REDFLEX HOLDINGS LIMITED
ABN: 96 069 306 216

APPENDIX 4D
REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

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

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

Redflex has recorded revenue from operations of $71.7 million which is a 10.1% increase on the corresponding first half of the previous financial year.

Earnings before interest, tax, depreciation and amortisation (EBITDA) was up 8.3% from $19.9 million to $21.6 million.

The net profit before tax for the Group from operations was $5.94 million compared to the previous corresponding half-year profit of $4.29 million, an increase of 38.4%.

The net profit after tax for the Group from operations was $4.16 million compared to the previous corresponding half-year after tax profit of $2.86 million, an increase of 45.7%.

The increased revenue occurred despite an 8.6% adverse movement in the average AU$/US$ exchange rates between the comparative periods. The average AU$/US$ exchange rate for the half was 0.945 cents compared to 0.870 in the corresponding first half of FY2010.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2010 and considered together with any public announcements made by Redflex Holdings Limited during the half-year ended 31 December 2010 in accordance with the continuous disclosure obligations of the ASX listing rules.

				$'000
Results from continuing operations				
Revenue from continuing operations	Up	10.1%	to	71,687
Earnings before interest, tax, depreciation and amortisation (EBITDA)	Up	8.3%	to	21,569
Profit before tax attributable to members prior to potential sale transaction costs	Up	70.6%	to	7,319
Profit before tax attributable to members	Up	38.4%	to	5,937
Profit after tax attributable to members	Up	45.7%	to	4,159
Basic earnings per share				
Basis EPS from continuing activities prior to potential sale costs	Up	80.3%	to	5.03 cents
Basic EPS from continuing activities	Up	35.5%	to	3.78 cents
Diluted EPS from continuing activities	Up	35.4%	to	3.71 cents
Net tangible assets per share	Down	24.4%	to	74.6 cents

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend in respect of financial year 2010	5.0 cents	5.0 cents
Interim dividend	Nil	Nil
No dividends were paid or proposed in respect of the half-year		

DIRECTORS' REPORT

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

- Max Findlay (Chairman)
- Robin Debernardi
- Ian Davis
- Ronald Langley
- Graham Davie
- Karen Finley

OPERATING AND FINANCIAL REVIEW

GROUP OVERVIEW

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

The focus of the company is on enhancing public safety through the use of innovative technologies, with a particular focus on red-light and speed photo enforcement solutions.

The Redflex Group comprises two main subsidiaries – Redflex Traffic Systems Inc, based in the USA, focuses on the large North American market, and Redflex Traffic Systems Pty Ltd, based in Australia, focuses on the Australian and International markets outside of North America.

A Build-Own-Operate-Maintain (BOOM) model prevails in the USA, where Redflex provides camera systems and a comprehensive range of services to customers on a fully outsourced basis with revenue flowing over an extended contract term which is typically three to five years with optional extension periods.

The international business comprises a mix of product and service sales, and Build-Own-Operate-Maintain type contracts.

The major adverse issues that affected the business in FY2010 are now largely behind us and we have been able to move on and focus on building the business.

The results for the first half reflect a number of key changes from the previous year, including:

- the reduced effect of the major adverse issues, namely the state-wide speed program in Arizona and the litigation by a competitor which were largely dealt with,
- the costs associated with the sale process, which includes costs of investment banking and legal advice and various expert opinions in the process of dealing with unsolicited bids for the company and running an extensive auction to achieve the maximum terms, which is continuing,
- the ongoing effects of the global financial crisis and the consequent slowing in growth rates in the USA, and
- the adverse movement in the AUD/USD exchange rate.

Year to date results are tracking ahead of internal budgets and we expect them to continue to do so for the remainder of the year, reflecting the improvements in the business and realization of new opportunities.

SALE PROCESS

The board, in conjunction with advisers Greenhill Caliburn, has run a careful and controlled process to assess the level of interest in the company following receipt in 2010 of an indicative offer from Macquarie Group to acquire all of the shares of Redflex Holdings Limited. The indicative offer of $2.50 per share was highly conditional and not capable of acceptance, and was rejected by the Board as inadequate.

A two stage due diligence process has allowed a number of interested parties access to extensive due diligence data to enable them to fully assess the company and submit firm proposals to acquire the company. Following the due diligence phase, the company has been in discussion with a number of parties.

As a result of those discussions, on 21 February 2011 the Redflex Board announced that it has entered into a Scheme Implementation Agreement ("SIA") with an entity associated with The Carlyle Group and Macquarie Group Limited ("Macquarie") (together the "Consortium") under which it is proposed the Consortium will acquire all of the ordinary shares in Redflex under a Scheme of Arrangement ("Scheme").

Under the terms of the Scheme, Redflex shareholders will receive A$2.70 cash per share where the AUD:USD exchange rate at the relevant payment date is within the range of 0.98 – 1.02, valuing Redflex's total equity at approximately A$300 million. The A$2.70 per share consideration will be subject to the following exchange rate adjustment mechanism:

- If the spot exchange rate at the relevant payment date is less than 0.98, Redflex shareholders will receive A$2.70 per share x (0.98 / spot AUD:USD exchange rate at the relevant payment date)
- If the spot exchange rate at the relevant payment date is more than 1.02, Redflex shareholders will receive A$2.70 per share x (1.02 / spot AUD:USD exchange rate at the relevant payment date)

Below is a table summarising the per share consideration that would be received by Redflex shareholders under different exchange rate scenarios.

