REDFLEX HOLDINGS LIMITED

ACN: 069 306 216
ABN: 96 069 306 216
ASX CODE: RDF

APPENDIX 4D

AND REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Reporting period	**Half-year ended 31 December 2015 "H1 FY16"**
Previous corresponding period	**Half-year ended 31 December 2014 "H1 FY15"**

APPENDIX 4D
HALF-YEAR REPORT
SIX MONTHS ENDED 31 DECEMBER 2015

RESULTS FROM OPERATIONS				H1 FY16 ($'000)	H1 FY15 ($'000)
Revenue from operations	Up	8.9%	to	65,213	59,873
Profit before interest, tax, depn, amortn and impairment **(PBITDAI)**	Up	21.4%	to	11,351	9,347
Loss before tax	Down	73.6%	to	(2,767)	(10,463)
Loss after tax	Down	82.2%	to	(1,731)	(9,720)
				H1 FY16	**H1 FY15**
				Cents	Cents
Basic / diluted loss per share	Down	82.2%	to	(1.56)	(8.78)
Net tangible asset backing per ordinary security	Down	6.1%	to	75.13	80.00

DIVIDENDS (DISTRIBUTIONS)

No dividends have been declared in respect of H1 FY16 or H1 FY15

A review of the results for Redflex Holdings Limited ("**Redflex**" or "**the Company**") and its consolidated entities (collectively, "**the Group**" or "**we**" or "**our**") is included in the attached Directors' Report.

It is recommended that this Interim Financial Report for the half-year ended 31 December 2015 ("**Half-Year Report**") be read in conjunction with the Annual Report for the year ended 30 June 2015 and be considered together with any public announcements made by Redflex up to 25 February 2016 in accordance with the Redflex's continuous disclosure obligations (a copy of which is available on the Company's website (www.redflex.com/index.php/en/home-investor)).

This Half-Year Report is prepared in accordance with International Financial Reporting Standards ("**IFRS**"). This Half-Year Report has been reviewed by the Group's auditors, PricewaterhouseCoopers ("**PWC**"), and PWC's conclusion is attached.

Unless otherwise stated, all currencies are denominated in Australian dollars.

Note regarding non-IFRS financial information

1. Throughout this Half-Year Report, Redflex has included certain non-IFRS financial information, including PBITDAI, net debt and free cash flow.
2. This information is presented to assist readers in making appropriate comparisons with prior periods and to assess the performance of the Group. PBITDAI or EBITDAI, as it is sometimes called, is a measure frequently quoted in the industry and forms the basis upon which many investors, financiers and analysts are briefed.
3. Non-IFRS information is not reviewed by PwC.

INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2015

Directors' Report

Your Directors submit their report for the half-year ended 31 December 2015.

Directors

The following persons were Directors of Redflex during the half-year and up to the date of this Half-Year Report. All directors held their position as Director throughout the entire half-year

Adam Gray	Chairman
Paul Clark	Chief Executive Officer
Robert DeVincenzi	Non-Executive Director
Herman Schwarz	Non-Executive Director
Clark Davey	Non-Executive Director
David McIntyre	Non-Executive Director
Terry Winters	Non-Executive Director

Company Secretary

Craig Durham has held the position of Group General Counsel and Company Secretary for the half year up to the date of this Half-Year Report.

OPERATING AND FINANCIAL REVIEW

Principal Activities

The Group began operations in 1995 and the Company's ordinary shares were listed for quotation on the Australian Securities Exchange ("ASX ") in January 1997.

The Group has established itself as a world leader in the automated traffic enforcement products and services market, a market segment of the much larger Intelligent Traffic Systems (ITS) market. The ITS market is expected to grow at a CAGR of 12% between 2015 and 2020, and reach $34 Billion by 2020.

Redflex develops and manufactures a wide range of high-performing digital photo enforcement solutions including red light, speed and school bus stop arm systems which utilise the most advanced sensor and image capture technologies available. The Group also owns and operates one of the largest networks of digital speed and red-light enforcement systems in the world.

Our continuous development of new road safety products has been helping to save lives for more than 20 years.

The Group comprises two main subsidiaries: Redflex Traffic Systems Inc. ("RTSI") is based in the United States of America ("USA"), and focuses on the Americas (incorporating the USA, Canada and South America); and Redflex Traffic Systems Pty Ltd is based in Australia and focuses on the Australian and International markets.

In the USA, RTSI operates a Build-Own-Operate-Maintain (BOOM) business model, where it provides enforcement and processing services to largely municipal (government) customers most commonly on a fully outsourced multi-year contracted basis.

