Redflex

FY2020 Preliminary Final Report and FY2020 Annual Report

In accordance with ASX Listing Rules, Redflex Holdings Limited (ABN 96 069 306 216) (**ASX:RDF**) reports its full year financial results for announcement to the market:

1. FY2020 ASX Appendix 4E Preliminary Final Report; and

2. FY2020 Annual Report of the Company.

The Board has determined not to declare a dividend at this time.

About Redflex

During the past 25 years, Redflex has established itself as a world leader in developing and implementing intelligent traffic management products and services which are sold and managed in Asia Pacific, North America, United Kingdom, Europe and Middle East regions. Redflex develops, manufactures and operates a wide range of platform-based solutions all utilising advanced sensor and image capture technologies enabling active management of state and local motorways.

The Redflex Group runs its own systems engineering operations, system integration technologies and innovation centre for research and development. With a continuous program of product development, Redflex has been helping to improve roadway safety, alleviate congestion and reduce the harmful impacts of vehicle emissions.

Redflex Holdings Limited was listed on the Australian Securities Exchange in January 1997.

This announcement was authorised by the Board. For further information please contact:

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Redflex Holdings Limited

ABN: 96 069 306 216

APPENDIX 4E

Preliminary Final Report for the year ended 30 June 2020
Results for announcement to the market

This Preliminary Final Report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.3A

Results from operations

				2020 $'000s	2019 $'000s
Revenue from operations	Down	13.9%	to	100,733	117,011
Earnings before depreciation, amortisation, impairment, finance costs and tax ("EBITDA")	Up	13.3%	to	18,313	16,168
Loss from ordinary activities before tax attributable to members	Down	22.6%	to	(6,242)	(8,064)
Loss after tax attributable to members	Up	85.8%	to	(10,410)	(5,604)
Basic / Diluted loss per share (cents)	Down	84.5%	to	(6.90)	(3.74)
Net tangible assets per share	Down	23.7%	to	21.01	27.52

Dividends (distributions)

No dividend or distribution have been declared with respect to the financial year ended 30 June 2020 ("FY20") or the financial year ended 30 June 2019 ("FY19").

Previous corresponding period

The previous corresponding period is the year ended 30 June 2019.

Note regarding non-IFRS financial information

- Throughout the Annual Report, Redflex has included certain non-IFRS financial information, including EBITDA, net debt and free cash flow.
- This information is presented to assist readers in making appropriate comparisons with prior periods and to assess the performance of the Group. EBITDA is a measure frequently quoted in the industry and forms the basis upon which many investors, financiers and analysts are briefed.
- Non-IFRS information is not reviewed by PwC.

Currency

All numbers shown in this Preliminary Final Report are denominated in Australian dollars ("AUD") unless otherwise stated

Redflex Holdings Limited
Annual Report

For the year ended 30 June 2020

Redflex Holdings Limited

ABN 96 069 306 216

REDFLEX – 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”) 2020 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 2020 ASX Corporate Governance Statement and ASX Appendix 4G, please click on the “Investors/ Governance” tab.

The URL for the 2020 ASX Corporate Governance Statement is:

https://redflex.com/wp-content/uploads/sites/3/2020/08/2020-Corporate-Governance-Statement.pdf

The URL for the 2020 ASX Appendix 4G is:

https://redflex.com/wp-content/uploads/sites/3/2020/08/2020-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
Terence Winters
John Worthington

Company Secretary

Craig Durham

Registered Office

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

Principal Places of Business

Australia

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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

FINANCIAL PERFORMANCE SUMMARY

RESULTS FROM OPERATIONS

	2020	2019
Revenue ($ Million)	100.7	117.0
Earnings before depreciation, amortisation, impairment, finance costs and tax ($ Million) *	18.3	16.2
Loss after tax ($ Million)	(10.4)	(5.6)
Weighted average number of shares (Million)	150.9	150.0
Basic earnings per share (Cents)	(6.90)	(3.74)
Earnings per share based on earnings before interest, tax, depreciation and amortisation (Cents) *	12.14	10.80
Net tangible assets per share (Cents)*	21.01	27.52

	2020 ($M)	2019 ($M)
Current assets	57.0	55.2
Non-current assets	72.1	64.8
Current liabilities	31.8	27.7
Non-current liabilities	34.3	18.7
Shareholders' equity	63.0	73.6

Reporting period

The current reporting period is the year ended 30 June 2020 ("FY20"). The previous corresponding period is the year ended 30 June 2019 ("FY19").

