REDFLEX HOLDINGS LIMITED

ANNUAL REPORT - 2009

REDFLEX HOLDINGS LIMITED
ABN 96 069 306 216

Directors
Christopher Cooper – Chairman
Graham Davie – Chief Executive
Karen Finley – Executive
Ronald Langley
Peter Lewinsky
Roger Sawley

Company Secretary
Marilyn Stephens

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Redflex Holdings Limited shares are listed on ASX (Australian Securities Exchange)

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181 William Street
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Bankers
Commonwealth Bank of Australia
Melbourne, Victoria, Australia

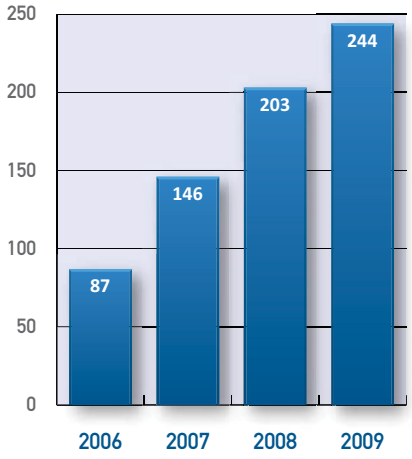
Auditors
Ernst & Young
Melbourne, Victoria, Australia

FINANCIAL PERFORMANCE

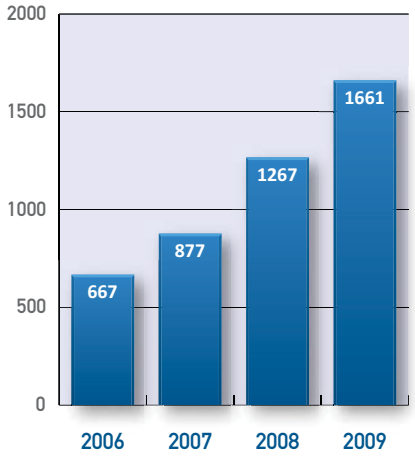
FINANCIAL PERFORMANCE FROM CONTINUING OPERATIONS	FY 2009	FY 2008
Revenue ($M)	130.9	88.2
Earnings before interest, taxation, depreciation and amortisation ($M)	45.5	32.3
Operating profit after tax ($M)	9.6	10.6
Weighted average number of shares (million)	91.4	89.8
Basic earnings per share (cents)	10.54	11.79
Earnings per share based on earnings before interest, tax, depreciation and amortisation (cents)	49.7	36.0

FINANCIAL POSITION	FY 2009	FY 2008
Current assets ($M)	63.8	40.8
Non-current assets ($M)	142.6	87.0
Current liabilities ($M)	29.1	24.9
Non-current liabilities ($M)	87.8	37.5
Shareholders equity ($M)	89.4	65.4

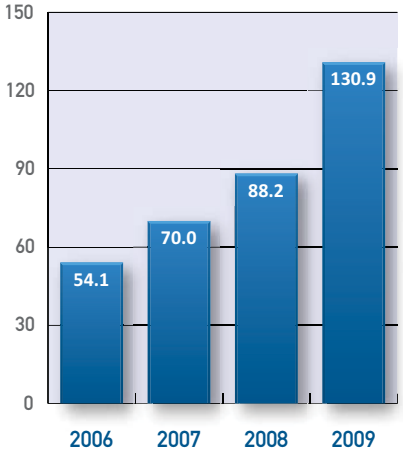
CONTRACTED CITIES IN USA



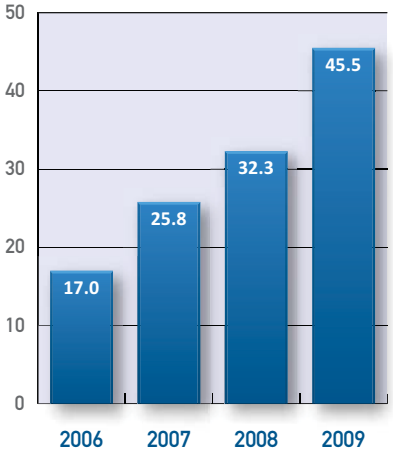
INSTALLED BASE OF CAMERAS IN USA



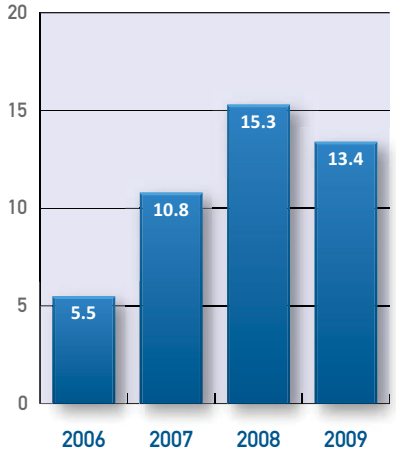
REVENUE
FROM CONTINUING OPERATIONS ($AU MILLION)



EBITDA
FROM CONTINUING OPERATIONS ($AU MILLION)



NET PROFIT BEFORE TAX
FROM CONTINUING OPERATIONS ($AU MILLION)



CHAIRMAN'S REPORT

FELLOW SHAREHOLDERS

The Redflex board is very pleased to advise shareholders that overall the company is in excellent shape. The company continues to enjoy international pre-eminence in the road safety industry generally and more particularly has maintained and increased its USA market leadership, whilst simultaneously profitably growing its Australian and general International operations.

The 2009 financial year saw company revenues grow by 48%, EBITDA increase by 41% and net profit before tax increase by 17% to $13.4 million.

The company during the year was successful in obtaining a $US100 million banking facility on very favourable terms. Our balance sheet has been further strengthened by our current capital raising which will provide a further $32 million approximately. The company is clearly well positioned to grow its business into the future from its currently already strong position – a position which continues to grow stronger.

It is now seven years since Redflex was subject to reshaping at board and senior management level. The subsequent period has been one of great corporate stability and has seen a positive transformation of the company's fortunes. Over that period of time, company revenue has grown from $23 million per annum to $131 million per annum and the company bottom line has evolved from a loss of $3.7 million to a profit in the last financial year of $13.4 million. During that period the market capitalisation of the company has grown from $13.5 million to $233 million (a compound growth rate of more than 50% per annum). The company has matured to a point where it makes substantial profits and for the last three years has been in a position to pay shareholders fully franked dividends (this year 5.0 cents per share fully franked – the record date for which will be the 28th October 2009).

Over that seven year period a combination of share price increase, dividend entitlements and franking credits has provided shareholders with a financial return of approximately 26% per annum compound – a pleasing figure by any standard and particularly so in light of the fact that the ASX All Ordinaries Index growth over the same period has been approximately 7% per annum.

The board is very confident that the company is on track for ongoing substantial future growth and prosperity and that in particular the 2009/10 financial year will see record profits being generated by the company.

Whilst Redflex is above all a commercial enterprise, it is important to recognise the social significance of the business. The company is based in Victoria, Australia, but carries out business throughout the world – particularly in the USA. Victoria has proven to be a significant innovator in road safety programs particularly incorporating the extensive use of traffic cameras. Such camera programs are, however, only a recent phenomenon within the USA and at this time market penetration remains low. Notwithstanding the fact that USA road systems are vastly superior to Victoria's, the sad statistical reality is that in the USA road accident fatality and serious injury rates are between two and three times the per capita rates incurred in Victoria. This tragic anomaly has the effect that each year there are literally tens of thousands of 'excess' fatalities and hundreds of thousands of 'excess' serious

injuries suffered on USA roads. Clearly any solution to this situation that can be found should be applied. The product range offered by Redflex is demonstrably capable of contributing to such a solution.

Notwithstanding the foregoing, it is clear that the 2009 financial year was an extremely challenging one. A number of factors came together which collectively restricted the company's financial performance.

- The company was a victim of the global financial crisis, a commercial 'tsunami' - the like of which had not been experienced for 80 years. The 'meltdown' was particularly severe in the USA where approximately 80% of the company's business is carried out. The effect on our collection rates within the USA was significantly negative.
- The issues encountered regarding teething problems associated with the roll out of the Arizona DPS contract have been well publicised elsewhere. Winning the Arizona DPS contract, the first ever state-wide speed enforcement contract in the USA, was a great achievement for our company and has been technologically highly successful. We are confident that the teething problems encountered are currently being overcome and that the program will prove to be a wonderful benchmark and a foundation upon which multiple future state-wide contracts will be based.
- Tragically, one of our employees, Doug Georgianni, was brutally murdered whilst carrying out his employment duties associated with the Arizona DPS. This senseless death led to an extended shutdown of a large part of our operations with consequent negative commercial effect.
- During the financial year a number of parties expressed interest in the possible acquisition of Redflex. As a result, considerable cost, time and effort was incurred by the company in providing due diligence assistance to all parties who had expressed interest with a potential view to soliciting actual offers capable of being placed before shareholders. Ultimately none of the interested parties made an actual offer.
- Foreign exchange rates in general, and AU$/US$ rates in particular, remained unfavourable by historical standards during the financial year with a negative impact on our results.
- Significant amounts of cost, time and effort were required to be devoted to legal and lobbying activities within the USA market. Such activities have been overwhelmingly successful but predictably expensive.

All of these issues have been and continue to be addressed and we are confident that they are being resolved in a timely manner to every extent reasonably possible. The future does indeed remain bright.

Finally, the board takes this opportunity to thank and congratulate our loyal and hard working staff on their achievements and to likewise thank the company's loyal shareholders for their ongoing support.

Christopher Cooper

Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

REVIEW OF OPERATIONS

The 2009 financial year has been profitable, even though 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 been 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.

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 Organisation 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.

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 Amortisation (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 21.4% up on the prior period.
- Our number one position in the key USA market has been maintained.
- The company has successfully negotiated a new banking facility for US$100 million on favourable commercial terms with a syndicate of three Australian banks.
- Redflex's Australian based International traffic enforcement business has made further inroads into both the Australian and overseas market, with major new contract wins with the Department of Justice in Victoria and with the Government of Hong Kong SAR.
- Ongoing research and development investment in new technology developments that continue to place Redflex at the forefront of the industry.

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. 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 in combination with Westpac and National Australia Bank.

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 2009 financial year a number of indicative expressions of interest to acquire the company were received by the board. These were indicative in nature, non-binding and highly conditional. 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 interested parties to refine and firm up substantial proposals, such that offers could be put to shareholders. 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$63.3 million to US$82.9 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 with cities in the USA from 1 July 08 to 30 June 09;
- 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;
- The 2009 financial year saw 38 contracts renewed with long-term partner cities.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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 248 cities across 21 states. New contracts were signed with the following cities from 1 July 2008 to 8 September 2009.

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

* Contracts signed since 1 July 2009.

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.

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.


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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's 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;
- realised 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 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 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 authorised 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 utilised 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 utilised in various investigations including traffic accidents, hit and runs, domestic disputes, robbery, homicides, and rape cases.

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.

REDFLEXspeed Trailer

Redflex is in the process of completing a new addition to the REDFLEXspeed 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 REDFLEX 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 annualised 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%.

Review of infrastructure

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 a corporate-wide quality initiative in November 2008. The project's goal is to create a strong and scalable infrastructure, that is in alignment with Redflex's growth objectives.

Initial work is 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 2010 financial year to ensure Redflex retains its status as the world-class provider in photo enforcement.


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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 utilisation;
- 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.

LEGISLATIVE ENVIRONMENT

The legislative environment continues to be challenging and Redflex 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. Redflex 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 Redflex cameras from operation in Mississippi.

LEGAL ENVIRONMENT

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

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

Redflex 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

Redflex 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 Redflex camera, automated number plate recognition, and video technology to enforce the proper use of bus lanes throughout the city.

HONG KONG

We have 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 Redflex 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. Redflex will supply 20 radar based speed cameras 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.

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 Home Office 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.

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 Redflex 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. This technology 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.

- Redflex 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.

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

AMERICAN DEPOSITARY RECEIPTS

The ADR program, which has been in operation since April 2005, provides a vehicle for USA-based investors to acquire a Redflex security that is traded in the USA. ADRs trade as RFLXY on the Over The Counter (OTC) market. Each ADR corresponds to 8 Redflex ordinary shares. A relatively small number of ADRs has been issued by the Bank of New York; however, as most institutional investors in the USA are free to invest directly in the Australian market, the number of ADRs on issue is not representative of investment interest from the USA.

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 2010 financial year. The number of new contracts that have been signed in the 2009 financial year provide a base for that growth.
- 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 working with the local policing authorities.
- 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 out technologies remain at the forefront of the industry. Our planned expenditure on R&D is around 3% of revenue for the 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.

THANKS

I take this opportunity to thank the people and organisations who have contributed to the success of Redflex. The commitment of all staff and my fellow directors, and the support of our customers, financiers, suppliers and advisors have all enabled Redflex to achieve what it has through this challenging year. We look forward to delivering enhanced shareholder returns into the future.

Graham Davie

Chief Executive Officer

30 September 2009

DIRECTOR'S REPORT

YOUR DIRECTORS SUBMIT THEIR REPORT
FOR THE YEAR ENDED 30 JUNE 2009.

DIRECTORS

Details of the company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

CHRISTOPHER COOPER - L.L.B., B.COM. - (NON-EXECUTIVE CHAIRMAN)

Mr Cooper practiced as a barrister and solicitor between 1977 and 2008. He has been involved in commercial real estate development, and investment management as well as being an owner and operator of aged care health facilities from 1985 to 2001. Mr Cooper is also a principal and agent manager for significant share investment portfolios and a director and manager of numerous private investment companies and trusts. During the last three years Mr Cooper has not been a director of any other listed public companies.

GRAHAM DAVIE - BSC, GRAD DIP MIL AV - (CHIEF EXECUTIVE OFFICER)

Mr Davie has been the Chief Executive Officer of the Redflex Group since 2002 and previously held the position of Managing Director of the Redflex Communications business since 1993. He has had ten years experience with the RAAF in engineering design and development, maintenance engineering, software development and support, specification of major systems, and project management.

His expertise also includes airborne avionics, flight simulation, avionics automatic test equipment, air traffic control communications and control systems, airport information display systems, and development of graphics software and system support. During the last three years Mr Davie has not been a director of any other listed public companies.

KAREN FINLEY - (CHIEF EXECUTIVE OFFICER, REDFLEX TRAFFIC SYSTEMS INC)

Ms Finley is President and CEO of Redflex Traffic Systems Inc in Phoenix, Arizona. She was appointed to that position in 2005 having started with Redflex as director of operations in 1998 when the company had only three USA contracts. She has extensive knowledge of the business, its competitors and the markets in which it operates, and has successfully ushered the business through enormous expansion.

Ms Finley was born in Columbus, Ohio, and spent most of her youth in Colorado. Before joining Redflex, Ms Finley was director of corporate services for Scottsdale Insurance Company. Ms Finley has a Masters in Business Administration-Finance and a bachelor's degree in business management from the University of Phoenix. She also attended the Center for Creative Leadership in San Diego. Ms Finley lives in Arizona. During the last three years Ms Finley has not been a director of any other listed public companies.

PETER LEWINSKY - B EC, MBA, FCA, SF FIN — (NON-EXECUTIVE DIRECTOR)

Mr Lewinsky has conducted a private investment banking and corporate advisory practice since 1991 following 12 years investment banking and stockbroking experience both in Australia and internationally. He has undertaken a range of corporate finance transactions and managed a number of major projects for the boards and shareholders of public, private and government organisations drawing on his experience in chartered accountancy, investment banking, stockbroking and private practice.

Since 1994, Mr Lewinsky has held a number of board and audit committee appointments for public listed, private and government organisations. He is currently Chair of the Audit Committee of the Victorian Government's Department of Primary Industries and a member of the Audit Committee of the Department of Innovation, Industry and Regional Development. Since 2006 Mr Lewinsky has been a non-executive director and Chair of the Audit Committee of Tower Australia Group Limited. During the last three years Mr Lewinsky has not been a director of any other listed public company.

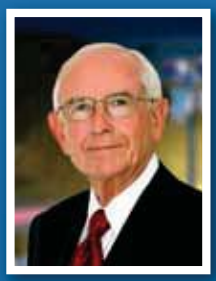
RONALD LANGLEY – B.COMM — (NON-EXECUTIVE DIRECTOR)

Mr Langley was appointed to the board in May 2009.