The Australian and International business offers a full suite of automated enforcement products and services via direct, distribution and BOOM contracts.

Consolidated Result

For the half-year ended 31 December 2015, revenue from operations was $65.2 million which is up 8.9% as compared to the first half of the previous financial year (H1 FY15: $59.9 million).

The increased revenue was primarily attributable to:

- An increase of $4.1 million in the Australian and International business due to:
  - Strong growth in the United Kingdom **("UK")**, on the back of being awarded significant contracts with Highways England (formally the Highways Agency). Excluding the impact of foreign exchange the UK business has grown by 90% to £2.6 million as at 31 December 2015, in comparison with H1 FY15 revenue of £1.4 million;

Consolidated Result (Continued)

- Redflex being awarded contracts from the Department of Justice in Victoria to upgrade systems throughout the state; and
- The continued depreciation of the Australian dollar ("AUD") in comparison with H1 FY15 against global currencies. In particular the AUD depreciated against the British Pound by 13.9% period on period.

• A net increase of $1.2 million in the America's business predominantly driven by:
  - A significant depreciation in the value of the AUD against the United States Dollar ("USD") period on period of 18.7%;
  - The commencement of installation of cameras in Mexico;

  This has been offset by

  - A continued decline in sales in the North American market as the Group continues to face a challenging operating environment. Excluding the impact of foreign exchange, revenue in the America's declined by 16% in comparison with H1 FY15. Whilst management has noted the number of operating contracts has stabilised over the period significant growth in the market is unlikely to be achieved in the short-term.

It should be noted that the prior period result includes revenue streams from the New Jersey and Ohio jurisdictions which have subsequently ceased operations. Operations from these two jurisdictions previously made up 12% of the America's total revenue. If the New Jersey and Ohio revenue streams are excluded from the prior period comparative, like for like sales in the America's declined by 6% whilst the Group's total sales increased by 17%.

The Group PBITDAI was $11.4 million compared to $9.3 million in the previous corresponding period. The improved revenue outcomes discussed above were the primary contributor to the improvement in PBITDAI. The Group has also started to see the benefits of the cost management strategy commenced during the late stages of the previous financial period, however, the benefit of these USD denominated costs savings has been eroded by the depreciation of the AUD against the USD. Furthermore, due to increased litigation in the USA, higher USD denominated legal costs resulted in higher than expected reported operating expenses for the current period.

Net loss before tax for the Group was $2.8 million in H1 FY16 compared to a loss of $10.5 million in the previous corresponding period. Major factors, in addition to those detailed above, contributing to the result were:

- Significant impairments of plant and equipment in the prior period primarily associated with the loss of the New Jersey and Ohio contracts in the America's business of $5.5 million; and
- A reduced amortisation and depreciation expense of $1.6 million following the impairment charges recorded in the 30 June 2015 financial statements.

Balance Sheet

Working capital decreases during H1 FY16 resulted from an improved cost focus and an organization-wide effort to reduce inventories. A significant decrease in receivables has also been noted, principally driven by the receipt of US$9.0 million from Jefferson Parish in resolution of a long running dispute (the proceeds of which were used to reduce the Company's debt facility).

The increase in plant and equipment from June 2015 is predominantly due to foreign exchange movements between the periods as the depreciation expense for the year outweighed capital purchases. Intangible assets predominantly held in the Australian and International business have declined due to the amortisation charge for the period outweighing new capital expenditure in this area.

YEAR ON YEAR COMPARISON

A comparison of the Group's performance for H1 FY16 and H1 FY15 is as follows.

	H1 FY16 $'000	H1 FY15 $'000
Profit before interest, tax, depreciation, amortisation and impairment (PBITDAI)	**11,351**	**9,347**
Less:		
Impairments	1,405	5,518
Depreciation	9,216	11,147
Amortisation	3,101	2,807
Interest	396	338
Net loss before tax	**(2,767)**	**(10,463)**

	H1 FY16 $'000	H1 FY15 $'000	% Change
Segment revenue			
The America's Traffic business	38,349	37,126	3.3%
Australian/International Traffic business	26,864	22,747	18.1%
Total Consolidated Revenue	**65,213**	**59,873**	**8.9%**
Profit before interest, tax, depreciation, amortisation and impairment			
PBITDAI from combined Traffic business	13,184	11,442	15.2%
Head Office costs	(1,833)	(2,095)	(12.5%)
PBITDAI	**11,351**	**9,347**	**21.4%**
Pre-tax loss			
Pre-tax loss from combined Traffic business	(927)	(8,361)	(88.9%)
Head Office costs	(1,840)	(2,102)	(12.5%)
Pre-tax loss from operations	**(2,767)**	**(10,463)**	**(73.6%)**
Net loss after tax	**(1,731)**	**(9,720)**	**(82.2%)**

Review of the America's Operations

Revenue for the six months ended 31 December 2015 increased by 3.3% to $38.3 million, from $37.1 million in H1 FY15. The predominant reason for the increase was due to a favourable exchange rate movement which was offset by increased competition, plus price and contract tensions in the USA.

