in the number of camera systems installed in the USA Build Own Operate and Maintain market from 1,267 at June 30, 2008 to 1,494 as of December 31, 2008;
- An increase of 31.4% in USA traffic revenue from US\$29.0 million to US\$38.1 million;
- Dramatic growth in speed market contracts;
- Sustained contract momentum with 34 new contracts signed to 15 January 2009;
- Contracts in 2 new states: Virginia and Montana;
- 5-year renewal of the largest red-light contract in the USA, the City of Chicago;
- Ongoing R&D investment in new technology developments that continue to place Redflex at the forefront of the industry; and
- Contracted the first state-wide photo enforcement program with the Arizona Department of Public Safety (DPS).

### New Contracts

In the USA, Redflex Traffic Systems now has contracts with 233 cities across 22 states (as of 9 February 2009). New contracts were signed with 31 cities from 1 July 2008 to 31 December 2008:

#### Speed Enforcement Contracts

Livingston Parish, LA  
Jonesborough, TN  
State of Arizona  
West Carrollton, OH  
Morristown, TN  
Oak Ridge, TN  
Westwego, LA  
Sulphur, LA  
Zachary, LA  
Las Cruces, NM  
Clarksville, TN  
Superior, AZ  
Show Low, AZ  
Heath, OH  
Parma, OH\*  
El Mirage, AZ\*

#### Red Light Enforcement Contracts

Roseville, CA  
Naperville, IL  
Blue Island, IL  
Elgin, IL  
Calumet Park, IL  
Tualatin, OR  
South Elgin, IL  
Bozeman, MT  
Roseburg, OR  
Bell Gardens, CA  
Justice, IL  
Brookfield, IL  
Corona, CA  
Summit, IL  
Sacramento, CA  
Fox Lake, IL  
Virginia Beach, VA  
Middletown, OH\*

\* Contracts signed since 1 January 2009

In addition, contract renewals have been executed in many long term partner cities. These include the cities of Fort Collins, Colorado; Inglewood, California, Oxnard, California and Plano Texas. All renewed their contracts for multiple years.

### Business Development and Speed Market Growth

- Largest speed contract in the USA executed, the State of Arizona, Department of Public Safety;
- 15 new speed contracts executed;
- 88% increase in total speed contract portfolio achieved;
- 65% total speed contract market share achieved;
- 88% of total speed contracts through 15 January 2009 executed; and
- Achieved dramatic speed market expansion across the key states of Arizona, Ohio, Louisiana and Tennessee.

## Sales and Marketing

- 5-year renewal of the largest red-light contract in the USA, the City of Chicago;
- 31 contracts executed from 1 July 2008 to 31 December 2008;
- Contracts in 2 new states through contract executions in the City of Virginia Beach, VA and City of Bozeman, MT;
- Removed incumbent vendors and executed new contracts in multiple key cities, including Sacramento, CA; Naperville, IL, and Middletown, OH;
- Reinstated programs across the State of Iowa that had been on hold due to a legal challenge;
- The red light and speed product portfolios have been broadened to meet customer needs. In red light we have both fixed and mobile systems, and for speed the fixed, mobile and tripod systems have allowed Redflex to be a leader in this next sector of growth;
- We also have grown in the key markets of Arizona, California, Illinois, Ohio and Tennessee; and
- Speed enforcement product sales continue to see momentum as acceptance of automated enforcement in this sector continues to grow and as the efficacy of these safety programs becomes more widely known.

## Installations

Financial year 2008 witnessed the greatest number of installed systems in the traffic photo enforcement industry. The installed base continues to grow with 235 installations in H1 of financial year 2009:

- 877 systems installed at 30 June 2007;
- 1,064 systems installed at 31 December 2007;
- 1,267 systems installed at 30 June 2008; and
- 1,494 systems installed at 31 December 2008.

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 percentage of camera systems which are currently not operational has decreased to less than 4%.

## Product Development Initiatives

### *REDFLEXPlatescan*

In December Redflex Traffic Systems sold the first units of its latest product offering, the advanced Automatic License Plate Reader (ALPR) application to Show Low, Arizona. This leading ALPR engine uses an intelligent neural network recognition engine that provides our end-users with distinct advantages over the conventional OCR applications championed by its competitors. The Redflex solution provides its law enforcement partners a new bundled crime fighting device that provides real-time license plate cross-checks against various local, regional, state-wide and national databases for identifying vehicles of interest, and that notifies the authorities of identified situations including stolen vehicles, felony suspects and suspects of child abductions. Built upon the robust Redflex platform, the integration of these types of advanced applications with our industry leading red-light and speed enforcement solutions provide our customers with a truly unique and comprehensive tool-set for enhanced public safety.