Mr Langley is a very experienced director having sat on the boards of more than 20 listed companies around the world including companies listed on the New York Stock Exchange, NASDAQ, Zurich Stock Exchange, Hong Kong Stock Exchange, the Toronto Stock Exchange and ASX. He is well-versed on corporate governance issues and has been on all of the various vital committees such as audit, nominating, compensation and special M & A teams. He also brings to Redflex a USA perspective and a Sydney base.

Mr Langley was born in Australia and graduated in Commerce from NSW University. He has spent the last 25 years in the USA, initially running an international subsidiary of Brierley Investments Limited in North America and subsequently was Executive Chairman of PICO Holdings, Inc, a very successful insurance, water rights and property company with significant strategic investments in the US, Switzerland, Australia and New Zealand. He retired from active executive and Chair duties on 31 December, 2007 but continues to travel regularly to the USA.

During the last 3 years, Mr Langley has been a director of PICO Holdings, Inc., listed in the USA, Jungfraubahn Holding AG, listed in Switzerland, and Guinness Peat Group plc, listed in the United Kingdom, Australia and New Zealand.



ROGER SAWLEY – B ENG (MECH), M ENG (MECH), (NON-EXECUTIVE DIRECTOR)

Mr Sawley was born and educated in Australia and now resides on the West Coast, USA. He moved to the USA in 1966 to join the internationally recognised consulting, research and development firm of Bolt Beranek and Newman Inc (BBN), where he obtained and managed government and corporate contracts and specialised in the field of noise and vibration control. He then managed the New York office of BBN. After leaving BBN he led the successful turnaround of two manufacturing companies before moving into the arena of capital markets.

Mr Sawley has accumulated broad-ranging experience and networks in business management, capital markets and engineering. He has held senior positions for relationships with major institutional clients for such firms as A G Edwards & Sons Inc, CIBC Oppenheimer & Co Inc and Jefferies and Company Inc, where he managed the firm's relationships with its many Australian clients. Mr Sawley currently consults to private companies in the raising of capital. During the last three years Mr Sawley has not been a director in any other listed public companies.

ROBIN DEBERNARDI - (NON-EXECUTIVE DIRECTOR)

Mr Debernardi is a prominent businessman who has had significant success in a diverse range of businesses. His achievements include the creation of a product range within the horticultural industry, which continues to boast household name recognition decades later.

Mr Debernardi has enjoyed further successes in the arena of commercial and rural property development in Victoria and Queensland. He brings substantial experience in assisting companies involved in high growth phases of their development. During the last three years Mr Debernardi has not been a director of any other listed public companies.

Mr Debernardi retired on 30 June 2009.

DIRECTORS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

At the date of this report, directors' interests in the share capital of Redflex Holdings Limited were:

	Number of Relevant Interests over Ordinary Shares	*Number of Performance Rights over Ordinary Shares*
Christopher Cooper	1,779,167	0
Graham Davie	1,560,266	200,728
Karen Finley	249,614	246,697
Ronald Langley	250,000	0
Peter Lewinsky	46,080	0
Roger Sawley	48,000	0

COMPANY SECRETARY - MARILYN STEPHENS

Ms Stephens has been the Company Secretary of Redflex Holdings Limited since it listed on ASX in 1997. Prior to that Ms Stephens was the Company Secretary and Administration Manager of various companies within the Redflex Group for 9 years.

DIVIDENDS

Directors have decided that it is appropriate to declare a fully franked dividend of 5.0 cents per share (2008: 4.5 cents).

The company operates a Dividend Reinvestment Plan that was announced to the market in February 2007.

UNRECOGNISED AMOUNTS

	Cents	*$'000*
Final dividends recommended on ordinary shares	5.0	5,393
Final dividends for FY 2008 shown as recommended in the 2008 financial report.	4.5	4,052

These amounts were not recognised as a liability in FY 2008 but brought to account in FY 2009

PRINCIPAL ACTIVITIES

The principal activities during the financial year of entities within the consolidated entity were:

- Red light and speed photo enforcement systems and back office processing services for cities and other municipalities within the USA by Redflex Traffic Systems Inc, and
- Continuing development and commercialisation of traffic image processing software and associated traffic violation management systems and hardware by Redflex Traffic Systems Pty Ltd.

OPERATING AND FINANCIAL REVIEW

GROUP OVERVIEW

Redflex Holdings Limited was incorporated in 1995 and listed on ASX (Australian Securities Exchange) in February 1997. The Group's total business focus is 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. Over the last several years, the business has been highly successful, enjoying leadership in the North American market from a Build Own Operate and Maintain business model (BOOM). The digital Traffic camera photo enforcement business is capital intensive and delivers recurring revenues from its programs in the USA.

In Australia, Redflex Traffic Systems Pty Ltd is an Australian/International digital Traffic camera photo enforcement business that derives its revenue from the provision of traffic cameras and back office products and services to the rest of the world. It has achieved substantial sales within Australia and to a number of other countries.

PERFORMANCE INDICATORS

Management and the board monitor the Group's overall performance, from implementation of the mission statement and strategic plan through to the performance of the Group against operating plans and financial budgets.

The board, together with management, has identified key performance indicators (KPIs) that are used to monitor performance. Key management personnel regularly monitor KPIs and directors receive the KPIs for review prior to each monthly board meeting allowing all directors to actively monitor the Group's performance.

OPERATING RESULTS FOR THE YEAR

The Group's net profit for the year after income tax from continuing operations is $9,633,000 (2008: $10,596,000), representing a decrease of 9.1% from the previous year (see table below).

Revenue from continuing operations was $130.9 million (2008: $88.2 million), representing an increase of 48.4% from the previous year. The increase in revenue was predominantly due to an increase in the number of revenue generating camera installations within the USA Build Own Operate and Maintain business.

The business, excluding head office charges, achieved a pre-tax operating profit from continuing operations of $16.9 million, up 10.5% from $15.3 million in the previous financial year.

The cash generation from the traffic business is evidenced by a 40.4% increase in EBITDA, up from $34.8 million in the previous financial year to $48.8 million (excluding head office charges).

The operating profit, after income tax, of the parent, Redflex Holdings Limited, for the year ended 30 June 2009 was $5.4 million (2008: $6.3 million).

Pro forma results of continuing operations, excluding the effect of non-recurring impairment charge and write-offs attributable to decommissioned camera systems within the USA are reconciled as follows:

Net Profit after tax	*2009*	*2008*	*Change*
	$'000	*$'000*	*%*
Net profit from total operations before asset write-downs and impairment loss	9,633	7,936	21.4
Net (profit) loss from discontinued operation	0	2,660	
Net profit from continuing activities	**9,633**	**10,596**	**(9.1)**

Summarised operating results are as follows

Business Segments	*2009*	*2008*
	$'000	*$'000*
Revenue from sale of goods and services	17,897	24,464
Revenue from fee for service contracts	112,968	63,638
Redflex Holdings Limited	0	0
Finance revenue	60	123
Discontinued operation	0	0
Consolidated entity revenue for the year	130,925	88,225

Segment revenue from continuing operations:

Revenue	*First half* *$'000*	*Second half* *$'000*	*2009* *$'000*	*2008* *$'000*	*Change* *%*
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**

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

EBITDA	*First half* *$'000*	*Second half* *$'000*	*2009* *$'000*	*2008* *$'000*	*Change* *%*
Traffic business	21,088	27,725	48,813	34,765	40.4
Head Office costs	(1,581)	(1,766)	(3,347)	(2,456)	(36.3)
EBITDA	**19,507**	**25,959**	**45,466**	**32,309**	**40.7**

Net profit from continuing operations:

Net profit before tax	*First half* *$'000*	*Second half* *$'000*	*2009* *$'000*	*2008* *$'000*	*Change* *%*
Traffic business	8,850	9,714	18,564	17,741	4.6
Write-down of plant and equipment	(1,140)	(460)	(1,600)	0	
Head Office costs	(1,606)	(1,987)	(3,593)	(2,472)	(45.3)
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**

Net profit after tax reconciliation to net profit after tax from continuing operations:

After tax profit	*First half* *$'000*	*Second half* *$'000*	*2009* *$'000*	*2008* *$'000*	*Change* *%*
Net profit from continuing activities	4,199	5,434	9,633	10,596	(9.1)
Net profit (loss) from settlement of ITP transaction	0	0	0	(2,660)	
Net profit after tax from total operations	**4,199**	**5,434**	**9,633**	**7,936**	**21.4**

SHAREHOLDER RETURNS

	2009	*2008*	*2007*	*2006*
Basic earning per share – continuing operations(cents)	10.54	11.79	8.25	4.71
Net Tangible Asset backing per share (cents)	84.22	62.88	66.2	75.6
Return on assets (%) – continuing operations	4.7	8.4	6.8	3.6
Return on equity (%) – continuing operations	10.8	15.6	11.1	12.0
Interest bearing debt/equity ratio (%) – continuing operations	91.6	50.0	32.9	31.1
Available franking credits ($'000)	7,839	7,808	4,749	2,358

REVIEW OF FINANCIAL CONDITION

Liquidity and capital resources

The consolidated cash flow statement illustrates there was an increase in cash and cash equivalents in the year ended 30 June 2009, of $3.13 million (2008: increase of $1.91 million). The increment in cash flow, compared to the prior year, is caused by a number of factors.

Operating activities generated $19.5 million of net cash in-flows. The decrease in comparison to 30 June 2008 related to the profitable operating result for both the USA and Australian/International Traffic businesses which was offset by the payment of the ITP settlement ($3.8 million), increased debt servicing fees ($3.9 million) and tax paid ($5.5 million). Cash flow from operation was also affected by an increase in receivables and unpaid citations arising from the DPS program.

Cash flows used in investing activities reflect the installation of a further 445 red light and speed enforcement cameras in the U.S.A.

Cash flows from financing activities show a net increase in bank debt of $50 million primarily to fund the installation growth and fund the DPS program.

ASSET AND CAPITAL STRUCTURE

	Continuing Operations	
	2009	*2008*
	$'000	*$'000*
Interest bearing borrowings	(81,874)	(33,508)
Cash and short term deposits	15,222	12,090
Net debt	**(66,652)**	**(21,418)**
Total equity	89,380	65,384
Total capital employed	**22,728**	**43,964**
Gearing (%)	74.6%	32.8%

The Group's level of gearing is within the limits considered prudent to the board and acceptable to bankers.

SHARE ISSUES DURING THE YEAR

1,812,720 ordinary shares were issued during the year.

Shares issued during the year arose from the conversion of options (653,000 shares), and the vesting of performance rights (499,755 shares) pertaining to executive remuneration and details of these are shown within the Remuneration Report.

The company also issued 659,965 shares at a price of $2.606907 in respect of shareholders who elected to participate in the Dividend Reinvestment Plan.

Issue of Options

The company did not issue any options during the year ended 30 June 2009 (2008: Nil).

Issue of Performance Rights

Obligations for future share-based payments arise in relation to Performance Rights granted during the year as remuneration entitlements for executives. Details are shown within the Remuneration Report.

PROFILE OF DEBTS

The Group's level of borrowings has increased over the last year. The Group's only major funding facility is a revolving credit facility for US$100 million (year end equivalent AU$124.2 million), which was established to permit the installation in the USA of capital intensive camera systems. The facility is required to fund that part of capital expenditure that cannot yet be covered by the cash generated from operating activities within the US Traffic business. The facility does not have to be paid back until June 2012. It is expected that the term of this facility will be extended prior to that time.

CAPITAL EXPENDITURE

Under the terms of most contracts undertaken by the USA Traffic business, the company is required to fund all the equipment and costs for camera system installations. With 394 new camera systems installed during the year and fixed and mobile cameras supplied for the Arizona Department of Public Safety for the first state-wide freeway photo enforcement program, capital expenditure of $60.7 million was incurred. This was also affected by a 16.3% movement in the AU$/US$ exchange rate between the opening and closing exchange rates.

The USA Traffic division owns the capital assets located at intersections, and derives recurring revenue streams by way of a fixed or variable monthly rental based on red light and speed ticket infringements issued, or paid or a monthly fixed fee.

TREASURY POLICY

The Group has established a treasury function, coordinated by Redflex Holdings Limited, which is responsible for managing currency risks and finance facilities. It operates within policies set by the board which is responsible for ensuring management's actions are in line with Group policy.

Transaction hedging is undertaken through the use of foreign exchange contracts and hedges are used where significant exposures exist. Translation effects are not hedged.

The interest rate exposures remain unhedged in line with Group policy.

RISK MANAGEMENT

The Group takes a proactive approach to risk management. Through the Audit and Risk Management Committee the board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with objectives.

The board regularly monitors the operational and financial performance of the company and the consolidated entity against budget and other key performance measures. The board also reviews and receives advice on areas of operational and financial risks. Appropriate risk management strategies are developed to mitigate all the significant identified risks of the business.

The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board including implementation of board approved operating plans and budgets and board monitoring of progress against these budgets, including the establishment and monitoring of Key Performance Indicators (KPIs) of both a financial and non-financial nature.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Total equity increased from $65.4 million to $89.4 million, an increase of $24.0 million. The movement was largely due to the retention of after tax profits net of the fully franked dividend paid during the year along with a very successful Dividend Reinvestment Plan which achieved a 42% reinvestment rate offset by amounts taken to the Foreign Currency Translation Reserve arising from conversion of the USA entity in AU$ against a weakened Australian dollar.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 10 September 2009 the company announced a capital raising of up to approximately $32 million for the purposes of strengthening the company's balance sheet and supplementing existing banking arrangements, as well as allowing the company to respond to new opportunities as and when they arise.

The capital raising comprised a private placement of 7.5 million ordinary shares at a price of $2.04 per share on 23 September 2009, and a Rights Issue consisting of a non-renounceable offer of 1 fully paid ordinary share for every 12 ordinary shares held at 23 September 2009, with an ability for applications for additional shortfall shares also at $2.04 per share. The offer was made without a prospectus pursuant to Part 6D.2 of the Corporations Act as notionally modified by CO 08/35. The Rights Issue closes on 14 October 2009. The Rights Issue is not underwritten. Any remaining shares after taking into account shortfall applications may be issued to unrelated parties or to persons who hold (or will hold) less than 3% of Redflex shares.

On 30 September 2009 the directors declared a final dividend on ordinary shares in respect of the 2009 financial year. The total amount of the dividend is $5,393,000 which represents a fully franked dividend of 5.0 cents per share.

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Significant growth in the next financial year is expected within the Traffic division. The company has set internal installation rates for cameras in the USA which can be met largely from existing contracts and selections. This growth will be funded from cash generated from operations together with appropriate debt funding.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The directors are not aware of any breaches of environmental legislation affecting the industry in which the Group operates.

SHARE OPTIONS

Unissued shares

At the date of this report there are 1,914,975 performance rights on issue. At 30 June 2009 there were 1,962,012 (2008: 1,704,626).

At the date of this report there are nil unissued ordinary shares under options (2008: 1,148,000).

Shares issued as a result of the exercise of options

During the financial year, employees and executives exercised options to acquire 653,000 fully paid ordinary shares in Redflex Holdings Limited at a weighted average exercise price of $1.89 per share.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The company has agreed to indemnify the current directors of the company: Christopher Cooper, Graham Davie, Karen Finley, Ronald Langley, Peter Lewinsky, and Roger Sawley, and the Company Secretary and all executive officers of any related body corporate, against any liability that may arise from their positions within the company.

Redflex Holdings Limited, being the ultimate parent company, paid premiums in respect of directors' and officers' liability insurance during the financial year. The contract of insurance does not include details of premiums paid in respect of individual officers of the company and prohibits disclosure of the amount of the premium paid.

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify any auditor of the company or any related entity against a liability that may arise in their capacity as an auditor.

DIRECTORS' MEETINGS

Directors' meetings held and attended during the year ended 30 June 2009, and up to the date of this report were:

	Board	*Audit and Risk Management Committee*	*Remuneration Committee*
Number of meetings held	21	5	4
Number of meetings attended			
Christopher Cooper	21	5	4
Graham Davie	21	-	4
Robin Debernardi	16	3	4
Karen Finley	21	-	-
Ronald Langley	7	2	-
Peter Lewinsky	20	5	4
Roger Sawley	21	-	-

Mr Debernardi's appointment ceased on 30 June 2009

Mr Langley was appointed to the board on 29 May 2009.

COMMITTEE MEMBERSHIP

At the date of this report the company has an Audit and Risk Management Committee, a Remuneration Committee, and a Nomination Committee which comprises the full board.