PBITDAI of $6.1 million was the same as the prior comparative period. This was due to the benefit of the Group's efforts to reduce its cost base but was somewhat offset by increased legal costs driven by increased litigation. US legal costs have increased by 28% (to USD$0.6 million) in comparison to the prior period.

Profit before finance costs decreased to a loss of $3.6 million from a loss of $9.6 million in H1 FY15. The impairments taken in by the Group in the prior comparative period are the main driver of the improvement, offset by an impairment of inventory recorded in the America's business for the period of $2.0 million.

The Student Guardian business has continued to be challenging. The result for the six months to 31 December 2015 was a pre-tax loss of $1.8 million. Management will continue to develop the Student Guardian opportunity during 2016, with the ultimate aim of improving profitability.

Redflex International

Revenue for the six months ended 31 December 2015 increased 18.1% to $26.9 million, from $22.7 million in H1 FY15. Increased activity in the UK and Australia have contributed to the improved result, together with a favorable foreign currency movement for the non-Australian businesses. PBITDAI of $7.1 million in H1 FY16 was $1.7m higher than H1 FY15. This was due to strong sales in the UK and Australian markets in addition to a strong focus on organization-wide cost reduction. This improved result was achieved despite the significant reduction in capitalised development costs that, in the prior period, delivered an improvement in the reported results.

Profit before finance costs and tax in H1 FY16 increased to $3.1 million from $1.7 million in H1 FY15. The factors detailed above have driven the improvement in performance.

Financial Resources

The Group has a $28.8 million (US$21.0 million) (H1 FY15 US$30 million) revolving credit facility with a syndicate of three Australian banks, which expires on 7 August 2017, and, in addition, an $8.0 million working capital facility for guarantees and bonds required to support contracts with certain customers.

The total drawn amount at 31 December 2015 was $6.0 million (FY15: $19.4 million). The net cash position of the Group at 31 December 2015 was $4.6 million, including restricted cash. (FY15: net debt position of $2.4 million, including restricted cash). Management has used the cash received from the settlement of the Jefferson Parish legal dispute (US$9 million) to pay down the debt further during the period and expect the debt to be fully repaid by 30 June 2016.

As at 30 June 2015 interest bearing liabilities were classified as current in the Company's Annual Report due to an inability to fully satisfy certain loan covenants due, among other things, to the fair value write-downs of plant and equipment and intangible assets. Post 30 June 2015 the Group received a waiver from the Company's banking syndicate in relation to the inability to satisfy certain loan covenants. Details surrounding the waiver have previously been disclosed in the Company's Annual Report for the year ended 30 June 2015 (which is available on the Company's website). As the Group has complied with the waiver and is not currently in breach of any financial covenants, the Group's outstanding liability under the credit facility has been re-classified as non-current for the period ended 31 December 2015 (and otherwise in accordance with IFRS).

The net cash flow from operations for H1 FY16 was $14.9 million compared to $5.2 million in the prior corresponding period. The increase is primarily the result of cash received from the Jefferson Parish legal dispute in addition to increased Group revenues helped by favourable movements in foreign exchange.

Outlook for the remainder of the 2016 financial year

As the photo enforcement market matures in the USA and Australia, we have started to establish operations or relationships in selected countries and to aggressively compete for and win new contracts. We have also started to develop new products and services and more recently this has begun to yield contract wins in selected parts of the ITS market. Our strategy is to focus on those markets that have attractive growth profiles, unmet market demand and needs, acceptable risk and a high level of market fragmentation.

This aligns with the Group's strategy which is to:

- Consolidate the North American business and ensure we service our existing customers while continuing to position the Company to compete for upcoming photo enforcement contracts.
- Grow (organically and inorganically) in identified markets that suit the Company's technology and expertise while offering a stable financial and operating environment (e.g. UK, Europe and Canada).
- Continue to target and deliver on opportunities outside of photo enforcement that leverage our technological advantage (e.g. parking and traffic management).