					Consideration Fixed at A$2.70								
Exchange Rate (AUD:USD)	0.94	0.95	0.96	0.97	0.98	0.99	1.00	1.01	1.02	1.03	1.04	1.05	1.06
Scheme Consideration (A$)	2.81	2.79	2.76	2.73	2.70	2.70	2.70	2.70	2.70	2.67	2.65	2.62	2.60

The Scheme is subject to certain conditions including Redflex shareholder and court approval, regulatory approvals and other conditions that are usual for a transaction of this nature.

The SIA includes exclusivity provisions in favour of the Consortium, provision for the payment of a A$3.39 million break fee by Redflex to the Consortium in specific circumstances, and the provision for a A$3.39 million cost reimbursement payment by the Consortium to Redflex in specific circumstances (the payment of which is supported by a guarantee and indemnity from entities associated with the Consortium).

A summary of the key terms of the executed SIA entered into by Redflex and the Consortium is attached to the Company's ASX announcement dated 21 February 2011.

The Redflex Board unanimously recommends that Redflex shareholders vote in favour of the Scheme at the Scheme meeting, in the absence of a superior proposal and subject to an independent expert concluding that the Scheme is in the best interests of Redflex shareholders.

FINANCIAL RESOURCES

The Group has a US$100 million revolving credit facility with a syndicate of three Australian banks. Some of the facility is allocated in support of guarantees and bonds required to be put in place in support of contracts with customers. During the half US$9.7 million was repaid, bringing the total drawn amount to US$60 million. Further repayments are anticipated in the second half.

Because of the constrained economy in the US after the global financial crisis, the growth rate and hence the demand for capital has been reduced. Based on the current anticipated growth in the US, cash flow from operations should be more than sufficient to fund capital requirements for growth, and further drawings against the bank facility are not contemplated in the short term.

Cash reserves are considerable and the net debt position of the Group is $44.5 million (excluding restricted cash) at 31 December 2010.

OPERATING RESULTS FOR THE FIRST HALF OF THE 2010/2011 FINANCIAL YEAR

For the half-year ended 31 December 2010, the company reports revenue from operations of $71.7 million which is up 10.1% on the corresponding first half of the previous financial year (H1 FY2010 - $65.1 million). The increase in revenue arises from a strong sales performance for international sales, and despite no longer having revenue from the troubled statewide speed program in Arizona, as well as the affect of the adverse currency effects from a weakening US dollar. The number of revenue generating camera installations within our USA Build Own Operate and Maintain business is marginally higher than this time last year, despite also being impacted by the removal of 76 camera systems associated with the Arizona speed program.

Sales during the half to Saudi Arabia, Ireland and Canada totaled $12.4 million. Sales to those countries in the prior corresponding period were $1.1 million.

The increased revenue occurred despite an 8.6% adverse movement in the average AU$/US$ exchange rates between the comparative periods. The average AU$/US$ exchange rate for the half was 0.945 cents compared to 0.870 in the corresponding first half of FY2010.

SEGMENT REVENUE FROM OPERATIONS:

	First half FY11 $'000	First half FY10 $'000	% change
North American Traffic business	53,464	53,272	0.3
Australian/International traffic business	17,991	11,709	53.6
Head Office Interest income	232	103	
Revenue from operations	71,687	65,084	10.1

EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA) FROM OPERATIONS:

	First half FY11 $'000	First half FY10 $'000	% change
EBITDA from combined Traffic business	24,456	21,942	11.5
Head Office costs	(1,505)	(2,013)	25.2
Potential sale transaction costs	(1,382)	0	
EBITDA	21,569	19,929	8.3

PRE-TAX PROFIT FROM OPERATIONS:

	First half FY11 $'000	First half FY10 $'000	% change
Pre-tax profit from combined Traffic business	9,577	6,950	37.8
Impairment of plant and equipment	(727)	(622)	16.9
Head Office costs	(1,531)	(2,037)	24.8
Potential sale transaction costs	(1,382)	0	
Pre-tax profit from operations	5,937	4,291	38.4

NET PROFIT AFTER TAX FROM OPERATIONS:

	First half FY11 $'000	First half FY10 $'000	% change
Net profit after tax	4,159	2,855	45.7

PROFIT COMPARISON BASIS

The H1 pretax profit has been adversely affected by the current sale process. During the half we expensed $1.38 million in costs associated with that process. As the process continues we expect further costs in the second half, however they should not continue at the rate experienced in the first half.

The adverse currency movement of the AUD/USD has had the effect of reducing EBITDA by $1.7 million and pretax profits by $0.4 million compared to the previous corresponding period.

The previous corresponding period included costs associated with the loss making Arizona statewide speed program and significant legal costs associated with successfully defending legal action instigated by a competitor.

NORTH AMERICAN OPERATIONS

Highlights

The first half of FY11 has seen a significant improvement in profitability and cash flow resulting from the focus on maximizing profitable accounts, improving operating efficiencies, the elimination of the Arizona state-wide speed program and significantly reduced costs associated with the litigation with our competitor.

Profit before taxes increased 105% to US$3.3 million for the six months ended December 31, 2010 and EBITDA increased 17.8% to US$17.4 million. These increases were accomplished by replacing the Arizona state-wide speed revenue with revenue from profitable contracts resulting in increasing gross margins from 46% to 50% with a less than 2% increase in administrative expenses.

Redflex US is on track with our fiscal 2011 BOOM build schedule and is also beginning to see the benefits of reduced construction and material costs associated with its new system configurations which will result in significantly lower per system capital expenditure requirements and depreciation expenses in future periods.