### *REDFLEXspeed Mobile Tripod systems*

The tripod version of the REDFLEXspeed mobile enforcement system has been sold to clients in Ohio as well as further enhancing the flexibility of the deployments of the Arizona DPS speed enforcement program. The tripod system allows an operator to enforce speed in areas where it may not be safe to park a mobile speedvan unit. The unit can be operated remotely, allowing the speedvan operator to enforce multiple directions from the same location.

## Operational Accomplishments

### *High Resolution Monochrome Digital Still Imagery*

The Arizona DPS statewide program demanded the latest in photo enforcement technologies. To further increase the sensitivity of the digital still imaging sensors and reduce the required amount of strobe light for the freeway speed enforcement systems, Redflex implemented its first wide-spread installed base of monochrome digital cameras. Also, further enhancements to the strobe output were implemented in order to satisfy the strict requirements of the FAA. The use of monochrome cameras reduces the enforcement data impact of the program by producing smaller secure data packets and reducing the cost of printing of notices by ~90% for the Arizona DPS program.

### *Remote Adjudication Processing*

To improve the utilization of the staff operating the mobile speedvan vehicles, the Technology teams worked together to create a secure wireless connection to the head office and an ergonomic tablet PC installation in the mobile speedvan vehicles which allow the operators to process citations via the in-house developed web based adjudication system. This should increase the utilisation of that staff base by 50-60% and reduce the backoffice processing staff.

### *Enhanced Streaming Video Technologies*

The Technology team is gearing up to release to production its new SMARTscene Live streaming video web application, which supports all streaming video systems installed in the last 6 years, as well as enhanced features such as user defined filters, multi video displays and back end driven configuration, reducing the impact on the development teams. Also, wide-spread implementation of the latest streaming video technologies has occurred to allow streaming video to be delivered over cellular networks, allowing live streaming and recorded video in not only our fixed installed photo enforcement cameras, but also our mobile fleet. This allows us to provide the customers visual access to the mobile vehicles location (including GPS) and remotely pull recorded video for investigative purposes such as crashes and security issues.

### *Product Compliance Committee*

To ensure that Redflex conforms to all local, state and federal compliance regulations, the Technology departments have established a Product Compliance Committee. The committee is focused on ensuring all existing products and services meet and/or exceed all appropriate regulations; enhancing importation guidelines; and improving development processes.

### *Supply Chain Improvements*

The USA production team continues to develop effective solutions that realise substantial cost savings through global supply chain improvements and reduced freight costs.

### *Installation Accomplishments*

The USA production and installation teams deployed 42 Arizona Department of Public Safety mobile speed vehicles and 34 fixed highway enforcement zones in a 3 month span. The mobile production averaged 8 vehicles produced per week.

### **New Corporate Office**

With the growth experienced over the past several years, and with the expiration of our previous corporate office lease in September, we have relocated the corporate headquarters in the USA to the Pinnacle Peak Commerce Center in Phoenix, Arizona.

The new facility offers:

- greater efficiency in operational layout;
- an enhanced work environment;
- space and facilities for current and future growth needs over the next 7-10 years;
- convenient access for employees;
- lower cost per square foot than the previous location; and
- 7,000 square metres (75,000 square feet) of floor area.

### **Workforce**

As of December 31, 2008, Redflex USA grew its employee base to 488, a 40% growth in period over period. Much of the increase in staff was to support the 42 speed vans deployed as part of the Arizona state photo enforcement program as well as processing staff required to support the increased number of citations.

### **Legislative Environment**

Nationally, the legislative environment is becoming more favourable and the overall level of political resistance is receding as the technology grows more widespread and familiar. Reversals remain possible, but the most likely scenario is that this trend holds in the year ahead.

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

- In Arizona, with the advent of the statewide enforcement program, not surprisingly there is much discussion at the legislature. Correspondingly there are factions of non-supporters working towards ballot measures surrounding banning the use of automated speed enforcement on state highways and increasing the threshold speed for ticketing violators. However, Arizona is faced with complex budget issues that are moving freeway enforcement to a lower state priority. Redflex USA is working with the legislature to help define program parameters to lower some of the citizen concerns, while keeping the program actively operating to continue the positive early trends such as 6 fewer fatalities per month versus a year ago, of which 50% is being attributed to speed enforcement by Arizona Department of Public Safety
- In Texas, for this upcoming legislative session Redflex will be focusing on going on the defensive for Red Light Camera Enforcement, but will also look at ways to improve the existing law. Last session, the Texas Legislature clearly authorised the legal use of red-light cameras for traffic enforcement.
- Efforts to restore operations in Minnesota with enabling legislation will continue in the upcoming legislative session and Redflex will endeavour to garner improved support from cities and the police unions for the safety benefits that are offered.
- A difficult period in New Mexico stabilised with the passage of legislation to channel excess funds from automated enforcement programs to a state level safety program. A panel was assembled mid-year in Albuquerque to determine the efficacy of the city's safety program. Preliminary data shows that the Redflex program is improving community safety.

