Redflex

Annual Report 2019

FOR A WORLD ON THE MOVE

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CORPORATE GOVERNANCE STATEMENT

The ASX Corporate Governance Principles and Recommendations (Fourth Edition) and the ASX Listing Rules (ASX LR 4.10.3) permits entities to elect to publish their ASX Corporate Governance Statement and ASX Appendix 4G on its website.

Accordingly, Redflex Holdings Limited's ("the Company") 2019 ASX Corporate Governance Statement does not appear in this Annual Report and can be located on the Company's website (www.redflex.com). To navigate to the Company's 2019 ASX Corporate Governance Statement and ASX Appendix 4G, please click on the "Investors/ Governance" tab.

The URL for the 2019 ASX Corporate Governance Statement is:

https://redflex.com/int/wp-content/uploads/sites/4/2019/03/2019-Corporate-Governance-Statement.pdf

The URL for the 2019 ASX Appendix 4G is:

https://redflex.com/int/wp-content/uploads/sites/4/2019/03/2019-ASX-Appendix-4G.pdf

REDFLEX HOLDINGS LIMITED

ABN 96 069 306 216

Redflex Holdings Limited shares are listed for quotation on the Australian Securities Exchange under the ticker code of "RDF".

Corporate Directory

Directors

Adam L. Gray, Chairman
Mark J. Talbot, Group CEO and Managing Director
Clark Davey
Robert DeVincenzi
David McIntyre
Herman Schwarz
Terence Winters

Company Secretary

Craig Durham

Registered Office

31 Market Street, South Melbourne, Victoria, 3205, Australia

Principal Places of Business

Australia
31 Market Street, South Melbourne, Victoria, 3205, Australia
Phone: +61 3 9093 3324

United Kingdom
Unit 20 Russell House, Chalcroft Business Park, Burnetts Lane,
West End Southampton Hampshire SO30 2PA, United Kingdom

United States of America
5651 West Talavi Boulevard,
Suite 200,
Glendale AZ 85306-1893
United States of America

Share Register

Computershare Investor Services
452 Johnston Street, Abbotsford, Victoria, 3067, Australia
Phone: 1300 850 505

Solicitors

KPMG Law
Tower Three, International Towers Sydney
300 Barangaroo Avenue, Sydney, New South Wales, 2000, Australia

Baker McKenzie
181 William Street, Melbourne, Victoria, 3000, Australia

Auditor

PricewaterhouseCoopers
2 Riverside Quay, Southbank, Victoria, 3006, Australia

Redflex

FINANCIAL PERFORMANCE SUMMARY

RESULTS FROM OPERATIONS

	2019	2018
Revenue ($ Million)	117.0	105.6
Earnings before depreciation, amortisation, impairment, finance costs and tax ($ Million) *	16.2	12.3
Loss after tax ($ Million)	(5.6)	(12.1)
Weighted average number of shares (Million)	150.0	132.0
Basic earnings per share (Cents)	(3.74)	(9.18)
Earnings per share based on earnings before interest, tax, depreciation and amortisation (Cents) *	10.8	9.31
Net tangible assets per share (Cents)*	39.58	38.71

	2019 ($M)	2018 ($M)
Current assets	54.0	54.1
Non-current assets	67.0	76.4
Current liabilities	26.5	29.3
Non-current liabilities	20.9	24.9
Shareholders' equity	73.6	76.3

Reporting period

The current reporting period is the year ended 30 June 2019 ("FY19"). The previous corresponding period is the year ended 30 June 2018 ("FY18").

*** Note regarding non-IFRS financial information**

1. Throughout this Annual Report, Redflex Holdings Limited ("the Company", "the Group", "Redflex", "we" or "our") has included certain financial information that is calculated and presented on the basis of methodologies other than in accordance with International Financial Reporting Standards ("IFRS").
2. This non-IFRS information is presented to provide users with additional insight into the Company's business, including to facilitate incremental understanding of the Company's underlying financial performance, liquidity or cash position.
3. Non-IFRS information is not audited.

CHAIRMAN'S LETTER

DRIVING PROFITABLE GROWTH AND DIVERSIFICATION

Dear Fellow Shareholders and Associates,

In last year's Annual Report I foreshadowed the emphasis we would place on converting bid activity to sales orders, and our drive for efficiency in delivery of our technology solutions and services. I also commented on the promising tailwinds we perceived in the global Road and Pedestrian Safety industry, the increasing customer receptivity to cloud-based processing systems and a more "progressive" response in selected regions of the US market to road safety and traffic management solutions.

During FY19 we built upon our FY18 inflection, delivering improved top and bottom line results, and took meaningful steps to validate and leverage, where possible, each of these key macro-level trends.

Across the globe we continue to invest in our people and technology, extending our strong business development, sales and marketing, and proven operating capabilities. The team's "go-get" orientation, which is driving profitable growth, is rooted in partnering with our customers to deliver advanced ITS solutions in photo enforcement, managed motorways and urban mobility.

The ethos of Redflex has indeed changed. We are proactively pursing more, bigger and higher quality opportunities with a demonstrated and growing ability to win.

Improved Financial Results and Market Engagement

As set out more fully in the Group CEO's Report that follows, our efforts in market engagement and opportunity management, right-sizing and purpose-building our business, and driving cost efficiencies during FY19 have further improved not just the foundation and competitiveness of Redflex, but have also translated into meaningfully improved financial results.

This fiscal year we delivered increases of 32% in EBITDA and 11% in revenue against FY18. Importantly, this marks the third year of expanded EBITDA margins (13.8% in FY19, up from 11.6% in FY18 and 8.8% in FY17).

Market Dynamics

While we had quite positive results to share during the year, including extraordinary success with the award of the Pennsylvania Automated Work Zone Speed Enforcement Program in the U.S. and further expansion in the United Kingdom , we also had disappointing news from the U.S. state of Texas, where their legislature made the decision to de-prioritise its commitment to roadway safety and effectively ban photo enforcement in the state. While that legislative action had a material impact on us (and our competitors), our business has shown remarkable resilience. In the US market our contract renewal rates are strong and client referenceability continues to improve.

It is worth noting the US market is not one singular market. Throughout the states, many municipalities operate with substantial autonomy and have widely divergent views on various automated enforcement technologies. Some that reject red-light violation enforcement may be fervid supporters of speed, school or work zone enforcement, and vice versa. Accordingly, we will continue to monitor public sentiment by jurisdiction and prudently steward resources in those markets most receptive to photo enforcement as a means to improving road safety.

Beyond the U.S. we have seen a growing demand from our customers for technology-based solutions to manage congestion, reduce vehicle emissions , and improve road safety. During FY19 we grew our new business project orders by 40% in our key markets of Australia, New Zealand, the United Kingdom and Europe. We continue to work closely with our customers in these markets to ensure our product solutions support an integrated approach to manage motorways in the future.

Looking Ahead

Please refer to our more expansive commentary about FY20, which follows in this Annual Report.

Although we are pleased with our progress and confident that we have the right leadership team in place, we still have a tremendous amount of work to do. Our posture remains transformative – with focus on both organic and inorganic opportunities to profitably grow and diversify our business.

I would like to thank you, our shareholders and associates, for your support as we continue to leverage our advanced road safety technologies to save lives, change driver behaviour, improve traffic management and enhance public safety.

With best wishes,

Adam L. Gray
Chairman

Redflex

GROUP CHIEF EXECUTIVE OFFICER'S REPORT

REDFLEX GROUP REVIEW OF OPERATIONS

Highlights

During the year ending 30 June 2019 ("FY19") we continued our journey to transform our organization by focusing on converting our pipeline of qualified sales opportunities and delivering the highest levels of customer satisfaction. We deliberately focused our business development efforts on identifying both project and annuity sales opportunities, developing market leading technology-driven solutions and positioning them with our customers by undertaking extensive pre-sales engagement. This has enabled us to deliver on our customer commitments to maximize our performance and increase our customers' satisfaction.

Our FY19 financial performance shows strong revenue growth underpinned by our International business and the benefit of our continued focus on operating efficiency. The investments we have made in developing our sales and business development capability are reflected in the significant growth in contracted new business opportunities as well as improvement in our ability to compete effectively in North America.

In summary:

- EBITDA of $16.2m represents growth of 32% on the prior year. Full year revenue of $117.0m represents growth of 11% on the prior year.
- New business opportunities with a total contract value (TCV) of $41.5m have been contracted during FY19, representing growth of 42% on the prior year. The new business contracts were a mix of both project ($25.2m) and annuity ($16.3m) revenue and were recorded in all key geographies in which Redflex operates.
- We continued to develop our partnerships with key customers and undertook several pilot programs and trials to ensure our product development is aligned with market needs. We received strategically important customer orders for the sale of HALO units into North America and equipment upgrades in the United Kingdom ("U.K."). These orders were finalised after extensive demonstrations and trials with our customers and reflect the benefit of our reinvigorated customer relationship approach.
- As previously announced to the market, we received notification from the Pennsylvania Department of Transportation (PennDOT)and the Pennsylvania Turnpike Commission in the United States of America ("U.S.") of the intent to enter a multi-year contract for the operation of Statewide Automated Work Zone Speed Enforcement. The contract is currently being finalized with an expectation of being executed during the first half of of FY20. Once signed it is expected that the contract will generate revenue of approximately US$30m during the initial term (ending February 2024 with a further two 12-month options to renew). This contract represents the most significant win in our Americas business for several years and demonstrates the benefit of our improved business development and bidding capability. Further, Penn DOT and the Turnpike Commission are important and highly-regarded agencies within the US, making this a strategically-important program for us in North America.
- Also as previously announced to the market, at the end of May 2019, the Texas state legislature in the U.S. passed a law that effectively prohibited the operation of photographic traffic signal enforcement systems. While this is a disappointing outcome we have a proven capability to win and are aggressively pursuing new business opportunities in the Americas within jurisdictions that seek to introduce or expand photo enforcement to support road safety initiatives.

Our pipeline of sales opportunities remains strong and geographically diverse and we remain focused on sales opportunity conversion to grow revenue and profitability.

International Operations

The International business has performed strongly in FY19. Conversion of sales pipeline opportunities improved significantly resulting in 40% growth in total contract value attributable to new projects during the year. Contracts were won in key jurisdictions in Australia, the U.K. and Europe reflecting our strengthened business development and sales capability.

We continue to develop strong relationships with key customers. In the U.K. we expanded our relationship with Highways England by increasing the installed base of variable speed enforcement systems on U.K. motorways. We also completed an oder for installation of our "RedX" product which enforces lane closure and variable

speed on motorways. This sales order was the culmination of extensive consultation and product trials with the customer. We remain confident of further works and upgrades in the U.K. market, which remains a strategically-important beachhead in the region given the U.K.'s stated desire to aggressively expand the "smart" motorway network through 2025.

We grew our presence in continental Europe with additional fixed speed and mobile systems delivered in Belgium during FY19. In Ireland we remain a participant in the GoSafe (Road Safety Operations Ireland Limited) consortium (16% share). The Netherlands Measurement Institute formally approved our HALO product and we received approval from the U.K. Home Office for our industry leading "RedX" solution. These approvals facilitate future sales opportunities in the European and U.K. markets as other countries look to expand their "smart" motorway networks.

In Australia, we commenced the five-year contract for expanded New South Wales Mobile Speed Services in July 2018. We also delivered project orders in Victoria, South Australia and Queensland. We further broadened our intelligent off-street parking solution via a direct contract award with a major Australian shopping centre operator with delivery scheduled for FY20. Again, this order was the result of extensive consultation and demonstration of capability with the customer.

As a result, revenue for the International business in FY19 grew by 21% to $55.2 million (FY18: $45.5 million). The increase is a result of additional project sales in the U.K. and Australia, additional revenue from the expanded New South Wales Mobile Speed Services contract, and increased maintenance revenue in the U.K., New Zealand and New South Wales as projects have transitioned to maintenance support.

As a result of higher revenue, underlying EBITDA from International operations grew to $7.6 million (FY18: $3.2 million).

During the first half of the year we received A$0.4m from a former Saudi Arabian customer for a long-dated receivable. This brings the total received to-date to approximately A$1.4m of the agreed A$3.0 million settlement, which we continue to pursue , and which remains fully provisioned due to the protracted nature of the recovery.

Americas Operations

Our focus in the Americas business has been to develop a sales pipeline to restore revenue growth while improving the efficiency of our operating model to maximise earnings and lift customer satisfaction. We won new programs in Pasco (in Washington State, U.S.) and Wetaskiwin (in Alberta, Canada), and expanded a number of existing programs. As a result, we contracted US$8.1m of new annuity revenue during FY19 (FY18: US$1.6m). Additionally, we were successful in selling our HALO product as equipment upgrades into Canada.

We were notified by the Pennsylvania Department of Transportation and the Pennsylvania Turnpike Commission of the intent to enter a multi-year contract for the operation of Statewide Automated Work Zone Speed Enforcement. This recurring revenue contract is currently being finalized with an expectation of being executed during the first half of FY20. It represents not just the most significant win in our Americas business for several years, but also one of the larger and strategically-important awards in the market.

In May 2019 a law was passed in the Texas state legislature which effectively prohibits the operation of photographic traffic signal enforcement systems. As a consequence, a number of our contracts in Texas terminated at the end of May 2019. Our financial results for the Americas segment in FY19 were adversely impacted by the loss of revenue from these contracts (US$1.1 million). An impairment charge of $2.1 million (US$1.5 million) was recorded in June for the value of the equipment which had been deployed to Texas contracts. Restructure costs of $0.4 million (US$0.3 million) were also recorded in June reflecting changes to our Americas business resulting from the contract losses.

Full year revenue for FY19 grew by 2.8% to $61.8 million compared to $60.1 million for the prior year. When adjusted for foreign exchange movements during the period, underlying revenue in US$ declined by 5.2%. The reduction in revenue is due the loss of revenue from Texas contracts in June and completion of the Mexico and Jacksonville (in the state of Florida, U.S.) programs in the prior financial year.

Underlying EBITDA of $10.9 million was slightly better than the prior year and reflects the benefit of improvements to the operating model which have yielded significant cost reductions to offset lower revenue.

During the period a further provision of $2.5 million for doubtful debts was raised against the outstanding receivable from Mexico, increasing the total provision to the full $8.7 million value of the outstanding receivable.

We continue to vigorously pursue recovery of the outstanding amount with court action initiated in Mexico.

Financial Performance

Revenue from operations of $117.0 million is an increase of 10.8% compared to the prior year (FY18: $105.6 million).

The increase in revenue reflects:

- Significant growth in the International business driven by improved pipeline conversion resulting in additional project and annuity revenue. FY19 revenue of $55.2 million was 21% higher than the prior year (FY18: $45.5 million), driven by additional projects with key customers in Australia and the U.K. coupled with additional revenue from the expansion of the New South Wales Mobile Speed program, and increased maintenance revenue from a number of projects which have transitioned to full maintenance support.
- Partly offset by lower revenue from the Americas due to the loss of revenue from Texas contracts in May 2019 and the completion of programs in Mexico and Jacksonville in the prior financial year.

Group EBITDA was $16.2 million compared to $12.3 million in the prior year representing growth of 32%. The improved result was driven by increased revenue and growth in EBITDA margins to 13.8% (prior comparative period was 11.6%). The improvement in EBITDA margins was driven by continued efficiency improvements and the utilization of the cost base to deliver increased revenue.

Additional doubtful debt provisioning of $2.5 million was raised against the outstanding receivable from Mexico. The total provision against this receivable is $8.7 million which represents the full value of the outstanding amount. The provision has been partly offset by the recovery of $0.4 million relating to a Saudi Arabia debtor which had previously been fully provided. We continue to vigorously pursue the recovery of both the Mexico and Saudi Arabia receivables.

Following termination of the Texas contracts an impairment charge of $2.1 million was recognized against the equipment which had been deployed on these contracts. Where possible this equipment will be reused on existing and future programs. A further charge of $0.4 million was recorded for restructure costs incurred following the termination of the Texas contracts.

Net loss before tax for the Group was $8.6 million in FY19 compared to a loss of $9.1 million in the prior year. The result is driven by improved EBITDA offset by the impairment charges noted above.

Year on year comparison

A comparison of the Group's performance for FY19 and FY18 is as follows.

	2019 $'000	2018 $'000
Profit before depreciation, amortisation, impairment, finance costs and tax	16,168	12,294
Less:		
Impairment / (Recovery) of trade receivables	2,142	(1,067)
Depreciation	11,128	11,762
Amortisation	7,925	8,223
Impairment of Texas related equipment	2,119	
Legal costs associated with debt recovery	67	888
Restructuring costs	448	598
Finance costs	943	986
Net loss before tax	(8,604)	(9,096)

FINANCIAL RESOURCES

Through its U.S. subsidiary, Redflex Traffic Systems, Inc., the Company has a US$10 million credit facility agreement with Western Alliance Bank consisting of a US$5 million non-revolving line of credit and a US$5 million three-year term loan.

The term loan has a maturity of 14 December 2020. At 30 June 2019, US$4.1 million remained outstanding against the term loan.

The non-revolving line of credit has been established to support capital requirements for new U.S. based customer programs. At 30 June 2019, this facility was undrawn. Any drawdown under this facility must be completed prior to January 2021. The maturity date will be determined for each draw based on the applicable project entry under the Business Loan Agreement.

The Company has a cash balance A$21.2 million which includes restricted cash of A$4.2 million. Restricted cash is revenue collected on behalf of customers. The Company holds a A$4.0 million facility with the Commonwealth Bank of Australia for bank guarantees and bonds required to support bids and contracts with certain customers.

DIVIDENDS

Dividends have not been declared in either FY19 or FY18.

OUTLOOK FOR THE 2020 FINANCIAL YEAR

Growth in Developed Markets

In Australia, New Zealand, U.K. and Europe, we are focused on expanding our footprint with existing customers beyond the traditional speed and red light markets. We also seek to expand into targeted new jurisdictions as anticipated significant photo enforcement and managed motorway opportunities arise. In the Americas, we will grow by expanding existing customer engagements, delivering on awarded contracts and identifying larger opportunities for full-service contracts with recurring annual revenue. In FY19 we demonstrated that we can be successful in growing our annuity business in North America and will continue to compete aggressively.

Investment in new solutions is yielding benefits with our direct customers and established channel partners. As our customers evaluate their managed motorway and urban mobility programs, we will participate in live demonstrations of our technology and capability to position us for future sales opportunities. Several of our awards depended on our success in head to head demonstrations with competitor solutions, re-enforcing our commitment to innovation and product development.

During FY19 we received orders from Highways England for installation and maintenance services which will commence in FY20. We expanded our off-street parking solution via a direct contract award with a major Australian shopping centre with delivery scheduled for FY20. The Netherlands Measurement Institute formally approved our Halo system and in July 2019 we received approval from the U.K. Home Office for our industry leading "Red X" solution which leaves us well placed to pursue opportunities in the U.K. and Europe.

During FY19 we introduced three new form factors of our Halo platform, accommodating enhanced deployment configurations for various urban speed and curbside management solutions. We will continue to evaluate market entry options via partnerships, acquisition and/or direct sales. As expected our Halo Edge and Alcyon platforms can be readily deployed and configured for a variety of ANPR related solutions and are specifically designed to support large scale integrated solutions for Low Emission Zone or Congestion Pricing.

