4 March 2013

FY2013 First Half Results

Redflex Holdings Limited releases first half-year results for FY2013.

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REDFLEX HOLDINGS LIMITED
ABN: 96 069 306 216

APPENDIX 4D
REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

RESULTS FOR ANNOUNCEMENT TO THE MARKET

REDFLEX HOLDINGS LIMITED
ABN: 96 069 306 216

APPENDIX 4D
REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

Redflex has recorded revenue from operations of $69.2 million, a 7.2% decrease on the first half of the previous financial year.

Earnings before interest, tax, depreciation and amortisation (EBITDA) was $18.6 million, a 25.8% decrease on the first half of the previous financial year.

The net profit before tax from operations for the Group was $5.50 million compared to the previous corresponding half-year profit of $10.92 million, a decrease of 49.6%.

The net profit after tax from operations for the Group was $3.60 million compared to the previous corresponding half-year after tax profit of $7.16 million, a decrease of 49.7%.

The average AU$/US$ exchange rate for the first half of FY13 was 1.039 cents compared to 1.032 in the corresponding first half of FY12.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2012 and considered together with any public announcements made by Redflex Holdings Limited up to 1 March 2013 in accordance with the continuous disclosure obligations of the ASX listing rules.

				$'000
Results from continuing operations				
Revenue from continuing operations	Down	7.2%	to	69,173
Earnings before interest, tax, depreciation and amortisation (EBITDA)**	Down	25.8%	to	18,636
Profit before tax attributable to members	Down	49.6%	to	5,503
Profit after tax attributable to members	Down	49.7%	to	3,603
Basic earnings per share				
Basic EPS from continuing activities	Down	49.8%	to	3.26 cents
Diluted EPS from continuing activities	Down	49.8%	to	3.16 cents
Net tangible assets per share	Down	4.8%	to	74.5 cents

Dividends (distributions)	**Amount per security**	**Franked amount per security**
Final dividend in respect of financial year 2012	5.0 cents	5.0 cents
The Directors have not yet decided whether to declare an interim dividend.		

*The financial report on pages 11 to 22 is prepared in accordance with IFRS. This release including the financial report is unaudited.

** EBITDA is a non-IFRS measure and represents Earnings Before Interest, Tax, Depreciation and Amortisation.

DIRECTORS' REPORT

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

- Rob Debernardi (Non-executive Director)
- Michael McConnell (Non-executive Director)
- Albert Moyer (Non-executive Director) appointed 10 February 2013
- Robert DeVincenzi (Group CEO and Executive Director) appointed 30 September 2012
- Karen Finley resigned 25 February 2013 (was Redflex Traffic Systems Inc CEO, and Executive Director)
- Max Findlay resigned 6 February 2013 (was Chairman and Non-executive Director)
- Ian Davis resigned 6 February 2013 (was Non-executive Director)
- Graham Davie resigned 30 September 2012 (was CEO and Executive Director)

OPERATING AND FINANCIAL REVIEW

GROUP OVERVIEW

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

The focus of the company is to enhance public safety through the use of innovative technologies, such as red-light and speed photo enforcement solutions.

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

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

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

FINANCIAL RESOURCES

The Group has a $67.5 million (US$70.0 million) revolving credit facility with a syndicate of three Australian banks, and, in addition, an $8.0 million working capital facility for guarantees and bonds required to support contracts with certain customers.

The slowing rate of new installations within the USA market has reduced the demand for capital to service that market. The cash flow from operations should be sufficient to fund the Group's capital requirements.

The total drawn amount at 31 December 2012 was $23.1 million (US$24.0 million). The net debt position of the Group at 31 December 2012 was $13.3 million (including restricted cash).

The net cash flow from operations for H1 FY13 was lower than anticipated due to:

- Delayed payment of receivables from the Middle East and Chicago contracts which have led to an increase in receivables of $6.0 million over 30 June 2012 levels;
- Inventories increasing by $3.4 million over 30 June 2012 levels reflecting slower USA installations and a build of inventory ahead of the requirements for the Malaysian contract; and
- Tax payments of $4.7 million in Australia, USA and Saudi Arabia.

OPERATING RESULTS FOR THE FIRST HALF OF FINANCIAL YEAR 2013

For the half-year ended 31 December 2012, the company reports revenue from operations of $69.2 million which is down 7.2% on the corresponding first half of the previous financial year (H1 FY12: $74.5 million).