Committee members during the year were:

Audit and Risk Management	*Remuneration*	*Nomination*
Peter Lewinsky (Chairman)	Peter Lewinsky (Chairman)	Full board
Christopher Cooper	Christopher Cooper	
Robin Debernardi	Robin Debernardi	
Ronald Langley	Graham Davie	
	Ronald Langley	

ROUNDING

The amounts contained in this report and in the 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 98/100.

AUDITOR INDEPENDENCE

The directors received the following declaration from the auditor of Redflex Holdings Limited. This auditor's declaration forms part of the Directors' Report.

Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
www.ey.com/au

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

In relation to our audit of the financial report of Redflex Holdings Limited for the financial year ended 30 June 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ashley C. Butler
Partner

30 September 2009

NON AUDIT SERVICES

The following non-audit services were provided by the company's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst and Young received or are due to receive the following amounts for the provision of non-audit services:

	$
Assurance related services	82,000
	82,000

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements for directors and executives of Redflex Holdings Limited and its subsidiary companies in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the Group receiving the highest remuneration.

For the purposes of this report, the term 'executive' encompasses the Chief Executive Officers, senior executives and company secretary of the parent and the Group:

Graham Davie	Chief Executive Officer
Karen Finley	Chief Executive Officer, Redflex Traffic Systems Inc
Aaron Rosenberg	Vice President Business Development, Redflex Traffic Systems Inc
Michael Brown	Chief Financial Officer, Redflex Traffic Systems Inc
Cristina Weekes	Vice President Marketing and Governmental Affairs, Redflex Traffic Systems Inc
Ricardo Fiusco	General Manager, Redflex Traffic Systems Pty Ltd
Ron Johnson	Chief Financial Officer
Marilyn Stephens	Company Secretary

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for determining and reviewing remuneration arrangements for the directors and executives and assessing, on a periodic basis, the appropriateness of the nature and amount of remuneration of executives by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality, high performing board and executive team.

The Remuneration Committee engages external consultants for advice on strategy and processes to ensure best practice, and to benchmark remuneration arrangements against the industry and the markets in which Redflex operates.

The Chief Executive Officer's remuneration is determined by the board.

REMUNERATION PHILOSOPHY

The performance of the company depends upon the quality of its directors and executives. To prosper, the company must attract, motivate and retain highly skilled directors and executives.

To this end, the company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives;
- Link executive rewards to shareholder value;
- Have a significant portion of executive remuneration 'at risk' dependent upon meeting pre-determined performance benchmarks; and,
- Establish appropriately demanding performance hurdles in relation to variable remuneration.

REMUNERATION REPORT (AUDITED) - CONTINUED

REMUNERATION STRUCTURE

In accordance with best practice corporate governance, the structure of non-executive director and senior manager remuneration is separate and distinct.

NON-EXECUTIVE DIRECTOR REMUNERATION

Objective

The board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Non-executive directors are encouraged to hold shares in the company as it is considered good practice for directors to have a stake in the company on which board they sit.

Structure

The Constitution and ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held on 25 November 2005 when shareholders approved an aggregate remuneration of $400,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned between directors is reviewed annually. The board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fixed fee for being a director inclusive of any fee payable for the additional time commitment made by directors who serve on one or more sub committees.

Non-executive directors do not participate in any incentive programs.

EXECUTIVE REMUNERATION

Objective

The company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities so as to:

- Reward individual and business unit performance against appropriate benchmarks;
- Align the interests of executives with those of the shareholders; and
- Ensure total remuneration is competitive by market standards.

Structure

In determining the level and make up of executive remuneration, the Remuneration Committee engages an external consultant as needed to provide independent advice.

The elements of executive remuneration are:

- Fixed Remuneration (base salary and superannuation benefits),
- Variable remuneration - Short Term Incentive (STI), and
- Variable remuneration - Long Term Incentive (LTI).

The proportion of fixed remuneration and variable remuneration is established for each senior executive by the Remuneration Committee as set out in Table 1.

In the year ended 30 June 2009, the basis for executive remuneration was a combination of Fixed Remuneration, STIs in the form of a cash bonus, and LTIs in the form of the vesting of performance rights.

REMUNERATION REPORT (AUDITED) - CONTINUED

FIXED REMUNERATION

Objective

Fixed Remuneration is reviewed annually by the Remuneration Committee. The process consists of a review of company-wide, business unit and individual performance, relevant comparative remuneration in the market and, where appropriate, external advice on policies and practices. As noted above, the Committee has access to external advice independent of management.

Structure

Executives are given the opportunity to receive their fixed remuneration by way of a limited range of benefits such as superannuation and pension plans and motor vehicles, to suit employee preferences, consistent with legal and market practices in each country in which we operate. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost to the company.

Fixed Remuneration for the Chief Executive Officer of Redflex Holdings Limited, the Chief Executive Officer of Redflex Traffic Systems Inc,, and the executives of Redflex Holdings Limited including the Company Secretary, is reviewed by the board each year. Fixed Remuneration for direct reports to the two Chief Executive Officers is reviewed each year by them who report to the board with recommendations for the following year.

VARIABLE REMUNERATION - SHORT TERM INCENTIVE (STI)

Objective

The objective of the STI program is to link the achievement of the company's operational targets with the remuneration received by the executive charged with meeting those targets. The potential STI is set at a level such as to provide sufficient incentive to the executive to achieve the operational targets and such that the cost to the company is reasonable in the circumstances.

Structure

Actual STI payments granted to each executive will depend on the extent to which specific operating targets set at the beginning of the financial year are met. The operational targets consist of a number of key performance indicators (KPIs) covering both financial and non-financial measures of performance. The non financial measures are evaluated against individually set performance objectives. Measures such as contribution to net profit before tax, customer service, risk management, product management, and leadership/team contribution are typically included. These measures were chosen as they represent the key drivers for the short term success of the business and provide a framework for delivering long term value.

The Group has predetermined benchmarks that must be met in order to trigger payments under the STI Plan. On an annual basis, after consideration of performance against KPIs, an overall performance rating for the company and each individual business unit is approved by the Remuneration Committee. Targets are set by a cascade process from the board through the executive group. The individual performance of each executive is also rated and all three ratings are taken into account when determining the amount, if any, of the STI pool that is allocated to each executive. The process usually occurs within three months after the reporting date.

The aggregate of annual STI payments available for executives is subject to the approval of the Remuneration Committee. Payments made are delivered as a cash bonus in the following reporting period.

STI bonus for 2008 and 2009 financial years

For the 2008 financial year, 100% of the STI cash bonus of $926,000 as previously accrued in the period vested to executives was paid in the 2009 year. There were no forfeitures.

The Remuneration Committee has considered the STI payments for the 2009 financial year. The maximum STI cash bonus for the 2009 financial year is $979,000. Of this amount $293,700 or 30% of the maximum STI payable has been accrued on the basis that it is probable that the executives will meet their respective KPIs for the period. Any adjustments between the actual amounts to be paid as determined by the Remuneration Committee and the amounts accrued will be adjusted in the 2010 financial year. The minimum amount of the STI cash bonus assuming that no executives meet their respective KPIs for the 2009 financial year is nil. There have been no alterations to the STI Plan.

REMUNERATION REPORT (AUDITED) - CONTINUED

VARIABLE REMUNERATION - LONG TERM INCENTIVE (LTI)

Objective

The objective of the LTI Plan is to reward executives and senior managers in a manner that aligns this element of remuneration with the creation of shareholder wealth. As such, LTI grants are made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the company's performance against the long term performance hurdle.

Structure

LTI grants are delivered in the form of Performance Rights in accord with the LTI Plan Rules. Performance Rights vest at the end of, generally, 3 years subject to meeting performance hurdles, with no opportunity to re-test.

Performance hurdle

In July 2006 Redflex established a Long Term Incentive Plan (LTIP) for executives. The LTIP Rules for Australian and United States executives are published on Redflex's website.

The LTIP is based on grants of Performance Rights which vest into shares on a 1 for 1 basis at no cost to the employee subject to satisfaction of performance hurdles. Settlement of the Performance Rights can be made by issuance of ordinary shares.

The performance measure is Redflex Holdings Limited's relative total shareholder return (TSR) performance compared with the TSR performance of a comparator group consisting of companies in the S&P/ASX 300 at grant date over the same period. 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 performance period is generally expected to be three years, however, the initial offers were transitional arrangements with shorter performance periods designed to provide a degree of continuity of long term incentives to executives who previously participated in the company's Employee Option Plan.

The performance hurdle has a threshold minimum below which the Performance Rights will lapse. No Performance Rights will vest if Redflex Holdings Limited's TSR performance is less than the TSR performance achieved by 50% of the companies in the comparator group, and 50% will vest if this hurdle is reached. The maximum number of Performance Rights in a grant will vest if the company's TSR performance is equal to or greater than the TSR performance achieved by 75% of the companies in the comparator group. If the company's TSR performance is between the two thresholds the number of Performance Rights that vest is determined on a directly proportional basis.

Where a participant ceases employment prior to the vesting of the Performance Rights, the Performance Rights are forfeited unless cessation of employment is due to termination initiated by the Company or death. The Company prohibits executives from entering into arrangements to protect the value of unvested LTIs. This includes entering into contracts to hedge their exposure to shares granted as part of their remuneration package.

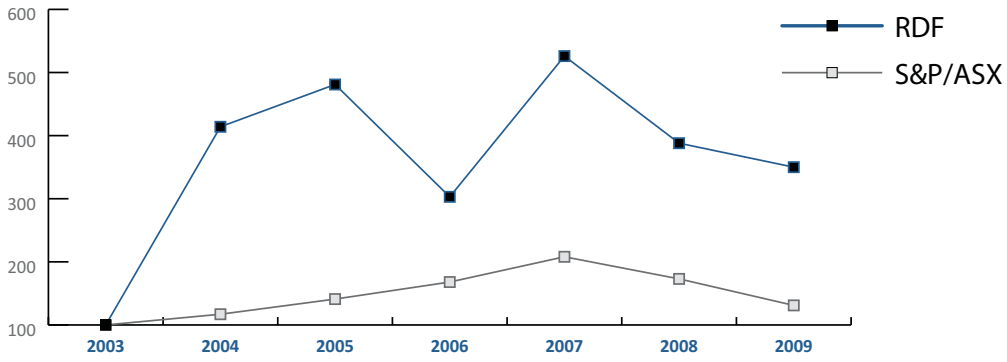
The table entitled Compensation Long Term Incentives Granted provides details of the number and value of Performance Rights granted, vested and lapsed during the year.

REMUNERATION REPORT (AUDITED) - CONTINUED

COMPANY PERFORMANCE

The graph below shows the performance of the company over a seven year period, as measured by the total shareholder return compared with the S&P ASX 300 Index, both normalised to a value of 100 at 30 June 2003 so that percentage comparisons can be made.

Relative performance over 7 years to 30 June 2009



EMPLOYMENT CONTRACTS

Chief Executive Officer

The Redflex Holdings Limited Chief Executive Officer, Graham Davie, is employed under a current employment contract dated 8 January 2009 and is for an indefinite term. The company may choose to negotiate of a new contract at any time. Mr Davie's fixed remuneration for the 2009 financial year was $293,900.

Under the terms of the contract:

- Either Mr Davie or the company may terminate the employment relationship at any time for any lawful reason, or no reason, with or without cause. If the company terminates Mr Davie's employment for any reason other than cause the company will pay any total fixed remuneration due to Mr Davie through the last day of employment, plus any accrued bonus, and the company will continue to pay Mr Davie's total fixed remuneration for a period of one week for every four months of completed service up to a maximum of 39 weeks after the effective date of termination.
- If the company terminates Mr Davie's employment for cause the company will pay any total fixed remuneration due to Mr Davie through the last day of employment, plus any accrued bonus, and Mr Davie's benefits and rights under any benefit plan shall be paid, retained or forfeited in accordance with the terms of such plan; provided, however, that the company shall have no obligation to make any payments toward these benefits from and after termination.
- If Mr Davie terminates his employment for good reason, the company will pay any total fixed remuneration due to him through the last day of employment, plus any accrued bonus, and the company will continue to pay Mr Davie's total fixed remuneration for a period of six weeks after the effective date of termination.
- Short term incentives of up to 30% of fixed remuneration are available based upon achievement of performance targets with a further 30% available for over-achievement of those targets.
- Long term incentives for Mr Davie are shown in following table.

REMUNERATION REPORT (AUDITED) - CONTINUED

Chief Executive Officer, RTSI

The Redflex Traffic Systems Inc President and Chief Executive Officer, Karen Finley, is employed under a current employment contract dated 3 March 2009 and is for an indefinite term. The company may choose to negotiate a new contract at any time. Ms Finley's fixed remuneration for the 2009 financial year was the United States dollar equivalent of AU$392,714.

Under the terms of the contract:

- Either Ms Finley or the company may terminate the employment relationship at any time for any lawful reason, or no reason, with or without cause. If the company terminates Ms Finley's employment for any reason other than cause the company will pay any total fixed remuneration due to Ms Finley through the last day of employment, plus any accrued bonus, and the company will continue to pay Ms Finley's total fixed remuneration for a period of one week for every four months of completed service up to a maximum of 39 weeks after the effective date of termination.
- If the company terminates Ms Finley's employment for cause the company will pay any total fixed remuneration due to Ms Finley through the last day of employment, plus any accrued bonus, and Ms Finley's benefits and rights under any benefit plan shall be paid, retained or forfeited in accordance with the terms of such plan; provided, however, that the company shall have no obligation to make any payments toward these benefits from and after termination.
- If Ms Finley terminates her employment for good reason, the company will pay any total fixed remuneration due through the last day of employment, plus any accrued bonus, and the company will continue to pay Ms Finley's total fixed remuneration for a period of six weeks after the effective date of termination.
- Short term incentives of up to 30% of fixed remuneration are available based upon achievement of performance targets with a further 30% available for over-achievement of those targets.
- Long term incentives for Ms Finley are shown in following table.

Other Executives

All executives have rolling employment contracts with varying terms and conditions. On termination of employment any long term incentives that are unvested will be forfeited. The company may terminate the contracts at any time if serious misconduct has occurred. Where termination with cause occurs, the executive is entitled only fixed remuneration up to the date of termination. In the event of a change of control of the Group, the performance period end date of long term incentives will be brought forward to the date of the change of control and awards will vest subject to performance over this shortened period.