Continuing Market Expansion

We recently began to evaluate expansion into adjacent segments of the broader Intelligent Transportation Systems (ITS) market where we might deliver technology-driven solutions for road safety, congestion management, and supporting programs that help to reduce vehicle emissions. Europe, the U.K. and the Asia Pacific region are leading the way in investment in actively managed motorways that require advanced ITS solutions. In FY19 we launched our "Red X" solution that enables our U.K. customer to actively manage hard shoulder access, resulting in much needed capacity during congested hours and availability for emergency use during less demanding periods.

In addition, several urban centers are focused on improving air quality by reducing vehicle emissions. Similar to solutions for managed motorways, Redflex can provide a turnkey solution to allow active management of

Low Emission Zones. Increased traffic congestion and roadway use are harming air quality throughout urban centers, leading to adverse health impacts on often the most disadvantaged populations. Like our roadway safety programs we see our technology playing a key role in the overall "quality of life" in an urban environment.

We are actively engaged in driving solutions for both the "Managed Motorway" and the "Urban Mobility" marketplace and will continue to do so as this market grows. We will continue to position ourselves in each of our target markets to ensure we are a leading provider of solutions that improve road safety, increase travel time predictability, reduce traffic congestion and minimize the harmful impacts of vehicle emissions.

Public Policy

Enabling or restrictive legislation is a determining factor in the success and expansion of our industry. When we identify opportunities, we target jurisdictions with strong public policy initiatives supporting roadway safety, congestion reduction and improvement of air quality through reduced vehicle emissions. We invest significant resources monitoring, tracking and providing industry input on pending legislation. The broad issues of public safety and public health are the responsibility of elected leaders. However, it is the responsibility of lawmakers to enact legislation that supports their policy agendas and to improve the quality and sustainability of life in their communities.

Roadway safety and improved air quality are consistently raised as "quality of life" issues at the top of the list of concerns for constituents. That being said, how those goals are achieved can vary depending on the disposition of the constituents and ultimately the elected legislative bodies. The mission to drive to zero fatalities on the roadways is encapsulated in governments Vision Zero policies. These plans have become universal and are fundamental platform issues for elected officials. Redflex firmly believes good public policy can set the framework for how cities should operate, but without the tools to drive compliance these programs will fall short of stated goals.

Disappointingly the State of Texas in the U.S. passed a law that effectively banned the use of automated photo enforcement cameras. However, consistent with trends from previous years, five other U.S. states expanded the use of automated photo enforcement: New York, Oklahoma, Tennessee, Georgia and Pennsylvania. Within this backdrop, we are gaining meaningful traction with a number of new large business opportunities.

Reducing Cost, Complexity and Risk

Overall, we will continue to drive and reward a culture of innovation and efficiency. We will address inefficient processes to reduce our operating costs while improving customer satisfaction. By increasing our responsiveness and reducing our costs we will be more competitive in the marketplace.

We continue to manage and monitor risk in our business. Redflex has an enterprise-wide Risk, Compliance and Incident Reporting System ("RiCIR") which operates globally. Using RiCIR, together with management focus, ensures a standardized high level of risk and compliance monitoring, management and reporting across the Group.

With a heavy focus on new business development, we applied a rigorous deal review and approval process that ensures every value proposition is reviewed and approved, as appropriate, by management. This involves detailed cross-functional input (including solution design matched to customer requirements and a critical analysis of our offering in terms of functionality and price) to ensure we are providing a compelling customer offer that we can deliver profitably. We will win as a team and deliver as a team with complete alignment from the original offer to project conclusion.

High Performance Work Culture

Redflex has continued to develop and invest in a high-performance work culture with the recruitment and retention of highly skilled, motivated and experienced personnel. We have a focused management team that retains accountability for performance of our people, systems, customer enforcement programs, customer service levels and profitability at the program level. Managers, and our people generally, are incentivized to execute on the Company's approved strategy to seek to achieve the Company's financial objectives focused on creating value. Our people are also incentivized to achieve their own measurable key performance indicators focused on improved efficiency, continual process improvement and customer satisfaction.

DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2019.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire year.

ADAM GRAY

BSE (Fin), BS (Mech Eng'g)

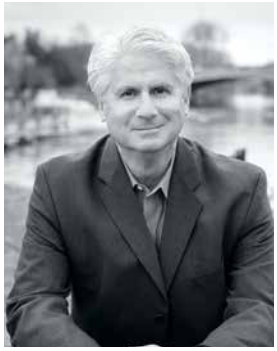
Non-executive chairman Appointed 19 December 2013

Mr Gray, co-founder and Managing Partner of Coliseum Capital Management, LLC, has nearly 30 years of investing and operating experience. In addition, he has significant expertise leading operational and financial restructurings and has guided organizations through highly complex and distressed situations.

Mr Gray serves as non-executive Chairman of The Pas Group Limited and on the board of directors of New Flyer Industries, Inc. and Purple Innovations, Inc. Previously, he served as a Director of DEI Holdings, Inc., Benihana, Inc. and Blue Bird Corporation.

Prior to launching Coliseum in 2006, Mr Gray served in executive roles at Burger King Corporation and Metromedia Company. He started his career within the Merchant Banking Group of Morgan Stanley & Co. He has a BSE Finance from the Wharton School and a BS in Mechanical Engineering & Applied Science from the University of Pennsylvania.

Mr Gray serves on the Redflex Holdings Audit & Risk Committee, the People, Culture & Remuneration Committee and the Nominations Committee.



ROBERT DEVINCENZI

BSBA, MA-Org'l

Non-executive director Appointed 30 September 2012

Mr DeVincenzi served as Chief Executive Officer of the Redflex Group until 16 January 2014 when he transitioned to a non-executive role.

Mr. DeVincenzi is a principal partner in Lupine Ventures, a business advisory service firm that provides strategic consulting and corporate development advisory services. Mr. DeVincenzi serves as a non-executive chairman of the board of Universal Technical Institute (NYSE:UTI) and is an Adjunct Professor of Entrepreneurship and Strategic Management in the College of Business at California State University, Monterey Bay.

Previously, from 2008 until its merger with HID Global/ASSA ABLOY in 2011, Mr DeVincenzi was President and CEO of LaserCard Corporation, a biometric identification solution provider to global government and commercial clients.

Mr DeVincenzi served as Senior Vice President of Corporate Development of Solectron, Inc. from 2005 to 2007. Prior to that Mr DeVincenzi was President and CEO of Inkra Networks, Inc. from 2004 to 2005 and CEO of Ignis Optics, Inc. from 2003 to 2004.

Mr DeVincenzi received a Master of Arts in Organisational Leadership from Gonzaga University and a Bachelor of Science in Business Administration from California State University, San Luis Obispo.

Mr DeVincenzi serves as a member of the Nominations Committee.

During the last three years Mr DeVincenzi has not been a director of any other Australian listed public company.

DIRECTORS' REPORT

HERMAN SCHWARZ

MBA, B.Comm

Non-executive director Appointed 1 May 2014

Mr Schwarz is the current Chief Executive Officer of PatientCare Logistics Solutions, one of the largest ground-based ambulance service providers in the U.S. PatientCare serves cities and counties in five U.S. states and transports more than 350,000 patients a year.

From 2009 to 2017, Mr Schwarz served as the CEO of LogistiCare Solutions. LogistiCare, the largest division of a publicly traded corporation, is the leading non-emergency transportation management company in the Medicaid and Medicare space with over US$1.2 billion in revenues. Mr Schwarz was hired in 2007 as the COO of LogistiCare, which manages 65 million trips annually operating in 39 states in the USA.

Prior to LogistiCare, Mr Schwarz was President, CEO and Director of Aegis Communications (the seventh largest publicly traded provider of outsourced call centre services in the U.S.), and held multiple senior executive positions at National Service Industries (a US$2.5 billion publicly traded USA conglomerate). Mr Schwarz started his career with Arthur Andersen, where he earned his CPA.

Mr Schwarz has extensive experience in building and working with operating teams to develop and execute against a strategic vision while driving accountability for strong financial results. In addition, he brings to the Redflex board a wealth of knowledge about the U.S. public-to-private contracting and transportation industries, the challenges of optimising growth and new market entry, and the management of transaction and claims processing, technology and IP-based businesses.

Mr Schwarz holds a Bachelor of Science (Commerce) from the University of Virginia, and an MBA (Finance) from the Wharton School of Business at the University of Pennsylvania.

Mr Schwarz is the current chair of the People, Culture & Remuneration Committee. Mr Schwarz also serves as a member of the Nominations Committee.

During the last three years Mr Schwarz has not been a director of any other Australian listed public company.

TERENCE WINTERS

FAICD

Non-executive director Appointed 7 August 2013

Mr Winters has served as Chairman and Non-Executive Director of Australian listed and private companies and charities. He is currently Chairman of Converge International Pty Limited, Intelledox Pty Ltd and TasmaNet Pty Ltd and is a Non-Executive Director of Many Rivers Microfinance Limited.

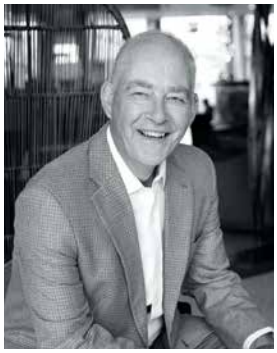
He brings valued experience in strategy, leadership and growth of international technology companies at board level.

After working for Motorola for 10 years, he founded Link Telecommunications Pty Ltd in Australia and was Chief Executive Officer and/or Chairman of Link at different times until he sold his interest in the company. He led the creation of Optus Communications Pty Ltd from 1989 to 1992 and served on the Optus board until 1995.

In addition, Mr Winters spent many years on several charity boards including a term as global Chairman of Opportunity International Network Inc. Opportunity is a non-government organisation (NGO) involved in the provision of Micro Enterprise Development and regulated Micro Finance Banking Services in over 30 developing countries.

Mr Winters serves as Chair of the Nominations Committee and is a member of the Audit & Risk Committee and the People, Culture & Remuneration Committee.

DIRECTORS' REPORT



CLARK DAVEY

B.Comm, MAICD, CTA

Non-executive director Appointed 6 January 2015

Mr Davey brings extensive expertise in financial and tax issues, as well as a strong orientation toward risk and strategy.

Mr Davey is a Chartered Tax Advisor. From 1985 to 2006, Mr Davey was at PricewaterhouseCoopers (PwC), the last 12 years of which were as a Partner with a focus on Corporate Tax. Since 2006, Mr Davey has held a variety of tax advisor and non-executive director roles for Australian based entities, including Karoon Gas Australia Limited.

Mr Davey is the chair of the Audit & Risk Committee. Mr Davey also serves as a member of the People, Culture & Remuneration Committee and the Nominations Committee.

DAVID MCINTYRE

CPA, LL.B., MBA and B. Econs (Acc)

Non-executive director Appointed 13 March 2015

Mr McIntyre is a current Partner of Apple Tree Partners (a venture capital firm that invests in health care opportunities) and was previously Executive Vice President, Chief Financial Officer and Chief Operating Officer of HeartWare International, Inc. (NASDAQ:HTWR) from 2005 to 2011.

Prior to HeartWare, Mr McIntyre worked as a senior lawyer in private practice with Baker & McKenzie and KPMG specialising in the corporate advisory, mergers and acquisitions and equity capital markets areas. He has also held senior financial roles in Coal & Allied Limited (subsidiary of Rio Tinto Group) and other multi-national companies.

Mr McIntyre holds a Bachelor of Economics (Accounting) from the University of Sydney, Australia, a Bachelor of Laws from the University of Technology, Sydney and an MBA from Duke Fuqua School of Business (Fuqua Scholar) from Durham, North Carolina, in the United States of America. Mr McIntyre is a CPA and is also admitted as a solicitor of the Supreme Court of New South Wales and of the High Court of Australia.

Mr McIntyre serves as a member of the Audit & Risk Committee and the Nominations Committee. During the last three years Mr McIntyre has not been a director of any other Australian listed public company.

MARK J TALBOT

B. Science, MBA

Group Chief Executive Officer

Mr Talbot was appointed as Group Chief Executive Officer of Redflex Holdings Limited on 21 August 2017 and Managing Director on 29 November 2017.

Prior to joining Redflex, Mr Talbot was the General Manager of State and Local Solutions of Conduent (formed through a divestiture from Xerox Corporation). Prior to this role, Mr Talbot spent nine years in Xerox's Transportation Sector segment rising to Group President Americas managing a portfolio of transportation related businesses before becoming Global Sales Leader for the entire Transportation Solutions Group with annual revenue in excess of US$850 million.

Mr Talbot has extensive experience in product development, sales and strategy in the Intelligent Transportation Services market and has operated effectively throughout the major markets in the world.

Mr Talbot holds a Bachelor of Science from Catholic University of America and a Master of Business Administration from the University of Maryland.

DIRECTORS' REPORT

GROUP GENERAL COUNSEL AND COMPANY SECRETARY

CRAIG DURHAM

LL.B. (Hons), Grad Dip Leg Prac, LL.M. (Melb), Grad Dip App Corp Gov, MAICD, FGIA, FCIS

Mr Durham was appointed as Senior Vice President, Group General Counsel & Company Secretary of Redflex Holdings Limited on 9 February 2015.

Mr Durham was admitted in the Supreme Court of Queensland in 1991, in the Supreme Court of Victoria in 1999 and in the Appellate Division of the Supreme Court of the State of New York in the United States of America in 2018.

Mr Durham has worked at both Corrs Chambers Westgarth and King & Wood Mallesons. He has also held senior legal and compliance roles at Foster's Group in Melbourne, Australia and California, United States of America. Prior to joining Redflex, Mr Durham was General Counsel & Company Secretary at a Melbourne-based gaming technology company.

Mr Durham holds a Bachelor of Laws (Honours) from QUT, Master of Laws from Melbourne University, a Graduate Diploma in Legal Practice from QUT and a Graduate Diploma in Applied Corporate Governance (GIA).

Mr Durham is a Member of the Australian Institute of Company Directors, a Fellow of the Governance Institute of Australia, a Member of the Institute of Chartered Secretaries and Administrators, a Member of the New York Bar, the New York State Bar Association and the American Bar Association.

Directors' interests in the share capital of the Company

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

	Number of Relevant Interests over Ordinary Shares
Adam Gray	41,628,866
Mark Talbot	531,975
Clark Davey	548,678
Robert DeVincenzi	178,000
Herman Schwarz	–
Terence Winters	64,345
David McIntyre	–

Directors' and Board Committee Meetings

Directors' and Board Committee meetings held and attended during the year ended 30 June 2019 were:

	Board		Audit & Risk Committee*		People, Culture & Remuneration Committee		Risk & Compliance Committee*		Nominations Committee	
No. of meetings	Available	Attended	Available	Attended	Available	Attended	Available	Attended	Available	Attended
Adam Gray	17	16	5	4	5	5	–	–	2	2
Mark Talbot	17	17	–	–	–	–	–	–	–	–
Robert DeVincenzi	17	17	–	–	–	–	3	3	2	2
Clark Davey	17	17	5	5	5	5	–	–	2	2
David McIntyre	17	14	5	3	–	–	–	–	2	1
Herman Schwarz	17	15	–	–	5	5	3	3	2	2
Terence Winters**	17	15	2	2	5	5	3	3	2	2

*The Audit & Risk Committee was formed on 20 March 2019 (by a merger of the existing Audit Committee and the former Risk & Compliance Committee). The former Risk & Compliance Committee held its last meeting on 20 March 2019. The newly merged Audit & Risk Committee had its first meeting on 21 May 2019.

** Mr Winters joined the Audit & Risk Committee as a member on 20 March 2019.

DIRECTORS' REPORT

Board Committee Membership

At the date of this report Redflex Holdings Limited has three Board committees – Audit & Committee, People, Culture & Remuneration ("PCR") Committee and Nominations Committee. The former Risk & Compliance Committee was merged with the existing Audit Committee on 20 March 2019 to form the Audit & Risk Committee.

Members acting on the committees of the Board during the period from 1 July 2018 until 20 March 2019:

	Audit	PCR	Risk & Compliance	Nominations
Adam Gray	Member	Member	–	Member
Mark Talbot	–	–	–	–
Clark Davey	Chair	Member	–	Member
Robert DeVincenzi	–	–	Chair	Member
David McIntyre	Member	–	–	Member
Herman Schwarz	–	Member	Member	Chair
Terence Winters	–	Chair	Member	Member

Members acting on the committees of the Board during the period from 20 March 2019 until 30 June 2019:

	Audit & Risk	PCR	Nominations
Adam Gray	Member	Member	Member
Mark Talbot	–	–	–
Clark Davey	Chair	Member	Member
Robert DeVincenzi	–	–	Member
David McIntyre	Member	–	Member
Herman Schwarz	–	Chair	Member
Terence Winters	Member	Member	Chair

Redflex

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW

Performance indicators

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

The Board, together with management have identified key performance indicators ("KPIs") which are regularly monitored by key management personnel including directors.

REVENUE	First half $'000	Second half $'000	2019 $'000	2018 $'000	% change
The America's Traffic business*	30,254	31,543	61,797	60,067	2.9%
Australian/International Traffic business	26,723	28,491	55,214	45,544	21.2%
Revenue – Traffic business	56,977	60,034	117,011	105,611	10.8%

* Includes sales of $4.7 million in Canada (FY18: $1.6 million)

EARNINGS BEFORE DEPRECIATION, AMORTISATION, IMPAIRMENT, FINANCE COSTS AND TAX ("PBITDA")	First half $'000	Second half $'000	2019 $'000	2018 $'000	% change
Traffic business (The America's and Australia / International)	9,941	8,540	18,481	13,569	36.2%
Head Office costs	(871)	(1,442)	(2,313)	(1,275)	(81,4%)
PBITDA	9,070	7,098	16,168	12,294	31.5%

LOSS BEFORE TAX	First half $'000	Second half $'000	2019 $'000	2018 $'000	% Change
Traffic business (The America's and Australia / International)	(143)	(6,148)	(6,291)	(7,821)	19.6%
Head Office costs	(871)	(1,442)	(2,313)	(1,275)	(81.4%)
Pre-tax loss	(1,014)	(7,590)	(8,604)	(9,096)	5.4%

	First half $'000	Second half $'000	2019 $'000	2018 $'000	% Change
Net loss after tax	(945)	(4,659)	(5,604)	(12,120)	53.8%

DIRECTORS' REPORT

Shareholder returns

	2019	2018	2017	2016	2015	2014	2013	2012
Basic earnings/(loss) per share (cents)	(3.74)	(9.18)	(28.41)	(4.23)	(28.84)	(1.07)	6.61	13.69
Net tangible asset backing per share (cents)	39.58	38.71	42.94	75.58	71.70	78.22	87.90	78.32
Return on assets (%)	(4.6)	(9.2)	(24.5)	(3.4)	(19.3)	(0.7)	3.7	8.3
Return on equity (%)	(7.6)	(15.9)	(44.4)	(4.5)	(30.0)	(1)	5.8	13.2
Interest bearing debt/equity ratio (%)*	8.0	8.3	N/A	N/A	18.3	13.5	20.8	21.2
Available franking credits ($'000)	0	0	0	480	480	462	26	2,356

*No Interest bearing debt at 30 June 2016 or 30 June 2017

Liquidity and capital resources

The net cash position of the Group at 30 June 2019 was $21.2. million (including restricted cash of $4.2 million) (FY18: $18.9 million including restricted cash of $4.5 million). Restricted cash is revenue collected on behalf of customers.