During the first half of FY11, systems infrastructure and process improvements were continued and enhanced to provide better operating performance data at the contract/approach level. This detailed data provides better intelligence to refine pricing and ROI models for use when making investment decisions for contract renewals, new builds and new business. This has also provided valuable information to enhance profitability on our existing contracts.

In response to the company's concentrated focus on profitability, contract renewals are strong, however we have elected to not renew some contracts where our performance criteria could not be met. We continue with our efforts to identify and respond quickly to new builds in our existing install base and projected new builds in developing markets. We are well poised for both a quick and efficient response to improving market conditions which we are starting to see in the USA.

New Contracts

As a result of the macro economic challenges facing the US market throughout 2010, and the current politically challenging times, new contract executions have declined.

The new contracts executed during the period were:

Rio Rancho NM	Springfield NJ	South Euclid OH
Philipsburg NJ	Cherry Hill NJ	St. Helens OR
Hillside NJ	South Orange NJ	

Since 1 July 2010, Redflex has executed eight new municipal contracts and has increased its pipeline of contract awards with active negotiations in progress to secure several dozen new jurisdictions. The growth in the contract base and contract execution pipeline is primarily focused in high growth markets in a number of states across the politically moderate eastern seaboard.

There are a number of indicators pointing towards improved conditions, which should allow more aggressive growth in both new contracts and contract awards during the second half and beyond. We also anticipate increasing market opportunities in the enablement of several new states.

Installations

The total number of installed systems within the USA as at 31 December 2010 was 1943. The number of installed systems includes some cameras that may not be generating revenues for various reasons including: warning periods; delays in going live; legislative issues; road work; or maintenance actions.

Successful field testing of several new equipment redesigns and new components creating a smaller footprint was completed in the first half of FY11, resulting in promising reductions in construction costs and reducing financial risk typically associated with new approach installations. We are looking to further reduce construction costs with a goal to completely eliminate underground construction "sunk" costs over the next few years.

Marketing Communication Strategies

Redflex acknowledges the profound importance of building public awareness surrounding the issues of red light running, speeding and other dangerous driving behaviours.

Redflex utilizes its corporate voice, the voice of customers and also of third party advocates to lead the discussion in all types of media - including earned, paid and social media. Redflex projects its corporate voice through activity in social media through an aggressive online reputation management program. Redflex also works on building allies across the nation by way of high visibility educational presentations and speaking engagements on road safety cameras at national conferences such as the National League of Cities Annual Meeting.

Recently, a credible third party voiced its support for the technology nationally. The Insurance Institute for Highway Safety released its findings from a comprehensive study that spanned the course of two decades and studied the impact of intersection safety cameras on fatality rates. The results showed a 24% decrease in fatalities, with 159 lives saved in a 5 year period in those jurisdictions that employ photo enforcement. This scientific analysis supports the technology and can serve to diminish the scepticism of reasonable audiences that has been brought on by opponents.

Redflex continues to support "grassroots" efforts in several states, including Illinois, Ohio, New Jersey, Tennessee, Virginia, Arizona and Texas with other states like Louisiana and Washington to join in coming months. In each of these states, a coalition serves to add supporters of our programs in both the public and private sectors, primarily with police and fire-fighters associations, health care professionals, victims of motor vehicle crashes and like-minded safety oriented organisations.

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

Growth Initiatives and Operational Accomplishments

This financial year, Redflex has focused its efforts on strengthening its business model through tighter contract language, more aggressive collection efforts in key markets, strengthening its IT/IS infrastructure to become more efficient, and focusing on new products and services for growth outside of road safety programs.

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

The initial rollout for automation of parts of detection verification processing is in process. Once fully completed, the result is estimated to be an uplift of 20% in detections processed per full time employee. This will directly reduce operational expense for processing violations and will increase overall profitability. Further installments of this initiative are planned for release to achieve a 20% uplift in productivity by the end of FY11.

A Data and System Re-Architecture project is underway. This major project will re-define the core Redflex operational data base and associated business systems to position us to accommodate continued rapid growth without incremental costs associated with the current architecture.

Additional costs saving initiatives were commenced or implemented during the first half of FY11. A few of those initiatives include a new application to automate the screening and rejection of certain detections, resulting in a 6.8% reduction in labour per detection.

Requirements were identified and programming is underway to streamline the process for incident verification to further reduce the operations labour costs per detection. A focus group was assembled with participation from the Redflex customer base to define requirements to improve the Customer Reporting and Application modules. The first release of the new reporting module was delivered to the customer base the first half of FY11 with very favourable customer reviews. Additional requirements are being gathered now for the next phase of enhancements to the system to improve usability and enhance data availability to help Redflex's customers better substantiate the value of the photo enforcement for improved public safety.

The Network Operations Centre (NOC) continues to refine the systems and processes to monitor system uptime and throughput to maximize performance yields from all installed systems nationwide from one centralized 24x7 location. Initial system releases of automated system health monitoring occurred in H1 FY11 with automated alarms sent to the NOC for real-time resolution of certain system issues. Future releases will continue to refine this automated monitoring and automated trend analysis, further reducing the headcount required to monitor and troubleshoot system performance.

Legislative Environment

Redflex continues to lead the industry in proactively seeking to enable and improve the statutory basis for road safety systems as well as defend against adverse developments. During 2010, all efforts to limit or ban Redflex's programs through state legislation were defeated. Redflex is supporting the filing of bills in many current markets and in certain new states seeking enablement and enhancements for red light and speed traffic safety programs. The 2011 legislative season has started with a number of negative bills filed in Arizona, Washington, Virginia, Texas, and California.