## Australia/International Business

It has been a half of significant milestones for the Australian/International Business, with the delivery of a number of important programs both in Australia and overseas.

### Highlights

- 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 effort;
- Research and Development delivering new products and software systems;
- First sales of our new mobile radar camera system;
- Continued growth in our installed base throughout Australia;
- Successful provision of outsourced back office processing services in the Northern Territory;
- Expansion of contracts in the Middle East; and
- Selection in a consortium to provide outsourced services in Ireland.

### Australian Market

Redflex continues to have success in Australia.

#### *South Australia*

In South Australia, the next generation of Redflex Mobile Radar Enforcement Cameras was selected by the South Australian Police after a world-wide competitive tender process and extensive trials of shortlisted equipment. The Redflex red-light camera program in South Australia also continues to grow, with a number of new installations throughout the year.

#### *New South Wales*

In New South Wales, Redflex has been delivering Fixed Speed Cameras and Bus Lane Enforcement Cameras throughout the State. We have also worked closely with the Roads and Traffic Authority to deliver a Noise Enforcement Camera System to detect whether trucks are adhering to the national engine brake noise standard. The system can also be used to detect if the trucks are breaching curfew periods or using their engine brakes inappropriately.

#### *Northern Territory*

In the Northern Territory, the enforcement camera program is operating extremely well with the first Redflex red-light camera infringement notice issued on the first of February this year. The remaining red-light cameras are expected to be installed this year. Additionally, Redflex delivered mobile laser camera systems for use by the Northern Territory Police.

#### *Victoria*

In Victoria, Redflex continues to support the Victorian Government Speed and Red-light Camera program. The Railway Crossing Enforcement Camera Trials are still underway at the Springvale Road railway crossing in Nunawading and in country Victoria near Bendigo.

#### *Western Australia*

Redflex was selected to provide red-light cameras to the Western Australia Police and the project has commenced. The Redflex back-office processing software continues to operate effectively in the Traffic Operations Centre in Perth.

## Global Market

### *New Zealand*

Following selection in South Australia, for the next generation mobile radar speed camera, Redflex was selected by the New Zealand Police to provide mobile radar systems. This was an important international sale for Redflex, again against a large field of providers from around the world. This builds upon the successes of the red-light camera program last year.

### *Qatar*

Phase 2 of the red-light camera program in Qatar has commenced and Redflex continues to develop the Saudi Arabia opportunities with our partner Al-Afandi.

### *United Kingdom*

In Europe, Redflex has had a significant win in the United Kingdom, with the award of a contract by the Suffolk Safety Camera Partnership (combining the Police, Fire and Ambulance services plus local hospitals), to provide Mobile Lasercams and Speed and Red-Light Camera systems.

### *China*

In China, Redflex has signed a Memorandum of Understanding with ChinaTel for the joint development of the market leveraging the ChinaTel installations of their wireless broadband network. Redflex is also working in China with AEE Wireless Technology Co. LTD, a leading provider of wireless security systems based in Shenzhen.

### *Other opportunities*

Redflex continues to market its products and services, establish relationships, and appoint distributors in its international markets including Europe, the Middle East and Asia.

## Research and Development

Redflex continues to invest in Research and Development in both the USA and Australia. The R&D teams work together to develop and enhance products for global markets.

Following the completion and approval of the Redflex mobile radar camera system earlier in the year, the system has been successfully deployed in the Arizona state-wide enforcement program, as well as in South Australia and New Zealand.

The Redflex Lasercam has now been tested by the Nederland's Meetinstituut (NMI) and is nearing approval by the Home Office in the United Kingdom.

The Research and Development department has delivered the Noise Enforcement Camera System which has been successfully deployed in New South Wales.

An over-height and weigh in motion capability has been provided for the Bordercam system which monitors the NSW Queensland border to enforce quarantine regulations.

A new mobile flash system has been developed to match the new mobile radar and laser systems now in production.

## Outlook for the Remainder of the 2009 Financial Year

As anticipated, the first half showed the impact of a number of one off costs. Despite this we are looking to a full year of strong growth as the benefits of the new premises, new contracts, and restructuring to focus more strongly on the US speed opportunities, flow through the second half.

We expect to see the growth in the USA market continue. As the clear leader in that potential multi-billion dollar market which is less than 10% penetrated at this stage, the opportunities for growth are enormous, and Redflex is well positioned and equipped to capitalise on the continued expansion of the market.

We have committed work under the large number of contracts signed in prior months to underpin our growth into the 2010 financial year.