To achieve our strategy Redflex is focused on the following initiatives:

- Leveraging our leading photo enforcement capability to expand more aggressively into New Zealand, Asia, Canada, Latin America, Mexico, Europe and the UK.
- Increasing the revenue from our existing photo enforcement installed base by upgrading and improving the performance of vintage systems, providing additional value added services and improving the operational effectiveness of the system installations.
- Repurposing our platform technology to diversify into adjacent ITS market segments including parking and traffic management.
- Reducing our cost base through product simplification, more efficient procurement practices and increased general cost control.
- Fully centralising Group Services delivering cost and operational efficiencies.
- Leveraging and increasing our competitive advantage through targeted research and development.
- Increasing shareholder value through the creation of a high performance team capable of delivering the transformational Group strategy.

As noted above, the Group is committed to pursuing new, and protecting existing, opportunities in many markets around the world while endeavoring to implement a range of strategies focused around reducing the Group's expenses and driving operating and related efficiencies. The success that the Group enjoys in pursuit of the above initiatives and goals, plus developments and outcomes in litigation to which the Group is a party, are likely to contribute to the financial result for the full twelve months ending 30 June 2016.

Subsequent events

There were no significant subsequent events identified between the end of the reporting period and 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 Group under ASIC Class Order 98/0100. The Group is an entity to which the Class Order applies.

Auditor's Independence

The Group has received the Auditor's Independence Declaration dated 25 February 2016.

Signed in accordance with a resolution of the directors.

Adam Gray

Adam Gray

Chairman
Melbourne
25 February 2016

Auditor's Independence Declaration

As lead auditor for the review of Redflex Holdings Limited for the half-year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Redflex Holdings Limited and the entities it controlled during the period.

Jason Perry
Partner
PricewaterhouseCoopers

Melbourne
25 February 2016

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2015

	Note	31-Dec-15 $'000	31-Dec-14 $'000
Revenue from operations		65,213	59,873
Total revenue		**65,213**	**59,873**
Cost of goods sold		29,476	26,817
Cost of sales		**29,476**	**26,817**
Gross profit		**35,737**	**33,056**
Sales and marketing related expenses		4,650	5,700
Administrative related expenses		18,913	17,485
Costs of investigation		823	524
Profit before depreciation, amortisation, impairment, finance costs and tax		**11,351**	**9,347**
Amortisation of intangibles		3,101	2,807
Depreciation of plant and equipment		9,216	11,147
Net impairment of inventory	3	1,379	-
Impairment of plant and equipment		26	5,518
Loss before tax and financing costs		**(2,371)**	**(10,125)**
Net finance costs		396	338
Loss before tax		**(2,767)**	**(10,463)**
Income tax benefit		1,036	743
Net loss for the period		**(1,731)**	**(9,720)**
Other Comprehensive Income			
Items that may be reclassified subsequently to profit and loss			
Foreign currency translation		3,461	12,811
Total comprehensive income for the period		**1,730**	**3,091**
Earnings per share ("EPS") attributable to ordinary equity holders			
- basic / diluted EPS for the half-year ended		(1.56) cents	(8.78) cents

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	31-Dec-15 $'000	30-Jun-15 $'000
ASSETS			
Current Assets			
Cash and cash equivalents		10,579	17,035
Trade and other receivables		25,611	28,877
Inventories		14,162	16,901
Income tax receivable		2,310	-
Other current assets		2,219	2,305
Total Current Assets		**54,881**	**65,118**
Non-Current Assets			
Plant and equipment		55,084	54,077
Deferred tax asset		19,129	17,464
Intangible assets and goodwill		25,515	26,906
Other financial assets		442	429
Other non-current assets		124	26
Total non-current assets		**100,294**	**98,902**
TOTAL ASSETS		**155,175**	**164,020**
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables		17,809	18,191
Interest bearing borrowings	4	-	19,449
Income tax payable		-	617
Provisions		7,697	7,245
Total Current Liabilities		**25,506**	**45,502**
Non-Current Liabilities			
Interest bearing borrowings	4	5,997	-
Deferred tax liabilities		9,836	7,312
Provisions		4,985	4,887
Other Non-Current Liabilities		120	-
Total Non-Current Liabilities		**20,938**	**12,199**
TOTAL LIABILITIES		**46,444**	**57,701**
NET ASSETS		**108,731**	**106,319**
Equity			
Contributed equity		101,765	101,765
Reserves		7,233	3,657
Retained earnings / (Accumulated losses)		(267)	897
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**108,731**	**106,319**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2015