A ballot initiative with one of Redflex's customers (Garfield Heights, Ohio) passed by a less than 100 vote margin, causing the program to be suspended. The industry experienced three other negative ballot initiatives resulting in the loss of competitor's programs. These types of efforts are expected to arise from time to time at both a municipal and state level and Redflex is actively implementing measures to defend against them.

While the overall acceptance of traffic safety enforcement programs continues to rise, a vocal minority persists in trying to appeal to various political leaders and attract media headlines with their efforts opposed to traffic safety enforcement.

Representatives from multiple state legislatures continue to introduce bills that either seek to limit or remove traffic safety enforcement technologies. Redflex is using its network of advisors and municipal customers to defeat these efforts and concurrently promote new laws or amendments to existing law that enhances the efficiency and stability of road safety enforcement programs.

Legal Environment

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

A suit brought by a competitor in 2008 involving claims of false advertising ended with Redflex comprehensively winning the case in Federal Court in Arizona. The competitor is appealing this decision to the 9th Circuit in San Francisco. In December 2009, Redflex filed suit against this same competitor in which it claims the competitor engaged in false advertising. The competitor has filed a counter suit against Redflex alleging false advertising. This case is expected to proceed to trial (failing settlement or dismissal) during FY12.

A number of class action lawsuits involving others in our industry and Redflex have been filed challenging the pricing models used in several states alleging violation of cost neutrality laws as well as the admissibility of business records in court. We continue to aggressively defend against these claims.

Overall, Redflex experienced success in suits brought against the Company and its partner cities with cases dismissed in Arizona, California, New Mexico, Ohio, Texas, Tennessee, Washington and Louisiana during calendar year 2010.

Canada

The Insurance Corporation of British Columbia (ICBC) program is moving forward with front end system installation while the back-office software went live in early January. The project adopted best practices to successfully implement the program and to ensure it’s fair and accurate. It is our first implementation in Canada and will be a model for expansion.

AUSTRALIAN/INTERNATIONAL OPERATIONS

Redflex has continued its success in Australia and overseas with numerous and diverse orders while also completing significant implementations for our customers. Highlights include going live for three major projects in the span of two months: back office installations for the Insurance Commission of British Columbia (ICBC) and Saudi Arabia and the speed camera program in Ireland. In addition to these three programs, we were running two more back-office software implementation projects at the same time with Western Australia Police and Queensland Police.

Award

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

AUSTRALIAN/INTERNATIONAL OPERATIONS - CONTINUED

International markets

Abu Dhabi

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

Subsequently we signed an interim contract to provide: 40 fixed radar speed camera systems with battery backup, including 10 which are solar powered; 20 point-to-point speed enforcement stations; and the Redflex large-scale enterprise ticket processing software system. These are expected to be delivered in the second half of this financial year.

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

These contracts are a key milestone for our success in the Middle East and we look forward to a long and successful relationship with the Abu Dhabi Police.

Ireland

The GoSafe project in Ireland went live in November 2010. Redflex owns a 16% non-voting equity interest in the GoSafe Consortium. Other consortium members are Spectra (in Ireland) and Egis Projects SA (in France), Redflex delivered and installed an outsourced enforcement camera program comprising Radarcam mobile cameras, our Digital Camera Management System to manage the camera vehicles remotely and our Image and Infringement Processing System to adjudicate the infringements. The system is being supported with involvement of two full-time Redflex staff in Ireland.

Saudi Arabia

Another significant success, and achievement for Redflex, was the Saudi ATVAM project going live on the 1st January 2011. Redflex has established an office in Khobar, Saudi Arabia where we provide back-office infringement processing services for the Eastern Province, including the cities of Dammam, Khobar and Dhahran; Aseer Province, including the cities of Abha, Khamis Mushait and Ahad Rufaidah; and the region of Tabuk. In addition, for the ramp-up phase of the project, Redflex has supplied 40 Radarcam mobile speed camera systems and 40 fixed speed camera systems installed in pairs. The rear camera captures an image of the number plate of the offending vehicle and the front camera captures an image of the offending drivers face. Additional speed camera deliveries are expected throughout the calendar year.

AUSTRALIAN/INTERNATIONAL OPERATIONS - CONTINUED

Australian Market

Victoria

In Victoria we have installed 14 red-light and speed cameras, from one contract with the Department of Justice, and are nearing completion of an additional 28 red-light and speed cameras from a second contract.

New South Wales

On the 29th March 2010, the state Minister for Transport, announced that mobile speed cameras would be re-introduced as part of a $170 million road safety campaign. On the 4th June 2010, Redflex was awarded the service contract to operate the Interim Mobile Enforcement Program for the RTA NSW, with a schedule to go-live on the 19th July 2010. Thanks to the incredible efforts put in by the team, we were able to have six vehicles, six camera systems and a back office solution prepared, tested and ready for action on the first scheduled day of deployment. We are currently operating the vehicles in three different regions – the Sydney region, the Hunter region and the Southern region. This win was a key strategic event for Redflex that could lead to a larger scale program scheduled to start this calendar year.

Redflex deploys cameras at sites selected by the NSW Centre for Road Safety. The Centre for Road Safety has been tasked to change cultural values on road safety in NSW. Its first mission is to convince drivers that speeding is socially unacceptable. Speeding is the biggest killer on NSW roads and is a factor in 40 per cent of road deaths in the state.

Our further wins in NSW include a range of additional cameras covering a bus priority system for Baulderstone; cameras for three point-to-point zones for the RTA NSW; and a further 8 red-light and red-light/speed systems for RTA NSW.