The reduced revenue was primarily attributable to the non-USA operations, with revenue down approximately $5.3 million on the previous corresponding period. Sales during the half to our international customers totalled $12.5 million. Sales to those customers in the prior corresponding period were $20.8 million. The USA Build-Own-Operate-and-Maintain business, excluding North America product sales, experienced a 3.5% increase in revenue over the previous corresponding period.

The decreased Group revenue was not affected by movements in the average AU$/US$ exchange rate between the comparative periods. The average AU$/US$ exchange rate for the half was 1.039 cents compared to 1.032 in the corresponding first half of FY12.

Net profit before tax was $5.50 million compared to $10.92 million in the previous corresponding period. Factors contributing to that decline were:

- reduced gross profit due to the lower international sales compared to the prior corresponding period (approximately $1.8 million);
- legal and associated costs related to the ongoing internal investigation into the City of Chicago contract and related matters (approximately $1.15 million);
- non-statutory entitlements payable to Mr Graham Davie on his retirement as Group CEO, including bringing forward the cost of Performance Rights not yet vested ($434k);
- provision for doubtful receivables to recognise the uncertainty around international collections ($279k);
- non cash related expense of options granted to the incoming CEO ($221k);
- losses on the Student Guardian bus stop-arm operation subsequent to the acquisition of the Smartbus operations in May 2012 (approximately $1.50 million).

SEGMENT REVENUE FROM OPERATIONS:

	First half FY13 $'000	First half FY12 $'000	% change
North American Traffic business	47,507	46,941	1.2
Australian/International Traffic business	21,661	27,573	(21.4)
Head Office interest income	5	1	
Revenue from operations	**69,173**	**74,515**	**(7.2)**

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

	First half FY13 $'000	First half FY12 $'000	% change
EBITDA from combined Traffic business	20,746	26,972	(23.1)
Head Office costs	(2,110)	(1,871)	(12.8)
EBITDA	**18,636**	**25,101**	**(25.7)**

PRE-TAX PROFIT FROM OPERATIONS:

	First half FY13 $'000	First half FY12 $'000	% change
Pre-tax profit from combined Traffic business	7,621	12,805	(40.1)
Head Office costs	(2,118)	(1,881)	(12.5)
Pre-tax profit from operations	**5,503**	**10,924**	**(49.6)**

NET PROFIT AFTER TAX FROM OPERATIONS:

	First half FY13 $'000	First half FY12 $'000	% change
Net profit after tax	**3,603**	**7,159**	**(49.7)**

NORTH AMERICAN OPERATIONS

Highlights

Revenue for the six months ended 31 December, 2012 were consistent with the same period in the prior year at $47.5 million ($46.9 million FY12) and profit before taxes was $4.6 million ($6.7 million FY12).

EBITDA margins for the six months ended 31 December, 2012 decreased to 31.7% from 36.3% in the prior year. Operating expenses as a percent of sales increased to 68.3% for the first half of FY13 from 63.7% for the same period in the prior year.

During the first half we installed 54 new cameras and removed 101 cameras from operation. The majority of the write-downs for the non-renewals were known, with write-downs taken in the FY12 results. During the first half of FY13, 15 contracts with 102 approaches were renewed, representing a renewal rate of 74%.

Redflex Guardian

REDFLEX Guardian™ addresses the safety needs of children on school buses and incorporates the operations of Redflex's product for school bus-arm photo enforcement as well as the operations of Smart Bus acquired in FY 2012. Video tracking is used to capture offences by vehicles passing a bus stopped for children with its safety lights flashing. Redflex has been awarded 25 contracts along with 18 pilot programs. The operation is in its initial start-up phase and incurred a loss of $1.5 million for H1 FY13.

Chicago Contract

Redflex has held contracts with the City of Chicago since 2003, to provide automated traffic enforcement products. Under the current contracts, entered into in 2008, Redflex installed and manages 384 automated enforcement systems in the City of Chicago. The contracts expired on 31 January 2013, however Redflex has received a six month extension on substantially the same terms and conditions as the previous contracts.

In H1 FY13, the Chicago contracts contributed 13.6% of Redflex's revenue.