Cash flows used in investing activities of $6.9 million (FY18: $12.5 million) which includes capitalized development costs. Funds were invested in additional equipment required to service the U.S. "BOOM" contracts, the commencement of the Mobile Speed Camera Operations in New South Wales, and additional development of our Alcyon processing platform to support opportunities in both the Americas and Internationally.

Cash flows from financing activities were an outflow of $0.8 million (FY18: $21.3 million inflow) as a result of the Company repaying interest bearing liabilities during the year.

Asset and capital structure

	2019 $'000	2018 $'000
Debt		
Interest bearing liabilities	(5,882)	(6,347)
Cash at bank, on hand, and restricted cash	21,204	18,864
Net cash	15,322	12,517
Total equity	73,597	76,341
Total capital employed	88,919	88,858

Shares issued during the year

During FY19, 1,124,147 shares were issued pursuant to the vesting of performance rights pertaining to executive remuneration (and which related to the achievement of non-financial KPIs) (FY18: 910,949).

Performance rights over shares

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

At the date of this report there are 2,837,131 performance rights on issue. At 30 June 2019 there were 2,837,131 performance rights on issue (FY18: 4,452,757).

Options over shares

In the prior year (21 August 2017), the Company granted to Mr Talbot 2,218,195 options to subscribe for 2,218,195 ordinary shares in the Company in aggregate. No options were granted during FY19.

DIRECTORS' REPORT

Capital expenditure

Capital expenditure for the year was $4.0 million (FY18: $9.0 million). Funds were invested in additional equipment required to service the U.S. "BOOM" contracts and the commencement of the Mobile Speed Camera Operations in New South Wales.

Treasury policy

Redflex coordinates the Group's treasury function and is responsible for managing currency risks and finance facilities. It operates within policies set by the Board which has the responsibility for ensuring management's actions are in line with Group policy.

Transaction hedging is undertaken by using foreign exchange contracts and hedges where significant exposures have been identified. Translation effects are not hedged. In line with Group policy, interest rate exposures are not hedged.

Risk management

Effective risk management and compliance is viewed as an essential basis of the Company's governance approach to ethical decision-making and supporting long-term shareholder value.

The Board is therefore responsible for overseeing and approving the Risk & Compliance Policy and Framework (which is available on the Redflex website and which is reviewed annually by the Board) and the Company's risk appetite. This Risk & Compliance Policy and Framework, along with the implementation of the Company's risk and compliance policies and procedures sets the tone and the expectations for the proper governance and oversight of these matters within the Company. The Company's believes that its approach to risk and compliance management supports the achievement of the Company's commercial and financial goals and objectives.

The Board Audit & Risk Committee has primary responsibility to oversee and make recommendations to the Board about the Company's Risk & Compliance Policy and Framework, the Company's risk appetite, the effectiveness of the Company's risk and compliance program to minimise losses and to maximise opportunities, the implementation of risk and compliance control and action plans prepared by management and to review these controls and plans and the Company's global and local insurance programs.

The Board, and through the Audit & Risk Committee, oversees an annual assessment of the effectiveness of risk and compliance management and internal controls within the Company. While the Company does not currently have a separate internal audit function, the tasks of undertaking and assessing risk management, compliance and internal control effectiveness is delegated to the Audit & Risk Committee and for it to report to the Board. The key areas of focus for the Audit & Risk Committee include, in addition to those mentioned above, monitoring and reviewing the compliance program, internal policies, procedures and controls, risk management, risk appetite and insurance, the legal obligations of the Company, compliance investigations by management, reports and complaints and seeking assurances from management about these matters.

The Board has several mechanisms in place to ensure that the Company's objectives and activities are aligned with the risks identified by the Board including:

- Board approval of a strategic plan which encompasses the Group's strategy which is designed to meet the needs of stakeholders and to appropriate manage business risk; and
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of key performance indicators of both a financial and non-financial nature.

Management, through the Group Chief Executive Officer, is responsible for the day-to-day implementation and achievement of the Company's risk and compliance program and objectives. Management reports to the Audit & Risk Committee on a regular basis which, in turn, reports to the Board on the Company's key risks and compliance obligations and the extent to which it believes these risks and compliance obligations are being adequately managed.

DIRECTORS' REPORT

Risks Related To Our Business

The following risks have been identified as those most likely to have a significant effect on the Company's performance in future periods.

1. Change in regulatory and legal frameworks

   Redflex has operations in a number of overseas jurisdictions and is exposed to a range of different legal and regulatory regimes, including in new and existing jurisdictions in which the Company is expanding its operations. The Company is subject to the risks associated with doing business in its existing jurisdictions where enforcement programs are reliant on constituent laws forming the regulatory and legal framework to support these programs. Moreover, as the Company expands its presence in new jurisdictions, the Company is subject to the risks associated with doing business in regions that may have political, legal and economic instability or less sophisticated legal and regulatory systems and frameworks including: (i) unexpected changes in, or inconsistent application of applicable foreign laws and regulatory requirements; (ii) less sophisticated technology standards; (iii) difficulties with engaging local resources; and (iv) potential for political upheaval or civil unrest. If the Company enters newer and unfamiliar regions, there is a risk that it fails to understand the law, regulations and business customs of these regions. This gives rise to risks such as relating to labour practices, foreign ownership restrictions, tax regulation, difficulty in enforcing contracts, changes to or uncertainty in the relevant legal and regulatory regimes and other issues in foreign jurisdictions in which the Company may operate. This could interrupt or adversely affect parts of the Company's business.

   Company strategy to mitigate – The Company maintains an active communications and legislative affairs program to minimise the risks associated with changes in regulatory and legal frameworks in overseas jurisdictions, including any banning and restrictive legislation impacting upon the Company's product offerings. The Company's strategy to mitigate is focused on developing and participating in local traffic safety advocacy groups, developing political support at a local, state or provincial level and communicating the safety and advantages of automated traffic enforcement systems to the public. The Company has and complies with a Group policy in relation to entering new or unfamiliar geographic markets. This policy requires rigorous assessment of these markets on aspects of size and type of market, legal framework to support our technology and to support our contracts the potential financial opportunity and a competitor analysis. The Company also seeks independent advice in jurisdictions that are newer or unfamiliar to aid the Company's understanding of the law, regulations and business customs of these regions.

2. Potential legal action

   Potential legal action (including putative and certified class actions) challenging the validity of our customer's enforcement programs, which may cause Redflex significant costs to defend or the loss of revenue.

   Company strategy to mitigate –The Board and the Company's legal advisors closely monitor these legal actions. Further, the Company maintains an internal and external set of legal resources that represent and defend the Company's interests from adverse legal actions.

3. Security breaches and hacker attacks

   Any significant malicious attack on the Company's systems, processes or people from external or internal sources could put the integrity and privacy of customers' data and business systems used by the Company at risk. The impact of loss or leakage of customer or business data could include costs for rebates, potential service disruption, litigation, and brand damage resulting in reduced revenues.

   Company strategy to mitigate – The Company utilises sophisticated methods, standards, technologies and tools to address its data integrity and systems security needs. Where appropriate or where it is permitted to do so, the Company offers its assistance to its customers relating to the safeguarding of customer data and systems security. In some instances, where customer networks are closed, Redflex will offer advice where it is qualified to do so, but Redflex is not legally responsible for those networks.

4. Cessation of Customer Contracts

   The uneven nature of the Company's contracts outside of the North American business make it difficult to predict future performance. In addition, the non-performance, termination or non-renewal of contracts with

DIRECTORS' REPORT

any key customers in any jurisdiction could have a negative impact on the Company. The Company will likely enter into further contracts, which will also be material to the Company's business. Some of these contracts are, or will be, governed by laws other than the laws of Australia. There may be difficulties in enforcing contracts in jurisdictions other than Australia.

Company strategy to mitigate – The Company continues to work to improve its market coverage and the number of installed traffic enforcement systems. In addition to achieving geographic market diversification, the Company has also implemented a number of strategies to increase total revenue from its products and services. However, the uneven nature of our international contracts is not due to the Company's actions, but rather due to the characteristics of the market in which the Company operates.

5. Infringement of third party intellectual property rights

If a third party accuses the Company of infringing its intellectual property rights or if a third party commences litigation against the Company for the infringement of patents or other intellectual property rights, the Company may incur significant costs in defending such action, whether or not it ultimately prevails. Typically, patent litigation is expensive. Costs that Redflex incurs in defending third party infringement actions would also include diversion of management's and technical personnel's time. In addition, parties making claims against the Company may be able to obtain injunctive or other equitable relief that could prevent the Company from further developing discoveries or commercialising its products. In the event of a successful claim of infringement against the Company, it may be required to pay damages and obtain one or more licences from the prevailing third party. If it is not able to obtain these licences at a reasonable cost, if at all, it could encounter delays in product introductions and loss of substantial resources while it attempts to develop alternative products. Defence of any lawsuit or failure to obtain any of these licences could prevent Redflex from commercialising available products and could cause it to incur substantial expenditure.

Company strategy to mitigate – The Company would seek to defend itself against any unjustified and unsubstantiated patent infringement claims if they are made. The research and development focus of the Company is to engage in the innovative development of unique and competitive technologies based on Company innovation. If appropriate, the Company may seek and maintain patent protection on strategically valuable intellectual property.

6. Compliance with contractual obligations (including debt covenants)

Company strategy to mitigate – The Company's legal advisors review all contracts entered into by a Group entity and highlight any material risks and compliance matters to be managed within the business. The Company's finance personnel also regularly test the Company's compliance with debt covenants and seeks financier input, where appropriate.

7. Competition and Technology

The emergence of new competitors in the market, or any technological development providing an alternative to the Company's product and service offerings could impact the market share that the Company is able to acquire and cause downward price pressure on its products, which would result in a reduction in the Company's margins and revenue. Further, existing providers of similar products and services may also respond aggressively to retain or regain market share, which could also negatively impact the Company's margins and revenues.

Company strategy to mitigate – The Company seeks to effectively lead the market by relying on its unique and competitive technologies based on Company innovation. The Company has an active program of, and investment in, developing new and innovative products and services in the photo enforcement and adjacent intelligent transport systems markets as well as a desire to be 'first to market' with quality solutions.

8. Access to additional sources of funding, including (bank) borrowing facilities or the ability to raise funds on the public markets, may be limited, or not otherwise available

Company strategy to mitigate – The Company maintains a strong dialogue with the Company's existing debt provider and actively considers other financing alternatives from time-to-time. The Company engages external advisers, when appropriate, to assist in the consideration of available financing alternatives.

DIRECTORS' REPORT

9. Concentrated revenue and failure to retain and attract customers

   The Redflex Group's revenue is significantly concentrated around a small number of large value customers, particularly in the International business. The Company's ability to generate revenue and profit depends on the sales it makes on its products and services offerings. As with any business, there is a risk that the Company's business development strategies are not effective in generating the increased customer scale the Company is targeting.

   Company strategy to mitigate – The Company is actively seeking to diversify its revenue and vendor base including into new geographies and product and service offerings.

10. Brand and reputation risk

    The reputation and brand of Redflex and its individual products and services are important in attracting potential customers. Any reputational damage or negative publicity around the Company, the brand or its products and services could adversely impact the Company's business.

    Company strategy to mitigate – As a sound basis for ethical decision-making, the Company continues to actively engage in the implementation of its global risk and compliance program. The Company also regularly engages with its customers, suppliers, commercial intermediaries, insurers, financiers, business partners and other stakeholders in relation to the Company's reputation and brand and about the performance of its products and services. The Company also engages in a sales and marketing program that accurately describes its products and services.

11. Historical internal investigative disclosures

    The Company's internal investigative disclosures may continue to impact its ability to retain existing customers and win new contracts and this may materially negatively affect operations, profitability and solvency.

    Company strategy to mitigate – The Company continues to implement its previously disclosed comprehensive remediation program to further strengthen its internal compliance and reporting systems to assure the confidence of the Company's customers and other stakeholders.

Commercial risks relating to credit risk, interest rate risk, exchange rate risk and liquidity risks are presented in the Financial Risk Management Objectives and Policies note described in Note 3 of the Financial Statements.

DIVIDENDS

Dividends have not been declared in either FY19 or FY18.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The directors are not aware of any breaches of environmental legislation or regulations to which the Group is subject.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has agreed to indemnify the current directors of the Company, the Company Secretary, and all executive officers of the Company and of any related body corporate, against any liability that may arise from their positions within the Company.

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

During the reporting period or since the end of the reporting period the Company has not indemnified nor agreed to indemnify any auditor of the Company or any related entity against a liability that may arise in their capacity as an auditor.

DIRECTORS' REPORT

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, PricewaterhouseCoopers, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify PricewaterhouseCoopers during or since the financial year.

AUDITOR INDEPENDENCE

The directors received an auditor independence declaration (which appears in this report) from the auditor of Redflex Holdings Limited. This auditor's declaration forms part of the Directors' Report.

NON AUDIT SERVICES

From time to time non-audit services are provided by the Company's auditor, PricewaterhouseCoopers. The directors are satisfied that the provision of any non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Total non-audit, services provided by PricewaterhouseCoopers in FY19 was $361,012 (FY18 $358,541).

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Auditor's Independence Declaration

As lead auditor for the audit of Redflex Holdings Limited for the year ended 30 June 2019, 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 audit; and

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

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

Jason Perry
Partner
PricewaterhouseCoopers

Melbourne
26 August 2019

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Redflex

DIRECTORS' REPORT
REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 30 June 2019 outlines the remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 ("the Act") and its Regulations.
This information has been audited as required by section 308(3C) of the Act.

The remuneration report is presented in the following sections:

1. Introduction
2. Remuneration governance
3. Executive remuneration arrangements:
   a. Remuneration principles and strategy
   b. Approach to setting remuneration
   c. Detail of incentive plans
4. Executive remuneration outcomes for 2019 (including link to performance)
5. Summary of executive contractual arrangements
6. Non-executive director remuneration arrangements
   a. Remuneration policy for non-executive directors
   b. Structure of non-executive director remuneration
   c. Special exertion payment for Mr Robert DeVincenzi
7. Additional statutory disclosures relating to options and shares
8. Other transactions and balances with key management personnel and their related parties.
9. Subsequent events

1 INTRODUCTION

The remuneration report details the remuneration arrangements for key management personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of Redflex.

For the purposes of this report, the term "executive" includes the Group Chief Executive Officer and Managing Director, the Senior Vice President – Group Chief Financial Officer, the former President and Chief Executive Officer of Redflex Traffic Systems, Inc. (more recently the Senior Vice President – Global Sales from 10 November 2017 until 18 January 2019) and the SVP – Group General Counsel & Company Secretary of Redflex for the year ending 30 June 2019.

DIRECTORS' REPORT
REMUNERATION REPORT (AUDITED)

Directors and KMP

Executive director

Mark J. Talbot	Group Chief Executive Officer and Managing Director

Non-executive directors

Adam Gray	Chairman (non-executive)
Clark Davey	Director (non-executive)
Robert DeVincenzi	Director (non-executive)
David McIntyre	Director (non-executive)
Herman Schwarz	Director (non-executive)
Terence Winters	Director (non-executive)

Other KMP

Neville Joyce	SVP, Group Chief Financial Officer
Craig Durham	SVP, Group General Counsel and Company Secretary

2 REMUNERATION GOVERNANCE

People, Culture & Remuneration Committee

The People, Culture & Remuneration ("PCR") Committee comprises four non-executive directors of the Company including three independent directors. The PCR Committee was chaired by Mr Terence Winters, an independent non-executive director, until 18 April 2019. From 18 April 2019 onwards, the PCR Committee was chaired by Mr Herman Schwarz, an independent non-executive director.

The PCR Committee has the primary responsibility to assist the Board in the effective discharge of its responsibilities in relation to the overall remuneration policy for the Company; the Company's overall remuneration, recruitment, retention and termination policies for senior executives; the policies relating to senior executive remuneration and incentives; the remuneration framework for non-executive directors; the annual performance review of the Group Chief Executive Officer; monitoring the terms and effectiveness of senior executive incentive plans; the Company's people and culture including in relation to equal employment opportunities and diversity; superannuation arrangements for applicable Company employees; and other matters referred to the PCR Committee by the Board.

Specifically, the Board approves the remuneration arrangements of the Group Chief Executive Officer and other KMP and all awards made under the Long Term Incentive Plan ("LTI Plan") to executives, following recommendations from the PCR Committee. The Board also sets the aggregate remuneration for non-executive directors, which is then subject to shareholder approval and determines individual fees for those directors. The PCR Committee will also make recommendations to the Board about the implementation of any Short Term Incentive Plan ("STI Plan"), having regard to management's recommendations.

The PCR Committee meets regularly during the year. On invitation, the Group Chief Executive Officer and the SVP, Group General Counsel & Company Secretary attends PCR Committee meetings. However, none of these executives are present during any discussions related to their own remuneration arrangements.

The PCR Committee continues to review the approach to executive remuneration and the rewards available to KMP for delivering the key business objectives and maintaining shareholder alignment. Further information on the PCR Committee's role, responsibilities and membership can be found in the PCR Committee Charter and Redflex Board and Board Committees, respectively published in the Investors / Governance section of the Redflex website.

Remuneration report shareholder vote

The resolution to accept the remuneration report at the 2018 Annual General Meeting ("AGM") was passed by the required majority of votes cast under the Corporations Act. The results of the 2018 were released to the ASX.

DIRECTORS' REPORT
REMUNERATION REPORT (AUDITED)

The Company's remuneration report for FY19 will be laid before the 2019 AGM. If the remuneration report for FY19 is not passed by more than 75% of the votes cast at the 2019 AGM the Company will receive a 'first strike'.

As with all previous years, during FY19, the PCR Committee and the Board continues to respect the views of shareholders and continually seeks to assess the appropriateness of the Company's remuneration strategy, policies and competitiveness, with particular focus on executive remuneration to ensure it aligns with the Company's performance against key business goals and objectives. The Board is also committed to further elevating the links between the Company's purpose, values, strategic objectives and risk appetite and to ensure there is continued demonstrable alignment between the Company and its shareholders.

The Company's remuneration strategy for FY19 was disclosed on the Company's website for the entire reporting period.

The Company's LTI Plan is designed to provide equity based incentives to senior executives to drive long term performance. Provided financial performance hurdles are met, which the Board believes are aligned with shareholder interests, for FY19 senior executives (other than the Group Chief Executive Officer) may be rewarded for their performance with performance rights with a three tranche vesting period (payable over two years after the end of the financial year to which the relevant LTI Plan relates) and subsequent holding lock on equity based incentives.

The Group Chief Executive Officer's 1,597,523 performance rights (previously disclosed to the ASX on 2 August 2017) vest over a three year period. 531,975 performance rights vested and were converted to Redflex shares on 21 August 2018. A further 531,975 performance rights vested and were converted to shares on 21 August 2019. 533,573 performance rights are due to vest on 21 August 2020 provided the Group Chief Executive Officer continues to be engaged by a member of the Redflex Group at all times from the commencement of his employment up to and including 21 August 2020.

Use of remuneration consultants

To ensure the PCR Committee is fully informed when making remuneration decisions, it periodically seeks external remuneration advice on strategy and processes to ensure best practice and to benchmark remuneration arrangements against the industry and the markets in which Redflex operates.

During the year ended 30 June 2019 the Company received one remuneration recommendation in relation to KMP inventive based remuneration from Egan Associates. The Company paid $19,635 (inclusive of GST) for the remuneration recommendation from Egan Associates.