We have made very significant progress with the speed market over the past year. Particularly pleasing is the statewide program with the Department of Public Safety in the State of Arizona. Additionally, of the contracts signed in the first half of the 2008/2009 financial year, approximately half had a substantial speed enforcement element. This reflects the additional focus on speed enforcement opportunities in the recently created Business Development division. We anticipate that the speed market will continue to expand.

We will continue to invest in Research and Development both in Australia and the USA to position our technologies and processes at the leading edge of the industry.

Outside of the USA, while sale of products and associated support services has been and continues to be the dominant business model, we have seen the emergence of early opportunities for full outsourced service offerings, and have positioned to capitalise on those opportunities as they mature.

At the AGM on 19 November 2008 the market was advised that we believe that our 2008 / 2009 operating pre-tax profit will increase by approximately 40% on the 2007 / 2008 financial year result. That forecast was predicated on the DPS Arizona requirement for 100 camera systems to be installed by the end of January 2009. We have currently installed 76 systems and await DPS' instructions to install the remaining quantity. We have also observed some reduction in the percentage of violators paying fines, which may be attributable to the impact of the economic downturn in the USA.

In addition, we experienced a number of one-off costs for the half year and will incur significant costs ahead in processing the unsolicited expressions of interest to acquire the company.

However, at the same time the currency has moved favourably for us as a significant portion of our profits are generated in US\$. This is a phenomenon not seen over the last few years.

Despite the tough economic circumstances and a number of political pressures being encountered within our USA traffic enforcement programs, we have not, at this time, revised our pre-tax profit expectation.

## Financing Activities

The board is committed to continuing to substantially grow the underlying Redflex business. To that end, subsequent to the half-year end, Redflex increased its revolving credit facility to US\$65 million from US\$50 million. The facility is for the period to 30 June 2009 and is regarded by the company as an interim increase with a longer term facility for an increased amount to be put in place to support the continued expected growth in the business.

We have current indicative proposals from three major Australian banks and BMO indicating their desire to enter into a larger longer term facility for at least a three year period. This process is already well advanced and is expected to be finalised well in advance of the current facility maturity date.

These funding facilities should place the company in a strong financial position going forward and provide Redflex with the ability to increase the current rate of installation. The capital expenditure required for our planned growth is expected to be fully fundable from net operating activities and debt facilities.

### Events subsequent to 31 December 2008

Aside from those items detailed in Note 4, there were no significant events subsequent to 31 December 2008 and prior to the date of this report.

### Rounding

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

### Auditor's Independence

The company has received the Auditor's Independence Declaration dated 24 February 2009.

Signed in accordance with a resolution of the directors.

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

**Graham Davie**

Director  
Melbourne, 24 February 2009

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

In relation to our review of the financial report of Redflex Holdings Limited for the half-year ended 31 December 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'Ashley C. Butler' in a cursive style.

Ashley C. Butler  
Partner

24 February 2009

**INCOME STATEMENT**

	Note	Consolidated Entity	
		31-Dec-08 \$'000	31-Dec-07 \$'000
<b>Revenue from operations</b>			
Sale of goods and services		7,549	12,747
Revenue from fee for service contracts		49,960	29,833
Finance revenue		40	86
<b>Total Revenue</b>	3	<b>57,549</b>	<b>42,666</b>
Cost of sales		2,430	6,839
Cost of fee for service contracts		15,506	7,960
<b>Cost of goods sold</b>		<b>17,936</b>	<b>14,799</b>
<b>Gross profit</b>		<b>39,613</b>	<b>27,867</b>
Sales and marketing related expenses		6,522	4,942
Administrative related expenses		10,804	7,079
Writedown of plant and equipment	7	1,140	0
Program management costs		1,640	981
Amortisation of intangibles		767	533
Depreciation - fee for service contract assets		11,100	6,555
Depreciation - other		260	180
		<b>32,233</b>	<b>20,270</b>
<b>Profit before tax and financing costs</b>		<b>7,380</b>	<b>7,597</b>
Interest		1,276	726
<b>Profit before tax</b>		<b>6,104</b>	<b>6,871</b>
Income tax expense		1,905	2,151
<b>Net profit after tax attributable to members of the parent</b>		<b>4,199</b>	<b>4,720</b>
<b>Earnings per share (cents per share)</b>			
- basic for profit for half-year attributable to ordinary equity holders of the parent company		4.62 cents	5.29 cents
- diluted for profit for the half-year attributable to ordinary equity holders of the parent company		4.49 cents	5.12 cents
- dividends per share attributable to ordinary equity holders of the parent company		Nil	Nil