South Australia

In South Australian, Redflex is working with the Department of Transport, Energy and Infrastructure and the South Australian Police to implement the contract for the supply of enforcement cameras to South Australia until 2013. The range of camera systems includes red light/speed cameras, fixed speed cameras, point-to-point cameras and railway crossing cameras. We are currently rolling out 10 red-light & speed cameras systems and have received an order for an additional 13 systems. We have also delivered the second batch of 14 in-car mobile radar systems and 4 tripod mobile radar systems to the South Australian Police.

Western Australia

We were gratified to receive our second Certificate of Appreciation from the Western Australia Police. We had a number of time critical deliveries, required to meet Government deadlines to transition from film based enforcement cameras to digital enforcement cameras. WAPOL are very impressed with the high quality of work and the customer focused culture of Redflex. Our current work with the Police continues with the delivery of 17 red-light & speed systems shipped out of a total of the contracted 17 systems.

Northern Territory

We have renewed our contract with the Northern Territory Government for another 12 months. This contract involves the running of a Back Office Processing Centre, collecting payments on behalf of the Government and assisting their Fines Recovery Unit in the non-payment of fines and reconciliations.

RESEARCH AND DEVELOPMENT

In Research and Development, we are increasing automation in our back-office processing software to increase revenues and reduce costs in managing our network of cameras in the United States. Camera alarms are automatically raised to alert the maintenance team to act in maximising the returns from all the cameras in the network.

The Redflex development of sophisticated speed radar technology, which determines the lane of the offending vehicle and provides a secondary speed measurement as a double-check for additional peace of mind for the prosecuting authorities, has been a great success. The system has been installed in a number of countries with very pleasing results.

OUTLOOK FOR THE REMAINDER OF THE 2011 FINANCIAL YEAR

Our global leadership position in our industry is expected to be maintained and enhanced through further growth in the installed base.

We are expecting further strong sales into Saudi Arabia and Abu Dhabi during the second half of FY11 after recently being notified of contract wins in those countries.

EBITDA generation is strong and apart from the cost of the sale process and the negative effect of the decline in the US dollar, the events that have harmed our profitability over the last couple of years are largely behind us.

We are starting to see some improvement in the USA economy and both Australian and international sales are greatly improving. The pipeline of new opportunities is strengthening which should lead to further growth over the next few years.

A number of recent issued studies have been concluded. The results positively endorse our claims that photo enforcement is effective in reducing road deaths and causing a significant reduction in road trauma caused by excessive speed.

EVENTS SUBSEQUENT TO 31 DECEMBER 2010

Other than Redflex entering into a Scheme Implementation Agreement on 21 February 2011, referred to earlier in this report and in Note 9 to the Financial Statements, there were no other significant events subsequent to 31 December 2010 and prior to the date of this report.

ROUNDING

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

AUDITOR'S INDEPENDENCE

The company has received the Auditor's Independence Declaration dated 25 February 2011.

Signed in accordance with a resolution of the directors.

Graham Davie

Director
Melbourne, 25 February 2011

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

In relation to our review of the financial report of Redflex Holdings Limited for the half-year ended 31 December 2010, 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

Ernst & Young

Ashley C. Butler
Partner
25 February 2011

STATEMENT OF COMPREHENSIVE INCOME

	Note	Consolidated Entity 31-Dec-10 $'000	Consolidated Entity 31-Dec-09 $'000
Revenue from operations			
Sale of goods and services		22,727	12,324
Revenue from fee for service contracts		48,720	52,655
Finance revenue		240	105
Total revenue		71,687	65,084
Cost of sales		16,242	8,790
Cost of fee for service contracts		12,350	17,568
Cost of goods sold		28,592	26,358
Gross profit		43,095	38,726
Sales and marketing related expenses		4,562	5,866
Administrative related expenses		13,449	10,559
Write-down of plant and equipment		727	622
Program management costs		1,406	1,750
Potential sale transaction costs		1,382	0
Amortisation of intangibles		1,047	863
Depreciation - fee for service contract assets		12,277	12,532
Depreciation - other		228	186
		35,078	32,378
Profit before tax and financing costs		8,017	6,348
Interest		2,080	2,057
Profit before tax		5,937	4,291
Income tax expense		1,778	1,436
Net profit for the period		4,159	2,855
Other comprehensive income			
Foreign currency translation		(16,334)	(10,824)
Total comprehensive income for the period		(12,175)	(7,969)
Earnings per share (cents per share)			
- basic for profit for half-year attributable to ordinary equity holders of the parent company		3.78 cents	2.79 cents
- diluted for profit for the half-year attributable to ordinary equity holders of the parent company		3.71 cents	2.74 cents
- dividends per share attributable to ordinary equity holders of the parent company		Nil	Nil

STATEMENT OF FINANCIAL POSITION

	Note	Consolidated Entity 31-Dec-10 $'000	Consolidated Entity 30-Jun-10 $'000
Current Assets			
Cash and cash equivalents		20,580	37,474
Trade and other receivables		38,085	29,878
Inventories		21,220	27,900
Deferred cost asset		3,970	4,633
Other		2,391	2,061
Total Current Assets		86,246	101,946
Non-Current Assets			
Property plant and equipment		75,689	99,450
Deferred cost asset		5,862	8,897
Deferred tax asset		5,304	4,460
Intangible assets and goodwill		16,561	15,223
Other financial assets		2,057	683
Other long term assets		137	163
Total Non-Current Assets		105,610	128,876
TOTAL ASSETS		191,856	230,822
Current Liabilities			
Trade and other payables		22,017	22,504
Interest bearing borrowings	4	273	374
Income tax payable		951	181
Provisions		3,351	3,273
Total Current Liabilities		26,592	26,332
Non Current Liabilities			
Interest bearing borrowings	4	58,291	80,288
Deferred tax liability		5,187	4,357
Provisions		3,020	3,758
Total Non Current Liabilities		66,498	88,403
TOTAL LIABILITIES		93,090	114,735
NET ASSETS		**98,766**	**116,087**
Equity attributable to equity holders of the parent company			
Contributed equity		121,766	121,765
Employee equity benefits reserve		6,693	6,323
Foreign currency translation reserve		(25,484)	(9,150)
Accumulated (losses) / profits		(4,209)	(2,851)
TOTAL EQUITY		**98,766**	**116,087**