REMUNERATION REPORT (AUDITED) - CONTINUED

REMUNERATION OF KEY MANAGEMENT PERSONNEL (INCLUDING THE 5 HIGHEST PAID EXECUTIVES)

REMUNERATION FOR THE YEAR ENDED 30 JUNE 2009 (AUDITED)

			Short Term	*Post Employment*	*Long Term*	*Share based Payments*	*Total*	*Performance related*
	Salary and Fees	*Other*	*Bonus*	*Superannuation*	*Long Service Leave*	*Performance Rights*		
	$	*$*	*$*	*$*	*$*	*$*	*$*	*%*
Non-executive directors								
Christopher Cooper	93,547	0	0	8,419	0	0	**101,966**	0
Robin Debernardi (resigned 30 June 2009)	57,167	0	0	5,145	0	0	**62,312**	0
Ronald Langley	5,044	0	0	454	0	0	**5,498**	0
Peter Lewinsky	57,167	0	0	5,145	0	0	**62,312**	0
Roger Sawley	62,312	0	0	0	0	0	**62,312**	0
	275,237	**0**	**0**	**19,163**	**0**	**0**	**294,400**	**0**
Executive directors								
Graham Davie	269,633	0	55,676	29,278	4,587	130,940	**490,114**	38
Karen Finley	392,714	11,248	53,603	0	0	157,114	**614,679**	34
	662,347	**11,248**	**109,279**	**29,278**	**4,587**	**288,054**	**1,104,793**	**36**
Executives								
Aaron Rosenberg	314,171	12,549	45,806	0	0	132,121	**504,647**	35
Michael Browne	310,829	2,406	9,746	0	0	0	**322,981**	3
Cristina Weekes	334,225	2,406	24,690	0	0	80,545	**441,866**	24
Ricardo Fiusco	198,873	0	33,178	20,885	3,379	64,575	**320,890**	30
Ron Johnson	193,448	0	26,725	19,815	3,288	62,793	**306,069**	29
Marilyn Stephens	113,297	0	16,024	11,639	1,911	37,679	**180,550**	30
	1,464,843	**17,361**	**156,169**	**52,339**	**8,578**	**377,713**	**2,077,003**	**25**
	2,402,427	**28,609**	**265,448**	**100,780**	**13,165**	**665,737**	**3,476,196**	**27**

Mr Langley was appointed to the board on 29 May 2009

REMUNERATION REPORT (AUDITED) - CONTINUED

REMUNERATION FOR THE YEAR ENDED 30 JUNE 2008 (AUDITED)

			Short Term	Post Employment	Long Term	Share based Payments	Total	Performance related
	Salary and Fees	Other	Bonus	Superannuation	Long Service Leave	Performance Rights		
	$	$	$	$	$	$	$	%
Non-executive directors								
Christopher Cooper	89,092	0	0	8,018	0	0	**97,110**	0
Robin Debernardi	54,445	0	0	4,900	0	0	**59,345**	0
Peter Lewinsky	54,445	0	0	4,900	0	0	**59,345**	0
Roger Sawley	59,345	0	0	0	0	0	**59,345**	0
	257,327	**0**	**0**	**17,818**	**0**	**0**	**275,145**	**0**
Executive directors								
Graham Davie	249,266	0	80,581	29,686	4,593	104,013	**468,139**	39
Karen Finley	299,815	6,091	62,802	0	0	125,725	**494,433**	38
	549,081	**6,091**	**143,383**	**29,686**	**4,593**	**229,738**	**962,572**	**39**
Executives								
Aaron Rosenberg	255,749	7,309	53,256	0	0	109,927	**426,241**	38
Mike Browne	83,669	167	0	0	0	0	**83,836**	0
Cristina Weekes	207,779	7,309	29,308	0	0	34,449	**278,845**	23
Ricardo Fiusco	184,568	0	39,781	20,193	3,401	51,349	**299,292**	30
Ron Johnson	179,472	0	38,679	19,634	3,307	49,926	**291,018**	30
Marilyn Stephens	108,103	0	23,637	11,857	1,983	30,389	**175,969**	31
	1,019,340	**14,785**	**184,661**	**51,684**	**8,691**	**276,040**	**1,555,201**	**31**
	1,825,748	**20,876**	**328,044**	**99,188**	**13,284**	**505,778**	**2,792,918**	**31**

REMUNERATION REPORT (AUDITED) - CONTINUED

COMPENSATION LONG TERM INCENTIVES GRANTED DURING THE YEAR

CONSOLIDATED

During the year ended 30 June 2009	LTIs Granted	Grant Date	Fair Value per LTI at Grant Date	Performance Period
	Number		$	
Executive Directors				
Graham Davie	72,057	1 October 2008	1.45	3 years
Karen Finley	90,071	1 October 2008	1.45	3 years
Executives				
Aaron Rosenberg	70,556	1 October 2008	1.45	3 years
Michael Browne	0	Not applicable	Not applicable	Not applicable
Cristina Weekes	75,059	1 October 2008	1.45	3 years
Ricardo Fiusco	35,388	1 October 2008	1.45	3 years
Ron Johnson	34,427	1 October 2008	1.45	3 years
Marilyn Stephens	20,016	1 October 2008	1.45	3 years
Total	**397,574**			

During the year ended 30 June 2008	*LTIs Granted*	*Grant Date*	*Fair Value per LTI at Grant Date*	*Performance Period*
	Number		*$*	
Executive Directors				
Graham Davie	54,083	1 October 2007	1.62	3 years
Karen Finley	60,745	1 October 2007	1.62	3 years
Executives				
Aaron Rosenberg	51,909	1 October 2007	1.62	3 years
Cristina Weekes	27,979	1 October 2007	1.62	3 years
Ricardo Fiusco	26,700	1 October 2007	1.62	3 years
Ron Johnson	25,960	1 October 2007	1.62	3 years
Marilyn Stephens	15,565	1 October 2007	1.62	3 years
Total	**262,941**			

REMUNERATION REPORT (AUDITED) - CONTINUED

COMPENSATION LONG TERM INCENTIVES GRANTED AND VESTED DURING THE YEAR

CONSOLIDATED

During the year ended 30 June 2009	*Value of LTIs granted*	*Value of LTIs vested*	*Value of LTIs granted and vested*
	$	*$*	*$*
Directors			
Graham Davie	104,483	70,852	**175,335**
Christopher Cooper	0	0	**0**
Robin Debernardi (resigned 30 June 2009)	0	0	**0**
Ronald Langley	0	0	**0**
Peter Lewinsky	0	0	**0**
Karen Finley	130,603	83,882	**214,485**
Roger Sawley	0	0	**0**
Executives			
Aaron Rosenberg	102,306	76,257	**178,563**
Michael Browne	0	0	**0**
Cristina Weekes	108,836	0	**108,836**
Ricardo Fiusco	51,313	34,978	**86,291**
Ron Johnson	49,919	34,009	**83,928**
Marilyn Stephens	29,023	20,783	**49,806**

During the year ended 30 June 2008	*Value of LTIs granted*	*Value of LTIs vested*	*Value of LTIs granted and vested*
	$	*$*	*$*
Directors			
Graham Davie	87,614	59,904	**147,518**
Christopher Cooper	0	0	**0**
Robin Debernardi	0	0	**0**
Peter Lewinsky	0	0	**0**
Karen Finley	98,406	70,920	**169,326**
Roger Sawley	0	0	**0**
Executives			
Aaron Rosenberg	84,093	64,473	**148,566**
Cristina Weekes	45,326	0	**45,326**
Ricardo Fiusco	43,254	29,573	**72,827**
Ron Johnson	42,055	28,753	**70,808**
Marilyn Stephens	25,215	17,571	**42,786**

REMUNERATION REPORT (AUDITED) - CONTINUED

Signed in accordance with a resolution of the directors.

Graham Davie

Director

30 September 2009

CORPORATE GOVERNANCE STATEMENT

The board of directors of Redflex Holdings Limited is responsible for the corporate governance of the Group. The board guides and monitors the business and affairs of Redflex Holdings Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summarises the company's compliance with the ASX Corporate Governance Council's recommendations:

	Recommendation	*Complies Yes / No*	*Reference*
1.1	Establish the functions reserved to the Board and those delegated to management and disclose those functions.	Yes	
1.2	Disclose the process for evaluating the performance of senior executives	Yes	
2.1	A majority of the Board should be independent directors.	Yes	
2.2	The chair should be an independent director.	Yes	
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	Yes	
2.4	The Board should establish a nomination committee	Yes	
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	
3.1	Establish a code of conduct to guide the directors, the chief executive officer, the chief financial officer, and any other key executives as to: • the practices necessary to maintain confidence in the Company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Website
3.2	Establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy..	Yes	Website
4.1	The board should establish an audit committee	Yes	
4.2	The audit committee should be structured so that it: • consists only of non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chair, who is not chair of the board; • has at least three members.	Yes	
4.3	The audit committee should have a formal charter	Yes	Website
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	Website
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Website

	Recommendation	*Complies Yes / No*	*Reference*
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Website
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	
7.3	The board should disclose whether it has received assurance from the chief executive officer and the chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risk.	Yes	
8.1	The board should establish a remuneration committee	Yes	
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	

Redflex Holdings Limited's corporate governance practices were in place throughout the year ended 30 June 2009.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by Redflex Holdings Limited, refer to our website http://www.redflex.com.au

BOARD FUNCTIONS

The board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

To ensure that the board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the board. The responsibility for the operation and administration of the company is delegated, by the Board, to the Chief Executive Officer and the executive management team. The board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has procedures in place to assess the performance of the CEO and the executive management team.

Whilst at all times the board retains full responsibility for guiding and monitoring the Company, in discharging its stewardship it makes use of sub-committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the board. To this end the board has established the following committees:

- Audit and Risk Management (incorporating Finance and Treasury)
- Nomination
- Remuneration

The roles and responsibilities of these committees are discussed throughout this Corporate Governance Statement. The board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risk identified by the board. The board has a number of mechanisms in place to ensure this is achieved including:

- board approval of a strategic plan designed to meet stakeholders' needs and manage business risk;
- ongoing development of the strategic plan and approving initiatives and strategies designed to ensure the continued growth and success of the entity; and
- implementation of budgets by management and monitoring progress against budget via the establishment and reporting of both financial and non financial key performance indicators.

Other functions reserved to the board include:

- approval of the annual and half-yearly financial reports;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored; and
- reporting to shareholders.

STRUCTURE OF THE BOARD

The skills, experience and expertise of each director relevant to the position of director is included in the Directors' Report. Directors of Redflex Holdings Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment.

In the context of director independence, materiality is considered from both the company and the individual director's perspective, and is determined by consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount and is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. The qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship, and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the Group's loyalty.

In accordance with the definition and the materiality thresholds set, the following non-executive directors of Redflex Holdings Limited are considered to be independent:

Name	Position
Christopher Cooper	Chairman, Non executive director
Robin Debernardi	Non executive director (appointment ceased 30 June 2009)
Ronald Langley	Non executive director (appointed 29 May 2009)
Peter Lewinsky	Non executive director
Roger Sawley	Non executive director

There are procedures in place, agreed by the board, to enable directors to seek independent professional advice at the company's expense.

Term of Office

The term of office held by each director in office at the date of this report is as follows:

Name	Term in Office
Graham Davie	14 years
Christopher Cooper	7 years
Peter Lewinsky	6 years
Karen Finley	2 years
Roger Sawley	2 years
Ronald Langley	4 months

For additional details regarding board appointments, please refer to the company's website.

TRADING POLICY

Under the company's securities trading policy, an executive or director must not trade in any securities of the company at any time when they are in possession of unpublished, price sensitive information in relation to those securities.

Before commencing to trade, an executive must first obtain the approval of the company secretary to do so and a director must first obtain approval of the Chairman. Only in exceptional circumstances will approval be given to trade outside of the periods which commence two months after the end of the full or half year.

As required by the ASX Listing Rules, the company notifies the ASX of any transaction conducted by directors in the securities of the company.

NOMINATION COMMITTEE

The Nomination Committee operates under a board-established charter to ensure that the board continues to operate within the established guidelines. The Nomination Committee currently comprises the full board and any business of the Committee is considered at regular board meetings.

AUDIT AND RISK MANAGEMENT COMMITTEE

The board has established an Audit and Risk Management Committee, which operates under a charter approved by the board. It is the board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information, as well as non-financial considerations such as the benchmarking of operational key performance indicators. The board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the Audit and Risk Management Committee.

The Committee is also responsible for:

- establishing and monitoring the company's capital management strategy, including dividend payment strategies, for the board's consideration;
- assessing the company's funding requirements and making recommendations to the board concerning specific funding proposals;
- monitoring borrowings from financial institutions and compliance with borrowing covenants; and
- monitoring financial risks of and exposure to movements in interest rates and exchange rates. This involves reviewing and assessing the types of hedging products available for minimising these risks and making recommendations to the board.

The Committee also provides the board with additional assurance regarding the reliability of financial information in the financial reports.

All members of the Audit and Risk Management Committee are non-executive directors and during the year the members were:

- Peter Lewinsky (Committee chair)
- Christopher Cooper
- Ronald Langley (appointed 5 August 2009)
- Robin Debernardi (appointment ceased 30 June 2009)

For details regarding the number of meetings, the qualifications of members, and the number of meetings they attended, please refer to the Directors' Report.

The external auditor is invited to attend the meetings relating to the adoption of the half year and full year financial reports.

RISK

The board determines the company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The company's process of risk management and internal compliance and control includes:

- establishing the company's goals and objectives, and implementing and monitoring strategies and policies to achieve these goals and objectives;
- continuously identifying and measuring risks that might impact upon the achievement of the company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;
- formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls; and
- monitoring the performance of, and continuously improving the effectiveness of, risk management systems and internal compliance and controls, including an annual assessment of the effectiveness of risk management and internal compliance and control.

To this end, comprehensive practices are in place that are directed towards achieving the following objectives:

- effective and efficient use of the Company's resources;
- compliance with applicable laws and regulations; and
- preparation of reliable published financial information.

The board oversees an annual assessment of the effectiveness of risk management and internal compliance and control. The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required by the board to assess risk management and associated internal compliance and control procedures and report back on the efficiency and effectiveness of risk management.

CEO AND CFO CERTIFICATION

The Chief Executive Officer and Chief Financial Officer have provided a written statement to the board that:

- their view provided on the company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the board; and
- that the company's risk management and internal compliance and control system is operating effectively in all material respects.

PERFORMANCE

Performance of the board and key executives is reviewed regularly against measurable and qualitative indicators that are aligned with the financial and non-financial objectives of the Group. The performance of directors is reviewed annually by the Chairman. If performance was considered unsatisfactory the director would be asked to retire.

REMUNERATION COMMITTEE

It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration Committee links the nature and amount of executive directors' and officers' compensation to the company's financial and operational performance. The expected outcomes of the remuneration structure are:

- retention and motivation of key executives;
- attraction of quality management to the company; and
- performance initiatives which allow executives to share the rewards of the success of the company.

There is no scheme to provide retirement benefits other than statutory superannuation.

The board is responsible for determining and reviewing compensation arrangements for directors, the Chief Executive Officer and the executive team.

The members of the Remuneration Committee are non-executive directors and the Chief Executive Officer, and during the year were:

- Robin Debernardi (Chair, appointment ceased 30 June 2009)
- Peter Lewinsky (appointed Chair 5 August 2009)
- Christopher Cooper
- Graham Davie
- Ronald Langley (appointed 5 August 2009)

For details of the experience and expertise of members of the Remuneration Committee, please refer to the Directors' Report.

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
ASSETS					
Current Assets					
Cash and cash equivalents	11	15,222	12,090	531	385
Trade and other receivables	12	24,548	15,744	106	0
Inventories	13	19,049	10,805	0	0
Deferred cost asset		2,903	595	0	
Other assets		2,039	1,612	272	10
Total Current Assets		**63,761**	**40,846**	**909**	**395**
Non Current Assets					
Receivables	14	0	0	21,063	23,211
Investments	15	0	0	49,028	48,257
Property plant and equipment	16	118,620	71,281	108	101
Deferred tax asset	10	2,695	3,348	96	1,218
Intangible assets and goodwill	17	12,374	8,877	400	400
Deferred cost asset		8,843	3,480	0	0
Other long term assets		42	0	0	0
Total Non Current Assets		**142,574**	**86,986**	**70,695**	**73,187**
TOTAL ASSETS		**206,335**	**127,832**	**71,604**	**73,582**
LIABILITIES					
Current Liabilities					
Trade and other payables	18	25,654	19,363	386	4,255
Interest bearing borrowings	21	554	295	0	0
Income tax payable		0	3,732	0	3,732
Provisions	19	2,900	1,544	287	237
Total Current Liabilities		**29,108**	**24,934**	**673**	**8,224**
Non Current Liabilities					
Interest bearing borrowings	21	81,320	33,213	0	0
Deferred tax liabilities	10	4,671	2,906	0	0
Provisions	20	1,856	1,395	9	3
Total Non Current Liabilities		**87,847**	**37,514**	**9**	**3**
TOTAL LIABILITIES		**116,955**	**62,448**	**682**	**8,227**
NET ASSETS		**89,380**	**65,384**	**70,922**	**65,355**
EQUITY					
Equity attributable to equity holders of the parent					
Contributed equity	22	86,117	83,161	86,117	83,161
Reserves	23	1,405	(14,052)	5,423	4,152
Accumulated profits /(losses)	23	1,858	(3,725)	(20,618)	(21,958)
TOTAL EQUITY		**89,380**	**65,384**	**70,922**	**65,355**

The above balance sheet should be read in conjunction with the accompanying notes.