	Contributed Equity	Foreign Currency Translation Reserve	Employee Equity Benefits Reserve	Retained earnings / (accumulated losses)	Total Equity
	$'000	$'000	$'000	$'000	$'000
At 1 July 2014	**101,765**	**(17,490)**	**2,582**	**30,909**	**117,766**
Loss for the half-year	-	-	-	(9,720)	(9,720)
Currency translation differences	-	12,811	-	-	12,811
Total comprehensive income for the period	**-**	**12,811**	**-**	**(9,720)**	**3,091**
Cost of share based payments	-	-	443	-	443
Transfer of expired equity instruments	-	-	(443)	443	-
At 31 December 2014	**101,765**	**(4,679)**	**2,582**	**21,632**	**121,300**
At 1 July 2015	**101,765**	**2,424**	**1,233**	**897**	**106,319**
Loss for the half-year	-	-	-	(1,731)	(1,731)
Currency translation differences	-	3,461	-	-	3,461
Total comprehensive income for the period	**-**	**3,461**	**-**	**(1,731)**	**1,730**
Cost of share based payments	-	-	682	-	682
Transfer of expired equity instruments	-	-	(567)	567	-
At 31 December 2015	**101,765**	**5,885**	**1,348**	**(267)**	**108,731**

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2015

	31-Dec-15 $'000	31-Dec-14 $'000
Operating activities		
Receipts from customers	71,170	56,209
Payments to suppliers and employees	(55,074)	(49,682)
Interest received	4	2
Interest paid	(334)	(283)
Income tax paid	(851)	(1,033)
Net cash flows from operating activities	**14,915**	**5,213**
Investing activities		
Purchase of property, plant and equipment	(6,081)	(8,109)
Capitalised development costs paid	(1,489)	(2,954)
Return of investment	-	686
Net cash used in investing activities	**(7,570)**	**(10,377)**
Financing activities		
Repayment of bank borrowings	(14,387)	-
Net cash used in financing activities	**(14,387)**	**-**
Net decrease in cash held	(7,042)	(5,164)
Effect of exchange rate changes on cash	586	1,990
Cash and cash equivalents at beginning of period	17,035	13,749
Cash and cash equivalents at end of the period	**10,579**	**10,575**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

Redflex Holdings Limited ("**Redflex**" or "**the Company**") is an Australian incorporated company limited by shares that are publicly traded on the Australian Securities Exchange (ASX) with the code RDF.

The nature of the operations and principal activities of the Redflex and its consolidated entities (collectively, "**the Group**") are described in Note 3.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation and new accounting standards

Basis of preparation

This consolidated financial report for the half-year ended 31 December 2015 ("**the Half-Year Report**") has been prepared in accordance with *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*.

The Half-Year Report does not include all notes of the type normally included within the annual general purpose 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 Group as the Group's Annual Report.

It is recommended that the Half-Year Report be read in conjunction with the Annual Report for the year ended 30 June 2015 and considered together with any public announcements made by the Company in accordance with the Group's continuous disclosure obligations under ASX listing rules (a copy of which is available on the Company's website (www.redflex.com.au)).

The Half-Year Report includes re-classifications between assets and liabilities in the prior period. These adjustments have had no impact on the result or net asset position reported in the prior period.

The Half-Year Report has been prepared on a going concern basis, which assumes the normal continuity of business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. Attention is drawn to the matters detailed in Note 6 below.

New accounting standards

Amendments to AASB standards that have been adopted since 30 June 2015, have not had a material impact on the accounting policies of the Group.

During the period to 31 December 2015 the Group has elected to early adopt the following Amendments to Australian Accounting Standards that have been issued but are not yet effective.

Standard and impact	Mandatory date for annual reporting periods beginning on or after)	Reporting period standard adopted by Redflex
AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014* **Impact** The standard amends *AASB 134 – Interim financial reporting* to allow the Group to cross reference from the interim financial report to other information, which is publically available to the users at the same time.	1 January 2016	1 July 2015

(b) Changes in accounting policies

There have been no changes in accounting policies during the half-year ended 31 December 2015.

(c) Change in accounting estimates

There were no significant changes in accounting estimates for the half-year ended 31 December 2015.

(d) Significant accounting judgments, estimates and assumptions

The preparation of the Half- Year Report 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. The Half-Year Report does not include any adjustments relating to the recoverability and classification of recorded asset amounts that might be necessary should the Group's judgments differ from future circumstances.

Management has identified the following critical accounting policies for which significant judgments, estimates and assumptions are made at 31 December 2015. 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.

Impairment of goodwill, plant and equipment and capitalised development costs

At each reporting date the Group assesses whether there is an indicator that assets contained within one of the Group's three Cash Generating Unit's **("CGU's)** may be impaired. When an indicator of impairment exists, the Group makes a formal assessment of the recoverable amount generated by the relevant CGU. Where the carrying amount of assets contained within the CGU exceeds its recoverable amount the assets contained within the CGU are considered impaired and written down to their recoverable amount.