The Board was satisfied that the remuneration recommendation from Egan Associates was made free from undue influence by members of executive KMP to whom the recommendation relates. This is on the basis that the recommendation was made by Egan Associates to the Board, through the PCR Committee, at the request and direction of the then chair of the PCR Committee, Mr Winters, an independent non-executive director. No executive KMP is either directly or indirectly related to or associated with Egan Associates (or any of its personnel) or was involved in the preparation of the Egan Associates remuneration recommendation.

Neither the Group CEO and Managing Director or any other executive KMP were present during any PCR Committee or Board meetings during FY19 when either the Egan Associates remuneration recommendation or executive KMP remuneration was being discussed or decided.

Egan Associates did not provide any other type of advice to the Company during FY19.

3 EXECUTIVE REMUNERATION ARRANGEMENTS

3.A Remuneration principles and strategy

The Company's executive remuneration principles and strategy for FY19 was designed to attract, motivate and retain high performing individuals but also to align the interests of senior executives and shareholders.

The following diagram illustrates how the Company's remuneration principles and strategy aligns with the Company's strategic direction and links remuneration outcomes to performance:

DIRECTORS' REPORT
REMUNERATION REPORT (AUDITED)

REDFLEX BUSINESS OBJECTIVE: To be the global leader in the provision of photo enforcement products and services and intelligent traffic solutions and to build long-term value for shareholders			
REMUNERATION PRINCIPLES AND STRATEGY LINKAGES TO REDFLEX BUSINESS OBJECTIVE:			
ALIGN THE INTERESTS OF SENIOR EXECUTIVES WITH SHAREHOLDERS		ATTRACT, MOTIVATE AND RETAIN HIGH PERFORMING INDIVIDUALS	
The Company's remuneration strategy incorporates "at-risk" components of long term elements delivered in a combination of cash and equity for the Group Chief Executive Officer and a combination of cash and equity for senior executives. Performance is assessed against a suite of financial measures (set by the Board) and non-financial measures (set by the Board for the Group CEO and by the Group CEO for senior executives) relevant to the success of the Company and generating returns for shareholders.		Remuneration is competitive with companies of a similar size and complexity. Long-term remuneration is designed to encourage long term consistent performance and executive retention.	
REMUNERATION COMPONENT	**VEHICLE**	**PURPOSE**	**LINK TO PERFORMANCE**
Fixed Remuneration	Represented by Total Fixed Remuneration ("TFR"). Comprises base salary, superannuation contributions (in Australia), annual leave and other benefits. Senior executives may receive their fixed remuneration in a way optimal for the recipient but within the cap established for the TFR.	To provide competitive fixed remuneration set with reference to role, market, experience and performance.	Company and individual performance are considered during the annual remuneration review.
Short Term Incentive	The Group Chief Executive Officer's short term incentive will be assessed annually against key performance indicators (KPIs), with an entitlement of 40% of Base Pay for achieving such objectives, and a maximum entitlement of 60% of Base Pay for out-performance. The weighting of KPIs for the purposes of determining short term incentive will be assessed annually by the Board on a scale between zero and the maximum payable: • 85% related to achievement of financial measures (set by the Board); and • 15% related to achievement of individual performance objectives (also set by the Board).	To reward the Group Chief Executive Officer for his contribution to the creation of shareholder value over the short term.	For the Group Chief Executive Officer vesting of the short term incentive is weighted 85% related to achievement of financial measures (set by the Board) and 15% related to the achievement of individual performance objectives (also set by the Board).
Long Term Incentive	The Group Chief Executive Officer's long term incentive arrangements were announced to the market through the ASX on 2 August 2017. For senior executives (other than the Group Chief Executive Officer) awards, if earned, are made in a combination of 50% cash, 25% performance rights and 25% performance rights which vest into shares (over three tranches respectively and a further one year "holding lock" on shares).	To reward the Group Chief Executive Officer and senior executives for their contribution to the creation of shareholder value over the longer term.	For the Group Chief Executive Officer vesting of the FY19 LTI Plan awards is dependent on the Group Chief Executive Officer remaining employed on 21 August 2019 and 21 August 2020 respectively. For senior executives vesting is dependent on the achievement of financial measures set by the Board (weighted 70%) and non-financial measures (weighted 30%), as set by or noted by the Board, as appropriate.

DIRECTORS' REPORT
REMUNERATION REPORT (AUDITED)

3.B Approach to setting remuneration

The Company aims to reward senior executives with a level and mix of remuneration commensurate with their position, responsibilities and performance within the Group and benchmarked against market practice.

Remuneration arrangements for the Group Chief Executive Officer, the SVP, Group Chief Financial Officer and the SVP, Group General Counsel & Company Secretary are reviewed by the PCR Committee and approved by the Board. In the case of the SVP, Group Chief Financial Officer and the SVP, Group General Counsel & Company Secretary, the PCR Committee and the Board consider the Group Chief Executive Officer's views.

Remuneration arrangements for the direct reports of the Group Chief Executive Officer (other than the SVP, Group Chief Financial Officer and the SVP, Group General Counsel & Company Secretary) are reviewed by him each year and are noted by the Board.

The Company has continued to develop its Performance Management Framework during FY19. These developments are aimed to ensure senior executive remuneration continues to be aligned to Group financial performance as well as to the achievement of defined business outcomes that add value to the Company which are individually established depending on the nature and scope of the senior executive role.

Remuneration levels for senior executives are determined at least annually through an individual performance and remuneration review. These reviews consider, within the context of the Performance Management Framework, market data, remuneration trends, the performance of the Company and the senior executive, the business unit and the broader economic environment.

In FY19, the remuneration strategy for senior executives consisted of fixed remuneration and LTI Plan performance rights incentives (and for the Group Chief Executive Officer also included options as previously disclosed to the ASX on 2 August 2017). In summary, the senior executives have the following target remuneration mix.

DIRECTORS' REPORT
REMUNERATION REPORT (AUDITED)

	STI OPPORTUNITY	LTI PLAN OPPORTUNITY (FACE VALUE)
Group Chief Executive Officer	The Group Chief Executive Officer's Short Term Incentives (STIs) will be assessed annually against key performance indicators (KPIs), with an entitlement of 40% of Base Pay for achieving such objectives, and a maximum entitlement of 60% of Base Pay for out-performance. Any STIs earned will be calculated and payable in USD. The weighting of KPIs for the purposes of determining STIs will be assessed annually by the Board on a scale between zero and the maximum payable: • 85% related to achievement of certain financial metrics set by the Board of the Company; and • 15% related to individual performance objectives set by the Board of the Company. The STI outcomes are expected to be determined on or about 1 October each year after consideration of the financial year results and individual performance for the previous year ending 30 June. STIs earned (if any) will be paid on or before 15 March of the calendar year following the calendar year in which the financial year is completed. The first STI assessment of the Group Chief Executive Officer's STI award occurred with respect to FY18. The Group Chief Executive Officer was paid an STI payment of US$150,000 for FY18.	On 21 August 2017, the Company granted the Group Chief Executive Officer 1,597,523 performance rights. Each performance right entitled the Group Chief Executive Officer to be issued one fully paid ordinary share in the Company ("Share") on vesting for nil consideration and will be granted in accordance with, and subject to, the terms of the Company's Long Term Incentive Plan Rules ("Rules"). A full copy of the Rules is contained in the Investors / Governance / Remuneration section of the Company's website. The performance rights vest in three equal tranches over three years from the date of commencement of the Group Chief Executive Officer's employment (being 21 August 2017), with each tranche vesting on the anniversary date of the commencement of his employment provided that the vesting of each tranche will be subject to the Group Chief Executive Officer continuing to be engaged by a member of the Group at all times from the commencement of his employment up to and including the relevant vesting date. The first tranche of 531,975 performance rights vested and were awarded to the Group Chief Executive Officer on 21 August 2018. The second tranche (531,975 performance rights) vested and were awarded to the Group Chief Executive Officer on 21 August 2019. Performance rights will be deemed to be exercised upon vesting, following which the Company will apply for the Shares issued on exercise of that performance right to be admitted for quotation on the Official List of the ASX. Should the Group Chief Executive Officer be terminated without cause, all performance rights issued to him will vest on termination, subject to any restrictions imposed by applicable law. Any Shares so issued will be subject to a 12 month holding lock.
Executives (other than the Group Chief Executive Officer and the former Chief Executive Officer of Redflex Traffic Systems, Inc. in the United States)	One senior executive (the Vice President – Global Sales Operations) is eligible to participate in the Global Sales Commission Plan designed to motivate and reward global sales employees. This plan compensates the relevant participant(s) for a one-off share of up to 2% of the annual revenue of a confirmed customer order. No other senior executives participate in the Global Sales Commission Plan.	For senior executives (other than the VP – Global Sales Operations) 45% of Base Pay (or 60% of Base pay for the former Chief Executive Officer of Redflex Traffic Systems, Inc. in the United States), with the price of each right being determined by the average of the 90-Day VWAP (volume weighted average market price), 180-Day VWAP and the 360-Day VWAP of the Company's shares as at 1 October 2018.
Other Employees	Between 0% and 10% of fixed remuneration (Base Pay) based on achievement of financial measures (as set by the Board) and non-financial measures (as set by the relevant senior executive in that department).	NIL

DIRECTORS' REPORT
REMUNERATION REPORT (AUDITED)

3.C Detail of incentive plans

Short Term Incentives ("STI")

For FY19 the Group operated an STI Plan for Manager Level Employees (other than the Group Chief Executive Officer and the senior executives who participated in the LTI Plan). The STI Plan awards a cash bonus of between 0% and a specified percentage of fixed remuneration ("Base Pay") based on performance measured against Key Performance Indicators ("KPIs") (including the achievement of clearly defined Group and individual performance measures).

Manager Level Employees refers to those employees of the Redflex Group who are department heads, P&L managers or identified as a significant individual contributor as determined by the Group CEO. Whether or not an employee is a "Manager Level Employee" under this definition will be determined by the Group CEO.

The specified percentage of Base Salary applicable to any particular Manager Level Employee will be determined by the Group CEO and will be dependent on matters such as the particular role (position description) being performed by the Manager Level Employee, the management level of the Manager Level Employee and the magnitude of management responsibilities of the Manager Level Employee.

Manager Level STI Plan payments outside of the above may be approved at the discretion of the Board or the Group Chief Executive Officer.

Long Term Incentives

For FY19, LTI Plan grants were issued to senior executives in order to align remuneration with the creation of shareholder value over the long term. Accordingly, LTI Plan grants are made to senior executives who can impact the Group's performance against the relevant long-term performance measure.

Structure

LTI awards are made under the Company's LTI Plan, the rules of which are published in the Investors / Governance / Remuneration section of the Redflex website. LTI Plan awards are generally made annually in the form of cash and /or performance rights that vest in three tranches subject to meeting Company financial measures and, subject to meeting those measures, personal non-financial measures (for FY19 these Company performance measures were constituted by a Board determined Target EBITDA and Group Revenue, with no opportunity to retest, along with specified personal non-financial measures set by the Group Chief Executive Officer and approved by the Board). Target EBITDA is a Target Earnings Before Interest, Tax, Depreciation, Amortisation and Capitalised Research & Development Costs set by the Board. The Group Revenue is a consolidated revenue target for the Redflex Group.

Performance Measure to determine vesting

The Company applied both a Board set Target EBITDA amount and a Group Revenue amount as the financial performance hurdles for the FY19 LTI Plan.

A Target EBITDA amount was selected as one of two LTI Plan financial performance hurdles for FY19 for the following reasons:

- EBITDA is a generally accepted financial performance measure in the market; and
- Excluding capitalised research and development costs more closely reflects the financial performance of the Company.

Target EBITDA will:

- include the impact of any impairments; and
- exclude the impact of any reversals of prior impairments.

A Group Revenue target was selected as the other financial performance hurdle for FY19 for the following reasons:

The Board will also consider adjustments to performance for extraordinary impairments due to technical factors

(such as the Company's market capitalisation and other factors such as unexpected reduction in Group Revenue from unexpected adverse state legislation) that management might not otherwise anticipate.

Furthermore, up to 30% of senior executive's LTI Plan is measured on achievement of non-financial measures. The Group Chief Executive Officer sets and the Board approves these non-financial measures on an individual basis for senior executives participating in the LTI Plan. These are subsequently assessed at the end of each reporting period and the Board determines in its discretion whether the required Company financial performance measures and the non-financial measures (the latter based on the Group Chief Executive Officer's recommendations) have been met and to what extent. For FY19, if both required Company financial performance measures have not been met, no incentive awards are payable. Furthermore, no incentive awards will be payable, otherwise than with Board approval, for achieving the non-financial measures if both required Company financial performance measures have not been met.

Change of control provisions
In the event of a change of control of the Group, all performance rights (whether vested or unvested) will expire on the earlier of 5 business days after the change of control or the date determined by the Board , giving at least 5 business days' notice of such expiry date. In a change of control situation, unless the individual senior executive participation letter states otherwise, under the LTI Plan Rules all vesting conditions in respect of a performance right are deemed to be satisfied and all unvested performance rights will automatically become vested performance rights which are able to be exercised in accordance with the LTI Plan Rules.

4 EXECUTIVE REMUNERATION OUTCOMES FOR FY19 (INCLUDING LINK TO PERFORMANCE)

Short-term incentives

Other than the STI award for the Group Chief Executive Officer outlined above (which was disclosed to the ASX on 2 August 2017), there were no short term incentive payments made to senior executives for FY19 under the short term incentive plan.

Company performance and its link to LTI

For FY19, the performance measures that drives the vesting of long term incentives is the Company's achievement, or otherwise, of Company financial performance measures (set by the Board) and non-financial measures (approved by the Board).

DIRECTORS' REPORT
REMUNERATION REPORT (AUDITED)

LTI vesting outcomes

The table below outlines both vesting and expected outcomes for outstanding awards in FY19.

	GRANT 21 August 2017 (Group Chief Executive Officer only)	**GRANT** 2 October 2017 (Other Executives)	**GRANT*** 14 December 2017 (SVP, Global Operations only)	**GRANT*** 4 October 2018 (SVP, Global Operations only)	**GRANT **** 5 April 2018 (Group Chief Financial Officer only)	**GRANT** 1 October 2018 (Other Executives)
Target EBITDA Performance	N/A	Expect < 100% achievement	Expect < 100% achievement	N/A	Expect < 100% achievement	Expect < 100% achievement
Implication for vesting	On 21 Aug 2018, 531,975 (First Tranche) of performance rights vested and on 21 Aug 2019, 531,975 (Second Tranche) of performance rights vested	At testing date 1 Oct 2018, a maximum of 30% of performance rights (related to achievement of non-financial performance KPIs) vested.	At testing date 1 Oct 2018, a maximum of 30% of performance rights (related to achievement of Group EBITDA) vested.	On 1 Oct 2019, 118,777 (First Tranche) of performance rights are expected to vest.	At testing date 1 Oct 2018, a maximum of 30% of performance rights (related to achievement of Group EBITDA) vested.	At testing date 1 Oct 2019, a maximum of 50% of performance rights (related to achievement of Group EBITDA) are expected to vest.

* Note the grants on 14 December 2017 and 5 April 2018 were retrospective grant effective 1 October 2017 (but pro-rated from the date of appointment).

DIRECTORS' REPORT
REMUNERATION REPORT (AUDITED)

Remuneration of Executive KMP

Table 1: Remuneration for the years ended 30 June 2019 and 30 June 2018

		Short term benefits					Long term benefits					
		Salary and fees	Leave Entitle-ments	Bonus	Other benefits	Term–ination benefits	Super–annuation*	Cash bonus	Options	Performance rights	Total	Perfor-mance related
		$	$	$	$	$	$	$	$	$	%	
Executive directors												
Mark Talbot [1]	2019	607,801	8,337	209,614	–	–	–	–	–	282,229	1,107,981	26%
	2018	463,964		–	27,116	–	–	–	71,569	235,191	797,840	38%
Paul Clark [2]	2019	–		–	–	–	–	–	–	–	–	–
	2018	175,274		–	–	233,538	5,012	–	–	52,074	465,898	11%
KMP												
Neville Joyce [3]	2019	279,468	275	–	–	–	20,531	10,168	–	27,059	337,501	8%
	2018	85,295		–	–	–	6,811	–	–	19,760	111,866	18%
Craig Durham	2019	295,549	11,957	–	–	–	20,531	15,981	–	30,086	374,104	8%
	2018	281,191		–	–	–	20,049	17,934	–	32,309	351,483	14%
Brad Crump [4]	2019	–		–	–	–	–	–	–	–	–	–
	2018	185,152		–	–	–	8,353	24,638	–	–	218,143	11%
Michael Finn [5]	2019	–		–	–	–	–	–	–	–	–	–
	2018	172,886		–	8,340	–	–	–	–	121,169	302,395	41%
TOTAL	2019	1,182,818	20,569	209,614	–	–	41,062	26,149	–	339,374	1,819,586	19%
TOTAL	2018	1,363,762		–	35,456	233,538	40,225	42,572	71,569	460,503	2,247,625	24%

Notes to Table 1: Remuneration for the years ended 30 June 2019 and 30 June 2018

[1] Mr Talbot was appointed Group Chief Executive Officer from 21 August 2017 and also assumed the role of Managing Director on 29 November 2017.

[2] Mr Clark resigned effective 21 August 2017. Consistent with his employment contract, the Company made a payment equivalent to the six-month base salary in lieu of the notice period. 494,560 performance rights issued to Mr Clark on 21 December 2016 vested following his resignation, based on the determination by the Board of the non-financial performance hurdles.

[3] Mr Joyce was appointed as SVP, Group Chief Financial Officer on 26 February 2018 and became a member of KMP from this date.

[4] Mr Crump resigned effective on 10 November 2017.

[5] Mr Finn transitioned to the role of SVP, Global Sales & Marketing on 1 December 2017.

*Superannuation for the period per Australian Taxation Office guidelines is capped at $20,531 per year (FY18 $20,531). Amounts, which have been paid, greater than this are additional super contributions made by the respective Directors and KMP, and would otherwise be included in "salary and fees".

DIRECTORS' REPORT
REMUNERATION REPORT (AUDITED)

5 SUMMARY OF EXECUTIVE CONTRACTUAL ARRANGEMENTS

Remuneration arrangements for KMP are formalised in written employment agreements.

Group Chief Executive Officer and Managing Director – Mr Mark Talbot

Mr Talbot is the Group Chief Executive Officer and Managing Director of Redflex Holdings Limited and was appointed to the respective position on 21 August 2017 and 29 November 2017, respectively.