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Continuing operations					
Sale of goods and services		17,897	24,464	0	0
Revenue from fee for service contracts		112,968	63,638	0	0
Management fees		0	0	1,849	1,848
Dividend income		0	0	8,173	0
Finance revenue		60	123	1,139	957
Total Revenue	6	**130,925**	**88,225**	**11,161**	**2,805**
Cost of sales		10,678	14,348	0	0
Cost of fee for service contracts		35,988	17,534	0	0
Cost of Goods sold		**46,666**	**31,882**	**0**	**0**
Gross Profit		**84,259**	**56,343**	**11,161**	**2,805**
Sales and marketing expenses		12,787	9,772	0	0
Administrative expenses		20,504	12,100	3,328	2,586
Program management costs		3,902	2,162	0	0
Amortisation of intangibles	17	1,470	1,128	0	0
Depreciation on equipment used on fee for service contracts	16	25,719	13,911	0	0
Depreciation - other	16	448	419	47	16
Write-down on plant and equipment	16	1,600	0	0	0
Specific items	6(d)	0	0	0	(8,904)
Total operating costs		**66,430**	**39,492**	**3,375**	**(6,302)**
Profit from continuing operations before tax and financing costs		**17,829**	**16,851**	**7,786**	**9,107**
Interest		4,458	1,582	199	0
Profit from continuing operations before tax		**13,371**	**15,269**	**7,587**	**9,107**
Income tax expense (benefit)	10	3,738	4,673	2,194	120
Profit after tax from continuing operations		**9,633**	**10,596**	**5,393**	**8,987**
Discontinued operations					
Profit/(loss) after tax from discontinued operation	7	0	(2,660)	0	(2,660)
Net Profit attributable to members of the parent		**9,633**	**7,936**	**5,393**	**6,327**
Earnings per share for profit from continuing operations attributable to ordinary equity holders of the parent					
- basic earnings per share	9	10.54 cents	11.79 cents		
- diluted earnings per share	9	10.32 cents	11.40 cents		
Earnings per share for profit attributable to ordinary equity holders of the parent					
- basic earnings per share	9	10.54 cents	8.83 cents		
- diluted earnings per share	9	10.32 cents	8.54 cents		
Dividend per share attributable to ordinary equity holders of the parent	8	5.00 cents	4.50 cents		
Earnings per share from discontinued operation		*$'000*	*$'000*		
Net profit attributable to members of the parent		**0**	**(2,660)**		
For basic earnings per share	7	0	(2.95) cents		
For diluted earnings per share	7	0	(2.86) cents		

The above income statement should be read in conjunction with the accompanying notes.

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax GST)		122,724	88,132	1,849	1,976
Payments to suppliers and employees (inclusive of GST) *		(93,945)	(59,502)	(1,188)	(1,705)
Interest received		60	123	1,133	957
Interest paid		(3,858)	(1,582)	(193)	0
Income tax paid		(5,527)	(2,216)	(5,527)	(2,216)
Net cash flows from (used in) operating activities	24	**19,454**	**24,955**	**(3,926)**	**(988)**
Cash flows from (used in) investing activities					
Purchase of property, plant and equipment		(60,760)	(35,452)	(55)	(96)
Capitalised development costs		(4,952)	(2,748)	0	0
Investment in and loans to subsidiaries		0	0	5,223	(323)
Net cash flows from (used in) investing activities		**(65,712)**	**(38,200)**	**5,168**	**(419)**
Cash flows from financing activities					
Repaid bank borrowings		(81,425)	0	0	0
Proceeds from bank borrowings		131,553	16,853	0	0
Lease liability incurred (repaid)		872	(101)	0	0
Proceeds from issue of ordinary shares		2,956	1,918	2,956	1,918
Proceeds from term deposits			672	0	673
Dividends paid		(4,052)	(3,174)	(4,052)	(3,174)
Net cash flows from financing activities		**49,904**	**16,168**	**(1,096)**	**(583)**
Net increase in cash held		3,646	2,923	146	(1,990)
Effect of exchange rate changes on cash		(514)	(1,012)	0	0
Cash at beginning of financial year		12,090	10,179	385	2,375
Cash and cash equivalents at end of period	24	**15,222**	**12,090**	**531**	**385**
Reconciliation of cash					
Cash at the end of the period consists of:					
Cash at bank and in hand		15,222	10,682	531	329
Short term deposits		0	1,408	0	56
		15,222	**12,090**	**531**	**385**

* Payments to suppliers and employees for the year ended 30 June 2008 include ITP settlement of $3.8 million as referred to in Note 7.

The above cash flow statement should be read in conjunction with the accompanying notes.

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

CONSOLIDATED	Note	Contributed Equity $'000	Foreign Currency Translation Reserve $'000	Employee Equity Benefits Reserve $'000	Accumulated Profit/(Losses) $'000	Total Equity $'000
At 30 June 2007		**81,243**	**(10,014)**	**3,355**	**(8,467)**	**66,117**
Profit for the period	5	0	0	0	7,936	7,936
Proceeds from exercise of employee options	22	192	0	0	0	192
Proceeds from Dividend Reinvestment Plan	22	1,726	0	0	0	1,726
Dividends paid	23	0	0	0	(3,174)	(3,174)
Currency translation differences	23	0	(8,190)	0	(20)	(8,210)
Cost of share based payments	23	0	0	797	0	797
At 30 June 2008		**83,161**	**(18,204)**	**4,152**	**(3,725)**	**65,384**
Profit for the period	5	0	0	0	9,633	9,633
Proceeds from exercise of employee options	22	1,235	0	0	0	1,235
Reclassification		0	(303)	303	0	0
Proceeds from Dividend Reinvestment Plan	22	1,721	0	0	0	1,721
Currency translation differences	23	0	14,489	0	2	14,491
Dividends paid	23	0	0	0	(4,052)	(4,052)
Cost of share based payment	23	0	0	968	0	968
At 30 June 2009		**86,117**	**(4,018)**	**5,423**	**1,858**	**89,380**

PARENT	Note	Contributed Equity $'000	Foreign Currency Translation Reserve $'000	Employee Equity Benefits Reserve $'000	Accumulated Profit/(Losses) $'000	Total Equity $'000
At 30 June 2007		**81,243**	**0**	**3,355**	**(25,111)**	**59,487**
Profit for the period	5	0	0	0	6,327	6,327
Proceeds from exercise of employee options	22	192	0	0	0	192
Proceeds from Dividend Reinvestment Plan	22	1,726	0	0	0	1,726
Dividends paid	23	0	0	0	(3,174)	(3,174)
Cost of share based payment	23	0	0	797	0	797
At 30 June 2008		**83,161**	**0**	**4,152**	**(21,958)**	**65,355**
Profit for the period	5	0	0	0	5,393	5,393
Proceeds from exercise of employee options	22	1,235	0	0	0	1,235
Reclassification		0	0	303	(1)	302
Proceeds from Dividend Reinvestment Plan	22	1,721	0	0	0	1,721
Dividends paid	23	0	0	0	(4,052)	(4,052)
Cost of share based payment	23	0	0	968	0	968
At 30 June 2009		**86,117**	**0**	**5,423**	**(20,618)**	**70,922**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1 CORPORATE INFORMATION

The financial report of Redflex Holdings Limited for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of directors on 24 September 2009.

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

The nature of the operations and principal activities of the Group are described in the Directors' Report.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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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 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(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.

(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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.
- 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 held for sale and discontinued operations 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(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 capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

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

- Furniture, Fittings and Other13-18% 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.

The asset retirement obligation is capitalised and included within property, plant and equipment. This asset is included in any impairment testing conducted.

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 derocognition 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 derecognised.

(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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 derecognised.

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.

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 employees' services 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 performance 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 27 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 recognised. 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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 recognised 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

(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 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, bank loans, finance leases, cash and short-term deposits and occasionally derivatives.

The Group manages its exposure to key financial risks, including interest rate and currency risk and credit risk and liquidity risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The Group occasionally enters into derivative transactions, principally forward currency contracts. The purpose is to manage the transactional currency risks arising from the Group's operations and its sources of finance. Where trading in derivatives is undertaken, it is specifically in forward currency contracts.

These derivatives provide economic hedges, but do not qualify for hedge accounting and are based on limits set by management and authorised by the Board. The main risks arising from the Group's financial instruments are interest rate risk,

NOTE 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - CONTINUED

foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rates and foreign exchange rates. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Audit & Risk Management Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for hedging cover of foreign currency and interest rate risk, credit allowances, and future cash flow forecast projections.

RISK EXPOSURES AND RESPONSES

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's long-term debt obligations and its cash holdings. The level of debt is disclosed in Note 23.

At balance date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk.

	Consolidated		*Parent*	
	2009	*2008*	*2009*	*2008*
	$'000	*$'000*	*$'000*	*$'000*
Financial Assets				
Cash at bank and in hand	9,939	7,723	531	385
Cash – restricted lockboxes	5,283	4,367	0	0
	15,222	**12,090**	**531**	**385**
Financial Liabilities				
Obligations under finance leases and hire purchases	1,511	697	0	0
Bank borrowings	81,638	33,281	0	0
	83,149	**33,978**	**0**	**0**
Net exposure	**(67,927)**	**(21,888)**	**531**	**385**

The Group's policy is to manage its finance costs using predominantly variable rate debt associated with the currency in which the cash flows relating to the borrowings arise.

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to alternative financing, alternative hedging positions and a mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date:

At 30 June 2009, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgments of reasonable possible movements:

	Post Tax Profit Higher/(Lower)		*Equity Higher/(Lower)*	
	2009	*2008*	*2009*	*2008*
	$'000	*$'000*	*$'000*	*$'000*
CONSOLIDATED				
+1% (100 basis points)	(679)	(219)	(679)	(219)
- .5% (50 basis points)	340	109	340	109
PARENT				
+1% (100 basis points)	5	4	5	4
- .5% (50 basis points)	(3)	(2)	(3)	(2)

NOTE 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - CONTINUED

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances. The sensitivity is higher in 2009 than in 2008 due to an increase in outstanding borrowings that has occurred due to the funding of the growth in the installed camera base in the USA.

FOREIGN CURRENCY RISK

The Group separates the management of exchange rate risk between translational and transactional effects of currency movements.

The Group has two main operations, with approximately 80% of the Group business occurring within the USA, and the other 20% arising from within Australia, but servicing other worldwide markets. As a result of significant investment operations in the USA and large purchases of inventory from the USA, the Group's balance sheet can be affected significantly by movements in the US$/AU$ exchange rates. The USA business incurs all revenue and the vast majority of its expenses in US$, apart from the cost of cameras sourced from the Australian operations in AU$. The USA business operation accounts for the vast majority of the Group's capital expenditure requirements and related borrowings and accordingly, the Group seeks to mitigate the effect of its foreign currency exposure by borrowing in US$.

Translational effects are therefore significant to the Group results with approximately 80% (2008: 80%) of the Group's revenues and costs incurred in currencies other than the functional currency of the operating entity making the sale (predominantly US$), and the large capital expenditure related to that business also denominated in US$.

The Group does not hedge translational risk through available hedge products.

Aside from the USA operation, the Group also has transactional currency exposures arising occasionally from sales or purchases by an operating entity in currencies other than the functional currency.

Excluding the transactions within the USA operation, nearly all other of the Group's sales are denominated in the functional currency of the operating entity making the sale, whilst almost 90% of costs relating to that business are denominated in the unit's functional currency.

The Group requires all of its operating units to consider using forward currency contracts to eliminate the currency exposures on any substantial net transactions for which receipt or payment is anticipated to be more than one month after the Group has entered into a firm commitment for a sale or purchase. Sales and purchases in currencies other than the functional currency are irregular and evaluated against the revenue streams which they derive on a case by case basis. Any forward currency contracts entered into must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place, and to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

At 30 June 2009 and 2008, the Group had no foreign currency hedge transactions in place.

The Group has a borrowing of US$65.7 million (2008: US$32 million) that is used as a natural hedge of the net investment in the USA operation.

At 30 June 2009, the Group had not hedged foreign currency purchases that are firm commitments, as offsetting natural hedges substantially offset risk. Other than the USA operation, all sales commitments were denominated in AU$.

The following sensitivity is based on the foreign currency risk exposures in existence at the balance sheet date.

At 30 June 2009, had the Australian dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit would have been affected as follows:

NOTE 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - CONTINUED

The net assets of the USA operation are reflected in the segment results shown in Note 5.

Judgments of reasonable possible movements:

	Post Tax Profit Higher/(Lower)		*Equity Higher/(Lower)*	
	2009	*2008*	*2009*	*2008*
	$'000	*$'000*	*$'000*	*$'000*
CONSOLIDATED				
AU$/US$ +10%	0	0	(7,712)	(2,153)
AU$/US$ - 5%	0	0	4,465	1,246
PARENT				
AU$/US$ +10%	0	0	0	0
AU$/US$ - 5%	0	0	0	0

The movements in profit in financial year 2009 are more sensitive than in financial year 2008 due to the higher level of US net assets at balance date.

Management believes the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

PRICE RISK

The Group's exposure to commodity and equity securities price risk is minimal.

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only with recognised, creditworthy third parties and collateral is not requested, nor is it the Group's policy to securitise its trade and other receivables.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures which include an assessment of their independent credit rating, financial position, past experience, and industry reputation. Risk limits are set for each customer in accordance with parameters set by the board. These risk limits are regularly monitored. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Group.

For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms and usually requires a letter of credit to secure the receivable.

LIQUIDITY RISK

The Group's objective is to maintain continuity of funding through the use of bank loans and committed available credit lines. The Group's policy is to lock in borrowing facilities for a period of up to three years with individual loans borrowed under the facility rolling on a quarterly basis. During the year the company de-recognised $81.4 million and recognised $131.6 million in new debt instruments based on the company's view that it had discharged its obligation, replacing them with substantially different obligations. The loss on de-recognition was immaterial. At 30 June 2009, none of the Group's bank borrowings will mature in less than one year (2008: Nil).

NOTE 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - CONTINUED

The remaining contractual maturities of the Group's and the parent's financial liabilities are:

	Consolidated		Parent	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
6 months or less	10,450	9,494	122	4,040
6-12 months	13,962	8,943	264	215
1-5 years	85,587	34,997	0	0
Over 5 years	0	0	0	0
	109,999	**53,434**	**386**	**4,255**

Maturity analysis of financial assets and liability based on management's expectation

The risk implied from the values shown in the table below reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital eg inventories and trade receivables.

These assets are considered in the Group's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable effective control of future risks, Redflex has established comprehensive risk reporting, covering its worldwide business units, that reflects management's expectations of the settlement of financial assets and liabilities.

Year ended 30 June 2009

CONSOLIDATED	<=6 months	6-12 months	1-5 years	>5 years	Total
	$'000	$'000	$'000	$'000	$'000
Financial assets					
Cash and cash equivalents	15,222	0	0	0	15,222
Trade and other receivables	24,548	0	0	0	24,548
	39,770	**0**	**0**	**0**	**39,770**
Financial liabilities					
Trade and other payables	9,133	13,228	0	0	22,361
Interest bearing loans and borrowings	1,317	734	85,587	0	87,638
	10,450	**13,962**	**85,587**	**0**	**109,999**
Net maturity	**29,320**	**(13,962)**	**(85,587)**	**0**	**(70,229)**

PARENT	<=6 months	6-12 months	1-5 years	>5 years	Total
	$'000	$'000	$'000	$'000	$'000
Financial assets					
Cash and cash equivalents	531	0	0	0	531
Trade and other receivables	106	0	0	0	106
Available for-sale financial assets	0	0	0	0	0
	637	**0**	**0**	**0**	**637**
Financial liabilities					
Trade and other payables	122	264	0	0	386
Interest bearing loans and borrowings	0	0	0	0	0
	122	**264**	**0**	**0**	**386**
Net maturity	**515**	**(264)**	**0**	**0**	**251**

NOTE 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - CONTINUED

At balance date, the Group has available approximately AU$43.9 million (US$34.3 million) of unused credit facilities available for its immediate use.

Year ended 30 June 2008

CONSOLIDATED	*<=6 months*	*6-12 months*	*1-5 years*	*>5 years*	*Total*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Financial assets					
Cash and cash equivalents	12,090	0	0	0	12,090
Trade and other receivables	15,744	0	0	0	15,744
Available for-sale financial assets	0	0	0	0	0
	27,834	**0**	**0**	**0**	**27,834**
Financial liabilities					
Trade and other payables	8,857	8,619	0	0	17,476
Interest bearing loans and borrowings	637	324	34,997	0	35,958
	9,494	**8,943**	**34,997**	**0**	**53,434**
Net maturity	**18,340**	**(8,943)**	**(34,997)**	**0**	**(25,600)**

PARENT	*<=6 months*	*6-12 months*	*1-5 years*	*>5 years*	*Total*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Financial assets					
Cash and cash equivalents	385	0	0	0	385
Trade and other receivables	0	0	0	0	0
Available for-sale financial assets	0	0	0	0	0
	385	**0**	**0**	**0**	**385**
Financial liabilities					
Trade and other payables	4,040	215	0	0	4,255
Interest bearing loans and borrowings	0	0	0	0	0
	4,040	215	0	0	4,255
Net maturity	**(3,655)**	**(215)**	**0**	**0**	**(3,870)**

Fair value

The methods for estimating fair value are outlined in the relevant notes to the financial statements.

NOTE 4 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.

NOTE 4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS CONTINUED

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 longetivity 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.