Recoverable amounts are calculated in line with each CGU's valuation methodology. These are as follows:-

CGU	Valuation methodology
American traffic operations	Fair value less costs of disposal
Redflex Guardian	Value in use
Australian and International traffic operations	Value in use

Impairment loses are recognised immediately in the income statement.

As at 31 December 2015 management has assessed the carrying value of assets in each CGU. Management concluded that an indicator of impairment existed in the Redflex Guardian and American Traffic operations CGU's and performed an impairment test. Based on the results of the test an impairment charge was not required in the current period. The assumptions used in this modelling were consistent with the approach disclosed in the 30 June 2015 Annual Report. In determining the calculation management has applied significant judgment, including forward estimates or revenue, expenses, cash flows, liabilities and broader operating outcomes.

The key estimates and assumptions used to determine the recoverable amount of a CGU are based on management's current expectation after considering past experience and external information, and are considered to be reasonably achievable. However significant changes in any of these key assumptions may result in a CGU's carrying value exceeding its recoverable amount requiring an impairment charge to be recognised at a future date.

Depreciation of property, plant and equipment

Plant and equipment mainly consists of red light and speed camera detection equipment. These assets are installed in various cities throughout the USA, New Zealand and Mexico. The contract periods for which these assets are installed vary significantly between contracts, however most contract periods are at least five years and have extension options of either one year or two 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 Group expects the infrastructure to last for decades once installed, whilst the camera and detection equipment is expected to last for a period approximating seven years.

Despite the longevity of the installation it is impaired upon termination or non-renewal of a contract to process traffic violations (and, in some instances, the outcome of many of these events is outside the control of the Group). Accordingly, it is difficult to assess the appropriate length of time over which to depreciate these assets.

(d) Significant accounting judgments, estimates and assumptions (continued)

Amortisation of capitalised development costs

Capitalised development costs are mainly attributed to capitalised labour associated with the development of new technology within the traffic enforcement industry. The contract periods for which the technology is used varies significantly and similar technology can be utilised for multiple contracts.

The Group amortises these assets over a ten year period on a straight line basis regardless of the length of individual contracts for which the technology is used. The Group expects the technology to last for a period of ten years from inception, due to varying requirements of its customers. Management assesses development costs at each reporting date and if the technology is no longer in use it is considered impaired. Accordingly, it is difficult to assess the appropriate length of time over which to amortise these assets.

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 statement of financial position. 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 in both the Australian and North American tax jurisdictions.

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 statement of financial position 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 statement of comprehensive income.

Uncertainty arising as a result of group tax restructure

During the year ended 30 June 2009, the Group’s global tax affairs were restructured for the purposes of providing a more efficient flow of funds around the Group. The outcome of the tax restructure involves a significant degree of uncertainty, and as such the Group commissioned independent advice from its professional legal and tax advisors. In certain circumstances, the outcome of the tax 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 potential tax liability is not considered probable as at the date of this Half-Year Report.

Uncertainty of litigation outcomes

Certain entities in the Group are party to various legal actions and claims which have arisen in the ordinary course of business. The Board and the Group’s legal advisors closely monitor these actions. Provisions are not required in respect of these matters, as it is either not probable that a future sacrifice of economic benefits will be required, or the amount is not capable of reliable measurement. In certain circumstances, an adverse outcome in some or all of these legal proceedings could lead to material damages and liability for entities within the Group, and this could potentially jeopardize the Group’s ability to continue to operate as a going concern. Where appropriate management has disclosed significant legal proceedings as contingent liabilities please refer to note 6 for further information.

Recoverability of receivables

The Group continues to encounter uncertainties surrounding some contracts in certain countries including in the Middle East. Due to the uncertainty around our ultimate collection and timing of the receipt of these receivables, the Group continues to provide against the likelihood of ultimate collectability. The Half-Year Report does not include any adjustments relating to the recoverability and classification of recorded asset amounts that might be necessary should the Group’s judgments differ from future circumstances. The Group will continue to pursue all available avenues to recover receivables in the ordinary course of business.

(d) Significant accounting judgments, estimates and assumptions (continued)

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.

Asset retirement obligations

The asset retirement obligation liability is based on what management expects future costs will be based on experience in terminated contracts.

3 SEGMENT INFORMATION

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 particular products and services to different markets. The Group identifies and reports on this basis to the chief operating decision maker (which for Redflex is the Group Chief Executive Officer).