STATEMENT OF CASH FLOWS

	Note	Consolidated Entity 31-Dec-10 $'000	Consolidated Entity 31-Dec-09 $'000
Cash flows from operating activities			
Receipts from customers		58,539	59,139
Payments to suppliers and employees		(41,942)	(45,987)
Increase in deferred cost assets		0	(3,035)
Interest received		240	105
Interest paid		(1,795)	(1,771)
Income tax paid		(310)	(389)
Net cash flows from operating activities		14,732	8,062
Cash flows from investing activities			
Purchase of property, plant and equipment		(8,614)	(16,778)
Capitalised development costs		(3,535)	(2,326)
Investment in other financial assets		(1,374)	0
Net cash flows (used in) investing activities		(13,523)	(19,104)
Cash flows from financing activities			
Bank borrowings repaid		(9,544)	0
Bank borrowings		0	3,449
Proceeds from issue of ordinary shares		0	35,603
Lease liability incurred		(156)	(773)
Dividends paid		(5,517)	(5,424)
Net cash flows (used in) / from financing activities		(15,217)	32,855
Net (decrease) / increase in cash held		**(14,008)**	**21,813**
Effect of exchange rate changes on cash		(2,886)	(1,196)
Cash at beginning of period		37,474	15,222
Cash and cash equivalents at end of period		20,580	35,839
Reconciliation of cash			
Cash at the end of the period consists of:			
Cash at bank		20,580	35,839
Deposits at call		0	0
		20,580	35,839

STATEMENT OF CHANGES IN EQUITY

Consolidated Entity	Contributed Equity	Foreign Currency Translation Reserve	Employee Equity Benefits Reserve	Accumulated (Losses)/ Profits	Total Equity
	$'000	$'000	$'000	$'000	$'000
At 1 July 2009	**86,117**	**(4,018)**	**5,423**	**1,858**	**89,380**
Profit for the half-year	0	0	0	2,855	2,855
Currency translation differences	0	(10,824)	0	0	(10,824)
Total comprehensive income for the period	0	(10,824)	0	2,855	(7,969)
Shares issued	32,227	0	0	0	32,227
Transaction costs on share issue	(150)	0	0	0	(150)
Share based payments	0	0	555	0	555
Dividends paid	0	0	0	(5,424)	(5,424)
Proceeds from dividend reinvestment plan	3,526	0	0	0	3,526
At 31 December 2009	121,720	(14,842)	5,978	(711)	112,145
At 1 July 2010	**121,765**	**(9,150)**	**6,323**	**(2,851)**	**116,087**
Profit for the half-year	0	0	0	4,159	4,159
Currency translation differences	0	(16,334)	0	0	(16,334)
Total comprehensive income for the period	0	(16,334)	0	4,159	(12,175)
Shares issued	1	0	0	0	1
Share based payments	0	0	370	0	370
Dividends paid	0	0	0	(5,517)	(5,517)
At 31 December 2010	121,766	(25,484)	6,693	(4,209)	98,766

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 CORPORATE INFORMATION

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation and new accounting standards

Basis of preparation
This general purpose financial report for the half-year ended 31 December 2010 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

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

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2010 and considered together with any public announcements made by Redflex Holdings Limited during the half-year ended 31 December 2010 in accordance with the continuous disclosure obligations of the ASX listing rules.

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

New accounting standards

No new accounting standards have been adopted since 30 June 2010.

(b) Changes in accounting policies

There have been no changes in accounting policies during the half-year ended 31 December 2010.

(c) Change in accounting estimate

There were no significant changes in accounting estimates for the half year ended 31 December 2010.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(d) Uncertainty arising as a result of Group tax restructure

During the year ended 30 June 2009 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.

NOTE 3 SEGMENT INFORMATION

The operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team. The operating segments are organised and managed separately according to the nature of the products and services that are provided, with each segment representing a strategic business unit that offers different products and services to different markets. The segmental split segregates the business units into revenue from recurring fee for service business and revenue related to the sale of goods and services.

The Traffic division operates within two key markets - the North America and Australia/International. The North American Traffic business is predominantly a Build Own Operate and Maintain business providing fully outsourced traffic enforcement programs to cities and townships. The North American Traffic business also includes sales into Canada. The Australian/International Traffic business involves the sale of traffic enforcement products and services to those markets.

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

The following tables present revenue and profit information and asset and liability information regarding business segments for the half years ended 31 December 2010 and 31 December 2009.