Uncertainty arising as a result of group tax restructure

During the year the group restructured its global tax affairs in order to provide for a more efficient flow of funds around the group. The outcome of the restructure involves a significant degree of uncertainty, and as such the company commissioned independent advice from its professional legal and tax advisors. The outcome of the restructure could result in future potential tax liabilities of up to $10.65 million, with corresponding off-setting tax benefits arising over future years. The likelihood of any such current tax liability was not considered probable at balance date.

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. It is impracticable to estimate the effect on future earnings.

Long service leave provision

In determining the present value of the liability, probabilities have been applied in estimating the proportion of employees who will be entitled to long service leave and a percentage applied to reflect pay increases through promotion and inflation.

NOTE 4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS CONTINUED

Share based payments

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 assumptions detailed in note 28.

Asset retirement obligations

Asset retirement obligation liability is based on management's expectation of future costs to be incurred, based on previous experience in terminated contracts.

NOTE 5 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 Traffic business in the USA is predominantly a Build Own Operate and Maintain business providing fully outsourced traffic enforcement programs to cities and townships. The Australian/International Traffic business involves the sale of traffic enforcement products to those markets.

The 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 arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated on consolidation.

NOTE 5 SEGMENT INFORMATION - CONTINUED

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		*Continuing Operations*				
Business Segments	*Corporate*	*USA Traffic*	*Australian/ International Traffic*	*Total Continuing Operations*	*Discontinued Operation*	*Total Operations*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Revenue						
Revenue from sale of goods and services	0	1,575	16,322	17,897	0	17,897
Revenue from fee for service contracts	0	112,968	0	112,968	0	112,968
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	(3,347)	38,470	10,343	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	**(3,395)**	**12,552**	**8,672**	**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	14,232	151,323	40,780	206,335	0	206,335
Unallocated assets	0	0	0	0	0	0
Total assets	**14,232**	**151,323**	**40,780**	**206,335**	**0**	**206,335**
Segment liabilities	676	109,173	7,106	116,955	0	116,955
Unallocated liabilities	0	0	0	0	0	0
Total Liabilities	**676**	**109,173**	**7,106**	**116,955**	**0**	**116,955**
Other segment Information						
Capital expenditure	**55**	**60,275**	**430**	**60,760**	**0**	**60,760**
Cash flow information						
Net cash flow from operating activities	**(3,926)**	**10,626**	**12,754**	**19,454**	**0**	**19,454**
Net cash flow from investing activities	**5,168**	**(55,144)**	**(15,736)**	**(65,712)**	**0**	**(65,712)**
Net cash flow from financing activities	**(1,096)**	**51,000**	**0**	**49,904**	**0**	**49,904**

NOTE 5 SEGMENT INFORMATION – CONTINUED

Year ended 30 June 2008		*Continuing Operations*				
Business Segments	*Corporate*	*USA Traffic*	*Australian/ International Traffic*	*Total Continuing Operations*	*Discontinued Operation*	*Total Operations*
	$'000	*$'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	90,452	32,952	126,692	1,140	127,832
Unallocated assets	0	0	0	0	0	0
Total assets	**3,288**	**90,452**	**32,952**	**126,692**	**1,140**	**127,832**
Segment liabilities	366	48,492	9,790	58,648	3,800	62,448
Unallocated liabilities	0	0	0	0	0	0
Total Liabilities	**366**	**48,492**	**9,790**	**58,648**	**3,800**	**62,448**
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**	**24,955**
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**

NOTE 6 REVENUE, OTHER REVENUE, INCOME AND EXPENSES

CONTINUING OPERATIONS	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Revenue				
Sale of goods and services	17,897	24,464	0	0
Revenue from fee for service contracts	112,968	63,638	0	0
Management fees	0	0	1,849	1,848
Dividend income	0	0	8,173	0
Finance revenue	60	123	1,139	957
Total Revenue	**130,925**	**88,225**	**11,161**	**2,805**
Expenses				
(a) Depreciation,amortisation and impairment costs included in income statement				
Depreciation on assets in fee for service business	25,719	13,911	0	0
Depreciation of other assets	448	419	47	16
Amortisation of intangibles	1,470	1,128	0	0
(b) Employee benefits expense				
Wages and salaries	36,805	23,487	718	653
Payroll benefits	3,728	1,827	126	182
Contract labour	2,950	1,542	0	0
Superannuation	805	686	98	95
Payroll taxes	2,864	1,793	59	49
Share-based payment expense	968	797	197	197
Other payroll related costs	1,578	1,682	45	3
	49,698	**31,814**	**1,243**	**1,179**
(c) Research and development costs				
Expensed in administrative expenses	465	755	0	0
(d) Specific items				
Reversal of provision for diminution in related party receivables	0	0	0	(8,904)

NOTE 7 DISCONTINUED OPERATION

Discontinued operation	Consolidated 2009 $'000	Consolidated 2008 $'000
ITP settlement (net of tax)	0	2,660

Earnings Per Share

To calculate earnings per share for the discontinued operation, the weighted average number of ordinary shares for both basic and diluted is as per Note 9.

NOTE 7 DISCONTINUED OPERATION - CONTINUED

The following table provides the profit figure used as the numerator:

	2009 $'000	2008 $'000
Net profit/(loss) attributable to members of the parent company	**0**	**(2,660)**
For basic earnings per share	0	(2.95) cents
For diluted earnings per share	0	(2.86) cents

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 8 DIVIDENDS PAID AND PROPOSED

(a) Recognised amounts

The Directors intend to pay a dividend in respect of the year ended 30 June 2009.

Subsequent to the adoption of the 2008 financial statements the directors declared a fully franked dividend of 4.5 cents per share.

(b) Unrecognised amounts

Dividends on ordinary shares

	Parent 2009 $'000	Parent 2008 $'000
Final franked dividend	**5,393**	**4,052**

After the balance sheet dates, the above dividends were proposed by the Board. These amounts have not been recognised as a liability in 2009 but will be brought to account in 2010.

NOTE 8 DIVIDENDS PAID AND PROPOSED - CONTINUED

(c) Franking Credit Balance

	Consolidated	
	2009	*2008*
	$'000	*$'000*
Franking credits available for the subsequent financial year are:		
Franking account balance at year end at 30% (2008 – 30%)	7,839	4,048
Franking credits that will arise at year end from the payment of income tax payable	0	3,760
Franking debits that will arise at year end from payment of dividends	0	0
Franking credits that the entity may be prevented from distributing in the subsequent financial year	0	0
	7,839	**7,808**
Franking credits available for future reporting periods		
Impact on the franking account of dividends proposed or declared before the final report was authorised for issue but not recognised as a distribution to equity holders	(2,312)	(1,741)
	5,527	**6,067**

(d) Tax rates

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

NOTE 9 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	
	2009	*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 transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements except as shown in Note 30.

NOTE 10 INCOME TAX

	Consolidated		Parent	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
INCOME TAX EXPENSE				
Major components of income tax expense are:				
INCOME STATEMENT				
Current income tax				
Current income tax charge (benefit)	3,516	5,677	2,194	120
Adjustments in respect of current income tax of previous years	(1,056)	87	0	0
Deferred income tax				
Relating to origination and reversal of temporary differences	1,278	(1,091)	0	0
Income tax expense reported in the income statement	**3,738**	**4,673**	**2,194**	**120**
NUMERICAL RECONCILIATION BETWEEN AGGREGATE TAX EXPENSE RECOGNISED IN THE INCOME STATEMENT AND TAX EXPENSE CALCULATED PER THE STATUTORY INCOME TAX RATE				
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:				
Accounting profit before tax from continuing operations	13,371	15,269	7,587	9,107
Profit before tax from discontinued operation	0	(3,800)	0	(3,800)
Accounting profit before income tax	**13,371**	**11,469**	**7,587**	**5,307**
At the statutory income tax rate of 30% (2008: 30%)	4,011	3,441	2,276	1,592
Adjustments in respect of current income tax of previous years	(1,056)	87	0	0
Impact of tax rate differential on foreign operations	1,055	188	0	0
Research and Development concessions	(304)	(168)	0	0
Reversal of provision for diminution in related party receivable	0	0	0	(2,612)
Other	32	(15)	(82)	0
At effective income tax rate of 30% (Parent 19.9%) (2008: 30.8%, Parent (19.2%))	**3,738**	**3,533**	**2,194**	**(1,020)**
Aggregate income tax expense is attributable to				
Income tax expense reported in income statement	3,738	4,673	2,194	120
Income tax attributable to discontinued operation	0	(1,140)	0	(1,140)
	3,738	**3,533**	**2,194**	**(1,020)**

NOTE 10 INCOME TAX - CONTINUED

	Balance Sheet		*Income Statement*	
	2009	*2008*	*2009*	*2008*
	$'000	*$'000*	*$'000*	*$'000*
DEFERRED TAX				
Deferred income tax at 30 June relates to the following:				
CONSOLIDATED				
(i) Deferred tax liabilities				
Accelerated depreciation for tax purposes	8,785	6,397	2,388	1,638
Taxable profit on sale of cameras ahead of recognition in the accounts	(7,323)	(5,596)	(1,727)	(5,596)
Capitalised development costs	3,209	2,105	1,104	384
Gross deferred tax liabilities	**4,671**	**2,906**		
(ii) Deferred tax assets				
Long service leave	1,245	1,022	(223)	(107)
Provisions	1,450	1,186	(264)	126
Taxable profit on sale of cameras ahead of recognition in the accounts	0	0	0	3,234
Losses available for offset against future taxable income	0	0	0	219
Other	0	0	0	151
Gross deferred tax assets	**2,695**	**2,208**		
Deferred tax charge – continuing operations			**1,278**	**49**
Losses available from settlement of ITP litigation – discontinued operations	0	1,140	0	(1,140)
Gross deferred tax assets	**2,695**	**3,348**		
Deferred tax charge			**1,278**	**(1,091)**

The consolidated entity has tax losses, arising in USA, with a tax value of $4.62 million (2008: $1.40 million) that are available indefinitely for offset against taxable profits of the companies and in the country in which the losses arose.

At 30 June 2009 there is no recognised or unrecognised deferred income tax liability (2008: $Nil) for taxes that would be payable on the unremitted earnings of the consolidated entity's subsidiaries, as the consolidated entity has no liability for additional taxation should such amounts be remitted.

TAX CONSOLIDATION

Redflex Holdings Limited and its 100% Australian owned subsidiaries are a tax consolidated group effective from 1 July 2003. Members of the group have entered into a tax sharing arrangement and a tax funding agreement in order to allocate income tax expense to the wholly owned subsidiaries on a prorata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote. The head entity of the tax consolidated group is Redflex Holdings Limited.

NOTE 10 INCOME TAX - CONTINUED

TAX EFFECT ACCOUNTING BY MEMBERS OF THE TAX CONSOLIDATED GROUP

In preparing the accounts for Redflex Holdings Limited for the financial year ended 30 June 2008, the following amounts have been recognised as tax consolidation contribution adjustments:

	Parent	
	2009	*2008*
	$'000	*$'000*
Total increase to tax expense of Redflex Holdings Limited	0	0
Total increase (reduction) to intercompany assets of Redflex Holdings Limited	862	3,593
Total increase in investment in subsidiaries in the accounts of Redflex Holdings Limited	0	0

NOTE 11 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated		*Parent*	
	2009	*2008*	*2009*	*2008*
	$'000	*$'000*	*$'000*	*$'000*
Cash at bank and in hand	9,939	6,315	531	329
Restricted cash	5,283	4,367	0	0
Short-term deposits	0	1,408	0	56
Cash and cash equivalents	**15,222**	**12,090**	**531**	**385**

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		*Parent*	
	2009	*2008*	*2009*	*2008*
	$'000	*$'000*	*$'000*	*$'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	531	329
Short term deposits	0	1,408	0	56
	15,222	**12,090**	**531**	**385**

NOTE 12 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	Consolidated		Parent	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Trade receivables	24,652	16,284	106	0
Allowance for impairment losses	(104)	(540)	0	0
	24,548	**15,744**	**106**	**0**

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

ALLOWANCE FOR IMPAIRMENT LOSS

A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of $0 (2008: $400,000) has been recognised by the Group. These amounts have been included in the administrative expenses item.

Movements in the provision for impairment loss were as follows:

	Consolidated		Parent	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
At 1 July 2008	540	140	0	0
Charge for the year	(436)	400	0	0
At 30 June 2009	**104**	**540**	**0**	**0**

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

				Consolidated			
	Total	0-30 days	31-60 days	61-90 days PDNI*	61-90 days CI*	+ 91 days PDNI*	+ 91 days CI*
At 30 June 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

				Parent			
	Total	0-30 days	31-60 days	61-90 days PDNI*	61-90 days CI*	+ 91 days PDNI*	+ 91 days CI*
At 30 June 2009	106	106	0	0	0	0	0
At 30 June 2008	0	0	0	0	0	0	0

*PDNI – Past due not impaired

*CI – Considered impaired

NOTE 13 CURRENT ASSETS - INVENTORIES

	Consolidated		Parent	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Work in progress – at cost	7,768	873	0	0
Raw materials and camera components – at cost	11,711	10,214	0	0
Provision for write-downs	(430)	(282)	0	0
	19,049	**10,805**	**0**	**0**

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

NOTE 14 NON CURRENT ASSETS – RECEIVABLES

	Consolidated		Parent	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Controlled entities	0	0	21,063	29,792
Provision for non-recovery	0	0	0	(6,581)
	0	**0**	**21,063**	**23,211**

NOTE 15 INVESTMENTS IN SUBSIDIARIES

	Consolidated		Parent	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Investments in controlled entities (Note 26) at cost	**0**	**0**	**49,028**	**48,257**

NOTE 16 NON CURRENT ASSETS - PROPERTY PLANT AND EQUIPMENT

	Consolidated					Parent		
Year ended 30 June 2009	*Plant and equipment $'000*	*Furniture and other $'000*	*Computer equipment $'000*	*Asset Retirement Obligation $'000*	*Total $'000*	*Furniture and other $'000*	*Computer equipment $'000*	*Total $'000*
At 1 July 2008 net of accumulated depreciation and impairment	**66,270**	**1,076**	**2,617**	**1,318**	**71,281**	**14**	**87**	**101**
Additions	55,061	1,959	3,740	441	61,201	10	45	55
Disposals	(1,422)	(56)	(43)	(79)	(1,600)	0	0	0
Depreciation for the year	(23,057)	(788)	(1,820)	(502)	(26,167)	(6)	(42)	(48)
Exchange adjustment	13,163	137	375	230	13,905	0	0	0
At 30 June 2009 net of accumulated depreciation and impairment	**110,015**	**2,328**	**4,869**	**1,408**	**118,620**	**18**	**90**	**108**
At 1 July 2008								
Cost	101,511	2,357	4,959	1,318	110,145	652	197	849
Accumulated depreciation and impairment	(35,241)	(1,281)	(2,342)	0	(38,864)	(638)	(110)	(748)
Net carrying amount	**66,270**	**1,076**	**2,617**	**1,318**	**71,281**	**14**	**87**	**101**
At 30 June 2009								
Cost	170,310	4,245	9,262	1,910	185,727	662	242	904
Accumulated depreciation and impairment	(60,295)	(1,917)	(4,393)	(502)	(67,107)	(644)	(152)	(796)
Net carrying amount	**110,015**	**2,328**	**4,869**	**1,408**	**118,620**	**18**	**90**	**108**
Year ended 30 June 2008								
At 1 July 2007 net of accumulated depreciation and impairment	55,421	858	2,753	0	59,032	4	17	21
Additions	33,582	723	1,147	1,318	36,770	13	83	96
Disposals	0	(7)	(71)	0	(78)	0	0	0
Depreciation for year	(13,028)	(416)	(886)	0	(14,330)	(3)	(13)	(16)
Exchange adjustment	(9,705)	(82)	(326)	0	(10,113)	0	0	0
At 30 June 2008 net of accumulated depreciation and impairment	**66,270**	**1,076**	**2,617**	**1,318**	**71,281**	**14**	**87**	**101**
At 1 July 2007								
Cost	84,034	1,705	4,617	0	90,356	639	114	753
Accumulated depreciation and impairment	(28,613)	(847)	(1,864)	0	(31,324)	(635)	(97)	(732)
Net carrying amount	**55,421**	**858**	**2,753**	**0**	**59,032**	**4**	**17**	**21**
At 30 June 2008								
Cost	101,511	2,357	4,959	1,318	110,145	652	197	849
Accumulated depreciation and impairment	(35,241)	(1,281)	(2,342)	0	(38,864)	(638)	(110)	(748)
Net carrying amount	**66,270**	**1,076**	**2,617**	**1,318**	**71,281**	**14**	**87**	**101**

NOTE 16 NON CURRENT ASSETS - PROPERTY PLANT AND EQUIPMENT - CONTINUED

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

LEASED ASSETS

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2009 is $1,511,401 (2008: $696,963).

Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities, the amount pledged is equal to the outstanding finance lease and hire purchase obligation as disclosed in Note 25.

NOTE 17 NON CURRENT ASSETS - INTANGIBLE ASSETS AND GOODWILL

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

Year ended 30 June 2008

At 1 July 2007, net of accumulated amortisation and impairment	7,049	400	7,449	0	400	400
Additions	2,748	0	2,748	0	0	0
Amortisation for the year	(1,128)	0	(1,128)	0	0	0
Exchange adjustment	(192)	0	(192)	0	0	0
At 30 June 2008, net of accumulated amortisation and impairment	**8,477**	**400**	**8,877**	**0**	**400**	**400**
At 1 July 2007						
Cost	9,328	400	9,728	0	400	400
Accumulated amortisation and impairment	(2,279)	0	(2,279)	0	0	0
Net carrying amount	**7,049**	**400**	**7,449**	**0**	**400**	**400**
At 30 June 2008						
Cost	12,271	400	12,671	0	400	400
Accumulated amortisation and impairment	(3,794)	0	(3,794)	0	0	0
Net carrying amount	**8,477**	**400**	**8,877**	**0**	**400**	**400**

NOTE 17 NON CURRENT ASSETS - INTANGIBLE ASSETS AND GOODWILL - CONTINUED

DEVELOPMENT COSTS

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

GOODWILL

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

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

IMPAIRMENT TESTING OF GOODWILL

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

- Basis used to determine the value assigned to budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year increased for marginal expected efficiency improvements.
- The yield on a five year Government Bond rate consistent with external informational sources is utilised.
- Projected cash flows have been discounted using a pre-tax discount rate of 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 18 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated		*Parent*	
	2009	*2008*	*2009*	*2008*
	$'000	*$'000*	*$'000*	*$'000*
Trade payables	22,361	13,676	386	455
Deferred revenue	3,293	1,887	0	0
Litigation Settlement	0	3,800	0	3,800
	25,654	**19,363**	**386**	**4,255**

Trade payables are non-interest bearing and are normally settled on 30 day terms.

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

NOTE 19 CURRENT LIABILITIES – PROVISIONS

	Consolidated		Parent	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Employee entitlements	2,064	952	287	237
Provision for warranties	617	592	0	0
Asset retirement obligation – liability	219	0	0	0
	2,900	**1,544**	**287**	**237**

(a) Movements in provisions

Please refer to Note 20 for details.

(b) Nature and timing of provisions

Please refer to Note 20 for details

NOTE 20 NON CURRENT LIABILITIES – PROVISIONS

	Consolidated		Parent	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Employee entitlements	165	77	9	3
Asset retirement obligation – liability	1,691	1,318	0	0
	1,856	**1,395**	**9**	**3**

(a) Movements in provisions

CONSOLIDATED

	Maintenance Warranties	Employee Entitlements	Asset Retirement Obligation	Total
	$'000	$'000	$'000	$'000
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)
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
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
At 30 June 2008	**592**	**1,029**	**1,318**	**2,939**

NOTE 20 NON CURRENT LIABILITIES – PROVISIONS - CONTINUED

(a) Movements in provisions - continued

PARENT

	Employee entitlements $'000
At 1 July 2008	240
Arising during the year	125
Utilised during the year	(69)
At 30 June 2009	**296**
Current 2009	287
Non current 2009	9
At 30 June 2009	**296**
Current 2008	237
Non current 2008	3
At 30 June 2008	**240**

Superannuation

During the year ended 30 June 2009, the consolidated entity had a obligation to contribute 9% of an Australian employee's salary into a superannuation fund of the employee's choice. All of the economic entities' responsibilities in respect to superannuation commitments relating to the year ended 30 June 2009 have been discharged.

(b) Nature and Timing of Provisions

(i) Maintenance warranties

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

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

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

(ii) Asset retirement obligation

The Build Own Operate and Maintain business within the 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.

(iii) Employee entitlements

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

NOTE 21 INTEREST-BEARING LOANS AND BORROWINGS

	Consolidated		Parent	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Current				
Obligations under finance leases and hire purchase contracts	554	295	0	0
	554	**295**	**0**	**0**
Non-Current				
Obligations under finance leases and hire purchase contracts	957	402	0	0
Bank borrowings	82,878	33,281	0	0
Deferred financing costs	(2,515)	(470)	0	0
	81,320	**33,213**	**0**	**0**

Financing facilities available

	Consolidated		Parent	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Total facilities				
Bank borrowings	124,255	52,080	0	0
		0	0	
Facilities used at reporting date				
Bank borrowings	82,878	33,281	0	0
Deferred financing costs	(2,515)	(470)	0	0
Security for letters of credit issued to customers	0	276	0	0
	80,363	**33,087**	**0**	**0**
Facilities unused at reporting date	**43,892**	**18,993**	**0**	**0**

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.

(a) Fair Value

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

(b) Interest rate, foreign exchange and liquidity risk

Details regarding interest rate, foreign exchange and liquidity risk are disclosed in Note 3.

NOTE 22 CONTRIBUTED EQUITY

	Consolidated 2009 $'000	2008 $'000
Ordinary shares:		
Issued and fully paid	86,117	83,161

Movements in ordinary shares on issue

	Number of shares Thousands	2008 $'000
At 30 June 2007	**88,975**	**81,243**
Issued during the year as a result of:		
Dividend Reinvestment Plan	643	1,726
Vesting of Performance Rights under the LTI Plan	347	0
Conversion of options	295	192
At 30 June 2008	**90,260**	**83,161**
Issued during the year as a result of:		
Dividend Reinvestment Plan	660	1,721
Vesting of Performance Rights under the LTI Plan	500	0
Conversion of options	653	1,235
At 30 June 2009	**92,073**	**86,117**

Terms and Conditions of Contributed Equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

NOTE 23 RETAINED EARNINGS AND RESERVES

Movements in retained earnings were as follows:

	Consolidated		*Parent*	
	2009	*2008*	*2009*	*2008*
	$'000	*$'000*	*$'000*	*$'000*
Balance 1 July	(3,725)	(8,467)	(21,958)	(25,111)
Net profit	9,633	7,936	5,393	6,327
Dividends paid	(4,052)	(3,174)	(4,052)	(3,174)
Currency translation	2	(20)	(1)	0
Balance 30 June	**1,858**	**(3,725)**	**(20,618)**	**(21,958)**

Nature and purpose of reserves

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Employee Equity Benefits Reserve

The employee equity benefits reserve is used to record the value of share based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Note 28 for further details of these plans.

Movements in Reserves were as follows:

	Consolidated			*Parent*	
	Foreign currency translation	*Employee equity benefits reserve*	*Total*	*Employee equity benefits reserve*	*Total*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
At 30 June 2007	(10,014)	3,355	(6,659)	3,355	3,355
Cost of share based payments	0	797	797	797	797
Effect of exchange rate movement	(8,190)	0	(8,190)	0	0
At 30 June 2008	**(18,204)**	**4,152**	**(14,052)**	**4,152**	**4,152**
Cost of share based payments	0	968	968	968	968
Effect of exchange rate movement	14,186	303	14,489	303	303
At 30 June 2009	**(4,018)**	**5,423**	**1,405**	**5,423**	**5,423**

NOTE 24 CASH FLOW STATEMENT RECONCILIATION

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

	Consolidated		Parent	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Reconciliation Of Cash Flow Statement				
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	531	329
Short-term deposits	0	1,408	0	56
	15,222	**12,090**	**531**	**385**
Reconciliation from the net profit after tax to the net cash flows from operations				
Net Profit/(Loss) after income tax from continuing operations	9,633	10,596	5,393	8,987
Non Cash Flow Items				
Depreciation expense	25,665	14,330	47	16
Asset retirement obligation depreciation	502	0	0	0
Amortisation of intangibles	1,470	1,128	0	0
Provision for employee entitlements	1,257	697	57	3
Impairment and write-down of property, plant and equipment	1,600	0	0	0
Deferred financing costs amortisation	600	0	0	0
Share based payments	968	797	197	197
Reversal of provision for diminution in related party receivables	0	0	0	(8,904)
Change in operating Assets and Liabilities				
Decrease/(Increase) in prepayments	(304)	(1,779)	0	0
Decrease/(Increase) in receivables - current	(9,589)	(1,044)	(106)	128
Decrease/(Increase) in inventories	(9,654)	(4,021)	0	0
Decrease/(Increase) in deferred tax asset	578	3,414	1,138	1
Increase/(Decrease) in deferred tax liability	1,621	(2,727)	0	0
Increase/(Decrease) in deferred revenue	1,512	1,073	0	0
Increase/(Decrease) in taxation provisions	(3,994)	1,770	(6,782)	(1,871)
Increase/(Decrease) in payables	5,651	4,308	(3,870)	455
Decrease/(Increase) in deferred costs asset	(8,062)	(3,587)	0	0
Net cash from operating activities	**19,454**	**24,955**	**(3,926)**	**(988)**

Disclosure of financing facilities is shown in Note 21.

NOTE 25 COMMITMENTS AND CONTINGENCIES

(a) Bank Indemnity Guarantees

The company's bankers have issued indemnity guarantees to certain customers in respect of rental deposits, bid bonds and performance bonds of $1,834,481 (2008: $1,532,340).

(b) Operating lease commitments – Group as lessee

The Group has entered into commercial leases on certain computer equipment which the Group considers it is not in its best interests to purchase.

Operating leases pertain to leased premises in Australia and the USA. These leases have expiry dates varying from one year to less than seven years. Renewal options exist on all major leased premises at the company's discretion for periods of up to 5 years.

	Consolidated		*Parent*	
	2009	*2008*	*2009*	*2008*
	$'000	*$'000*	*$'000*	*$'000*
Within 1 year	2,448	1,367	459	449
After 1 year but not more than 5 years	6,012	6,693	321	799
More than 5 years	4,138	3,327	0	0
	12,598	**11,387**	**780**	**1,248**

(c) Finance lease commitments – Group as lessee

	Consolidated			
	2009		*2008*	
	Minimum lease payments	*Present value of payments*	*Minimum lease payments*	*Present value of payments*
	$'000	*$'000*	*$'000*	*$'000*
Within 1 year	583	554	313	295
After 1 year but not more than 5 years	1,014	957	418	402
Total minimum lease payments	**1,597**	**1,511**	**731**	**697**
Less amounts representing finance charges	(86)	0	(34)	0
Present value of minimum lease payments	**1,511**	**1,511**	**697**	**697**

Finance leases generally relate to leased motor vehicles within the USA.

(d) Capital commitments

At 30 June 2009 the Group has commitments of $5,460,575 (2008: $6,157,695) principally relating to the installation of camera systems in contracted cities within Redflex Traffic Systems Inc's Build Own Operate and Maintain business in the USA. The company has contracts with numerous jurisdictions within the USA. The terms of contracts specify that Redflex can install a number of cameras up to a specified limit provided that Redflex and the customer agree on the location and suitability of the proposed installations. Accordingly, the company has obligations to install further camera systems for these customers, however, it is not possible to determine how many will ultimately be installed and therefore the commitments shown represent only those where firm orders have been placed with contractors for current installations.

The commitments contracted at reporting date, but not provided for are:

	Consolidated		*Parent*	
	2009	*2008*	*2009*	*2008*
	$'000	*$'000*	*$'000*	*$'000*
Within one year	5,461	6,157	0	0
After one year but not more than five years	0	0	0	0
Longer than five years	0	0	0	0
	5,461	**6,157**	**0**	**0**

NOTE 26 RELATED PARTY DISCLOSURE

(a) Subsidiaries

The consolidated financial statements include the financial statements of Redflex Holdings Limited and the subsidiaries listed in the following table:

Shares in Controlled Entities

	Country of Incorporation	*Equity interest*		*Investment*	
		2009	*2008*	*2009*	*2008*
		%	*%*	*$'000*	*$'000*
Controlled entities of Redflex Holdings Limited					
Redflex Enforcement Services Pty Ltd	Australia	100	100	0	0
Redflex Pty Ltd	Australia	100	100	3,357	3,357
Aerospace Systems Pty Ltd	Australia	100	100	100	100
RTS R & D Pty Ltd	Australia	100	100	0	0
Redflex Traffic Systems (Canada) Inc	Canada	100	100	0	0
Redflex Traffic Systems Limited	UK	100	100	0	0
Redflex Traffic Systems Inc	USA	100	100	45,571	44,800
				49,028	**48,257**
Controlled entities of Redflex Pty Ltd					
Redflex Traffic Systems Australia Pty Ltd	Australia	100	100		
Interactive (No 1) Pty Ltd *	Australia	100	0		
Interactive (No 2) Pty Ltd *	Australia	100	0		
Interactive (No 3) Pty Ltd *	Australia	100	0		
Interactive (No 4) Pty Ltd *	Australia	100	0		
Interactive (No 5) Pty Ltd *	Australia	100	0		
Interactive (No 6) Pty Ltd *	Australia	100	0		
Controlled entities of Redflex Traffic Systems Inc					
Redflex Traffic Systems Pty Ltd	Australia	100	100		
Redflex Traffic Systems (California) Inc	USA	100	100		
Controlled entities of Redflex Traffic Systems Pty Ltd					
Redflex Traffic Pty Ltd	Australia	100	100		

*These companies were acquired in September 2008 at the time of the Interactive Telephony Partnership (ITP) settlement. Please refer to Note 7 – Discontinued Operation.

The exit mechanism for the ITP partners was the sale of the shares in these companies to Redflex Pty Ltd for a face value of $10 million, which was offset by a $10 million cash deposit held for that purpose.

(b) Ultimate parent

Redflex Holdings Limited is the ultimate parent of the Group.

(c) Key management personnel

Details relating to KMP, including remuneration paid, are included in Note 27.

(d) transactions with related parties

Sales to and purchases from related parties are made as arms length transactions at normal market prices and on normal commercial terms. These transactions relate to the day to day activities between companies in the Group.

The following amounts represent the loan balances at year end.