* Note regarding non-IFRS financial information

Throughout this Annual Report, Redflex has included certain non-IFRS financial information, including earnings before interest, tax, depreciation and amortisation ("EBITDA"), net debt and free cash flow.

This information is presented to assist readers in making appropriate comparisons with prior periods and to assess the performance of the Group. EBITDA as it is sometimes called, is a measure frequently quoted in the industry and forms the basis upon which many investors, financiers and analysts are briefed.

Non-IFRS information is not audited by PwC.

CHAIRMAN'S LETTER

LEVERAGING OUR MARKET POSITION DURING GLOBAL DISRUPTION

Dear Fellow Shareholders and Associates

Over the last several months our world has changed dramatically. This has been a painful period for many individuals, families, and communities. CV-19, striking a high human cost globally, has disrupted any sense of "normalcy" for the foreseeable future. In addition, recent events have once again illuminated deep-seeded prejudice and injustice.

We care deeply and have no tolerance for racism of any kind. We value diversity and inclusion. It is who we are at our core, and how we endeavor to live our lives. The covenant to be fair and just is the foundation from which we steward the organization. We are inspired and committed to do our part.

Our Trajectory

Having cleared the path ahead and taken decisive action to rebuild a platform for sustained success with a strong, seasoned leadership team and the runway to then drive operating and financial results, the ethos of Redflex has indeed been transformed. As has the company's ability to once again compete, win and navigate inevitable challenges.

Last year I wrote of our transformative posture, focussed on both organic and inorganic opportunities to profitably grow and diversify our business, building upon the meaningful investment we had made in our people, product, processes and strategic beachheads, and further leveraging our operating inflection.

A Pause and an Essential Service

Please refer to our more expansive commentary that follows in the CEO report.

With an active bid universe and growing backlog, FY20 was intended to be largely about closing sizable awarded contracts, scheduling production and beginning the implementation of substantial enforcement programs, including speed in Ontario (Canada), work zone in Pennsylvania (United States) and rail crossing in Los Angeles (United States), among others.

As you might imagine, the pandemic and related complications disrupted not just the global economy but also our customers' behaviours, traffic volumes flowing through our installed base and our momentum in the near term, particularly as it regards the pace of implementation.

Although paused, management has been anything but complacent, actively and aggressively modifying our service delivery model, implementing austerity measures and accessing government support programs to both strengthen our balance sheet and maintain operational readiness across the globe.

Pleasingly, our government customers, who also had to adjust their work environment, seemed inclined to ensure key suppliers such as Redflex were able to maintain services and were paid on time.

We also continued to build out the team, refresh and expand our solutions portfolio, and leverage our market position to grow the TCV of our contracted backlog with a keen focus on increased penetration in key strategic markets and upon recurring revenue.

Looking Ahead

We remain optimistic and encouraged by two things:

- The aperture of our addressable market within the Intelligent Transportation Systems industry continues to expand beyond our "enforcement" heritage, more and more firmly positioning Redflex as a leader in providing technology-led solutions to roadway safety, predictable and frictionless travel, and reduced environmental impact from mobility options.
- Our management team's ability to navigate the path ahead with a clear set of guiding principles, "go-get" attitude and focus upon both impeccable and efficient execution.

As we look towards FY21 we remain focussed on delivering upon and further capitalizing upon our backlog of awarded programs. While uncertainty remains, I am happy to say Redflex is positioned to manage through a dynamic business environment and continue to build on the momentum from the first half of this past year as the global economy reopens

On behalf of the Board and Management at Redflex, as always, I appreciate your continued support of Redflex and look forward to discussing our results at the 2020 Annual General Meeting.

With best wishes,

Adam Gray

Adam L. Gray
Chairman

GROUP CHIEF EXECUTIVE OFFICER'S REPORT

REVIEW OF OPERATIONS

Against the backdrop of an extraordinarily challenging global health crisis, Redflex has continued to advance its transformation journey. During the year ending 30 June 2020 ("FY20"), we were successful in winning major new programs and continued the development of innovative customer solutions using our HALO and Alcyon platforms. During FY20 we achieved a series of noteworthy successes:

- Contracted more than $158m of new revenue (total contract value ("TCV")) representing an increase of more than 250% on the prior year;
- Significantly, 87% of the TCV represented new multi-year deployment programs which are expected to generate $17m of annual recurring revenue ("ARR") when implemented;
- Growth in International revenue from both hardware and software deployments and the provision of recurring services; and
- Continued development of the sales opportunity pipeline to support future growth.