NOTE 3 SEGMENT INFORMATION - CONTINUED

Operating segments

Half year ended 31 December 2010	Traffic Operations		
	North America	Australian /International	Total
	$'000	$'000	$'000
Revenue			
Revenue from the sale of goods and services to external customers *	4,744	17,983	22,727
Revenue from fee for service contracts	48,720	0	48,720
Finance revenue	0	8	8
Inter-segment revenue	0	4,227	4,227
Total segment revenue	53,464	22,218	75,682
Inter-segment elimination			(4,227)
Head office finance revenue			232
Total consolidated revenue			71,687
Result			
Earnings before interest tax, depreciation and amortisation	19,046	5,410	24,456
Inter-segment royalty	866	(866)	0
Depreciation	(12,277)	(203)	(12,480)
Amortisation	(155)	(891)	(1,046)
Segment result	7,480	3,450	10,930
Head office result			(1,531)
Potential sale transactions costs			(1,382)
Profit before tax and finance charges			8,017
Finance charges			(2,080)
Profit before income tax			5,937
Income tax expense			(1,778)
Net profit for the half			4,159
Assets and liabilities (31 December 2010)			
Segment assets	101,084	45,267	146,351
Head office assets			45,505
Total assets			191,856
Segment liabilities	79,864	11,374	91,238
Head office liabilities			1,852
Total liabilities			93,090

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

NOTE 3 SEGMENT INFORMATION - CONTINUED

Operating segments - continued

Half year ended 31 December 2009	Traffic Operations		
	North America	Australian /International	Total
	$'000	$'000	$'000
Revenue			
Revenue from the sale of goods and services to external customers	617	11,707	12,324
Revenue from fee for service contracts	52,655	0	52,655
Finance revenue	0	2	2
Inter-segment revenue	0	6,429	6,429
Total segment revenue	53,272	18,138	71,410
Inter-segment elimination			(6,429)
Other revenue			103
Total consolidated revenue			65,084
Result			
Earnings before interest tax, depreciation and amortisation	16,869	5,073	21,942
Inter-segment royalty	1,245	(1,245)	0
Depreciation	(12,532)	(162)	(12,694)
Amortisation	(66)	(797)	(863)
Segment result	5,516	2,869	8,385
Head office result			(2,040)
Profit before tax and finance charges			6,345
Finance charges			(2,054)
Profit before income tax			4,291
Income tax			(1,436)
Net profit for the half			2,855
Assets and liabilities (30 June 2010)			
Segment assets	140,775	39,474	180,249
Head office assets			50,573
Total assets			230,822
Segment liabilities	105,492	7,486	112,978
Head office liabilities			1,757
Total liabilities			114,735

NOTE 4 INTEREST BEARING BORROWINGS

	Consolidated Entity	
	31-Dec-10	30-Jun-10
	$'000	$'000
Current		
Obligations under finance leases and hire purchase contracts	273	374
	273	374
Non-Current		
Obligations under finance leases and hire purchase contracts	47	184
Bank borrowings	59,038	81,359
Deferred financing costs	(794)	(1,255)
	58,291	80,288

The Group enjoys a US$91.5 million (AU$90.0 million) secured revolving credit facility for funding growth within the USA traffic division, together with an AU$11.5 million working capital facility to address international and local business opportunities. The temporary switch in the loan facility limits was made to accommodate new international business opportunities and reverts back to a predominantly US$ facility in the second half of FY11. The Commonwealth Bank of Australia in conjunction with two other major Australian banks was granted a first and only priority senior security interest over the assets of Redflex Traffic Systems Inc and its subsidiaries, together with a fixed and floating charge over the assets and undertakings of Redflex Holdings Limited. The loan principal is not required to be repaid within the next twelve months and is available for redraw to the facility limit if repaid.

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

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

BANK INDEMNITY GUARANTEES

The company's bankers have issued indemnity guarantees to certain customers in respect of letters of credit, bid bonds and performance bonds for $9,248,116 (30 June 2010: $2,317,093).

FINANCING FACILITIES AVAILABLE

	Consolidated Entity	
	31-Dec-09	30-Jun-10
	$'000	$'000
Total facilities		
Bank borrowings AUD	90,032	106,805
AU$ working capital facility	11,500	11,500
	101,532	118,305
Facilities used at reporting date(in AU$ reporting currency)		
Bank borrowings	59,038	81,359
Deferred financing costs	(794)	(1,255)
	58,244	80,104
Facilities unused at reporting date	43,288	43,892

NOTE 5 ISSUED AND QUOTED SECURITIES

	Total number	Number quoted	Issue price per security	Amount paid up per security
ORDINARY SECURITIES				
Issued at 1 July 2010	110,010,757	110,010,757		
Changes during current period				
(a) Increases through issues				
Dividend Reinvestment Plan	0	0	0	0
From Performance Rights	334,842	334,842	0	0
From Share issue	0	0	0	0
From Rights issue	0	0	0	0
Issued at 31 December 2010	110,345,599	110,345,599		

PERFORMANCE RIGHTS		
Issued at 1 July 2010		1,932,639
Issued – performance to 1 October 2013		876,077
Converted to shares - performance to 1 October 2010		(334,842)
Forfeited - performance to 1 October 2010		(90,407)
- performance to 1 October 2011		(70,188)
- performance to 1 October 2012		(135,792)
Issued at 31 December 2010		2,177,487