Under the terms of Mr Talbot's employment contract:

- Mr Talbot was entitled to be paid TFR of US$435,000 per annum.
- If there is any agreement reached to relocate, Mr Talbot is also entitled to a relocation reimbursement benefit of up to US$150,000 as long as he remained employed by the Company for at least one year following the relocation. No payment was made in the current year in respect of this.
- Mr Talbot is entitled to participate in the Company's short term incentive ("STI") plan. STIs will be assessed annually against key performance indicators with an entitlement of 40% of base pay for achieving such objectives and a maximum entitlement of 60% of base pay for out performance. The weighting of the STI is structured as 85% in relation to certain financial measures set by the Board and 15% as a result of individual performance measures set by the Board. Mr Talbot received US$150,000 in FY19 in respect of this.
- Mr Talbot is entitled to receive performance rights as part of his long term incentive. On commencement Mr Talbot was issued 1,597,523 performance rights. The performance rights will vest in equal tranches over 3 years from the date of commencement of his employment being 21 August 2017. Vesting is contingent on Mr Talbot's continued employment with the Company. Any shares issued will be subject to a 12 month holding lock. On 21 August 2018, 531,975 performance rights of the 1,597,523 performance rights granted vested. On 21 August 2019 another 531,975 performance rights of the 1,597,523 performance rights granted vested. The remainder will vest on 21 August 2020 dependent on whether Mr Talbot remains employed by a Redflex Group entity on that date.
- Mr Talbot was issued 2,218,195 options (one option is equivalent to one share) by the Company on 21 August 2017 as part of his long term incentive. The options are exercisable at AUD48.14 cents per option (after the exercise price was revised under ASX Listing Rule 6.22) and vest in 48 equal tranches over 48 months commencing from 21 February 2018, conditional on the executive being in continued employment with the Company at the vesting date. The options expire 5 years after they vest. As at the date of this report, no options have been exercised by Mr Talbot.

Termination criteria (other than Cause):

- The agreement may be terminated by Mr Talbot with one months' prior notice, or by the Company making a payment equivalent to the one month period in base salary in lieu of the notice period.

SVP, Group Chief Financial Officer – Mr Neville Joyce

Mr Joyce is SVP, Group Chief Financial Officer of Redflex Holdings Limited and was appointed on 26 February 2018. Details of remuneration received from this date are disclosed in the table above.

Under the terms of Mr Joyce's employment contract:

- Mr Joyce was entitled to be paid TFR of $279,469 per annum plus superannuation.
- Mr Joyce is entitled to receive performance rights calculated as a percentage of 45% of his TFR.
- On 4 October 2018 Mr Joyce was granted 210,302 performance rights and a cash component of $94,321 in respect of his LTI. The performance rights and cash component retained by Mr Joyce would vest dependent on Mr Joyce meeting the Company's KPIs (70%) and performance of non-financial KPIs (up to 30%). Subject to the

criteria being met the performance rights and cash component would vest as follows:

- 1 October 2019 – The full cash component would vest;
- 1 October 2020 – 25% of performance rights (105,151) would vest; and
- 1 October 2021 – The final 25% of the performance rights (105,151) would vest.

- The vesting terms above are subject to Mr Joyce being employed by the Company at the relevant date.
- Based on a determination by the Board, only a proportion of the performance rights and cash component issued to Mr Joyce on 4 October 2018 are expected to vest.

Termination criteria (other than Cause):

- The agreement may be terminated by Mr Joyce with three months' prior notice, or by the Company making a payment equivalent to the three month period in base salary in lieu of the notice period.

SVP, Group General Counsel and Company Secretary – Mr Craig Durham

Mr Durham is SVP, Group General Counsel & Company Secretary of Redflex Holdings Limited and was appointed on 9 February 2015.

Under the terms of Mr Durham's employment contract:

- Mr Durham was entitled to be paid TFR of $295,549 per annum plus superannuation.
- Mr Durham is entitled to receive performance rights calculated as a percentage of 45% (FY18: 45%) of his TFR.
- On 4 October 2018 Mr Durham was granted 219,930 performance rights and a cash component of $98,638 in respect of his LTI. The performance rights and cash component retained by Mr Durham would vest dependent on Mr Durham meeting the Company's KPIs (70%) and performance of non-financial KPIs (up to 30%). Subject to the criteria being met the performance rights and cash component would vest as follows:
  - 1 October 2019 – The full cash component would vest;
  - 1 October 2020 – 25% of performance rights (109,965) would vest; and
  - 1 October 2021 – The final 25% of the performance rights (109,965) would vest.
- The vesting terms above are subject to Mr Durham being employed by the Company at the relevant date.
- Based on a determination by the Board, only a proportion of the performance rights and cash component issued to Mr Durham on 4 October 2018 are expected to vest.

Termination criteria (other than Cause):

- The agreement may be terminated by Mr Durham with three months' prior notice, or by the Company making a payment equivalent to the three month period in base salary in lieu of the notice period.

DIRECTORS' REPORT
REMUNERATION REPORT (AUDITED)

6 NON-EXECUTIVE DIRECTOR REMUNERATION ARRANGEMENTS

6.A Remuneration policy for non-executive directors

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain non-executive directors of the highest calibre while incurring a cost which is acceptable to shareholders.

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually against fees paid to non-executive directors of comparable companies. The Board may consider advice from external consultants when undertaking the annual review process.

The Company's constitution and ASX listing rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by the Company in general meeting. The latest determination was at the Annual General Meeting held in 2010 when shareholders approved an aggregate remuneration of $700,000 per year in relation to directors' fees.

6.B Structure of non-executive director remuneration

With the each non-executive director receives a fixed fee for being a director and a fee for the additional time commitment made by directors who serve as Chair of one or more Board committees. Non-executive directors do not receive retirement benefits, except for superannuation where this is applicable, nor do they participate in any incentive programs. The remuneration of non-executive directors for the years ended 30 June 2019 and 30 June 2018 is detailed in Table 2.

Table 2: NED remuneration for the year ended 30 June 2019 and 30 June 2018

		Short-term benefits Salary and Fees	Post-employment Superannuation	Total
Adam Gray	2019	155,000	–	155,000
	2018	155,000	–	155,000
Robert DeVincenzi*	2019	103,750	–	103,750
	2018	107,500	–	107,500
Herman Schwarz	2019	102,500	–	102,500
	2018	102,500	–	102,500
Terence Winters	2019	93,607	8,893	102,500
	2018	93,607	8,893	102,500
Clark Davey	2019	98,173	9,327	107,500
	2018	98,173	9,327	107,500
David McIntyre	2019	92,500	–	92,500
	2018	92,500	–	92,500
	2019	645,530	18,220	**663,750
	2018	649,280	18,220	667,500

* Mr DeVincenzi ceased to be the Chair of the former Risk & Compliance Committee on 20 March 2019.

** The 'Total Directors Fees' for the reporting period continues to be below the cap of $700,000 per year.

DIRECTORS' REPORT
REMUNERATION REPORT (AUDITED)

7 ADDITIONAL STATUTORY DISCLOSURES RELATING TO OPTIONS AND SHARES

This section provides the additional disclosures required under the Corporations Act 2001 (Cth) s300A.

Table 3 discloses the LTI Plan (performance rights) granted to executives as remuneration during FY19. LTI Plan performance rights do not carry any voting or dividend rights and depending on achievement of KPIs may or may not vest at the end of the performance period.

Table 3: Performance rights awarded, vested, lapsed or forfeited during the year – Executive KMP

	Financial Year	Performance Rights awarded during the year Number	Award Date	Fair Value per LTI at Award Date	Performance period	Number vested during the year	Number lapsed forfeited or cancelled during FY19
Executive Director							
Mark Talbot	2019	–	–	–	–	–	–
	2018	1,597,523	21 Aug 17	$0.53	21 August 2018	531,975	–
KMP							
Neville Joyce	2019	210,302	1 Oct 18	$0.45	Performance to 30 Jun 19, assessed on 1 Oct 19	–	–
	2018	81,318	5 Apr 18	$0.53	Performance to 30 Jun 18, assessed on 1 Oct 18	–	62,074
Craig Durham	2019	219,930	1 Oct 18	$0.45	Performance to 30 Jun 19, assessed on 1 Oct 19	–	–
	2018	132,960	2 Oct 17	$0.53	Performance to 30 Jun 18, assessed on 1 Oct 18	–	102,710
	2017	231,824	19 Jan 17	$0.46	Performance to 30 Jun 17, assessed on 1 Oct 17	29,594	–
	2016	128,308	1 Dec 15	$0.37	Performance to 30 Jun 16, assessed on 1 Oct 16	33,360	–

For the "Performance Period" column, all performance rights granted are evaluated against Individual performance and the performance of the Company in the manner described in Table 3 above.

DIRECTORS' REPORT
REMUNERATION REPORT (AUDITED)

Table 4: Value of performance rights awarded, vested, lapsed or forfeited during the year – Executive KMP

	Value^ of Performance Rights awarded during the year $	Value^ of Performance Rights vested during the year $	Value^ of Performance Rights lapsed or forfeited during the year $
Executive directors			
Mark Talbot	–	281,947	–
KMP			
Neville Joyce	94,635	–	(32,899)
Craig Durham	98,969	25,956	(54,436)
	193,604	307,903	(87,335)

^ For details on the valuation of the performance rights, including models and assumptions used, please refer to Note 26.

Table 5a: Movements in Shareholdings of KMP during the year ended 30 June 2019

	Shares held at 1 July 2018	Vested Performance Rights	Cessation of being a Director or KMP	Bought (Sold) on market*	Shares held at 30 June 2019
Directors – non executive					
Adam Gray	**35,848,321**	–	–	5,780,545	**41,628,866**
Clark Davey	**444,478**	–	–	104,200	**548,678**
Robert DeVincenzi	**150,000**	–	–	28,000	**178,000**
Herman Schwarz	–	–	–	–	–
Terence Winters	**64,345**	–	–	–	**64,345**
David McIntyre	–	–	–	–	–
	36,507,144	–	–	5,912,745	42,419,889
Executive Directors & KMP					
Mark Talbot	–	531,975	–	–	**531,975**
Neville Joyce	–	–	–	–	–
Craig Durham	**44,480**	62,954	–	–	**107,434**
	44,480	594,929	–	–	639,409

DIRECTORS' REPORT
REMUNERATION REPORT (AUDITED)

Table 5b: Movements in Shareholdings of KMP during the year ended 30 June 2018

	Shares held at 1 July 2017	Vested Performance Rights	Cessation of being a Director or KMP	Bought (Sold) on market*	Shares held at 30 June 2018
Directors – non executive					
Adam Gray	**24,929,829**	–	–	10,918,492	**35,848,321**
Clark Davey	**300,358**	–	–	144,120	**444,478**
Robert DeVincenzi	–	–	–	150,000	**150,000**
Herman Schwarz	–	–	–	–	–
Terence Winters	–	–	–	64,345	**64,345**
David McIntyre	–	–	–	–	–
	25,230,187	–	–	11,276,957	36,507,144
Executive Directors & KMP					
Mark Talbot	–	–	–	–	–
Paul Clark	**76,505**	494,560	(571,065)	–	–
Neville Joyce	–	–	–	–	–
Brad Crump	–	48,706	(48,706)	–	–
Michael Finn	**70,950**	189,762	(260,712)	–	–
Craig Durham	–	33,360	–	11,120	**44,480**
	147,455	766,388	(880,483)	11,120	44,480

Other than the issue of shares resulting from vested performance rights, all equity transactions with KMP have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

Table 6a: Movement in performance rights held by KMP during the year ended 30 June 2019

		Transactions during the year					
	Number held at 1 July 2018	Awarded as remuneration	Forfeited	Vested	Lapsed	Cessation of being a Director or KMP	Number held at 30 June 2019
Executive directors							
Mark Talbot	**1,597,523**	–	–	(531,975)	–	–	**1,065,548**
KMP							
Neville Joyce	**81,318**	210,302	–	–	(62,074)	–	**229,546**
Craig Durham	**225,508**	219,930	–	(62,954)	(102,710)	–	**279,774**
Total	1,904,349	430,232	–	(594,929)	(164,784)	–	1,574,868

DIRECTORS' REPORT
REMUNERATION REPORT (AUDITED)

Table 6b: Movement in performance rights held by KMP and former KMP during the year ended 30 June 2018

		Transactions during the year					
	Number held at 1 July 2017	Awarded as remuneration	Forfeited	Vested	Lapsed	Cessation of being a Director or KMP	Number held at 30 June 2018
Executive director							
Mark Talbot	–	1,597,523	–	–	–	–	**1,597,523**
Paul Clark	**1,576,827**	–	–	(494,560)	(1,082,267)	–	–
KMP							
Neville Joyce	–	81,318	–	–	–	–	**81,318**
Brad Crump	**480,278**	182,656	(295,756)	(48,706)	(318,472)	–	–
Michael Finn	**1,420,771**	762,068	–	(189,772)	(970,296)	(1,022,771)	–
Craig Durham	**298,544**	132,960	–	(33,360)	(172,636)	–	**225,508**
Total	3,776,420	2,756,525	(295,756)	(766,398)	(2,543,671)	(1,022,771)	1,904,349

Movements in Options held by KMP for the year ended 30 June 2019

There have been no movements in options held by KMP for the year ended 30 June 2019.

8 OTHER TRANSACTIONS AND BALANCES WITH KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES

There have been no other transactions with KMP, apart from those listed in this report.

9 SUBSEQUENT EVENTS

No matter or circumstance, have arisen since 30 June 2019 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Signed in accordance with a resolution of the directors.

Adam Gray
Chairman
26 August 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Note	30 June 2019 $'000	30 June 2018 $'000
Revenue from operations	6	117,011	105,611
Total revenue		117,011	105,611
Cost of goods sold		64,887	50,952
Gross profit		52,124	54,659
Sales and marketing related expenses		9,323	10,350
Administrative related expenses		26,633	32,015
Earnings before depreciation, amortisation, impairment, finance costs and tax		16,168	12,294
Amortisation of intangibles		7,925	8,223
Depreciation of plant and equipment		11,128	11,762
Impairment / (recovery of) trade receivables		2,142	(1,067)
Impairment of Texas related equipment		2,119	–
Legal costs associated with debt recovery		67	888
Restructuring costs		448	598
Loss before tax and financing costs		(7,661)	(8,110)
Net finance costs		943	986
Loss before tax		(8,604)	(9,096)
Income tax expense / (benefit)	9	(3,000)	3,024
Loss for the period		(5,604)	(12,120)
Other comprehensive loss			
Foreign currency translation that may be reclassified to the profit or loss, net of tax		2,375	1,235
Total comprehensive loss for the period		(3,229)	(10,885)
Earnings per share ("EPS") attributable to ordinary equity holders			
- basic / diluted EPS for the year ended		(3.74) cents	(9.18) cents

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

Redflex

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	30 June 2019 $'000	30 June 2018 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	10	21,204	18,864
Trade and other receivables	11	25,587	26,897
Inventories	12	6,405	5,741
Other current assets	13	1,952	2,643
Total Current Assets		55,148	54,145
Non-Current Assets			
Plant and equipment	14	32,013	38,551
Deferred tax assets	9	20,261	18,603
Intangible assets	15	14,159	18,633
Other financial assets		441	441
Other non-current assets		130	165
Total Non-Current Assets		67,004	76,393
TOTAL ASSETS		**122,152**	**130,538**
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	16	16,620	17,867
Interest bearing liabilities	17	853	796
Deferred revenue		1,174	2,395
Income tax payable		371	192
Provisions	18	8,673	8,015
Total Current Liabilities		27,691	29,265
Non-Current Liabilities			
Trade and other payables	16	10,020	10,403
Interest bearing liabilities	17	5,029	5,551
Deferred tax liabilities	9	2,165	4,410
Provisions	19	3,650	4,568
Total Non-Current Liabilities		20,864	24,932
TOTAL LIABILITIES		**48,555**	**54,197**
NET ASSETS		**73,597**	**76,341**
Equity attributable to equity holders of the parent company			
Contributed equity	22	117,387	117,387
Reserves	23	9,216	6,356
Accumulated losses	23	(53,006)	(47,402)
TOTAL EQUITY		**73,597**	**76,341**
Net tangible assets per share		39.58 cents	38.71 cents

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

	Contributed Equity $'000	Foreign Currency Translation Reserve $'000	Employee Equity Benefits Reserve $'000	Accumulated Losses $'000	Total Equity $'000
At 1 July 2017	101,765	2,299	2,181	(35,282)	70,963
Loss for the year	–	–	–	(12,120)	(12,120)
Currency translation differences	–	1,235	–	–	1,235
Total comprehensive loss	–	1,235	–	(12,120)	(10,885)
Issue of share capital, net of costs	15,622	–	–	–	15,622
Cost of share based payments and options	–	–	641	–	641
At 30 June 2018	117,387	3,534	2,822	(47,402)	76,341
At 1 July 2018	117,387	3,534	2,822	(47,402)	76,341
Loss for the year	–	–	–	(5,604)	(5,604)
Currency translation differences	–	2,375	–	–	2,375
Total comprehensive loss	–	2,375	–	(5,604)	(3,229)
Cost of share based payments	–	–	485	–	485
At 30 June 2019	117,387	5,909	3,307	(53,006)	73,597

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Redflex

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Note	30 June 2019 $'000	30 June 2018 $'000
Operating activities			
Receipts from customers		114,542	104,974
Payments to suppliers, employees and GST		(102,988)	(95,822)
Payment for Chicago restitution		(1,416)	(6,406)
Interest paid		(477)	(463)
Income tax paid		(346)	(690)
Net cash flows from operating activities	10	9,315	1,593
Investing activities			
Purchase of property, plant and equipment		(3,415)	(9,003)
Capitalised development costs paid		(3,451)	(3,513)
Net cash flows (used in) investing activities		(6,866)	(12,516)
Financing activities			
Drawdown bank borrowings		–	6,406
Repayment of bank borrowings		(816)	(407)
Proceeds received from issue of shares (net of costs)		–	15,288
Net cash flows from (used in) financing activities		(816)	21,287
Net increase in cash held		1,633	10,364
Effect of exchange rate changes on cash		707	301
Cash and cash equivalents at beginning of financial year		18,864	8,199
Cash and cash equivalents at the end of financial year	10	21,204	18,864
Reconciliation of cash			
Cash at the end of the period consists of:			
Cash at banks and on hand		21,204	18,864
Cash at banks and on hand	10	21,204	18,864

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

NOTE 1 CORPORATE INFORMATION

The consolidated financial statements of Redflex Holdings Limited (a for profit entity) for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of directors on 26 August 2019.

Redflex Holdings Limited ("Redflex", "the Group" or the "Company") is an Australian incorporated company and is limited by shares that are publicly traded on the Australian Securities Exchange ("ASX"). Redflex shares trade on the ASX under the ticker code "RDF".

The nature of the operations and principal activities of Redflex and its subsidiaries ("the Group") are described in the Directors' Report.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

2.1 BASIS OF PREPARATION

This financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the company under the option available to the company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The company is an entity to which the class order applies. Expenses in the Statement of Profit and Loss and Other Comprehensive Income has been classified as shown in order to provide greater clarity to the users of the financial statements.

The financial statements have 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.

2.2 COMPLIANCE WITH IFRS

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

2.3 Accounting standards and interpretations

(i) Changes in accounting policy and disclosures

Redflex has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period.

From 1 July 2018 the following new accounting standards have been adopted by the Group;

AASB 15 Revenue from Contracts with Customers ("AASB 15")
The Group has adopted AASB 15 as issued in May 2014 with the date of initial application being 1 July 2018. In accordance with the transition provisions in AASB 15 the standard has been applied using the modified retrospective approach. On this basis there were no restatements of prior comparative balances.

AASB 15 supersedes AASB 18 – Revenue, AASB 111 Construction Contracts and related interpretations and it applies to all revenue arising from contracts with customers, unless these contracts are in scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15 Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

At 30 June 2018 all material contracts were assessed by the Group and it was determined that the adoption of AASB 15 had no significant impact on the Group. The updated accounting policy for revenue has been disclosed below.