The Company has been successful in growing its contracted customer base in each of its key geographies: North America, the United Kingdom and Australia. The first year of any recurring revenue contract is always the most critical. During this period, it is essential to ensure systems are built and installed on time and on budget. Despite interruptions due to the COVID-19 pandemic, we have been on track to deliver on our customer commitments. As we exit the implementation phase and enter the operational phase in FY21, our focus will be on streamlining our operational processes, delivering on our contracted service levels and meeting or exceeding the expected return from each new program.

Progress in FY20 on key new programs was substantial and included:

- Pennsylvania Department of Transportation – work zone speed enforcement: US$50 million TCV over seven years, including option periods. Deployments under this program commenced in March 2020 and it is expected that the program will be fully operational in Q1 FY21;
- Los Angeles County Metropolitan Transit Authority – rail crossing enforcement: US$25 million over eight years. Design and installation works commenced during FY20 and it is expected that the program will be fully operational during H1 FY21;
- Ontario Traffic Council in Canada – speed enforcement: C$21 million over ten years, including option periods. The speed program in Toronto was implemented during FY20. Adjacent municipalities continue to join this program with further program expansion expected during FY21; and
- Highways England - additional equipment and installation: $5.7 million. Equipment under this project was delivered during FY20 with installation scheduled to occur in FY21.

The COVID-19 pandemic created significant business disruption during the second half of FY20. Redflex has several volume-based contracts in the North American market which were adversely impacted by lower traffic volumes due to movement restrictions in some cities. Additionally, the implementation of some programs in North America and the United Kingdom were delayed due to movement restrictions. As a result, we estimate that approximately $7 million of revenue was lost or delayed during FY20.

In response to the pandemic the Company undertook several actions. The Board and the senior executive team reduced their fees and salaries, respectively, by 20% for a ten-week period from April 2020. Other staff agreed to reduce their working hours by 20% during the same period. The Company also accessed relevant government support packages where appropriate. Specifically, the company received funding under the Paycheck Protection Plan in the U.S. ($4.2 million) and the JobKeeper scheme in Australia ($2.0 million). Combined with the salary reductions, access to these schemes has enabled Redflex to retain its employees and capability during the

GROUP CHIEF EXECUTIVE OFFICER'S REPORT

pandemic. In some jurisdictions the movement restrictions have eased and programs have recommenced, although the Company continues to monitor and respond to rapidly changing circumstances.

Despite the impact of the COVID-19 pandemic we advanced a number of key initiatives during the second half of FY20. Seven newly awarded recurring revenue contracts commenced in North America which included our latest releases of the HALO Redlight solution and our updated Speedcam for mobile and portable deployments. We also received approval for our Alycon GovCloud solution, giving us the ability to market and sell a certified cloud-based violation processing application to our customers. Finally, we continued to invest in research and development and successfully piloted our first in-vehicle bus lane enforcement solution, expanded our pilot for "close following" enforcement on major motorways, field tested our new Halo Edge point to point solution, and secured our first order to pilot our Halo Edge distracted driver solution. Despite the pandemic and subsequent restrictions on travel and in-person collaboration, our local program and business development teams worked seamlessly with our global technical support teams to innovate and deliver on next generation solutions for the marketplace.

FINANCIAL PERFORMANCE

Group revenue of $100.7 million was $16.3 million lower than the prior year (FY19: $117.0 million). The reduction in revenue was attributable to the previously announced termination of Texas based contracts in the U.S. in May 2019 which represented approximately 13% of prior year revenue. As mentioned above, revenue in FY20 was also negatively impacted by the disruption to a number of programs due to the COVID-19 pandemic.

Offsetting some of the of the shortfall resulting from Texas termination and COVID-19 impacts was revenue of $2.9 million attributable to new programs which were partially implemented in FY20. When fully operational during FY21 it is anticipated that these programs will generate revenue in excess of $17 million. Additionally, the Company grew revenue in its International business by $2.3 million attributable to both project delivery and the provision of recurring services.