NOTE 6 CASH FLOW RECONCILIATION

	Note	Consolidated Entity 31-Dec-10 $'000	31-Dec-09 $'000
(a) Reconciliation from the net profit after tax to the net cash flows from operations			
Net profit after tax		4,159	2,855
Non Cash Flow Items			
Depreciation expense		12,237	12,568
Asset Retirement Obligation (ARO) depreciation expense		269	150
Amortisation of intangibles		1,047	863
Provision of employee entitlements		77	103
Impairment and write down of property, plant and equipment		727	622
Deferred financing costs amortization		285	287
Share based payments		432	555
Change in operating Assets and Liabilities			
Decrease/(Increase) in prepayments		(549)	(10)
Decrease/(Increase) in receivables - current		(12,445)	(6,437)
Decrease/(Increase) in inventories		3,861	(3,024)
Decrease/(Increase) in taxation provisions		770	58
Decrease/(Increase) in deferred tax asset		(1,392)	(275)
Increase/(Decrease) in deferred tax liability		2,090	1,263
Increase/(Decrease) in deferred revenue		(466)	588
Increase/(Decrease) in payables		1,812	931
Decrease/(Increase) in deferred costs assets		1,818	(3,035)
Net cash flows from operating activities		14,732	8,062

(b) The movement in deferred cost assets arises upon the installation of cameras under the City of Chicago contract. Whilst most camera installations are recorded as Plant and Equipment and are depreciated over their estimated useful lives, with the Chicago contract title to the assets passes to the City upon installation and the assets are amortised over the remaining contract term. Cash expended on these installations is reported as operating activity rather than as an investment activity.

NOTE 7 SIGNIFICANT MOVEMENTS IN BALANCE SHEET ITEMS

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

The majority of assets and liabilities reside within the USA Traffic division. During the half year ended 31 December 2010 there has been a substantial change in exchange rates which have had a significant effect on all Balance Sheet items.

At 30 June 2010 the exchange rate was US$/AU$0.8567 compared to the 31 December 2010 US$/AU$ exchange rate of 1.0163 an 18.63% increase.

A significant portion of the movement within the Foreign Currency Translation Reserve of ($16.33) million relates to the conversion of the net USA domiciled assets and liabilities at 30 June 2010, converted at 31 December 2010 exchange rates. This has led to a ($14.32) million decrease in the AU$ equivalent value of those net assets.

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

	AUD $'000
Impact on asset balances	
Cash and cash equivalents	(3,056)
Trade and other receivables	(4,236)
Inventories	(2,819)
Property plant and equipment	(18,699)
Other	(3,102)
	(31,912)
Increase on liability balances	
Trade and other payables	2,998
Interest bearing borrowings	12,663
Other	1,924
	17,585
Net impact on balance sheet items	(14,327)

NOTE 8 CONTINGENCIES

There has been no other change in contingent assets or liabilities since 30 June 2010.

NOTE 9 EVENTS AFTER BALANCE SHEET DATE

On 21 February 2011 the Redflex Board announced that it has entered into a Scheme Implementation Agreement ("SIA") with an entity associated with The Carlyle Group and Macquarie Group Limited (together the "Consortium") under which it is proposed the Consortium will acquire all of the ordinary shares in Redflex under a Scheme of Arrangement ("Scheme").

Under the terms of the Scheme, Redflex shareholders will receive A$2.70 cash per share where the AUD:USD exchange rate at the relevant payment date is within the range of 0.98 – 1.02, valuing Redflex's total equity at approximately A$300 million. The A$2.70 per share consideration will be subject to the following exchange rate adjustment mechanism:

- If the spot exchange rate at the relevant payment date is less than 0.98, Redflex shareholders will receive A$2.70 per share x (0.98 / spot AUD:USD exchange rate at the relevant payment date)
- If the spot exchange rate at the relevant payment date is more than 1.02, Redflex shareholders will receive A$2.70 per share x (1.02 / spot AUD:USD exchange rate at the relevant payment date)

Below is a table summarising the per share consideration that would be received by Redflex shareholders under different exchange rate scenarios.

					Consideration Fixed at A$2.70								
Exchange Rate (AUD:USD)	0.94	0.95	0.96	0.97	0.98	0.99	1.00	1.01	1.02	1.03	1.04	1.05	1.06
Scheme Consideration (A$)	2.81	2.79	2.76	2.73	2.70	2.70	2.70	2.70	2.70	2.67	2.65	2.62	2.60

The Scheme is subject to certain conditions including Redflex shareholder and court approval, regulatory approvals and other conditions that are usual for a transaction of this nature.

The SIA includes exclusivity provisions in favour of the Consortium, provision for the payment of a A$3.39 million break fee by Redflex to the Consortium in specific circumstances, and the provision for a A$3.39 million cost reimbursement payment by the Consortium to Redflex in specific circumstances (the payment of which is supported by a guarantee and indemnity from entities associated with the Consortium).

A summary of the key terms of the executed SIA entered into by Redflex and the Consortium is attached to the Company's ASX announcement dated 21 February 2011. A copy of the announcement is located on the Redflex website.

The Redflex Board unanimously recommends that Redflex shareholders vote in favour of the Scheme at the Scheme meeting, in the absence of a superior proposal and subject to an independent expert concluding that the Scheme is in the best interests of Redflex shareholders.

There were no other significant events subsequent to 31 December 2010 and prior to the date of this report.

DIRECTORS' DECLARATION FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

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

In the opinion of the directors,

(a) the financial report of the consolidated entity:

  (i) gives a true and fair view of the financial position as at 31 December 2010 and the performance for the half-year ended on that date of the consolidated entity, and

  (ii) complies with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001, and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Graham Davie

Director

Redflex Holdings Limited
ABN 96 069 306 216

25 February 2011

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To the members of Redflex Holdings Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Redflex Holdings Limited, which comprises the condensed statement of financial position as at 31 December 2010, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Redflex Holdings Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. We confirm that the Auditor's Independence Declaration would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

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

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

Ashley C. Butler
Partner
Melbourne
25 February 2011