The Group operates within two key markets, The Americas (incorporating Canada, the USA and South America) and Australia/International (which comprises all other businesses outside of the Americas). The Traffic business in the USA is predominantly a Build Own Operate and Maintain (“BOOM”) business providing fully outsourced traffic enforcement programs. The Australia/International Traffic business involves the sale of traffic enforcement products.

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 operating segments. Those transfers are eliminated on consolidation of the Group’s financial results

The following tables present revenue and profit information and certain asset and liability information regarding operating segments for the half-years ended 31 December 2015 and 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS

3 SEGMENT INFORMATION – Continued

Half-year ended 31 December 2015

	Operating segments		
	The Americas	Australian /International	Total
	$'000	$'000	$'000
Revenue			
Revenue from operations	38,349	26,864	65,213
Inter-segment revenue	-	2,149	2,149
Total segment revenue	**38,349**	**29,013**	**67,362**
Inter-segment elimination			(2,149)
Total consolidated revenue			**65,213**
Result			
Profit before interest tax, depreciation, amortisation and impairments	6,096	7,088	13,184
Impairment of plant and equipment	(26)	-	(26)
(Impairment) / Write back of inventory	(2,057)	678	(1,379)
Depreciation	(8,270)	(939)	(9,209)
Amortisation	(414)	(2,687)	(3,101)
Inter-segment royalty	1,034	(1,034)	-
Segment result	**(3,637)**	**3,106**	**(531)**
Head office result			**(1,840)***
Loss before tax and finance charges			**(2,371)**
Finance charges			396
Loss before income tax			**(2,767)**
Income tax benefit			1,036
Net loss for the half			**(1,731)**
Assets and liabilities			
Segment assets	55,677	77,516	133,193
Head office assets			21,982
Total assets			**155,175**
Segment liabilities	31,893	13,224	45,117
Head office liabilities			1,327
Total liabilities			**46,444**

*Includes corporate depreciation of $7,000

3 SEGMENT INFORMATION – Continued

Half-year ended 31 December 2014

	Operating segments		
	The Americas	Australian /International	Total
	$'000	$'000	$'000
Revenue			
Revenue from operations	37,126	22,747	59,873
Inter-segment revenue	-	3,772	3,772
Total segment revenue	**37,126**	**26,519**	**63,645**
Inter-segment elimination			(3,772)
Total consolidated revenue			**59,873**
Result			
Profit before interest tax, depreciation, amortisation and asset impairments	6,072	5,370	11,442
Plant and equipment impairment	(5,518)	-	(5,518)
Inter-segment royalty	841	(841)	-
Depreciation	(10,331)	(809)	(11,140)
Amortisation	(722)	(2,085)	(2,807)
Segment result	**(9,658)**	**1,635**	**(8,023)**
Head office result			**(2,102)***
Loss before tax and finance charges			(10,125)
Finance charges			(338)
Profit before income tax			**(10,463)**
Income tax expense			743
Net profit for the half			**(9,720)**
Assets and liabilities (31 December 2014)			
Segment assets	80,037	86,100	166,137
Head office assets			10,613
Total assets			**176,750**
Segment liabilities	47,005	17,571	64,576
Head office liabilities			(9,126)
Total liabilities			**55,450**

*Includes corporate depreciation of $7,000

4 INTEREST-BEARING BORROWINGS

	31-Dec-15 $'000	30-Jun-15 $'000
Current		
Bank borrowings	-	19,595
Deferred financing costs	-	(146)
	-	**19,449**
Non-current		
Bank borrowings	6,166	-
Deferred financing costs	(169)	-
	5,997	**-**

Bank Indemnity Guarantees

The Group's bankers have issued indemnity guarantees to certain Group customers in respect of letters of credit, bid bonds and performance bonds for $1.9 million (30 June 2015: $1.9 million).

Financing Facilities Available

	31-Dec-15 $'000	30-Jun-15 $'000
Total facilities		
Bank borrowings	28,771	39,190
Australian dollars working capital facility	8,000	8,000
	36,771	**47,190**
Facilities used at reporting date		
Bank borrowings	6,166	19,595
Security for letters of credit issued to customers	1,910	1,919
	8,076	**21,514**
Facilities unused at reporting date	**28,695**	**25,676**

The Group has a $28.8 million (US$21.0 million) (H1 FY15 US$30 million) revolving credit facility with a syndicate of three Australian banks, which expires on 7 August 2017, and, in addition, an $8.0 million working capital facility for guarantees and bonds required to support contracts with certain customers.

The total drawn amount at 31 December 2015 was $6.0 million (FY15: $19.4 million). The net cash position of the Group at 31 December 2015 was $4.6 million, including restricted cash (30 June 2015: net debt position of $2.4 million, including restricted cash). Management has used the cash received from the settlement of the Jefferson Parish legal dispute to reduce the Group's debt facility during the period and expect the debt to be fully repaid by 30 June 2016.