During an internal investigation in September 2010, Redflex discovered that one of its employees paid for a hotel room for a City of Chicago employee. The expense totaled US$910. Redflex disclosed this incident to the Chicago Board of Ethics on 9 October 2012.

On 17 October 2012 the company retained Sidley Austin, a Chicago based legal firm, to conduct an independent internal investigation into the Chicago contract, with a broad scope, under the direction of the Audit and Risk Management Committee of the Board of Directors.

The Chicago Board of Ethics has authority to issue a variety of penalties ranging from monetary penalties to debarment of Redflex's contract with the City. In addition the City Mayor has requested the City's Inspector General's Office to conduct an independent investigation related to this incident.

As a consequence of this disclosure, on 16 October 2012 the Department of Procurement Services of the City of Chicago has deemed Redflex a non-responsible bidder for the purposes of an Automated Speed Enforcement Program tender process in which the company has been participating. The City has also notified the Company that the current in-force contracts for Redlight enforcement are in breach, despite granting the six month extension. On 8 February 2013, The Department of Procurement Services notified the Company that it will not be allowed to participate in the tender process for the Red Light program going forward.

The company continues to cooperate fully with the City of Chicago Inspector General's Office in its investigation.

New Contracts

The Company has signed 7 new contracts during the first half of FY13. These are:

Phenix City, AL	Jackson, TN
Plaquemines Parish, LA	Jacksonville, FL
Norfolk, VA	Alorton, IL
Capital Heights, MD	

Installations

The total number of installed systems in the USA at 31 December 2012 was 1,963. While the construction team added 54 new systems in the USA in first half of FY13, it also removed 101. The number of dark (non-revenue producing) approaches averaged 99 in the first half of FY13, compared to an average of 114 during FY12. The number of installed systems includes cameras that may not be generating revenue for reasons including: warning periods, delays in going live, legislative issues, road works, terminations, pending removals, or maintenance actions.

Legal and Legislative Environment

The level of litigation industry-wide, while still significant, continues to decrease partially due to Redflex's successful efforts resulting in positive rulings in the majority of suits. The standard types of lawsuits filed contain challenges on a constitutional or administrative basis including claims involving due process, right to privacy, requirement of private investigators licenses and city enabling ordinance issues. In addition, Redflex has received claims seeking relief for alleged violations of prevailing wage laws.

Redflex continues to lead the industry in proactively seeking to enable and improve the statutory framework for road safety programs as well as defending against adverse developments that may arise. Redflex is supporting the filing of bills in many current markets and in certain new states seeking enablement and enhancements for red light and speed road safety cameras, as well as for photo enforcement of school bus arm infractions.

Redflex works with its clients to help build public awareness around the safety issues that affect their communities, particularly relating to red light running, speeding, moving violations involving school buses and children, stop sign running and rail road crossing safety. We attempt to educate public officials, elected officials and the general public about how technology can be used to deter preventable motor vehicle and pedestrian related injuries. The tools that are used include print advertising, trade shows, websites, third party research, social media and customer forums.

Redflex continues to face challenges raised through local voter initiatives and referendums. In FY13, citizen initiatives caused the termination of several Redflex contracts at their term expiration. Redflex uses its network of advisors and municipal customers, as well as third party supporters to counter the efforts of state legislators who introduce bills that either seek to limit or remove traffic safety enforcement technologies while concurrently promoting new laws or amendments to existing law that enhance the efficiency and stability of road safety enforcement programs.

AUSTRALIAN / INTERNATIONAL OPERATIONS

Redflex International

New South Wales

In August 2012 the NSW Roads and Maritime Services (RMS) (previously known as the Roads and Traffic Authority), awarded Redflex a further one year contract extension to the current Interim Mobile Program where we provide and operate six in-car mobile cameras with stage 1 back-office adjudication services. In addition to the contract extension, the RMS also purchased for the six vehicles a technology enhancement which provides additional photographic evidence of speeding vehicles. This feature is especially useful in identifying vehicles that have front license plates missing or obscured. The NSW Government has released a competitive tender to increase the program from 930 hours of enforcement per month, to 7000 hours by July 2013. The results of that tender are expected to be announced during H2.