**BALANCE SHEET**

	Note	Consolidated Entity	
		31-Dec-08	30-June-08
		\$'000	\$'000
<b>Current Assets</b>			
Cash and cash equivalents		7,202	12,090
Trade and other receivables		26,613	15,744
Inventories		23,593	10,805
Deferred Cost asset		2,314	0
Other		2,059	2,677
<b>Total Current Assets</b>		<b>61,781</b>	<b>41,316</b>
<b>Non-Current Assets</b>			
Property plant and equipment		126,472	69,963
Deferred Cost asset		7,730	3,480
Deferred tax asset		3,154	3,348
Intangible assets and goodwill		10,887	8,877
Asset retirement obligation		1,509	1,318
<b>Total Non-Current Assets</b>		<b>149,752</b>	<b>86,986</b>
<b>TOTAL ASSETS</b>		<b>211,533</b>	<b>128,302</b>
<b>Current Liabilities</b>			
Trade and other payables		31,714	19,363
Interest bearing borrowings	4	68,263	295
Income tax payable		2,959	3,732
Provisions		1,806	1,544
<b>Total Current Liabilities</b>		<b>104,742</b>	<b>24,934</b>
<b>Non Current Liabilities</b>			
Interest bearing borrowings		433	33,683
Deferred tax liability		5,850	2,906
Asset retirement obligation		2,035	1,318
Provisions		175	77
<b>Total Non Current Liabilities</b>		<b>8,493</b>	<b>37,984</b>
<b>TOTAL LIABILITIES</b>		<b>113,235</b>	<b>62,918</b>
<b>NET ASSETS</b>		<b>98,298</b>	<b>65,384</b>
<b>Equity attributable to equity holders of the parent company</b>			
Contributed equity		85,863	83,161
Reserves		16,011	(14,052)
Accumulated losses		(3,576)	(3,725)
<b>TOTAL EQUITY</b>		<b>98,298</b>	<b>65,384</b>

## CASH FLOW STATEMENT

	Note	Consolidated Entity	
		31-Dec-08 \$'000	31-Dec-07 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		54,848	45,533
Payments to suppliers and employees *		(42,519)	(25,287)
Interest received		40	86
Interest paid		(962)	(726)
Income tax paid		(1,298)	(1,864)
<b>Net cash flows from (used in) operating activities</b>	6	<b>10,109</b>	<b>17,742</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(28,607)	(21,001)
Capitalised development costs		(2,008)	(1,493)
<b>Net cash flows from (used in) investing activities</b>		<b>(30,615)</b>	<b>(22,494)</b>
<b>Cash flows from financing activities</b>			
Bank borrowings		15,627	3,991
Proceeds from issue of ordinary shares		2,702	1,918
Lease liability incurred		(256)	177
Dividends paid		(4,050)	(3,026)
<b>Net cash flows from financing activities</b>		<b>14,023</b>	<b>3,060</b>
<b>Net decrease in cash held</b>		<b>(6,483)</b>	<b>(1,692)</b>
Effect of exchange rate changes on cash		1,595	(185)
Cash at beginning of period		12,090	10,179
<b>Cash and cash equivalents at end of period</b>		<b>7,202</b>	<b>8,302</b>
<b>Reconciliation of cash</b>			
Cash at the end of the period consists of:			
Cash at bank		6,919	6,979
Deposits at call		283	1,323
		<b>7,202</b>	<b>8,302</b>

\* Payments to suppliers and employees include ITP Settlement of \$3.8M as referred to in the 30 June 2008 Annual Report.

**STATEMENT OF CHANGES IN EQUITY**

Consolidated Entity	Contributed Equity	Foreign Currency Translation Reserve	Employee Equity Benefits Reserve	Accumulated Losses	Consolidated Entity
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2007</b>	<b>81,243</b>	<b>(10,014)</b>	<b>3,355</b>	<b>(8,229)</b>	<b>66,355</b>
Profit for the half-year	0	0	0	4,720	4,720
Currency translation differences	0	(1,763)	(1)	(19)	(1,783)
<b>Total recognised income and expense for the period</b>	<b>0</b>	<b>(1,763)</b>	<b>(1)</b>	<b>4,701</b>	<b>2,937</b>
Share based payments	0	0	416	0	416
Dividends paid	0	0	0	(3,136)	(3,136)
Proceeds from Dividend Reinvestment Plan	1,726	0	0	0	1,726
Exercise of employee options	192	0	0	0	192
<b>At 31 December 2007</b>	<b>83,161</b>	<b>(11,777)</b>	<b>3,770</b>	<b>(6,664)</b>	<b>68,490</b>
<b>At 1 July 2008</b>	<b>83,161</b>	<b>(18,204)</b>	<b>4,152</b>	<b>(3,725)</b>	<b>65,384</b>
Profit for the half-year	0	0	0	4,199	4,199
Currency translation differences	0	29,569	0	0	29,569
<b>Total recognised income and expense for the period</b>	<b>0</b>	<b>29,569</b>	<b>0</b>	<b>4,199</b>	<b>33,768</b>
Share based payments	0	0	494	0	494
Dividends paid	0	0	0	(4,050)	(4,050)
Proceeds from dividend reinvestment plan	1,721	0	0	0	1,721
Exercise of employee options	981	0	0	0	981
<b>At 31 December 2008</b>	<b>85,863</b>	<b>11,365</b>	<b>4,646</b>	<b>(3,576)</b>	<b>98,298</b>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1 CORPORATE INFORMATION