As at 30 June 2015 interest bearing liabilities were classified as current in the Annual Report due to an inability to satisfy certain loan covenants as a result of fair value adjustments to plant and equipment and intangible assets. Post 30 June 2015 the Group received a waiver from the bank syndicate in relation to the non-satisfaction of loan covenants. Details surrounding the waiver have previously been disclosed in the Annual Report for the year ended 30 June 2015. As the Group has complied with the waiver and is not currently in breach of any loan covenants associated, the Group's outstanding liability has been re-classified as non-current for the period ended 31 December 2015.

Fair Value

The carrying amount of the Group's current and non-current borrowings approximate their fair value less the difference in respect to capitalised borrowing costs.

NOTES TO THE FINANCIAL STATEMENTS

5 ISSUED AND QUOTED SECURITIES

Ordinary Securities	Total number	Number quoted	Issue price per security	Amount paid up per security
Issued at 1 July 2015	**110,762,310**	**110,762,310**		
On issue at 31 December 2015	**110,762,310**	**110,762,310**		

There has been no new issue of securities during the reporting period.

5A ISSUED AND UNQUOTED PERFORMANCE RIGHTS

Unquoted performance rights	Total Number	Date
Issued at 1 July 2015	**1,754,607**	
Changes during the current half-year period		
Lapsed – Employee exiting organisation	(285,674)	18 Aug 2015
Lapsed - performance to 1 October 2015	(341,489)	5 Oct 2015
Lapsed – Employee exiting organisation	(123,393)	12 Nov 2015
Issued – performance to 1 October 2016*	3,354,547	18 Dec 2015
Outstanding at 31 December 2015	**4,358,598**	

*Under the terms of the Group's established LTI plan key management personnel receive an annual grant of performance rights which vest if performance hurdles are met.

6 CONTINGENCIES

Certain entities in the Group are party to various legal actions and claims which have arisen in the ordinary course of business. Other than the matter described below, any liabilities arising from such actions and claims are not expected to have a material adverse effect on Redflex. The Board and the Group's legal advisors closely monitor these actions. Provisions are not required in respect of these matters, as it is either not probable that a future sacrifice of economic benefits will be required, or the amount is not capable of reliable measurement.

There has been no change in contingent assets or liabilities since 30 June 2015 other than noted below.

City of Chicago and State of Ohio – possible actions and outcomes

The Group has previously announced developments in regard to its US subsidiary's historical dealings with the City of Chicago and the State of Ohio. In addition to the annual report as at 30 June 2015, the Group has provided updates to these matters, which are included in ASX announcements up until 15 December 2015.

At this point in time it is not possible to estimate the timing for completion of the Department Of Justice's investigations in Ohio nor the Chicago legal actions and any quantum or recoveries in relation to these matters is not capable of being measured. No amounts have been expensed or provided for in relation to these matters at 31 December 2015.

The matters above may individually or in aggregate, be material in nature and the Group continues to exercise its rights as appropriate in relation to the above matters. The Group will avail itself of all legal defences available to it in order to defend itself and to minimise its exposure to potential financial harm. If the matters noted above resulted in negative judgements and damages at levels that could not be funded by the Group based on the level of financial resources available to it at such time, there is significant uncertainty as to whether the consolidated entity could continue as a going concern.

7 SUBSEQUENT EVENTS

There were no significant subsequent events identified between the end of the reporting period and the date of this report.

Directors' Declaration for the half-year ended 31 December 2015

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

In the opinion of the directors,

(a) The half-year financial report of the consolidated entity is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the financial position as at 31 December 2015 and of its performance;

   (ii) complying with Accounting Standards AASB 134 Interim Financial reporting and Corporations Regulations 2001; and

(b) As detailed in Note 2(a) of the half-year financial report, 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

Adam Gray

Chairman
Redflex Holdings Limited
Melbourne
25 February 2016

Independent auditor's review report 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 consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Redflex Holdings Limited (the consolidated entity or the company). The consolidated entity comprises the company and the entities it controlled during that 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 (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is 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 Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report 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 half-year 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 2015 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, 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.*

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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 2015 and of its performance for the half-year ended on that date;

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

Emphasis of Matter

We draw attention to Note 6 to the financial statements which describes the uncertainty related to the outcome of various lawsuits filed against the Company and its wholly owned US subsidiary Redflex Traffic Systems, Inc. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers

PricewaterhouseCoopers

Jason Perry
Partner

Melbourne
25 February 2016

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