Despite lower revenue, EBITDA grew by $2.2 million to $18.3 million (FY19: $16.1 million). The performance improvement reflects lower operating expenses across the Group. The reduced cost base is driven by lower labour costs attributable to structural changes following the loss of Texas based contracts in May 2019, reduced working hours across the group for a 10 week period during the COVID-19 pandemic, and cost offsets from government programs used to support staff retention during the pandemic.

Increased depreciation and amortization charges reflects the adoption of AASB 16 – Leases which has resulted in some leasing costs being capitalized and amortised as right of use assets. Additionally, the Company accelerated the amortization of some intangible assets which have been replaced by the development of the Halo and Alcyon platforms.

The impacts of the COVID-19 pandemic on forecast traffic volumes and the timing of new contract commencements has been factored into our impairment assessment of assets. The result of this assessment is an impairment of intangibles of $1.5 million and deferred tax assets of $4.0 million. The loss before tax of $6.2 million is an improvement of $2.4 million compared to the prior year (FY19: loss of $8.6 million). The reduced loss is due to increased EBITDA partly offset by additional depreciation and amortization charges as well as higher financing charges.

At 30 June 2020 the Company had a cash balance of $22.3 million which was an increase of $1.1 million during the year. Cash generated from operations of $11.5 million was an improvement of $2.3 million on the previous year. During the year the Company invested significantly in the new Americas based programs as well as reinvesting in existing and upgraded programs. The Company used its debt facilities to support new program investment.

GROUP CHIEF EXECUTIVE OFFICER'S REPORT

Year on year comparison

A comparison of the Group's performance for FY20 and FY19 is as follows.

	2020 $'000	2019 $'000
Profit before depreciation, amortisation, impairment, finance costs and tax	**18,313**	**16,168**
Less:		
Impairment / (Recovery) of trade receivables	-	2,142
Depreciation & Amortisation	21,204	19,053
Impairment of intangible assets	1,498	-
Impairment of Texas related equipment	-	2,119
Legal costs associated with debt recovery	-	67
Restructuring costs	-	448
Finance costs	1,853	943
Net loss before tax	**(6,242)**	**(8,604)**

FINANCIAL RESOURCES

Through its U.S. subsidiary, Redflex Traffic Systems Inc, the Company currently has a US$15 million credit facility agreement with Western Alliance Bank consisting of a US$10 million non-revolving line of credit and a US$5 million three-year term loan.

The term loan has a maturity of 14 December 2021. At 30 June 2020, US$3.5 million remained outstanding against the term loan.

The non-revolving line of credit was established to support capital requirements for new U.S. based customer programs. During the period this facility was fully drawn to support investment in new Americas programs. At 30 June 2020, US$9.7m remained outstanding against the non-revolving facility. Repayment of the facility aligns with the customer contract against which the facility has been drawn.

The Company has a cash balance A$22.3 million which includes restricted cash of A$2.5 million. Restricted cash is revenue collected on behalf of customers. In addition, 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 FY20 or FY19.

OUTLOOK FOR THE 2021 FINANCIAL YEAR

The COVID-19 pandemic will have an ongoing impact on transportation and economic conditions until a public health resolution is achieved and implemented in our operating areas. Surprisingly, and sadly, despite a significant drop in vehicle miles travelled, nearly every community across the globe tracked an increase in average speed and an increase in fatalities as a percentage of vehicle miles travelled. For example, in the U.S, the National Highway Traffic Safety Administration (NHTSA) estimated that fatalities per 100 million vehicle miles travelled increased from 1.05 in March of 2019 to 1.10 in March 2020. Despite an over 5% drop in total vehicle miles travelled fatalities only decreased by 1% over the same period in the prior year. Our road and pedestrian safety solutions and services have never been more critical.

In order to continue to deliver on these important safety programs, our priorities in FY21 are clear. We must successfully deliver the programs contracted during FY20. We must continue to develop and convert sales pipeline

GROUP CHIEF EXECUTIVE OFFICER'S REPORT

opportunities and grow our share of market. Finally, we must ensure that our business remains market-connected, opportunistic and flexible to support our customers and prospects as they work to meet their challenges.

Moving Forward and Building Momentum

During FY21 Redflex will continue to manage our business through the challenging economic environment that is a direct result of the COVID-19 pandemic. We will continue to adjust how we deliver on our current contractual commitments, how we develop new products and solutions and how we pursue new business opportunities. We are not alone in this endeavour. Nearly every industry in both private and public sectors is undertaking a transformation in how they operate and succeed under restrictions that purposely limit travel and physical interaction.