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

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

### NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2008 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2008 and considered together with any public announcements made by Redflex Holdings Limited during the half-year ended 31 December 2008 in accordance with the continuous disclosure obligations of the ASX listing rules.

At 31 December 2008 the company has current liabilities in excess of current assets. Note 4 provides further details of current and planned financing facilities.

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

#### (b) Changes in accounting policies

There have been no changes in accounting policies during the half-year ended 31 December 2008.

#### (c) 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 remunerated on a per ticket basis. The revised estimate has the effect of reducing revenue for the six month period by approximately \$1.10 million.

**(d) New accounting standards and interpretations**

From 1 July 2008 the Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 January 2009. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group.

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB Int. 12 and AASB 2007-2	Service Concession Arrangements and consequential amendments to other Australian Accounting Standards.	Clarifies how operators recognise infrastructure as a financial asset and/or an intangible asset – not as property, plant and equipment, should the requirements apply.	1 January 2008	The Group has assessed the requirements of this interpretation and determined it does not meet the requirements regarding public-to-private arrangements contained within.	1 July 2008
AASB Int. 4 (Revised)	Determining whether an Arrangement contains a Lease.	Requires assessment of multi-element arrangements and associated revenue flows to determine whether a lease arrangement exists. The revised Interpretation specifically scopes out arrangements that fall within the scope of AASB Interpretation 12.	1 January 2008	The Group has assessed the requirements of this interpretation and determined it does not meet the requirements regarding implied lease arrangements contained within.	1 July 2008
AASB Int. 129	Service Concession Arrangements: Disclosures.	Requires disclosure of provisions or significant features necessary to assist in assessing the amount, timing and certainty of future cash flows and the nature and extent of the various rights and obligations involved. These disclosures apply to both grantors and operators.	1 January 2008	Refer to AASB Int. 12 and AASB 2007-2 above.	1 July 2008

Appendix 4D  
Report for Half Year ended 31 December 2008

The following accounting standards and interpretations have been issued subsequent to the 30 June 2008 annual report but are not yet effective:

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB Int. 17 and AASB 2008-13	Distributions of Non-cash Assets to Owners and consequential amendments to other Australian Accounting Standards.	The Interpretation outlines how an entity should measure distributions of assets, other than cash, as a dividend to its owners acting in their capacity as owners. This applies to transactions commonly referred to as spin-offs, split offs or demergers and in-specie distributions.	1 July 2009	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project.	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	1 July 2009	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009

**NOTE 3 SEGMENT INFORMATION**

The Redflex Group's primary reporting format is business segments. The operating businesses are organised and managed separately according to the nature of the products and services that are provided, with each segment representing a strategic business unit that offers different products and services to different markets. The 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 Traffic division operates within two key markets - the USA and Australia / International. The USA Traffic business is predominantly a Build Own Operate and Maintain business providing fully outsourced traffic enforcement programs to cities and townships. The Australian / International Traffic business involves the sale of traffic enforcement products and services to those markets. The Corporate division represents the Group's Head Office which is based in Melbourne, Australia.

Appendix 4D  
Report for Half Year ended 31 December 2008

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

The following tables present revenue and profit information and asset and liability information regarding business segments for the half years ended 31 December 2008 and 31 December 2007.

**Operating results by business segments**

**Half year ended 31 December 2008**

Business Segments	Operations			Total
	Corporate	USA Traffic	Australian /International Traffic	
	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>				
Revenue from the sale of goods and services to external customers	0	844	6,705	7,549
Revenue from fee for service contracts	0	49,960	0	49,960
Interest income	0	0	40	40
Inter-segment revenue	0	0	14,463	14,463
<b>Total segment revenue</b>	<b>0</b>	<b>50,804</b>	<b>21,208</b>	<b>72,012</b>
Inter-segment elimination				(14,463)
<b>Total consolidated revenue</b>				<b>57,549</b>
<b>Result</b>				
Earnings before interest, tax, depreciation, and amortisation	(1,581)	16,378	4,710	19,507
Depreciation	(25)	(11,100)	(235)	(11,360)
Amortisation	0	(179)	(588)	(767)
<b>Segment result</b>	<b>(1,606)</b>	<b>5,099</b>	<b>3,887</b>	<b>7,380</b>
Unallocated expenses				0
<b>Profit before tax and finance charges</b>				<b>7,380</b>
Finance charges				(1,276)
<b>Profit before income tax</b>				<b>6,104</b>
Income tax expense				(1,905)
<b>Net profit for the half-year</b>				<b>4,199</b>
<b>Assets and liabilities</b>				
Segment assets	2,863	170,441	38,229	211,533
Unallocated assets	0	0	0	0
<b>Total assets</b>	<b>2,863</b>	<b>170,441</b>	<b>38,229</b>	<b>211,533</b>
Segment liabilities	879	102,945	9,411	113,235
Unallocated liabilities	0	0	0	0
	<b>879</b>	<b>102,945</b>	<b>9,411</b>	<b>113,235</b>