Victoria

Redflex was awarded the contract to supply and install a point-to-point speed camera system for the new Peninsula Link freeway between Frankston and Mount Martha. The cameras automatically read the number plate of each vehicle as it passes the first camera, which is then compared with the number plate of the vehicle as it passes the second camera. The average speed is calculated and any vehicle which has an average speed exceeding the speed limit is detected as an offender. Installation work for six systems was fast-tracked in preparation for the road's official opening on 18 January 2013.

For the Department of Justice, Redflex has also installed new speed camera systems in the Domain and Burnley Tunnels. The systems interface to the variable speed limit signs in the tunnel to enforce the active speed limit. The systems also contain Automatic Number Plate Recognition technology for vehicles of interest and will have the functionality to enforce vehicles illegally travelling in barred lanes.

South Australia

Preparatory work has commenced to install two point-to-point systems for the South Australia Police. These will be the first point-to-point speed camera systems installed in the State. These systems form part of the ongoing contract Redflex holds with the Department of Planning, Transport and Infrastructure in association with the South Australian Police, for the supply of enforcement cameras to South Australia.

Northern Territory

For the NT Government, Redflex has signed a new contract for one year (plus a further one year option period). The contract involves the running of a back-office processing centre, collecting payments on behalf of the Government, and assisting their Fines Recovery Unit.

Queensland

The latest software release of our large-scale Image and Infringement Processing System, to the Queensland Police Service (QPS), allows for an easier migration of their mobile wet film business into the IIPS Back-Office system. Approximately 70% of all the incidents processed by the QPS Traffic Camera Office are currently captured with mobile wet film cameras. Following the full migration of mobile wet film cameras to digital cameras, approximately 90% of all incidents will be processed in IIPS.

Saudi Arabia

The traffic safety program in Saudi Arabia is one of the largest programs in the region. Continual technology upgrades are being rolled out to ensure the best possible outcomes for road safety in Saudi Arabia.

Abu Dhabi

The Abu Dhabi project is progressing slowly, as we deal with a number of issues associated with the installation of the systems. We do not expect to see any further significant deliveries during FY13.

Ireland Safety Camera Program

Forty-four vehicles are now operational in Ireland for the GoSafe project, in which Redflex operates as a Consortium partner with Spectra (from Ireland) and Egis Projects SA (from France). Redflex owns a 16% stake in the Consortium and received coupon interest and a management fee in FY12. Redflex expects further returns on that investment in FY13 and beyond.

Malaysia

The Automated Enforcement System (AES) program has now been launched in Malaysia. The contract is worth over $50 million to Redflex, and we are expecting to provide state-of-the-art speed enforcement technology with 450 fixed speed cameras, 140 mobile cameras, extensive enterprise back-office software, and implementation services.

The AES program received approval to go live on 27 September 2012. The Government approved the issuance of infringements on 8 October. Redflex has delivered the first tranche of cameras which are in the process of being activated. The roll-out of the program is slower than originally advised to Redflex and we now expect the bulk of the orders anticipated during FY13 to slip into FY14. As a result, the expansion of the project may now extend over a number of years.

Research and Development

Our Mapping Radar technology to monitor traffic-light controlled intersections for both red-light offences and speed offences is performing very well. We have shipped over 200 radars to the USA. They are currently installed in California, Louisiana, Tennessee, Texas and Ohio.

Redflex also developed a school bus enforcement system, called Student Guardian. In the USA, when a school bus stops to allow the schoolchildren to exit, no vehicle is allowed to pass the bus. When the school bus stops and the stop-arm is extended, the system automatically begins enforcing. High resolution photographs and a high resolution video clip are automatically inserted into an infringement file for every offending vehicle.

OUTLOOK FOR THE REMAINDER OF THE 2013 FINANCIAL YEAR

We expect our full year result to be adversely affected by the following items:

- Legal and associated costs relating to the ongoing internal investigation into the Chicago contract which will continue into H2. These will be significant.
- Despite early delays we anticipate the Malaysian contract will commence shortly and contribute to the FY13 result, although the timing of deliveries is difficult to determine.

At this stage we cannot determine the full effect of the impact on our business arising from the results of the Chicago investigation and therefore cannot provide any meaningful forecast for FY13.

EVENTS SUBSEQUENT TO 31 DECEMBER 2012

There were no significant events subsequent to 31 December 2012 and prior to the date of this report, except for those disclosed in Note 8.

ROUNDING

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

AUDITOR'S INDEPENDENCE

The company has received the Auditor's Independence Declaration dated 2 March 2013.