AASB 9 Financial Instruments ("AASB 9")
The Group has adopted AASB 9 as issued in July 2014 with the date of initial application being 1 July 2018. In accordance with the transitional provisions in AASB 9, comparative figures have not been restated. AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement ("AASB 139"), bringing together all three aspects of the accounting for financial instruments: clarification and measurement; impairment; and hedge accounting. The accounting policies have been updated to reflect the application of AASB 9 below.

Measurement and classification
At the date of initial application, existing financial assets and liabilities of the Group were assessed in terms of the requirements of AASB 9. The assessment was conducted on instruments that had not been de-recognised as at 1 July 2018. In this regard the Group has determined that the adoption of AASB 9 has impacted the classification of financial instruments at 1 July 2018 as follows:

Class of financial instrument presented in the statement of financial position	Original measurement category under AASB 9 (i.e. prior to 1 July 2018)	New Measurement category under AASB 9 (i.e. from I July 2018)
Cash and cash equivalents	Loans and receivables	Financial asset at amortised cost
Trade and other receivables	Loans and receivables	Financial asset at amortised cost
Trade and other payables	Financial liability at amortised cost	Financial liability at amortised cost
Interest bearing liabilities	Financial liability at amortised cost	Financial liability at amortised cost

The change in classification has not resulted in any re-measurement adjustments at 1 July 2018.

Impairment of financial assets
In relation to the financial assets carried at amortised cost, AASB 9 requires an expected credit loss model to be applied as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. AASB 9 requires the Group to measure the loss allowance at an amount equal to lifetime expected credit loss ("ECL") if the credit risk on the instrument has increased significantly since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition the Group is required to measure the loss allowance for that financial instrument at an amount equal to the ECL within the next 12 months.

At 1 July 2018, the Group reviewed and assessed the existing financial assets for impairment using reasonable and supportable information. In accordance with AASB 9, where the Group concluded that it would require undue cost and effort to determine the credit risk of a financial asset on initial recognition, the Group recognises lifetime ECL. The result of the assessment is as follows:

Items existing at 1 July 2018 that are subject to the impairment provisions of AASB 9	Credit risk attributes	Cumulative additional loss allowance required on 1 July 2018
Cash and cash equivalents	All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable financial institutions.	-
Trade receivables	The Group applied the simplified approach and concluded that the lifetime ECL would be negligible on receivable balances not already provided for and therefore no loss allowance was required at 1 July 2018..	-
Other financial asset	The other financial asset relates to an investment in Go-Safe in Ireland. The Group has assessed the credit risk in respect of this investment as low.	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

(ii) Accounting standards and interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2019 are outlined in the table below.

STANDARD	Mandatory date for annual reporting periods beginning on or after)	Reporting period standard adopted by the company
AASB 16 Leases	1 January 2019	1 July 2019
2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle	1 January 2019	1 July 2019
Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018	1 July 2018
Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019	1 July 2019
AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 Revenue	1 January 2019	1 July 2019
AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15	1 January 2019	1 July 2019
AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15	1 January 2019	1 July 2019
AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures	1 January 2019	1 July 2019
The revised Conceptual Framework for Financial Reporting	1 January 2020	1 July 2020
AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business	1 January 2020	1 July 2020

Impact of AASB 16 – Leases

Management has considered the impact of AASB 16 – Leases and has prepared a detailed calculation to quantify the impact as at the adoption date of 1 July 2019. AASB 16 introduces a single, on statement of financial position accounting model for lessees. As a result the Group, as a lessee, from the application date will recognise, right of use assets to represent its right to use the underlying assets and lease liabilities to represent its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group plans to apply AASB 16 using the modified retrospective approach, under which the cumulative effect of the initial application is recognised in retained earnings as at 1 July 2019. The cumulative impact of this implementation of this standard as at 1 July 2019 is expected to be as follows:

	$'000s
Total expected value of right of use asset	10,354
Total expected value of lease liability	(11,275)
Total expected impact to retained earnings	921

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at 30 June 2019.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non- controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary;
- De-recognises the carrying amount of any non-controlling interests;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(b) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's

identifiable net assets. Acquisition costs incurred are expensed and included in administration expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquirer.

If the business combination is achieved in stages, the previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with AASB 3 Business Combinations and AASB 139 Financial Instruments: Recognition and. Measurement, either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be re-measured. Subsequent settlement is accounted for within equity.

(c) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

(d) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:- nature of the products and services; nature of the production processes; type or class of customer for the products and services; methods used to distribute the products or provide the services; and if applicable, the nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements. Refer to Note 5 for additional information.

(e) Foreign currency translation

The Group's consolidated financial statements are presented in Australian dollars, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group has elected to recycle the gain or loss that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

Redflex Traffic Systems, Inc. and Redflex Guardian functional currencies are United States Dollars ("US$"); the functional currency of the back office operations in Saudi Arabia for Traffic Operating Services (Saudi Arabia), LLC is Saudi Arabian Riyals; the functional currency of Redflex Traffic Systems Limited operations in United Kingdom is Great British Pounds; and, the functional currency of Redflex Traffic Systems Malaysia Sdn Bhd is Malaysian Ringgit. The functional currency of Redflex Traffic Systems Canada is Canadian Dollars.

(i) Transactions and balances

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

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

(ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

Any goodwill arising on the acquisition of a foreign operation subsequent to 1 January 2005 and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

(f) Revenue recognition

The Group recognised revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group identifies the contract with a customer; identifies the performance obligations in the contract; determine the transaction price, which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognise revenue when each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Sale of goods

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

Fee for service contracts and licences
Revenue is principally derived from fees and traffic citations issued in jurisdictions where the company's equipment is located. Revenue is recognised when a traffic infraction is recorded by the company's equipment in various jurisdictions. The company records an allowance on revenues based on historical collection rates and citation enforceability. Licence revenue is recognised in accordance with specific contract arrangements between the Group and third parties.

Deferred revenue
Certain of the Company's sales include the sale of equipment combined with the provision of services for a period exceeding one year. Revenue is recognised based on a commercial equipment sales margin, and service revenue is deferred and recognised over the period of service. Deferred revenue principally represents payments received for which services remain to be provided. Amounts are recognised as revenue when service has been provided.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

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

(g) Income tax and other taxes

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

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

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

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

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

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

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

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

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

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

Tax Consolidation Legislation
Redflex and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003.

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

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

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

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

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

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

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

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

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

(h) Property, plant and equipment

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

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

- Furniture, fittings and other – over a period of three to five years
- Computer equipment – over a period of three years

- Plant and equipment – over a period to a maximum of seven years.

The assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate at each reporting date.

De-recognition
An item of property, plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal.

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

(i) Leases

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

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

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

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

(j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Redflex Holdings Limited does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

(k) Intangible assets

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

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

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

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

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

A summary of the policies applied to the Group's intangible assets is as follows:

	Development Costs
Useful lives	Finite
Amortisation method used	Amortised over the period of expected future benefit from the related project on a straight-line basis. The amortisation period is five years.
Internally generated or acquired	Internally generated.

During FY19 the estimated useful life of intangible assets was reduced from seven years to five years. The change in the estimated useful life is to more appropriately align these assets with the duration of key customer contracts.

Impairment testing is performed annually on the reporting date for assets not yet available for use and more frequently when an indication of impairments exists. The amortisation method is reviewed at each financial year end.

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

Expenditures on advertising and promotional expenses are recognised as a component of marketing expense in the statement of comprehensive income when the Group has either the right to access the goods or has received the services.

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

(l) Inventories

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

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

- Raw materials and camera components: Purchase cost on a first-in, first-out basis. Components held for resale or conversion into fixed in-ground installations for traffic contracts are carried at cost. The conversion of these

components to property, plant and equipment occurs at the point newly contracted sites are commissioned.

- Finished goods and work-in-progress: Cost of direct material and labour and a proportion of variable and fixed manufacturing overheads based on normal operating capacity. Costs are assigned on the basis of weighted average costs.

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

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

Non-financial assets other than goodwill and indefinite life intangibles are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group conducts an annual internal review as to whether an indicator of impairment exists at each reporting date. This includes a comparison of the market capitalisation in comparison to the Company's asset values. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. This has been disclosed in note 20.

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

(n) Cash and cash equivalents

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

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

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

(o) Provisions and employee leave benefits

Provisions

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. The increase in the provision resulting from the passage of time is recognised in finance costs.

Contingent liabilities and contingent assets
Contingent assets and liabilities are recognised when the Directors consider other matters which, whilst considered remote, should be disclosed in the financial report.

Employee Benefits
(i) Wages, salaries, annual leave and personal leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave are recognised in accrued liabilities and provisions in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating personal/sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long Service Leave

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

(p) Share Based payment transactions

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

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

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

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

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

FY16, FY17, FY18 and FY19 LTI Plans
The company uses EBITDARD as a financial KPI for the FY16, FY17, FY18 and FY19 LTI Plans. EBITDARD is calculated as Earnings Before Interest, Tax, Depreciation, Amortisation and Capitalised Research & Development Costs and excludes the impact of any impairment or reversal of impairment.

To assess whether performance has been met the company assess whether the Target EBITDRD has been met in relation to the financial year for which it relates. Performance rights vest progressively from a threshold level of performance to a maximum level.

Performance rights granted to certain members of the Company are based on a service condition and vested over the length of the service condition stipulated in the grant notice.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(q) Trade and other receivables

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

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

Trade receivables are classified as non-current when their expected date of receipt is greater than 12 months.

(r) Investment and other financial assets

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for the financial assets at fair value through the profit and loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification.

Financial assets are derecognised when the right to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset its carrying value is written off.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

(s) Trade and other payables

Trade payables and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(t) Interest-bearing loans and borrowings

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

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

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

(u) Contributed equity

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

(v) Earnings per share

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

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

- Costs of servicing equity (other than dividends);
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenue and expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(w) Maintenance warranty

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

(x) Asset retirement obligation

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

2.4 Reclassification of expenditure

During the half year, certain U.S. based IT related costs were reclassified from Administrative expenses to Cost of sales. The reclassification reflects improved methods implemented to map IT costs between project based work and administrative costs. If adjusted for this reclassification, prior year Cost of sales increase by $5.9 million and Administrative expenses reduce by $5.9 million. There is no change to the reported net loss as a result of the reclassification.

NOTE 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Risk Exposures and Responses

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

The Group occasionally enters into derivative transactions, principally forward currency contracts. The purpose is to manage the transactional currency risks arising from the Group's operations and its sources of finance. Where derivatives are purchased, they are specifically in forward currency contracts. These derivatives provide economic hedges, but do not qualify for hedge accounting and are based on limits set by management and authorised by the Board.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

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

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

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

(i) Interest rate risk

The Group's exposure to market interest rates is primarily related to its debt obligations and cash holdings. During the prior year the Company entered a US$10 million debt facility with Western Alliance Bank as at 30 June 2019 the total drawn amount on the loan was $5.9 million. If interest rates increased or decreased by 1% in respect of the loan the effect would not have a material impact on the Company.

(ii) Foreign currency risk

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

The Group has two main operations, with approximately 52% of the Group business occurring within the U.S (30 June 2018: 57%)., and the other 48% arising from within Australia (30 June 2018: 43%), but through servicing other markets. As a result of significant investment in operations in the U.S. the Group's statement of financial position can be affected significantly by movements in the US$ / A$ exchange rates. The U.S. business incurs all revenue and the vast majority of its expenses in US$, apart from the cost of cameras sourced from the Australian operations in A$. The U.S. business operation accounts for the vast majority of the Group's capital expenditure requirements and related borrowings and accordingly, the Group seeks to mitigate the effect of its foreign currency exposure by borrowing in US$.

Translational effects are therefore significant to the Group results with approximately 52% (FY18: 57%) of the Group's revenues and costs incurred in currencies (predominantly US$) other than the presentation currency of the Group, and the large capital expenditure related to that business also denominated in US$. The Group does not hedge translational risk through available hedging products.

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

At 30 June 2019 the Group had no foreign currency hedge arrangements in place (FY18: nil).

At 30 June 2019, the Group had not hedged foreign currency purchases that are firm commitments, as offsetting natural hedges substantially offset risk. Other than the Redflex Americas operation, most sales commitments were denominated in A$, other than contracts in the United Kingdom, Hong Kong, Canada, Saudi Arabia and Ireland.

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

At 30 June 2019, had the Australian dollar moved, as illustrated in the table below with all other variables held constant, post-tax profit would have been affected as follows:

The net assets of Redflex Americas are reflected in the segment results shown in Note 5.

Judgments of reasonable possible movements	Post Tax Profit/(loss) Higher/(Lower)		Equity Higher/(Lower)	
	30 June 2019 $'000	30 June 2018 $'000	30 June 2019 $'000	30 June 2018 $'000
AU$/US$ +10%	204	325	204	325
AU$/US$ – 5%	(102)	(162)	(102)	(162)

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

(iii) Price risk

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

(iv) Credit risk

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

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

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures which include an assessment of their independent credit rating, financial position, past experience, and industry reputation. Risk limits are set for each customer in accordance with parameters set by the Board. These risk limits are regularly monitored. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is spread. There are no significant concentrations of credit risk within the Group.

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

(v) Liquidity risk

The Group's objective is to maintain continuity of funding through the use of bank loans and committed available credit lines. The Group's policy is to lock in borrowing facilities for a period of up to three years with individual loans borrowed under the facility rolling on a quarterly basis.

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

Consolidated	30 June 2019 $'000	30 June 2018 $'000
6 months or less	17,046	18,265
6-12 months	427	398
1-5 years	15,049	15,954
Over 5 years	–	–
	32,522	34,617

The balance contains trade payables, interest bearing liabilities and amounts owed in respect of the City of Chicago settlement. The interest bearing liabilities relate to a US$ 10 million credit facility agreement with Western Alliance Bank consisting of US$ 5 million revolving line of credit and a US$ 5 million three-year term loan.

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Maturity analysis of financial assets and liabilities based on management's expectation
The risk implied from the values shown in the table below reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in Redflex's ongoing operations such as property, plant, equipment, and investments in working capital such as inventories and trade receivables. These assets are considered in the Group's overall liquidity risk.

To monitor existing financial assets and liabilities as well as to facilitate the effective control of future risks, Redflex has established comprehensive risk reporting that reflects management's expectations of the settlement of financial assets and liabilities.

Year ended 30 June 2019

Consolidated	<6 months $'000	6-12 months $'000	1-5 years $'000	>5 years $'000	Total $'000
Financial assets					
Cash and cash equivalents	21,204	–	–	–	21,204
Trade and other receivables	25,587	–	–	–	25,587
Other financial assets	–	–	–	441	441
	46,791	–	–	441	47,232
Financial liabilities					
Interest bearing liabilities	(426)	(427)	(5,029)	–	(5,882)
Trade and other payables	(16,620)	–	(10,020)	–	(26,640)
	(17,046)	(427)	(15,049)	–	(32,522)
Net maturity	29,745	(427)	(15,049)	441	14,710

Year ended 30 June 2018

Consolidated	<6 months $'000	6-12 months $'000	1-5 years $'000	>5 years $'000	Total $'000
Financial assets					
Cash and cash equivalents	18,864	–	–	–	18,864
Trade and other receivables	26,691	–	–	–	26,691
Other financial assets	–	–	–	441	441
	45,555	–	–	441	45,996
Financial liabilities					
Interest bearing liabilities	(398)	(398)	(5,551)	–	(6,347)
Trade and other payables	(17,867)	–	(10,403)	–	(28,270)
	(18,265)	(398)	(15,954)	–	(34,617)
Net maturity	27,290	(398)	(15,954)	441	11,379

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

NOTE 4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

Significant accounting judgments

Impairment of goodwill, plant and equipment and capitalised development costs

Disclosure in relation to impairment of goodwill, plant and equipment and capitalised development costs has been discussed in Note 20.

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 U.S, 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 maximum of seven years 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.

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 maximum of five years on a straight line basis regardless of the length of individual contracts for which the technology is used. During FY18 the estimated useful life of intangible assets was reduced from seven years to five years. The change in the estimated useful life is to more appropriately align these assets with the duration of key customer contracts. The Group expects the technology to last for a period of five 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

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 un-recouped 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 profit or loss.

Recoverability of receivables

The Group continues to encounter uncertainties surrounding some contracts in certain countries including in the Middle East and Mexico. 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. At the balance date the balances in Mexico and the Middle East have been fully provided for.

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.

Citation work in progress

Management in the U.S. reviews the expected collection rates in relation to citation work in progress which is calculated by jurisdiction.

Share based payments

The fair value of each performance right is estimated on the date of the award using a Black-Scholes option formula, with a Monte Carlo simulation to take market conditions into consideration, with the assumptions detailed in Note 26.

Contingent assets and liabilities

Contingent assets and liabilities are recognised when the Directors consider other matters which, whilst considered remote, should be disclosed in the financial report. These matters are discussed in Note 21.

Asset retirement obligations

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

NOTE 5 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 operates within two key markets, The Americas and Australia/International (which comprises all other business, outside of The Americas). The Americas Traffic business 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. The executive management team review the results of the Group at this level.

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.

The following tables present revenue and profit information and certain asset and liability information regarding operating segments for the years ended 30 June 2019 and 30 June 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

Year ended 30 June 2019

Operating Segments	The Americas $'000	Traffic Operations Australia/ International $'000	Total $'000
Revenue			
Revenue from operations*	61,797	55,214	117,011
Inter-segment revenue	–	2,437	2,437
Total segment revenue	61,797	57,651	119,448
Inter-segment elimination			(2,437)
Total consolidated revenue			117,011
Result			
Earnings before interest, tax, depreciation, amortisation, restructuring costs and recovery of trade receivables / associated legal expenses	10,864	7,617	18,481
Impairment / (recovery) of trade receivable	(2,514)	372	(2,142)
Depreciation	(8,456)	(2,672)	(11,128)
Amortisation	–	(7,925)	(7,925)
Impairment of Texas related equipment	(2,119)	–	(2,119)
Legal costs associated with debt recovery	–	(67)	(67)
Restructuring costs	(448)	–	(448)
Inter-segment royalty	1,678	(1,678)	–
Segment result	(995)	(4,353)	(5,348)
Head office result			(2,313)
Loss before tax and finance charges			(7,661)
Finance charges			(943)
Loss before income tax			(8,604)
Income tax benefit			3,000
Net loss after income tax			(5,604)
Assets and liabilities			
Segment assets	59,601	56,832	116,433
Head office assets			5,719
Total assets			122,152
Segment liabilities	35,468	12,119	47,587
Head office liabilities			968
Total liabilities			48,555
Other segment information			
Capital expenditure**	2,104	1,878	3,982

*Sales revenue shown under the Americas segment includes sales arising in Canada of $4.7 million during FY19.