Operating results by business segments (continued)

Half-year ended 31 December 2007

Business Segments	Operations			Total \$'000
	Corporate \$'000	USA Traffic \$'000	Australian /International Traffic \$'000	
<b>Revenue</b>				
Revenue from sale of goods and services to external customers	0	4,184	8,563	12,747
Revenue from fee for service contracts	0	29,833	0	29,833
Interest Income	54	0	32	86
Inter-segment revenue	0	0	11,485	11,485
<b>Total segment revenue</b>	<b>54</b>	<b>34,017</b>	<b>20,080</b>	<b>54,151</b>
Inter-segment elimination				(11,485)
<b>Total consolidated revenue</b>				<b>42,666</b>
<b>Result</b>				
Earnings before interest, tax, depreciation, and amortisation	(1,358)	12,416	3,807	14,865
Depreciation	(8)	(6,555)	(172)	(6,735)
Amortisation	0	(79)	(454)	(533)
<b>Segment result</b>	<b>(1,366)</b>	<b>5,782</b>	<b>3,181</b>	<b>7,597</b>
Unallocated expenses				0
<b>Profit before tax and finance charges</b>				<b>7,597</b>
Finance charges				(726)
<b>Profit before income tax</b>				<b>6,871</b>
Income tax expense				(2,151)
<b>Net profit for the half-year</b>				<b>4,720</b>
<b>Assets and liabilities</b>				
Segment assets	9,322	89,284	24,418	123,024
Unallocated assets	0	0	0	0
<b>Total assets</b>	<b>9,322</b>	<b>89,284</b>	<b>24,418</b>	<b>123,024</b>
Segment liabilities	1,147	44,984	8,403	54,534
Unallocated liabilities	0	0	0	0
	<b>1,147</b>	<b>44,984</b>	<b>8,403</b>	<b>54,534</b>

**NOTE 4 INTEREST BEARING BORROWINGS**

Subsequent to the half-year end, Redflex increased its revolving credit facility to US\$65.00 million from US\$50.00 million (Australian dollar equivalent AU\$94.11 million from AU\$72.39 million). The facility is for the period to 30 June 2009 and is regarded by the company as an interim increase with a longer term facility for an increased amount to be put in place to support the continued expected growth in the business.

The company currently has firm indications from three major Australian banks as well as one of our bankers BMO Capital Markets indicating their desire to enter into a larger, longer term facility for at least a three year period. This process of refinancing is well advanced and is expected to be finalised prior to the current facility maturity date.

The current facility is a syndication between Commonwealth Bank of Australia and BMO which 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 and subsidiaries. The facility expires on 30 June 2009 but is expected to be renewed prior to that date as described above.

**NOTE 5 ISSUED AND QUOTED SECURITIES**

	Total number	Number quoted	Issue price per security	Amount paid up per security
<b>Ordinary securities</b>				
<b>Issued at 1 July 2008</b>	<b>90,260,494</b>	<b>90,260,494</b>		
Changes during current period				
(a) Increases through issues				
Dividend Reinvestment Plan	659,965	659,965	\$2.61	\$2.61
From Performance Rights	499,755	499,755	0	0
Conversion of employee options	523,000	523,000	\$1.88 average	\$1.88 average
(b) Decreases through returns of capital, buybacks	0	0		
<b>Issued at 31 December 2008</b>	<b>91,943,214</b>	<b>91,943,214</b>		
<b>Options</b>				
<b>Issued at 1 July 2008</b>	<b>1,148,000</b>			
Exercised during the current period:				
RDFAS employee options	(135,000)			
RDFAT employee options	(388,000)			
<b>Issued at 31 December 2008</b>	<b>625,000</b>			
<b>Performance Rights</b>				
<b>Issued at 1 July 2008</b>	<b>1,704,626</b>			
Issued – performance to 1 October 2011	775,811			
Converted to shares - performance to 1 October 2008	(499,755)			
Forfeited - performance to 1 October 2009	(10,997)			
- performance to 1 October 2010	(7,673)			
<b>Issued at 31 December 2008</b>	<b>1,962,012</b>			