Signed in accordance with a resolution of the directors.

Robert DeVincenzi

Director
Phoenix, Arizona

1 March 2013

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

In relation to our review of the financial report of Redflex Holdings Limited for the half-year ended 31 December 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ashley Butler
Partner
2 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	31-Dec-12	31-Dec-11
		$'000	$'000
Revenue from operations			
Sale of goods and services		22,157	27,885
Revenue from fee for service contracts		46,988	46,615
Finance revenue		28	15
Total revenue		**69,173**	**74,515**
Cost of goods sold		14,364	18,818
Cost of fee for service contracts		13,536	11,701
Cost of sales		**27,900**	**30,519**
Gross profit		**41,273**	**43,996**
Sales and marketing related expenses		5,176	4,647
Administrative related expenses		16,280	12,358
Amortisation of intangibles		1,928	1,386
Depreciation – fee for service contract assets		10,426	11,071
Depreciation – other		248	244
Impairment of plant and equipment		679	1,421
Program management costs		503	469
		35,240	**31,596**
Profit before tax and financing costs		**6,033**	**12,400**
Finance costs		530	1,476
Profit before tax		**5,503**	**10,924**
Income tax expense		1,900	3,765
Net profit for the period		**3,603**	**7,159**
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Foreign currency translation		(2,153)	2,058
Total comprehensive income for the period		**1,450**	**9,217**
Earnings per share (cents per share) attributable to ordinary equity holders of the parent company			
- basic for profit for half-year		3.26 cents	6.49 cents
- diluted for profit for half-year		3.16 cents	6.32 cents
- dividends per share		nil	3.00 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31-Dec-12 $'000	30-Jun-12 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	6	9,535	22,162
Trade and other receivables		29,559	23,424
Inventories		19,464	16,022
Deferred cost asset		428	2,340
Other assets		2,728	2,628
Total Current Assets		**61,714**	**66,576**
Non-Current Assets			
Property plant and equipment		63,524	68,337
Deferred tax asset		8,638	10,572
Intangible assets and goodwill		28,703	27,715
Deferred cost asset		1,601	1,709
Other financial assets		2,057	2,057
Other non-current receivables		7,641	6,841
Total Non-Current Assets		**112,164**	**117,231**
TOTAL ASSETS		**173,878**	**183,807**
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables		19,996	19,159
Interest bearing borrowings	4	8	8
Income tax payable		989	1,780
Provisions		3,384	4,371
Other current liabilities		299	209
Total Current Liabilities		**24,676**	**25,527**
Non Current Liabilities			
Interest bearing borrowings	4	22,835	24,211
Deferred tax liabilities		9,675	13,935
Contingent consideration payable		2,778	2,967
Provisions		2,834	3,028
Total Non Current Liabilities		**38,122**	**44,141**
TOTAL LIABILITIES		**62,798**	**69,668**
NET ASSETS		**111,080**	**114,139**
Equity attributable to equity holders of the parent company			
Contributed equity		101,765	101,765
Reserves		(16,972)	(15,827)
Retained earnings		26,287	28,201
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**111,080**	**114,139**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	31-Dec-12 $'000	31-Dec-11 $'000
Operating activities			
Receipts from customers		61,258	79,039
Payments to suppliers and employees		(52,441)	(52,985)
Interest received		28	15
Interest paid		(440)	(888)
Income tax paid		(4,680)	(971)
Net cash flows from operating activities	6	**3,725**	**24,210**
Investing activities			
Purchase of property, plant and equipment		(6,457)	(7,869)
Capitalised development costs paid		(3,105)	(3,182)
Net cash flows (used in) investing activities		**(9,562)**	**(11,051)**
Financing activities			
Repaid bank borrowings		(956)	(4,938)
Lease liability (repaid) incurred		(4)	(92)
Dividends paid		(5,517)	(5,517)
Net cash flows (used in) financing activities		**(6,477)**	**(10,547)**
Net (decrease) / increase in cash held		**(12,314)**	**2,612**
Effect of exchange rate changes on cash		(313)	475
Cash and cash equivalents at beginning of period		22,162	16,543
Cash and cash equivalents at end of period	6	**9,535**	**19,630**
Reconciliation of cash			
Cash at the end of the period consists of:			
Cash at banks and on hand		9,535	19,630
Cash at banks and on hand		**9,535**	**19,630**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Contributed Equity $'000	Foreign Currency Translation Reserve $'000	Employee Equity Benefits Reserve $'000	Accumulated (Losses)/ Profits $'000	Total Equity $'000
At 1 July 2011		**121,765**	**(26,688)**	**7,218**	**1,922**	**104,217**
Profit for the half-year		0	0	0	7,159	7,159
Currency translation differences		0	2,058	0	0	2,058
Total comprehensive income for the period		**0**	**2,058**	**0**	**7,159**	**9,217**
Share based payments		0	0	630	0	630
Dividends paid		0	0	0	(5,517)	(5,517)
Section 258F of the Corporations Act (2001) capital reduction		(20,000)	0	0	20,000	0
At 31 December 2011		**101,765**	**(24,630)**	**7,848**	**23,564**	**108,547**
At 1 July 2012		**101,765**	**(24,368)**	**8,541**	**28,201**	**114,139**
Profit for the half-year		0	0	0	3,603	3,603
Currency translation differences		0	(2,153)	0	0	(2,153)
Total comprehensive income for the period			**(2,153)**		**3,603**	**1,450**
Share based payments		0	0	1,008	0	1,008
Dividends paid		0	0	0	(5,517)	(5,517)
At 31 December 2012		**101,765**	**(26,521)**	**9,549**	**26,287**	**111,080**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 CORPORATE INFORMATION