**Excludes asset retirement obligation ("ARO")

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

Year ended 30 June 2018

Operating Segments	The Americas $'000	Traffic Operations Australia/ International $'000	Total $'000
Revenue			
Revenue from operations*	60,067	45,544	105,611
Inter-segment revenue	–	201	201
Total segment revenue	60,067	45,745	105,812
Inter-segment elimination			(201)
Total consolidated revenue			105,611
Result			
Earnings before interest, tax, depreciation, amortisation, restructuring costs and recovery of trade receivables / associated legal expenses	10,327	3,242	13,569
Recovery of trade receivable	–	1,067	1,067
Legal costs associated with debt recovery	–	(888)	(888)
Restructuring costs	–	(598)	(598)
Depreciation	(9,445)	(2,317)	(11,762)
Amortisation	–	(8,223)	(8,223)
Inter-segment royalty	1,549	(1,549)	–
Segment result	2,431	(9,266)	(6,835)
Head office result			(1,275)
Loss before tax and finance charges			(8,110)
Finance charges			986
Loss before income tax			(9,096)
Income tax expense			3,024
Net loss after income tax			(12,120)
Assets and liabilities			
Segment assets	64,223	59,668	123,891
Head office assets			6,647
Total assets			130,538
Segment liabilities	37,704	15,256	52,960
Head office liabilities			1,237
Total liabilities			54,197
Other segment information			
Capital expenditure**	3,744	5,080	8,824

*Sales revenue shown under the Americas segment includes sales arising in Canada of $1.6 million during FY18

**Excludes asset retirement obligation ("ARO")

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

Revenue from external customers by geographical locations is detailed below. Revenue is attributed to geographic location based on the location of the customers. The company does not have external revenues from external customers that are attributable to any foreign country other than as shown.

	Consolidated	
	30 June 2019 $'000	30 June 2018 $'000
Revenue by geographical location		
The Americas	61,797	60,067
Australia	49,037	35,622
Other*	6,177	9,922
Total Revenue	117,011	105,611

*other includes Saudi Arabia, United Arab Emirates, Ireland, United Kingdom, New Zealand, and Asia.

NOTE 6 REVENUE, OTHER REVENUE, OTHER INCOME AND EXPENSES

	Consolidated	
	30 June 2019 $'000	30 June 2018 $'000
Revenues and expenses		
Revenue from sales of goods and services	117,011	105,611
Total Revenue	117,011	105,611
Employee benefits expense		
Wages and salaries	41,888	40,688
Payroll benefits	6,505	3,694
Contract labour	2,468	4,758
Superannuation	2,476	2,352
Payroll taxes	2,630	2,607
Share-based payment expense	485	602
Other payroll related expenses	1,090	1,324
	57,542	56,025
Research and development costs		
Expensed in administration expenses	–	598

NOTE 7 DIVIDENDS PAID AND PROPOSED

No dividends were paid or proposed during FY19 and FY18.

Franking credit balance

	Parent 2019 $'000	Parent 2018 $'000
The amount of franking credits available for subsequent financial years are:		
Franking account balance at the end of the financial year at 30% (FY18: 30%)	–	–
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	–	–
The amount of franking credits available for future reporting periods:	–	–

NOTE 8 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year adjusted for the effects of dilutive options not yet converted to shares. As the Company has recorded a loss for both FY19 and FY18 the impact of any dilutive options not yet converted to shares would be nil.

The following reflects the income and share data used in the total operations basic earnings per share computations:

	30 June 2019 $'000	30 June 2018 $'000
Loss for the period for basic earnings per share	(5,604)	(12,120)
	Thousands	Thousands
Weighted average number of ordinary shares for basic earnings per share	149,976	132,001

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

NOTE 9 INCOME TAX

The major components of income tax expense for the years ended 30 June 2019 and 30 June 2018 are:

Consolidated income statement

	30 June 2019 $'000	30 June 2018 $'000
Current income tax		
Current income tax charge (benefit)	(6,904)	5,915
Deferred tax		
Relating to origination and reversal of temporary differences	3,904	(2,891)
Income tax expense / (benefit) reported in the consolidated statement of comprehensive income	(3,000)	3,024

A reconciliation between tax expense and the product of accounting loss multiplied by Australia's domestic tax rate for the years ended 30 June 2019 and 30 June 2018 is as follows:

	30 June 2019 $'000	30 June 2018 $'000
Accounting loss before income tax	(8,604)	(9,096)
At the statutory income tax rate of 30% (FY18: 30%)	(2,581)	(2,729)
Tax effect of current year permanent differences	195	45
Reversal of prior year provision for withholding tax	(930)	–
Impact of tax rate differential on foreign operations	399	232
Adjustment to carrying value of deferred tax asset as a result of change in US tax rate*	–	4,653
Impairment of deferred tax asset on fixed assets	–	750
(Over) / under provision in prior years	(83)	73
Income tax (benefit) / expense reported in the consolidated statement of comprehensive income	(3,000)	3,024

*During the year to 30 June 2018 the U. S. government amended reduced the federal tax from 34% to 21%. The deferred tax asset has been reduced in respect of this change.

Deferred Tax

	Consolidated Statement of Financial Position		Consolidated Statement of Comprehensive Income	
	30 June 2019 $'000	30 June 2018 $'000	30 June 2019 $'000	30 June 2018 $'000
(i) Deferred tax liabilities				
Accelerated depreciation for tax purposes				
Capitalised development costs	2,165	4,386	2,221	1,674
Other	–	24	24	(3)
Gross deferred tax liabilities	2,165	4,410		
(ii) Deferred tax assets				
Employee Entitlements	1,017	1,407	(390)	279
Provisions	2,164	1,936	228	(3741)
Deferred tax asset on fixed assets	1,871	992	879	(4,198)
Deferred tax asset on legal settlement	3,319	3,409	(90)	(2,521)
Deferred tax asset on net operating losses	7,338	5,706	1,632	3,407
Carry forward research & development tax offset	4,003	4,537	(534)	1,413
Other	549	615	(66)	799
Gross deferred tax assets	20,261	18,603		
Deferred tax charge			3,904	(2,891)

At 30 June 2019 there is no recognised nor unrecognised deferred income tax liability for taxes that would be payable on the unremitted earnings of the consolidated entity's subsidiaries, as the consolidated entity has no liability for additional taxation should such amounts be remitted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

NOTE 10 CASH AND CASH EQUIVALENTS

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following:

	30 June 2019 $'000	30 June 2018 $'000
Cash at banks and on hand	17,028	14,315
Restricted cash	4,176	4,549
	21,204	18,864

Reconciliation of net loss after tax to net cash flows from operations		
Net loss after income tax	(5,604)	(12,120)
Non cash flow items		
Depreciation expense	11,128	11,762
Amortisation of intangibles	7,925	8,223
Share based payments	485	641
Impairment of Texas related equipment	2,119	–
Impairment of accounts receivable	2,142	–
Change in operating assets and liabilities		
Decrease in other current assets	691	189
Decrease in receivables	(1,310)	(2,673)
(Increase) / decrease in inventories	(664)	363
(Decrease) / increase in taxation provisions	179	(1,192)
(Increase) / decrease in deferred tax asset	(1,658)	4,561
Decrease in deferred tax liability	(2,245)	(1,671)
Decrease in provisions	(260)	(1,403)
Increase / (decrease) in deferred revenue	(1,221)	2,051
Increase / (decrease) in payables	(1,630)	(7,138)
Effect of exchange rate changes	(762)	
Net cash flows from operating activities	9,315	1,593

Cash at banks and on hand earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for periods between one day and three months, depending on the immediate cash requirements, and earn interest at the respective short-term deposit rates.

The fair value of cash and cash equivalents, inclusive of restricted cash, is $21.2 million (FY18: $18.9 million).

The Company collects citation revenue for municipalities under some contracts. The proceeds are received in lock-box accounts and are described in the notes as restricted cash. The allocation of entitlements to a municipality and to Redflex is determined and made subsequent to each month's end.

NOTE 11 TRADE AND OTHER RECEIVABLES (CURRENT)

	30 June 2019 $'000	30 June 2018 $'000
Trade receivables	26,422	25,325
Allowance for impairment losses	(10,473)	(7,916)
	15,949	17,409
Work in progress	9,638	9,488
	25,587	26,897

Trade receivables are non-interest bearing and are normally on 30 day terms, with exception of Saudi Arabia, which generally has 90 day payment terms.

Movements in the provision for impairment loss were as follows:

	30 June 2019 $'000	30 June 2018 $'000
At 1 July	7,916	8,652
Charged for the year	414	1,878
Bad debts recovered	(372)	(1,067)
Bad debts provided for/(reversed)	2,515	(1,547)
At 30 June	10,473	7,916

As at 30 June the ageing analysis of trade receivables is as follows:

	Total	0-30 days	31-60 days	61-90 days PDNI*	+ 91 days PDNI*	+ 91 days CI*
30 June 2019	26,422	11,581	2,180	158	2,030	10,473
30 June 2018	25,325	12,739	1,434	268	2,968	7,916

*PDNI – Past due not impaired

*CI – Considered impaired

NOTE 12 INVENTORIES

	30 June 2019 $'000	30 June 2018 $'000
Raw materials and camera components – at cost	7,394	7,048
Inventory provision	(989)	(1,307)
Total raw materials and camera components – at net realisable value	6,405	5,741

Raw material and camera components represent items held for the manufacture of photo enforcement camera systems for use within the U.S. business or for resale as individual components. Inventories are held at the lower of cost or net realisable value. Impairment for the year was recognised due to an analysis of the level of inventory which the Company held against its contract obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

NOTE 13 OTHER CURRENT ASSETS

	Consolidated	
	30 June 2019 $'000	30 June 2018 $'000
Prepayments	1,620	1,788
Other current assets	332	855
	1,952	2,643

Other assets are non-interest bearing.

NOTE 14 PLANT AND EQUIPMENT

Year ended 30 June 2019

	Plant and equipment $'000	Motor vehicles $'000	Furniture and other $'000	Computer equipment $'000	Asset Retirement Obligation* $'000	Total $'000
At 1 July 2018 net of accumulated depreciation and impairment	34,551	262	397	1,596	1,745	38,551
Additions	3,909	41	11	21	–	3,982
Disposals and impairment	(2,124)	–	–	–	–	(2,124)
Depreciation for the year	(9,008)	(87)	(122)	(896)	(1,015)	(11,128)
Exchange adjustment	2,624	1	–	45	62	2,732
At 30 June 2019 net of accumulated depreciation and impairment	29,952	217	286	766	792	32,013
At 30 June 2019						
Cost	105,604	1,635	2,125	9,166	6,976	125,506
Accumulated depreciation and impairment	(75,652)	(1,418)	(1,839)	(8,400)	(6,184)	(93,493)
Net carrying amount	29,952	217	286	766	792	32,013
At 30 June 2018						
Cost	95,136	5,064	2,215	9,034	7,178	118,627
Accumulated depreciation and impairment	(60,585)	(4,802)	(1,818)	(7,438)	(5,433)	(80,076)
Net carrying amount	34,551	262	397	1,596	1,745	38,551

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

Year ended 30 June 2018

	Plant and equipment $'000	Motor vehicles $'000	Furniture and other $'000	Computer equipment $'000	Asset Retirement Obligation* $'000	Total $'000
At 1 July 2017 net of accumulated depreciation and impairment	34,574	927	522	1,994	2,279	40,296
Additions	7,945	20	–	859	179	9,003
Disposals	(840)	–	(2)	–	–	(842)
Depreciation for the year	(8,886)	(688)	(124)	(1,292)	(772)	(11,762)
Exchange adjustment	1,758	3	1	35	59	1,856
At 30 June 2018 net of accumulated depreciation and impairment	34,551	262	397	1,596	1,745	38,551
At 30 June 2018						
Cost	95,136	5,064	2,215	9,034	7,178	118,627
Accumulated depreciation and impairment	(60,585)	(4,802)	(1,818)	(7,438)	(5,433)	(80,076)
Net carrying amount	34,551	262	397	1,596	1,745	38,551
At 30 June 2017						
Cost	92,710	5,288	2,197	16,335	7,848	124,378
Accumulated depreciation and impairment	(58,136)	(4,361)	(1,675)	(14,341)	(5,569)	(84,082)
Net carrying amount	34,574	927	522	1,994	2,279	40,296

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

NOTE 15 INTANGIBLE ASSETS

	30 June 2019 $'000	30 June 2018 $'000
At 1 July, net of accumulated amortisation and impairment	18,633	23,343
Additions	3,451	3,513
Amortisation for the year	(7,925)	(8,223)
At 30 June, net of accumulated amortisation and impairment	14,159	18,633
At 30 June		
Cost	60,384	56,973
Accumulated amortisation and impairment	(46,225)	(38,340)
Net carrying amount	14,159	18,633

DEVELOPMENT COSTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

NOTE 16 TRADE AND OTHER PAYABLES

	30 June 2019 $'000	30 June 2018 $'000
Current		
Trade payables and accruals	15,193	16,516
Payable in respect of the Legal settlement with the City of Chicago	1,426	1,351
Trade and other payables	16,619	17,867
Non-Current		
Payable in respect of the Legal settlement with the City of Chicago	10,020	10,403
Trade and other payables	10,020	10,403

Trade payables are non-interest bearing and are normally settled on 30 day terms. Other payables are non-interest bearing and have an average term of 60 days.

NOTE 17 INTEREST-BEARING LIABILITIES

	30 Jun 2019 $'000	30 June 2018 $'000
Current		
Term Loan	853	796
Total current interest bearing liabilities	853	796
Non-current		
Term loan	5,029	5,551
Total Non-current interest bearing liabilities	5,029	5,551

Net cash (debt) reconciliation

	Cash $'000	Borrowings due in 1 year $'000	Borrowings due after 1 year $'000	Total $'000
Net cash (debt) 1 July 2018	18,864	(796)	(5,551)	12,517
Cash flow	1,633			1,633
Repayment of borrowings		816		816
Other non cash	707	(873)	522	356
Net cash (debt) 30 June 2019	21,204	(853)	(5,029)	15,322

	Cash $'000	Borrowings due in 1 year $'000	Borrowings due after 1 year $'000	Total $'000
Net cash (debt) 1 July 2017	8,199	–	–	8,199
Cash flow	10,364			10,364
Repayment of borrowings		(796)	(5,551)	(6,347)
Other non cash	301			301
Net cash (debt) 30 June 2018	18,864	(796)	(5,551)	12,517

Financing facilities available

	30 June 2019 $'000	30 June 2018 $'000
Total facilities committed		
Revolving line of credit	7,130	6,765
Term loan	7,130	6,765
Total available facilities	14,260	13,530
Facilities used at reporting date		
Revolving line of credit	–	–
Term loan	5,882	6,347
Security for letters of credit issued to customers	2,850	3,886
Facilities unused at reporting date	8,732	10,233

During the prior year the Company entered into a US$ 10 million credit facility agreement with Western Alliance Bank consisting of US$ 5 million revolving line of credit and a US$ 5 million three-year term loan.

(a) Bank indemnity guarantees

The Group's bankers have issued indemnity guarantees to certain customers in respect of letters of credit, bid bonds and performance bonds for $2.9 million (June 2018: $3.9 million).

(b) Interest rate, foreign exchange and liquidity risk

Details regarding the risks associated with interest rate, foreign exchange and liquidity are disclosed in Note 3.

NOTE 18 CURRENT LIABILITIES – PROVISIONS

	30 June 2019 $'000	30 June 2018 $'000
Employee entitlements	3,280	3,184
Provision for warranties	59	59
Asset retirement obligation – liability	5,334	4,772
	8,673	8,015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

NOTE 19 NON CURRENT LIABILITIES – PROVISIONS

	30 June 2019 $'000	30 June 2018 $'000
Employee entitlements	324	276
Asset retirement obligation – liability	3,326	4,292
	3,650	4,568

(a) Movements in provisions

	Maintenance Warranties $'000	Employee Entitlements $'000	Asset Retirement Obligations $'000	Total $'000
At 1 July 2018	59	3,459	9,065	12,583
Arising during the year	–	4,168	(200)	3,968
Utilised during the year	–	(4,087)	(704)	(4,791)
Exchange adjustment	–	64	499	563
At 30 June 2019	59	3,604	8,660	12,323
Current 2019	59	3,280	5,334	8,673
Non-Current 2019	–	324	3,326	3,650
At 30 June 2019	59	3,604	8,660	12,323
Current 2018	59	3,184	4,772	8,015
Non-Current 2018	–	276	4,292	4,568
At 30 June 2018	59	3,460	9,064	12,583

Superannuation

During the year ended 30 June 2019 the Group was obligated to contribute 9.5% of an Australian employee's salary up to the maximum contributions base into a superannuation fund of the employee's choice. All of the economic entities' responsibilities in respect to superannuation commitments relating to the year ended 30 June 2019 have been discharged.

(b) Nature and Timing of Provisions

(i) Maintenance warranties

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

It is expected that most of these costs will be incurred in the next financial year.

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

(ii) Asset retirement obligation

The "Build Own Operate and Maintain" or BOOM business within the Americas traffic division is based on individual contracts with municipalities for Redflex to install and operate red light and/or speed enforcement equipment, generally for 5 years or less. Certain of these contracts require that, upon termination, Redflex removes the equipment and restore the municipality's site to its original condition.

(iii) Employee entitlements

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

NOTE 20 ASSET IMPAIRMENT

The Company performed its annual impairment test in June 2019. The Company considers its relationship between its market capitalisation and book value of equity, among other factors, when reviewing for indicators of impairment. At 30 June 2019 the market capitalisation of the Company was in line with the cash generating unit ("CGU") book value.

As part of the annual impairment test an assessment has been performed at the CGU level to assess whether the CGU's recoverable amounts exceed the carrying value of the respective asset bases in accordance with AASB 136 – Impairment of Assets.

Determination of CGUs

For segment reporting purposes the Chief Operating Decision Maker ("CODM") reviews the Company's results based on geographical positioning. On this basis two segments have been identified by the Company being Traffic Operations in "The Americas" and "Australia and International". The CGU's identified by the Company are therefore as follows:-

- The Americas traffic operations; and
- Australian and International traffic operations.

Accounting polices

In accordance with the Company's accounting policies the following valuation methodologies are applied:-

CGU	VALUATION METHODOLOGY
The Americas Traffic Operations	Value in use
Australian and International Traffic Operations	Value in use

Value in use

The value in use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from managements' FY20 budget and forecasts for subsequent years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the assets performance of the CGU being tested.

The Americas traffic operations

The carrying value of assets has been tested using cash flow projections from financial forecasts covering a five year period. The post-tax discount rate applied to the projections is 12.6% (FY18: 12.6%), which is our assumed weighted cost of capital. Cash flows beyond year five and into perpetuity are extrapolated using a growth rate of 2% (FY18: 2%), which is our estimate of long term inflation. Based on the results of this test the recoverable amount was US$10.9 million above the carrying value of the CGU's assets and it was determined that an impairment charge was not required.

Sensitivity analysis

The recoverable amount of the America's CGU would equal its carrying amount if the key assumptions were to change as follows:

- Sales growth rate decreased by 3% compared to the current modelling;

- The long-term growth rate decreased to 0.1% as compared to the current modelling of 2%; and
- Post-tax discount rate increased to 16.4% as compared to the current modelling.

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any other instances that could cause the carrying amount of the America's CGU to exceed its recoverable amount.

Discount rates

Australian and International traffic operations

The carrying value of assets has been tested using cash flow projections from financial forecasts covering a five year period. The post-tax discount rate applied to the projections is 12.6% (FY18: 12.6%), which is our assumed weighted cost of capital. Cash flows beyond year four and into perpetuity are extrapolated using a growth rate of 2.0% (FY18:2.0%), which is our estimate of long term inflation. Based on the results of this test the recoverable amount was $2.7 million above the carrying value of the CGU's assets and it was determined that an impairment charge was not required.

Sensitivity Analysis

The recoverable amount of the Australian and International CGU would equal its carrying amount if the key assumptions were to change as follows:

- Sales growth rate decreased by 0.5% compared to the current modelling;
- The long-term growth rate decreased to 1.3% as compared to the current modelling of 2%; and
- Post-tax discount rate increased to 13.1% as compared to the current modelling.