**NOTE 6 CASH FLOW RECONCILIATION**

	Consolidated Entity	
	31-Dec-08	31-Dec-07
	Note	
	\$'000	\$'000
<b>Reconciliation from the net profit after tax to the net cash flows from operations</b>		
Net cash flows from (used in) operating activities	4,199	4,720
<b>Non Cash Flow Items</b>		
Depreciation expense	11,079	6,735
Asset Retirement Obligation (ARO) depreciation expense	281	0
Amortisation of intangibles	767	533
Provision of employee entitlements	359	166
Impairment and write down of property, plant and equipment	1,140	0
Share based payments	494	415
<b>Change in operating Assets and Liabilities</b>		
Decrease/(Increase) in prepayments	538	118
Decrease/(Increase) in receivables - current	(2,978)	2,605
Decrease/(Increase) in inventories	(7,363)	(2,546)
Decrease/(Increase) in taxation provisions	(773)	1,224
Decrease/(Increase) in deferred tax asset	860	(4,225)
Increase/(Decrease) in deferred tax liability	519	4,286
Increase/(Decrease) in deferred revenue	337	651
Increase/(Decrease) in payables	4,175	3,060
Increase/(Decrease) in deferred costs assets	(3,525)	0
<b>Net cash flows from operating activities</b>	<b>10,109</b>	<b>17,742</b>

**NOTE 7 WRITEDOWN OF PLANT AND EQUIPMENT**

During the period ended 31 December 2008, a three year contract with the City of Knoxville, Tennessee expired. The company's tender for renewal of the facility was not accepted by the City, and a temporary extension to the contract was granted whilst the City contracted with a new vendor. At this stage it is expected that the program will not be renewed after 6 April 2009.

A further program in the City of El Monte, California also expired during the period, and was not renewed by mutual consent between the City and Redflex.

The net book value of the assets within those cities was considered partially impaired and has been provided for during the period. A resultant impairment charge of \$1.14 million has been recorded during the half year ended 31 December 2008.

**NOTE 8 SIGNIFICANT MOVEMENTS IN BALANCE SHEET ITEMS**

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

The majority of assets and liabilities reside within the USA Traffic division. During the half year ended 31 December 2008 there has been a substantial change in exchange rates which have had a significant effect on all Balance Sheet items.

At 30 June 2008 the exchange rate was US\$/AU\$0.9615 compared to the 31 December 2008 US\$/AU\$ exchange rate of 0.6907.

A significant portion of the movement within the Foreign Currency Translation Reserve of \$29.57 million relates to the conversion of the net USA domiciled assets and liabilities at 30 June 2008, converted at 31 December 2008 exchange rates. This has led to a \$27.66 million increase in the AU\$ equivalent value of those net assets.

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

	AU\$'000
<b>Impact on asset balances</b>	
Cash and cash equivalents	3,254
Trade and other receivables	4,984
Inventories	3,592
Property plant and equipment	33,322
Other	663
	<u>45,815</u>
<b>Increase on liability balances</b>	
Trade and other payables	4,945
Interest bearing borrowings	13,206
	<u>18,151</u>
<b>Net impact on balance sheet items</b>	<u>27,664</u>

**NOTE 9 INTERNAL GROUP RESTRUCTURE**

At 31 December 2008 the Group instigated an internal restructure to eliminate tax inefficiencies inherent within the Redflex internal ownership structure relating to intercompany funding and taxation arrangements under USA tax legislation.

One consequence of that restructure is that Australian sourced operating income will now be subject to USA taxation. It is anticipated that the likely effect will be an increase in Group taxation rates, commencing from 1 January 2009.

**NOTE 10 CONTINGENCIES**

There has been no change in contingent assets or liabilities since 30 June 2008.

**NOTE 11 EVENTS AFTER BALANCE SHEET DATE**

Aside from those items detailed in Note 4, there were no significant events subsequent to 31 December 2008 and prior to the date of this report.

### **DIRECTORS' DECLARATION FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

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

In the opinion of the directors,

- (a) the financial report of the consolidated entity:
  - (i) gives a true and fair view of the financial position as at 31 December 2008 and the performance for the half-year ended on that date of the consolidated entity, and
  - (ii) complies with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



**Graham Davie**

Director

Redflex Holdings Limited  
ABN 96 069 306 216

24 February 2009

To the members Redflex Holdings Limited

## Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Redflex Holdings Limited, which comprises the condensed balance sheet as at 31 December 2008, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at half-year and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Redflex Holdings Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Redflex Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the six months ended on that date; and
- ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

*Ernst & Young*

Ernst & Young

*Ashley C. Butler*  
Partner

Melbourne  
24 February 2009