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation and new accounting standards

Basis of preparation

This general purpose financial report for the half-year ended 31 December 2012 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

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

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2012 and considered together with any public announcements made by Redflex Holdings Limited during the half-year ended 31 December 2012 in accordance with the continuous disclosure obligations of the ASX listing rules.

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

New accounting standards

With regard to the amendments to AASB that have been adopted since 30 June 2012, there has not been an impact on the accounting policies of the Group.

(b) Changes in accounting policies

There have been no changes in accounting policies during the half-year ended 31 December 2012.

(c) Change in accounting estimate

There were no significant changes in accounting estimates for the half-year ended 31 December 2012.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

During the year ended 30 June 2009 the Group restructured its global tax affairs in order to provide for a more efficient flow of funds around the Group. The outcome of the restructure involves a significant degree of uncertainty, and as such the company commissioned independent advice from its professional legal and tax advisors. The outcome of the restructure at the time could result in future potential tax liabilities of up to $10.65 million, with corresponding off-setting tax benefits arising over future years. The likelihood of any such current tax liability was not considered probable.

NOTE 3 SEGMENT INFORMATION

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

The Traffic division operates within two key markets - the North American and Australia/ International. The North American Traffic business is predominantly a Build Own Operate and Maintain business providing fully outsourced traffic enforcement programs to cities and townships. The Australian and International Traffic businesses involve the sale of traffic enforcement products and services to those markets together with some recurring revenue contracts.

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

The following tables present revenue and profit information and asset and liability information regarding business segments for the half years ended 31 December 2012 and 31 December 2011.

NOTE 3 SEGMENT INFORMATION – CONTINUED

Operating segments
Half year ended 31 December 2012

	North America $'000	Australian /International $'000	Total $'000
Revenue			
Revenue from the sale of goods and services to external customers	1,577	21,638	23,215
Revenue from fee for service contracts	45,930	0	45,930
Finance revenue	0	23	23
Inter-segment revenue	0	3,668	3,668
Total segment revenue	**47,507**	**25,329**	**72,836**
Inter-segment elimination			(3,668)
Head office finance revenue			5
Total consolidated revenue			**69,173**
Result			
Earnings before interest tax, depreciation and amortization	15,045	5,701	20,746
Inter-segment royalty	658	(658)	0
Depreciation	(10,426)	(241)	(10,667)
Amortisation	(705)	(1,223)	(1,928)
Segment result	**4,572**	**3,579**	**8,151**
Head office result			(2,118)
Profit before tax and finance charges			**6,033**
Finance charges			(530)
Profit before income tax			**5,503**
Income tax expense			(1,900)
Net profit for the half			**3,603**
Assets and liabilities (31 Dec 2012)			
Segment assets	76,018	73,359	149,377
Head office assets			24,501
Total assets			**173,878**
Segment liabilities	53,122	14,177	67,299
Head office liabilities			(4,501)
Total liabilities			**62,798**