	Consolidated		Parent	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Provision of interest free unsecured loans to wholly owned subsidiaries (at call)				
- to related entities	0	0	21,063	23,211

NOTE 27 KEY MANAGEMENT PERSONNEL

(a) Compensation of key management personnel

	Consolidated		Parent	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Short term employee benefits	2,696	2,091	821	937
Post-employment benefits	101	99	68	79
Long-term employment benefits	13	13	8	10
Share based payments	666	506	231	184
	3,476	**2,709**	**1,128**	**1,210**

(b) Option holdings by key management personnel (consolidated)

	Options held at 1 July 2008	Options exercised	Options held at 30 June 2009	Options exercisable
Directors				
Christopher Cooper	0	0	0	0
Graham Davie	0	0	0	0
Karen Finley	135,000	135,000	0	0
Robin Debernardi (resigned 30 June 2009)	0	0	0	0
Peter Lewinsky	0	0	0	0
Roger Sawley	0	0	0	0
Ronald Langley	0	0	0	0
	135,000	**135,000**	**0**	**0**
Executives				
Aaron Rosenberg	0	0	0	0
Michael Browne	0	0	0	0
Cristina Weekes	0	0	0	0
Ronald Johnson	0	0	0	0
Ricardo Fiusco	0	0	0	0
Marilyn Stephens	0	0	0	0
	0	**0**	**0**	**0**

NOTE 27 KEY MANAGEMENT PERSONNEL - CONTINUED

	Options held at 1 July 2007	*Options exercised*	*Options held at 30 June 2008*	*Options exercisable*
Directors				
Christopher Cooper	0	0	0	0
Graham Davie	0	0	0	0
Karen Finley	135,000	0	135,000	135,000
Robin Debernardi	0	0	0	0
Peter Lewinsky	0	0	0	0
Roger Sawley	0	0	0	0
	135,000	**0**	**135,000**	**135,000**
Executives				
Aaron Rosenberg	20,000	20,000	0	0
Michael Browne	0	0	0	0
Cristina Weekes	0	0	0	0
Ronald Johnson	0	0	0	0
Ricardo Fiusco	135,000	135,000	0	0
Marilyn Stephens	140,000	140,000	0	0
	295,000	**295,000**	**0**	**0**

(c) Shares held by key management personnel (Consolidated)

	Shares held at 1 July 2008	*Vesting of Performance Rights*	*Conversion of Options*	*Bought (Sold) on market*	*Shares held at 30 June 2009*
Directors					
Christopher Cooper	1,142,917	0	0	636,250	1,779,167
Graham Davie	1,459,206	74,581	0	26,479	1,560,266
Karen Finley	122,982	88,297	135,000	(96,665)	249,614
Robin Debernardi (resigned 30 June 2009)	2,816,666	0	0	48,620	2,865,286
Peter Lewinsky	45,298	0	0	782	46,080
Roger Sawley	24,000	0	0	24,000	48,000
Ronald Langley	0	0	0	250,000	250,000
	5,611,069	**162,878**	**135,000**	**889,466**	**6,798,413**
Executives					
Aaron Rosenberg	19,596	80,270	0	(69,209)	30,657
Michael Browne	0	0	0	0	0
Cristina Weekes	0	0	0	0	0
Ronald Johnson	265,498	35,799	0	(22,641)	278,656
Ricardo Fiusco	299,710	36,819	0	(60,000)	276,529
Marilyn Stephens	225,853	21,877	0	(139,999)	107,731
	810,657	**174,765**	**0**	**(291,849)**	**693,573**

	Shares held at 1 July 2007	*Vesting of Performance Rights*	*Conversion of Options*	*Bought (Sold) on market*	*Shares held at 30 June 2008*
Directors					
Christopher Cooper	990,996	0	0	151,921	1,142,917
Graham Davie	1,366,479	73,955	0	18,772	1,459,206
Karen Finley	68,857	87,555	0	(33,430)	122,982
Robin Debernardi	3,255,264	0	0	(438,598)	2,816,666
Peter Lewinsky	44,716	0	0	582	45,298
Roger Sawley	0	0	0	24,000	24,000
	5,726,312	**161,510**	**0**	**(276,753)**	**5,611,069**
Executives					
Aaron Rosenberg	0	79,596	20,000	(80,000)	19,596
Michael Browne	0	0	0	0	0
Cristina Weekes	0	0	0	0	0
Ronald Johnson	293,370	36,510	0	(63,370)	266,510
Ricardo Fiusco	210,000	36,510	135,000	(81,800)	299,710
Marilyn Stephens	64,160	21,693	140,000	0	225,853
	567,530	**174,309**	**295,000**	**(225,170)**	**811,669**

All equity transactions with key management personnel, other than transactions resulting from the exercise of remuneration options and the issue of shares from vested performance rights, have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

NOTE 28 SHARE-BASED REMUNERATION PLANS

(a) Types of Share-Based Remuneration Plans

(i) Long Term Incentive Plan

In July 2006 Redflex established a Long Term Incentive Plan (LTIP) for executives. The LTIP Rules for Australian and United States executives are published on Redflex's website. The LTIP is based on grants of Performance Rights which vest into shares on a 1 for 1 basis at no cost to the employee subject to satisfaction of performance hurdles. Settlement of the Performance Rights can be made in accordance with the LTIP Rules.

The performance measure is Redflex Holdings Limited's relative total shareholder return (TSR) performance compared with the TSR performance of a comparator group consisting of companies in the S&P/ASX 300 at grant date over the same period. TSR is calculated as the change in capital value of Redflex Holdings Limited over a five-year period, plus dividends expressed as a percentage of the opening capital value.

The performance period is generally expected to be three years, however, the initial offers were transitional arrangements with shorter performance periods designed to provide a degree of continuity of long term incentives to executives who previously participated in the company's Employee Option Plan.

The performance hurdle has a threshold minimum below which the Performance Rights will lapse. No Performance Rights will vest if Redflex Holdings Limited's TSR performance is less than the TSR performance achieved by 50% of the companies in the comparator group, and 50% will vest if this hurdle is reached. The maximum number of Performance Rights in a grant will vest if the company's TSR performance is equal to or greater than the TSR performance achieved by 75% of the companies in the comparator group. If the company's TSR performance is between the two thresholds the number of Performance Rights that vest is determined on a directly proportional basis.

(ii) Executive Share Plan

No shares were issued under the Executive Share Plan (ESP) in the financial year ended 30 June 2009 (2008: Nil).

(iii) Employee Option Plan

An Employee Option Plan exists whereby Redflex could grant non-transferable options over ordinary shares to executives and certain members of staff. Options were issued in accordance with performance guidelines established by the directors, for $nil consideration and the options expire after 5 years. Performance conditions relate only to those remaining in service during the vesting period. The options are not quoted on the ASX.

NOTE 28 SHARE-BASED REMUNERATION PLANS - CONTINUED

(b) Summary of employee remuneration arrangements

(i) Employee Option Plan

The number and weighted average exercise prices (WAEP) of, and movements in, share options issued during the year are as follows:

	2009		2008	
	Number	*WAEP*	*Number*	*WAEP*
RDFAS options				
exercise price of a nominal $0.58 increasing at the rate of 3% per annum (compounding) until exercise; granted 26 September 2003; expiring 30 September 2008.				
Outstanding at the beginning of the year	135,000	0.66	430,000	0.64
Granted during the year	0	0	0	0
Forfeited during the year	0	0	0	0
Exercised during the year	(135,000)	0.66	(295,000)	0.65
Expired during the year	0	0	0	0
Outstanding at the end of the year	**0**	**0**	**135,000**	**0.66**
RDFAT options				
exercise price of nominal $2.06 adjusted by the movement in the ASX All Ordinaries Index calculated as a percentage from 2 June 2004 (grant date) to the last business day of the month prior to date of exercise; granted 1 June 2004, expiring 3 June 2009.				
Outstanding at the beginning of the year	**1,013,000**	**3.16**	**1,059,000**	**3.76**
Granted during the year	0	0	0	0
Forfeited during the year	0	0	(46,000)	3.00
Exercised during the year	(518,000)	2.21	0	0
Expired during the year	(495,000)	2.26	0	0
Outstanding at the end of the year	**0**	**0**	**1,013,000**	**3.16**

(ii) Long Term Incentive Plan for Executives

	2009		2008	
	No.	*WAEP*	*No.*	*WAEP*
Performance Rights				
Outstanding at the beginning of the year	1,704,626	0	1,545,659	0
Granted during the year	775,811	0	516,318	0
Forfeited during the year	(18,670)	0	(7,121)	0
Vested during the year	(499,755)	0	(347,288)	0
Lapsed during the year	0	0	(2,942)	0
Outstanding at the end of the year	**1,962,012**	**0**	**1,704,626**	**0**

(c) Weighted average remaining contractual life

There are no outstanding options at 30 June 2009. The weighted average remaining contractual life of the share options outstanding at 30 June 2008 was 0.5 years.

NOTE 28 SHARE-BASED REMUNERATION PLANS - CONTINUED

(d) Range of exercise price

The range of exercise prices for options exercised during the year was $0.66 - $2.36.

(f) Option pricing model

Equity-settled transactions

The fair value of each option is estimated on the date of the grant using a Black-Scholes option formula, with the following weighted average assumptions used for grants made on 30 June 2004, 2003 and 2002. The valuation of the options was performed independently by Pitcher Partners.

Black-Scholes option formula	*RDFAS*	*RDFAT*
Share price	0.89	2.22
Exercise price	0.5859	2.06
Expected volatility	33%	33%
Risk-free interest rate	5.21%	5.52%
Expected life of option	5 years	5 years

The dividend yield reflected the assumption that no dividend had been paid nor would a dividend be paid earlier than 30 June 2006. The expected life of the option is the maximum period allowable and is not necessarily indicative of exercise patterns that may occur. The expected volatility was determined with reference to peer companies and was designed to be indicative of future trends which may not necessarily be the actual outcome.

(g) Performance rights pricing model

Equity-settled transactions

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 was performed independently by Mercers.

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.

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.

Performance Rights Formula

Year ended 30 June 2009	*1 October 2008*
Share price at valuation date	$2.25
Expected volatility	37%
Risk-free interest rate	5.16%
Expected life of performance right	3 years
Dividend yield	1.5%

Year ended 30 June 2008	*1 October 2007*
Share price at valuation date	$2.83
Expected volatility	35%
Risk-free interest rate	6.44%
Expected life of performance right	3 years
Dividend yield	1.2%

NOTE 28 SHARE-BASED REMUNERATION PLANS - CONTINUED

The dividend yield reflects dividends previously paid and 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 3 years (2008: 3 years).

(h) 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 certain USA employees gives rise to a tax deduction within our USA subsidiary. The value of these tax deductions is 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.

NOTE 29 FAIR VALUE AND INTEREST RATE RISK

Fair values

All assets and liabilities recognised in the balance sheet, whether they are carried at cost or at fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

Interest rate risk

The following table sets out the carrying amount, by maturity, of financial instruments exposed to interest rate risk:

CONSOLIDATED

	<1 year *$'000*	*>1-<2 yrs* *$'000*	*>2-<3 yrs* *$'000*	*>3-<4 yrs* *$'000*	*>4-<5 yrs* *$'000*	*>5 yrs* *$'000*	*Total* *$'000*
Year ended 30 June 2009							
Financial Assets							
Floating rate							
Cash assets	15,222	0	0	0	0	0	15,222
Weighted average effective interest rate	2.50%						2.50%
Financial Liabilities							
Fixed rate							
Obligations under finance leases and hire purchase contracts	554	766	191	0	0	0	1,511
Weighted average effective interest rate	5.39%	5.39%	5.39%				5.39%
Floating rate							
Bank Borrowings	0	0	81,638	0	0	0	81,638
Weighted average effective interest rate			6.00%				6.00%
Year ended 30 June 2008							
Financial Assets							
Floating rate							
Cash assets	12,090	0	0	0	0	0	12,090
Weighted average effective interest rate	2.5%						2.5%

NOTE 29 FAIR VALUE AND INTEREST RATE RISK - CONTINUED

Financial Liabilities							
Fixed rate							
Obligations under finance leases and hire purchase contracts	295	224	152	26	0	0	697
Weighted average effective interest rate	7.75%						7.75%
Floating rate							
Bank Borrowings	0	33,281	0	0	0	0	33,281
Weighted average effective interest rate		5.85%					5.85%

PARENT COMPANY

	<1 year $'000	*>1-<2 yrs $'000*	*>2-<3 yrs $'000*	*>3-<4 yrs $'000*	*>4-<5 yrs $'000*	*>5 yrs $'000*	*Total $'000*
Year ended 30 June 2009							
Financial Assets							
Floating rate							
Cash assets	531	0	0	0	0	0	531
Weighted average effective interest rate	2.50%						2.50%

	<1 year $'000	*>1-<2 yrs $'000*	*>2-<3 yrs $'000*	*>3-<4 yrs $'000*	*>4-<5 yrs $'000*	*>5 yrs $'000*	*Total $'000*
Year ended 30 June 2008							
Financial Assets							
Floating rate							
Cash assets	385	0	0	0	0	0	385
Weighted average effective interest rate	2.50%						2.50%

Interest on financial instruments classified as floating rate is re-priced at intervals of less than one year.

Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument.

The other financial instruments of the Group and the parent company that are not included in the above tables are non-interest bearing and therefore not subject to interest rate risk.

The bank borrowings are scheduled for repayment by 30 June 2012.

NOTE 30 EVENTS AFTER BALANCE SHEET DATE

On 10 September 2009 the company announced a capital raising of up to approximately $32 million for the purposes of strengthening the company's balance sheet and supplementing existing banking arrangements, as well as allowing the company to respond to new opportunities as and when they arise.

The capital raising comprised a private placement of 7.5 million ordinary shares at a price of $2.04 per share on 23 September 2009, and a Rights Issue consisting of a non-renounceable offer of 1 fully paid ordinary share for every 12 ordinary shares held at 23 September 2009, with an ability for applications for additional shortfall shares also at $2.04 per share. The offer was made without a prospectus pursuant to Part 6D.2 of the Corporations Act as notionally modified by CO 08/35. The Rights Issue closes on 14 October 2009. The Rights Issue is not underwritten. Any remaining shares after taking into account shortfall applications may be issued tounrelated parties or to persons who hold (or will hold) less than 3% of Redflex shares.

On 30 September 2009 the directors declared a final dividend on ordinary shares in respect of the 2009 financial year. The total amount of the dividend is $5,393,000 which represents a fully franked dividend of 5.0 cents per share.

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

NOTE 31 AUDITOR'S REMUNERATION

	Consolidated		*Parent*	
	2009	*2008*	*2009*	*2008*
	$	*$*	*$*	*$*
Amount received or due and receivable by Ernst & Young for:				
- an audit or review of the financial report of the entity and any other entity in the consolidated entity	253,000	338,492	253,000	338,492
Other services in relation to the entity and any other entity in the consolidated entity for:				
- assurance related	82,000	15,000	0	0
- taxation matters	0	5,000	0	0
Amount received or due and receivable by related practices of Ernst & Young (Australia) for:				
- audits of subsidiaries	334,020	211,606	0	0
	669,020	**570,098**	**253,000**	**338,492**

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

In the opinion of the directors:

(a) the financial statements and notes of the company and the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and 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.

(c) this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2009.

On behalf of the board

Graham Davie

Director

Melbourne

30 September 2009

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Independent auditor's report to the members of Redflex Holdings Limited

Report on the Financial Report

We have audited the accompanying financial report of Redflex Holdings Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the 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 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. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met 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. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. the financial report of Redflex Holdings Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the financial position of Redflex Holdings Limited and the consolidated entity at 30 June 2009 and of their performance for the year ended on that date; and

   ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 30 to 40 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Redflex Holdings for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ashley C. Butler
Partner

Melbourne
30 September 2009

ASX ADDITIONAL INFORMATION

Additional information required by ASX and not shown elsewhere in this report is as follows. This information is current as at 25 September 2009.

Distribution of equity securities

There were 2,868 holders of 99,573,214 fully paid ordinary shares quoted on the ASX. These shares carry one vote per share and carry the rights to dividends.

	Number of Holders	*Ordinary shares*
1 – 1,000	629	353,247
1,001 – 5,000	1,154	3,048,767
5,001 – 10,000	459	3,428,284
10,001 – 100,000	561	15,503,001
100,001 – over	65	77,239,915
	2,868	**99,573,214**
Holding less than a marketable parcel	121	11,003

Substantial Holders

	Ordinary Shares	*% of Issued Capital*
Renaissance Smaller Companies Pty Ltd	9,393,340	9.43
Hunter Hall Investment Management Ltd	8,312,327	8.35
Thorney Holdings Pty Ltd	8,029,106	8.06
Investaco Pty Ltd	6,716,463	6.75
Ms Cheng Man Oy	5,783,244	5.81

Twenty largest holders of quoted equity securities

Name	*Units Held*	*% of Issued Capital*
ANZ Nominees Limited <Cash Income A/c>	9,762,879	9.80
Cogent Nominees Pty Limited	8,692,764	8.73
National Nominees Limited	8,302,326	8.34
Investaco Pty Ltd	6,716,463	6.75
Ms Cheng Man Oy	5,783,244	5.81
J P Morgan Nominees Australia Limited	5,418,325	5.44
Ms Elizabeth Geraldine Cooper	4,415,378	4.43
Nellstar Pty Ltd	2,869,139	2.88
Vertex Bianca Nominees Pty Ltd <Superannuation Fund A/c>	1,942,189	1.95
HSBC Custody Nominees (Australia) Limited	1,916,227	1.92
Macrihanish Pty Ltd	1,912,578	1.92
Blue Jade Pty Ltd	1,714,837	1.72
O'Connor Holdings Pty Ltd	1,571,215	1.58
Coningsby Nominees Pty Ltd <Super Fund A/c>	1,488,397	1.49
Mr Graham William Davie	1,438,908	1.45
Citicorp Nominees Pty Limited	1,038,455	1.04
RBC Dexia Investor Services Australia Nominees Pty Limited <GSJBW A/C>	1,036,624	1.04
RBC Dexia Investor Services Australia Nominees Pty Limited <PISELECT A/C>	973,188	0.98
Sandhurst Trustees Ltd <JMFG Consol A/c>	769,480	0.77
RBC Dexia Investor Services Australia Nominees Pty Limited <BKCUST A/C>	627,853	0.63
Top 20 Holders of Ordinary Fully Paid Shares	**68,390,469**	**68.68**

REDFLEX
HOLDINGS

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