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any other instances that could cause the carrying amount of the America's CGU to exceed its recoverable amount.

NOTE 21 CONTINGENCIES

The Company and its legal advisors closely monitor any legal actions that may have arisen during the course of its business. The Company asserts its rights and defends claims as appropriate. Provisions are not required in respect of these matters as at the date of this report, as it is not probable that a future sacrifice of economic benefits will be required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

NOTE 22 CONTRIBUTED EQUITY

	30 June 2019 $'000	30 June 2018 $'000
Ordinary shares:		
Issued, authorised and fully paid	117,387	117,387

Movements in ordinary shares on issue

	Number of shares	$'000
At 1 July 2017	110,909,765	101,765
Issued during FY18 as a result of:		
Vesting of performance rights under LTI Plan	494,560	–
Vesting of performance rights under LTI Plan	416,389	–
Issue of shares	37,273,571	15,622
At 30 June 2018	149,094,285	117,387
Issued during FY19 as a result of:		
Vesting of performance rights	531,975	–
Vesting of performance rights	592,172	–
At 30 June 2019	150,218,432	117,387

Terms and conditions of contributed equity

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

NOTE 23 ACCUMULATED LOSSES AND RESERVES

Movements in retained earnings / (accumulated losses) were as follows:

	30 June 2019 $'000	30 June 2018 $'000
Balance 1 July	(47,402)	(35,282)
Net loss	(5,604)	(12,120)
Balance 30 June	(53,006)	(47,402)

Nature and purpose of reserves

Foreign currency translation reserve

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

Employee equity benefits reserve

The employee equity benefits reserve is used to record the value of share based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Note 26 for further details of these plans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

NOTE 24 COMMITMENTS

(a) Bank indemnity guarantees

The Group's bankers have issued to certain customers indemnity guarantees in respect of letters of credit, bid bonds, and performance bonds for $2.9 million (FY18: $3.9 million).

(b) Operating lease commitments – Group as lessee

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

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

	Consolidated	
	30 June 2019 $'000	30 June 2018 $'000
Within 1 year	4,183	4,423
After 1 year but not more than 5 years	6,743	8,050
More than 5 years	2,793	–
	13,719	12,473

(c) Capital commitments

At 30 June 2019 the Group has commitments of $Nil (FY18: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

NOTE 25 RELATED PARTY DISCLOSURES

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

	Country of Incorporation	Equity interest 30 June 2019 %	Equity interest 30 June 2018 %
Controlled entities of Redflex Holdings Limited			
Redflex Enforcement Services Pty Ltd	Australia	100	100
Redflex Irish Investments Pty Ltd	Australia	100	100
Redflex Pty Ltd	Australia	100	100
Redflex Traffic Systems, Inc.	U.S.	100	100
Redflex Traffic Systems (Canada) Limited	Canada	100	100
Redflex Traffic Systems Limited	UK	100	100
Redflex Traffic Systems Malaysia Sdn Bhd	Malaysia	100	100
Redflex Traffic Systems Pty Ltd	Australia	100	100
RTS R & D Pty Ltd	Australia	100	100
Traffic Operating Systems (Saudi Arabia), LLC	Saudi Arabia	100	100
Transtoll Pty Ltd	Australia	100	100
Controlled entities of Redflex Traffic Systems Pty Ltd			
Redflex Traffic Pty Ltd	Australia	100	100
Controlled entities of Redflex Traffic Systems, Inc.			
Redflex Traffic Systems (California), Inc.	U.S	100	100
Redflex Guardian, Inc.	U.S	100	100

The ultimate parent

Redflex Holdings Limited is the ultimate parent of the Group domiciled in Australia.

Associate

Redflex Holdings Limited owns a 16% non-voting equity interest in Road Safety Operations Holdings T/A Go Safe Ireland, via its subsidiary Redflex Irish Investments Pty Ltd. This investment is shown as other financial assets on the Statement of Financial Position.

Terms and conditions of transactions with related parties

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

Compensation of the Group's key management personnel

	30 June 2019 $'000	30 June 2018 $'000
Short term employee benefits	1,419	1,676
Long-term employment benefits	41	40
Share based payments	339	532
	1,799	2,248

Short term employee benefits take into account the actual cash bonuses paid during the financial year for achievement of individual KPIs together with the amount accrued for short term incentives at year end based on

Group and Divisional performance and expected to be paid during the subsequent financial year.

Other transactions and balances with key management personnel and their related parties

There has been no other transactions with KMP, apart from those listed in this note, in Note 26 and in the remuneration report.

Equity Purchases

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

NOTE 26 SHARE BASED PAYMENT PLANS

Long Term Incentive Plan

Redflex established a Long Term Incentive Plan ("LTI Plan") for executives in 2006. The LTI Plan Rules for Australian and United States executives are published on Redflex's website. The LTI Plan is based on grants of Performance Rights which vest into shares on a 1 for 1 basis at no cost to the participating Executive, subject to satisfaction of financial and non-financial measures.

A specific arrangement for the Group CEO and Managing Director has also been initiated during the year. Specific details in relation to the plans are detailed in the Remuneration Report.

Executive Share Plan

No shares were issued under the Executive Share Plan (ESP) in the financial year ended 30 June 2019 (FY18: Nil).

Equity-settled transactions

LTI Plans

For the Group Chief Executive Officer vesting of the FY18 LTI Plan awards is dependent on the Group Chief Executive Officer remaining employed on 21 August 2018, 21 August 2019 and 21 August 2020, as the Group Chief Executive Officer's LTI award is payable in three equal instalments on these dates. No further issues were made to the Group Chief Executive Officer during FY19.

For senior executives, vesting of the FY17 to FY19 plans is dependent on the achievement of financial measures (weighted 70%), as set by the Board, and non-financial measures (weighted 30%), as approved by the Board.

The performance rights are valued using a discounted cash flow methodology, which uses the face value of the share at grant date less the present value of the dividend expected to be paid on the share but not received by the holder during the vesting period.

Performance rights assumptions

	10 October 2018
Share price at valuation date	0.45
Expected volatility	N/A
Risk-free interest rate	N/A
Expected life of performance right	N/A
Fair value of performance right	0.45
Dividend yield	0%

	21 August 2017	2 October 2017
Share price at valuation date	0.54	0.53
Expected volatility	N/A	N/A
Risk-free interest rate	N/A	N/A
Expected life of performance right	N/A	N/A
Fair value of performance right	0.54	0.53
Dividend yield	0%	0%

Year ended 30 June 2017	21 December 2016	19 January 2017
Share price at valuation date	0.35	0.46
Expected volatility	N/A	N/A
Risk-free interest rate	N/A	N/A
Expected life of performance right	N/A	N/A
Fair value of performance right	0.35	0.46
Dividend yield	0%	0%

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

Each performance right will convert to one fully paid ordinary share for nil consideration subject to the satisfaction of the vesting conditions.

The weighted average remaining contractual life for performance rights is generally 3 years (FY18: 3 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

Option Holdings of key management personnel in the prior year

On 21 August 2017 the Company issued 2,218,195 options to Mr Talbot. The options are exercisable at 48.14 cents and vest in 48 equal tranches over 48 months commencing from 21 February 2018, conditional on the executive being in continued employment with the Company at the vesting date. The options expire 5 years after they vest.

No other options were held or issued to Directors or KMP during FY19 (FY18: NIL).

Options Assumptions

	21 August 2017
Share price at valuation date	0.54
Expected volatility	100%
Risk-free interest rate	3%
Expected life of option	4 years
Fair value of option	0.39
Dividend yield	0%

Movements in the year

Performance rights

The following table illustrates the movements in the performance rights during the year ended 30 June.

	Total Number	Date
Issued at 1 July 2018	4,452,757	
Changes during the current year		
Vesting of performance rights	(531,975)	22 Aug 2018
Issue of performance rights	1,719,494	10 Oct 2018
Vesting of performance rights	(592,172)	10 Oct 2018
Lapse of performance rights	(1,327,910)	10 Oct 2018
Lapse of performance rights	(135,639)	7 Nov 2018
Lapse of performance rights	(747,424)	30 Jan 2019
Outstanding at 30 June 2019	2,837,131	

The total share based payment expense for FY19 was $0.5 million (FY18: $0.6 million)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

NOTE 27 PARENT ENTITY INFORMATION

Information relating to the parent entity, Redflex Holdings Limited.

	30 June 2019 $'000	30 June 2018 $'000
Current assets	3,180	4,279
Non-current assets	132,122	131,931
Total assets	135,302	136,210
Current liabilities	946	1,228
Non-current liabilities	22	9
Total liabilities	968	1,237
Net assets	134,334	134,973
Contributed equity	117,387	117,387
Retained earnings	5,412	6,619
Reserves	11,535	10,967
Total shareholders' equity	134,334	134,973
Profit / (loss) of the parent entity	(1,057)	(617)
Total comprehensive profit / (loss) of the parent entity	(1,057)	(617)

Contingent liabilities

With the exception of matters disclosed in Note 21 and elsewhere in this Annual Report, Redflex Holdings Limited does not have any contingent liabilities at 30 June 2019.

Contractual Capital Commitments

With the exception of matters disclosed in Note 24, Redflex Holdings Limited does not have any contracted capital commitments at 30 June 2019 (FY18: Nil)

Guarantees

Redflex Holdings Limited is a joint party under the credit facility agreement with Western Alliance Bank consisting of US$ 5 million revolving line of credit and a US$ 5 million three-year term loan.

Related Party Transactions

Refer to Note 25 for disclosure of transactions between the parent entity and related parties.

Redflex

NOTE 28 EVENTS AFTER BALANCE SHEET DATE

No matter or circumstance have arisen since 30 June 2018 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

NOTE 29 AUDITOR'S REMUNERATION

	30 June 2019 $	30 June 2018 $
Amount received or due and receivable by for:		
An audit and review of the financial report of the consolidated entity	428,400	428,400
An audit of the consolidated entity's overseas subsidiaries	23,162	23,970
Amount received or due and receivable for other services in relation to the consolidated entity for:		
Taxation services	361,012	215,823
Other assurance services	–	142,718
	812,574	810,911

DIRECTORS' DECLARATION

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

1. In the opinion of the directors:

(a) The financial statements and notes of Redflex Holdings Limited for the financial year ended 30 June 2019 are in accordance with the *Corporations Act 2001* (Cth), including:

(i) giving a true and fair view of its financial position as at 30 June 2019 and of its performance;

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

(b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.2;

(c) As detailed in Note 2.1 of the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors by the Group Chief Executive Officer and the Group Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* (Cth) for the financial year ended 30 June 2019.

On behalf of the Board

Adam Gray
Director
26 August 2019

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Independent auditor's report

To the members of Redflex Holdings Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Redflex Holdings Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2019
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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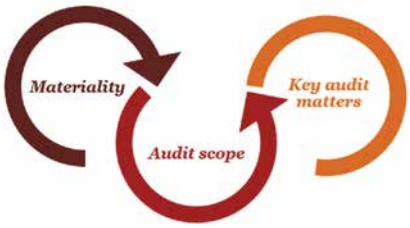
Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

The Group develops and manufactures a range of automated traffic enforcement products. The Group operates within two key markets, The Americas and Australia/International.



Materiality	*Audit scope*	*Key audit matters*
• For the purpose of our audit we used overall Group materiality of $1.2 million, which represents approximately 1% of the Group's total revenue. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Group total revenue because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. • We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • Our audit procedures were primarily performed at the Group's principal place of business in Victoria (Australia). • Our team included experts in taxation and valuation.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Recoverability of receivables – Impairment assessment over plant and equipment and intangible assets – Calculation of deferred tax balances • These are further described in the *Key audit matters* section of our report.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	***How our audit addressed the key audit matter***
Recoverability of receivables *(Refer to note 11 to the financial report)* The Group continues to encounter uncertainties surrounding the recoverability of certain receivables balances. For a Saudi Arabian based customer, the Group concluded in the 2017 financial year to fully provide against the outstanding receivables balance. A settlement agreement was reached on 21 November 2017 requiring the customer to pay A$3 million. The settlement payment was due 29 December 2017, however only A$1.4 million was paid by 30 June 2019. The Group continues to fully provide for the amount outstanding. For a Mexico based customer, the Group concluded to increase the provision for doubtful debts by US$1.6 million from US$4.2 million to US$5.8 million. This resulted in a US$1.6 million expense in the 30 June 2019 financial year. The receivable from the Mexican based customer is 100% provided for following the increased provision for doubtful debts. Settlement offers by the Mexican customer have not been accepted by the Group. The Group continues to progress recovery from the customer. This is a key audit matter due to the judgement required by the Group in estimating the allowance for impairment losses on the receivables from the Saudi Arabian and Mexican customer.	We performed the following procedures, amongst others, over the recoverability of receivables: • Enquired of management and the directors as to their knowledge of the events and conditions that may cast doubt on the recoverability of the receivables from the Saudi Arabian and Mexican customers. • Inspected the Saudi Arabian customer settlement agreement for accuracy of the settlement sum and the payment due date. • Inspected correspondence between the Group and the Saudi Arabian and the Mexican customers to develop an understanding of the status of recovery activities. • Obtained legal confirmations from the Group's external and in-house legal counsel in respect of the settlement recovery from the Saudi Arabian customer and settlement offers from the Mexican customer to consider the likelihood that the amounts owing to the Group would be settled within 12 months from balance sheet date.

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Key audit matter	*How our audit addressed the key audit matter*

Impairment assessment over plant and equipment and intangible assets
(Refer to note 20 to the financial report)
 	
As described in note 20 to the financial report, the Group held $32.0 million of plant and equipment and $14.2 million of intangible assets at 30 June 2019. The plant and equipment mostly relates to camera installations in the United States and the intangible assets mostly relates to capitalised research and development expenditure.
 	
The Group assessed its cash generating units (CGU), concluding its two CGUs are the Americas traffic operations and the International traffic operations.
 	
Due to the net assets of the Group exceeding the market capitalisation and the regulatory and legal environments in which the Group operates, the Group identified indicators of impairment in each of its CGUs during the year. As a result, the Group performed an impairment assessment for each CGU at 30 June 2019 by calculating the value in use of each CGU using discounted cash flow models (the models).
 	
As a result of the Group's asset impairment assessment at year end, no impairment was recognised.
 	
We considered this a key audit matter due to the significant judgements required by the Group in relation to assumptions and estimates used in the value in use calculations, such as:
 	
• Future trading cash flows, which are subject to uncertainty
• Discount rate utilised to discount future cash flows
• Revenue and cost assumptions
• Long term growth rate (LTGR) applied to the calculation of the terminal value
	We performed the following procedures, amongst others:
	
	• Assessed whether the division of the Group's plant and equipment and intangible assets into CGU's, which are the smallest identifiable groups of assets that can generate largely independent cash inflows, was consistent with our knowledge of the Group's operations and internal Group reporting.
	• Assessed whether the CGU's included assets, liabilities and cash flows directly attributable to each CGU and a reasonable allocation of corporate assets and overheads.
	• Considered if the models were consistent with the basis of preparation required by Australian Accounting Standards.
	• We assessed the models and calculations by:
	  - Checking the mathematical accuracy of the models
	  - Together with PwC valuation experts comparing the discount rate and LTGR applied to the impairment assessments for each CGU to independently calculated data
	  - Comparing the Group's forecast annual growth rates to Board approved budgets and forecasts, externally available economic data and historical actual results
	  - Comparing the forecasted cash flows to actual cash flows for the period to assess the accuracy of the Group's forecasting and confirming its consistency with our knowledge of the business and the Group's strategic initiatives
	  - Performing sensitivity analysis in relation to key assumptions to consider the impact of changes on future cash flows and resulting valuations.
	• We evaluated the adequacy of the disclosures made in note 20, including those regarding the key assumptions and sensitivities to changes in such assumptions, in light of the requirements of Australian Accounting Standards.

Key audit matter	*How our audit addressed the key audit matter*
Calculation of deferred tax balances *(Refer to note 9 to the financial report)* The calculations of deferred tax balances were a key audit matter because the Group has deferred tax assets of $20.3m and there is judgement involved in a number of aspects of the tax calculations, including the assessment of the timing of recoverability of the deferred taxes.	We performed the following procedures, amongst others over the calculation of deferred tax balances: • Together with PwC tax experts we assessed the tax analysis prepared by the Group. This included: - Comparing the tax forecast to the Group's 5 year business plans - Recalculating the mathematical accuracy of current and deferred tax calculations. • Evaluating the adequacy of disclosures made in the financial report in light of the requirement of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 25 to 41 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of Redflex Holdings Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Jason Perry
Partner

Melbourne
26 August 2019

ASX ADDITIONAL INFORMATION

Additional information required by ASX and not shown elsewhere in this report is as follows. This information is current as at 9 August 2019.

Distribution of equity securities

There were 1,514 holders of 150,218,432 fully paid ordinary shares quoted on the ASX. These shares carry one vote per share and carry the rights to dividends.

	Number of Holders	Ordinary shares	% of Issued Capital
1 – 1,000	363	160,453	0.11
1,001 – 5,000	524	1,320,961	0.88
5,001 – 10,000	218	1,655,866	1.11
10,001 – 100,000	339	10,753,838	7.06
100,001 – over	69	136,327,314	90.85
	1,514	150,218,432	100.00
Holding less than a marketable parcel of 1,266 shares @ $500	432	238,406	

Substantial holders

Name	Ordinary Shares	% of Issued Capital
Coliseum Capital Management, L.L.C.	41,628,866	27.71
Sidney Ho	16,127,237	10.74
Elizabeth Cooper	11,256,081	7.49
DUMAC, LLC	10,101,207	6.72
Elizabeth & Christopher Cooper	9,938,132	6.62
Cheng Man Oy	9,604,803	6.39

Twenty largest holders of quoted equity securities

Name	Shares Held	% of Issued Capital
HSBC Custody Nominees (Australia) Limited – GSCO ECA	41,628,866	27.71
HSBC Custody Nominees (Australia) Limited	19,282,188	12.84
Investaco Pty Ltd	11,423,257	7.60
Mrs Elizabeth Geraldine Cooper	10,270,041	6.84
Blue Jade Pty Ltd	9,742,528	6.49
Ms Cheng Man Oy	9,604,803	6.39
Mr Christopher Austin Cooper	5,011,735	3.34
Investaco Pty Ltd <Ho Family A/C>	4,050,622	2.70
Vertex Bianca Nominees Pty Ltd <Superannuation Fund A/C>	2,149,944	1.43
Citicorp Nominees Pty Limited	2,003,163	1.33
J P Morgan Nominees Australia Pty Ltd	1,860,509	1.24
Mr Graham Davie	1,858,994	1.24
O'Connor Holdings Pty Ltd	1,571,215	1.05
Character Home Sales Pty Ltd <Character Home SLS Sup A/C>	1,326,139	0.88
Vertex Bianca Nominees Pty Ltd	1,307,943	0.87
Mrs Elizabeth Geraldine Cooper	986,040	0.66
Debuscey Pty Ltd	784,179	0.52
Carrier International Pty Ltd <Super Fund A/C>	629,160	0.42
Michael R. Finn	582,305	0.39
Mark J. Talbot	531,975	0.35
Top 20 Holders of ordinary fully paid shares	126,605,606	84.28

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Annual Report 2019

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