NOTE 3 SEGMENT INFORMATION – CONTINUED

Operating segments

Half year ended 31 December 2011

	North America $'000	Australian /International $'000	Total $'000
Revenue			
Revenue from the sale of goods and services	2,552	27,563	30,115
Revenue from fee for service contracts	44,385	0	44,385
Finance revenue	4	10	14
Inter-segment revenue	0	5,206	5,206
Total segment revenue	**46,941**	**32,779**	**79,720**
Inter-segment elimination			(5,206)
Head office finance revenue			1
Total consolidated revenue			**74,515**
Result			
Earnings before interest tax, depreciation and amortization	17,032	9,940	26,972
Inter-segment royalty	989	(989)	0
Depreciation	(11,071)	(234)	(11,305)
Amortisation	(274)	(1,112)	(1,386)
Segment result	**6,676**	**7,605**	**14,281**
Head office result			(1,881)
Potential sale transactions costs			0
Profit before tax and finance charges			**12,400**
Finance charges			(1,476)
Profit before income tax			**10,924**
Income tax expense			(3,765)
Net profit for the half			**7,159**
Assets and liabilities (30 June 2012)			
Segment assets	84,030	64,712	148,742
Head office assets			32,760
Total assets			**181,502**
Segment liabilities	54,836	14,911	69,747
Head office liabilities			(2,384)
Total liabilities			**67,363**

NOTE 4 INTEREST BEARING BORROWINGS

	31-Dec-12 $'000	30-Jun-12 $'000
Current		
Obligations under finance leases and hire purchase contracts	8	8
Bank borrowings	0	0
Deferred financing costs	0	0
	8	**8**
Non-Current		
Obligations under finance leases and hire purchase contracts	0	4
Bank borrowings	23,141	24,609
Deferred financing costs	(306)	(402)
	22,835	**24,211**

The Group has in place a $67.5 million (US$70.0 million) secured revolving credit facility for funding growth within the USA traffic division, together with an $8.0 million working capital facility to address international and local business opportunities. The Commonwealth Bank of Australia in conjunction with two other major Australian banks was granted a first and only priority senior security interest over the assets of Redflex Traffic Systems Inc and its subsidiaries, together with a fixed and floating charge over the assets and undertakings of Redflex Holdings Limited. The loan principal is not required to be repaid within the next twelve months and is available for redraw to the facility limit if repaid.

Costs associated with borrowings under this facility include a line fee and margin. Interest rates are based on US LIBOR. Together with amortisation of financing costs, cost of borrowing is approximately 5% pa on funds borrowed.

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

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

BANK INDEMNITY GUARANTEES

The group's bankers have issued indemnity guarantees to certain customers in respect of letters of credit, bid bonds and performance bonds for $3,143,370 (30 June 2012: $3,055,105).

FINANCING FACILITIES AVAILABLE

	31-Dec-12 $'000	30-Jun-12 $'000
Total facilities		
Bank borrowings	67,496	68,904
AU$ working capital facility	8,000	8,000
	75,496	**76,904**
Facilities used at reporting date		
Bank borrowings	23,141	24,609
Deferred financing costs	(306)	(402)
Security for letters of credit issued to customers	3,143	3,055
	25,978	**27,262**
Facilities unused at reporting date	**49,518**	**49,642**

NOTE 5 ISSUED AND QUOTED SECURITIES

	Total number	Number quoted	Issue price per security	Amount paid up per security
ORDINARY SECURITIES				
Issued at 1 July 2012	**110,345,599**	**110,345,599**		
Changes during current period				
(a) Increases through issues				
Dividend Reinvestment Plan	0	0	0	0
From Performance Rights	416,711	416,711	0	0
From Share issue	0	0	0	0
From Rights issue	0	0	0	0
Issued at 31 December 2012	**110,762,310**	**110,762,310**		

	Total number all unquoted
PERFORMANCE RIGHTS	
Issued at 1 July 2012	**2,769,177**
Issued – performance to 1 October 2015	1,280,649
Vested – performance to 1 October 2012	(416,711)
Lapsed - performance to 1 October 2012	(318,801)
Forfeited - performance to 1 October 2013	(12,261)
- performance to 1 October 2014	(17,306)
- performance to 1 October 2014	(15,229)
Issued at 31 December 2012	3,269,518

NOTE 6 STATEMENT OF CASH FLOWS RECONCILIATION

RECONCILIATION OF NET PROFIT AFTER TAX TO NET CASH FLOWS FROM OPERATIONS

	Note	Consolidated 31-Dec-12 $'000	Consolidated 31-Dec-11 $'000
RECONCILIATION OF STATEMENT OF CASH FLOWS			
For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following:			
Cash at bank and in hand		2,960	14,735
Restricted cash		6,575	4,895
		9,535	**19,630**
RECONCILIATION OF NET PROFIT AFTER TAX TO NET CASH FLOWS FROM OPERATIONS			
Net profit after income tax		**3,603**	**7,159**
Non cash flow items			
Depreciation expense		10,475	10,980
Asset retirement obligation depreciation		199	335
Amortisation of intangibles		1,928	1,386
Provision for employee entitlements		(1,048)	282
Impairment and write down of property, plant and equipment		679	1,421
Deferred financing costs amortization		90	588
Share based payments		1,008	630
Change in operating assets and liabilities			
Decrease/(Increase) in prepayments		(125)	927
Decrease/(Increase) in receivables		(7,415)	4,991
Decrease/(Increase) in inventories		(3,619)	(4,243)
Decrease/(Increase) in taxation provisions		(2,077)	1,144
Decrease/(Increase) in deferred tax asset		(459)	35
Increase/(Decrease) in deferred tax liability		(348)	1,614
Increase/(Decrease) in deferred revenue		(333)	(403)
Increase/(Decrease) in payables		(806)	(4,639)
Decrease/(Increase) in intangibles		0	0
Decrease/(Increase) in deferred costs assets*		1,973	2,003
Net cash from operating activities		**3,725**	**24,210**

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

NOTE 7 CONTINGENCIES

There has been no change in contingent assets or liabilities since 30 June 12 other than those arising from our contracts with the City of Chicago.

City of Chicago – possible actions and outcomes

The Company has previously announced the issues existing with its USA subsidiary's historical dealings with the City of Chicago, the resulting internal and Illinois Inspector General investigations, and the Group's exclusion from bidding for current and immediate forthcoming speed and red light contracts in Chicago following completion of the current contract extension on 31 July 2013, as granted by the City on 31 January 2013.

The Company's internal investigation in relation to the Chicago situation is now substantially complete. The Illinois Inspector General's review is still in progress and was not complete at reporting date or at the date of signing this report.

It is possible that fines and other penalties may result from these investigations, however these have not been determined or are known at the date of this report.

Further, the current investigations may identify other instances of similar dealings with the City of Chicago and/or other jurisdictions.

Until the company's and the Illinois Inspector General's investigations are complete, no financial outcomes from any possible fines, penalties, or similar dealings have been recognised in the financial results for the half year ended 31 December 2012.

All deferred cost assets relating to the City of Chicago have been systematically amortised in accordance with the contract terms existing at 31 December 2012, ending on 31 January 2013.

NOTE 8 EVENTS AFTER BALANCE SHEET DATE

There were no significant events subsequent to 31 December 2012 and prior to the date of this report other than the preliminary outcomes of the investigations from the City of Chicago arrangements as detailed in Note 7 and the following changes to Key Management Personnel

- Aaron Rosenberg - Executive Vice President of Business Development, was terminated as an employee of Redflex on February 20, 2013.

In addition the following Key Management Personnel associated with the USA business have tendered their resignations:

- Karen Finley – RTSI President and CEO. Ms. Finley has also tendered her resignation as director from the Redflex Holdings Board.
- Andrejs Bunkse, Vice President and General Counsel.
- Sean Nolen, RTSI CFO.

DIRECTORS' DECLARATION FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

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

In the opinion of the directors,

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

   (i) giving a true and fair view of the financial position as at 31 December 2012 and the performance for the half-year ended on that date of the consolidated entity, and

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

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

On behalf of the Board

Robert DeVincenzi

Director
Phoenix, Arizona

1 March 2013

Redflex Holdings Limited
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To the members of Redflex Holdings Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Redflex Holdings Limited, which comprises the statement of financial position as at 31 December 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Redflex Holdings Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

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

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

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

Ernst & Young

Ernst & Young

Ashley C Butler
Partner
Melbourne

2 March 2013