Intelligent Transportation Systems Marketplace

Every economy and individual are rethinking how we travel, work, consume goods and deliver services. As a result, the investment in smart, efficient and safe mobility solutions will determine the future of our cities and surrounding communities. With that in mind Redflex will continue to lead by supporting public policy and creating innovative solutions to support government agencies responsible for safe and frictionless movement.

Operational Excellence

New program implementations combined with the impact of the COVID-19 pandemic resulted in our team finding new ways to operate more efficiently and differently from the way we worked in the past. It is a testament to our culture that we always find a way to get things done despite the hurdles put in front us. I am proud of the accomplishments to date and know there is more to do. The enthusiasm and teamwork that exists in our Company and it is emblematic of the culture and work ethos we have built and continue to support at Redflex. We will continue to build a company culture that encourages innovation and rewards excellence.

Market Expansion and Opportunity

We continue to see great interest in investing Intelligent Transportation Systems that increase roadway safety, expand existing roadway capacity, reduce congestion and the negative environmental impact of vehicle emissions.

The last eight months have provided a wealth of information on how we travel and the impact of movement restrictions the roadway safety and the environment. As discussed above, we captured data that demonstrated a higher incidence of speeding and red light running as traffic volume dropped and roadway capacity increased. In another example, a precipitous drop in traffic volume led to a measurable improvement in air quality.

The data gathered globally during the pandemic will undoubtedly drive future policy recommendations that will positively impact the industry. Redflex will have a role to play and look forward to continuing to develop technology-based solutions that expand the market opportunities to improve roadway safety, reduce congestion and improve air quality.

Mark Talbot
Group Chief Executive Officer

DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2020.

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. Other than Mr John Worthington (appointed 9 September 2019), directors were in office for the entire year.

Adam Gray - BSE (Fin), BS (Mech Eng'g) – Non-executive chairman

Appointed 19 December 2013

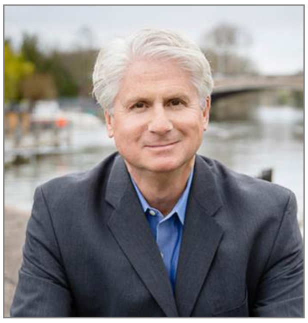
Mr Gray, is a co-founder and Managing Partner of Coliseum Capital Management, LLC, and has more than 30 years of investing and operating experience. Mr Gray also has significant expertise leading operational and financial restructurings and has guided organizations through highly complex and distressed situations.

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

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 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

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 and TasmaNet Pty Ltd and is a Non-Executive Director of Many Rivers Microfinance Limited.

Mr Winters brings deep experience in strategy, leadership and growth of international technology companies as a previous CEO and as a Non-executive Director. He has Chaired and led several of these companies through to successful IPOs or trade sales.

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 served 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.

John Worthington – MBA, M.Geog, B.Geol – Non-executive director

Appointed 9 September 2019

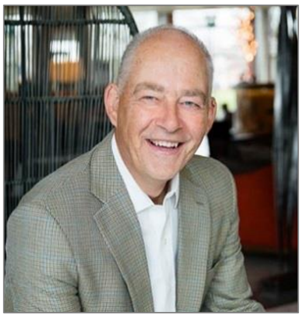
Mr Worthington, based in Arizona in the United States of America, brings to the Company a wealth of knowledge and experience in the Intelligent Traffic Systems (ITS) industry with more than 30 years in the transportation engineering sector.

From the 1990s through to 2009, Mr Worthington was a founder, Chief Operating Officer, President, Chief Executive Officer and Chairman at TransCore, a Pennsylvania-based transportation technology firm that was acquired by the NYSE-listed conglomerate Roper Technologies in 2004. Mr Worthington went on to serve as a Managing Director for Business Development at Roper Technologies from 2009 to 2011. He subsequently joined the Texas-based traffic systems manufacturing and software company TrafficWare, where he was Chief Executive Officer, Chairman and ultimately Executive Chairman. Mr Worthington oversaw the sale of the company to the NYSE-listed technology group Cubic Corporation in October 2018, after which he resigned from TrafficWare.

Mr Worthington has since held board memberships at technology and transportation firms, including the U.S. transportation engineering firm DKS Associates. Prior to his appointment as a non-executive director of the Company, Mr Worthington has been consulting to and advising the Company since January 2019.

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 entitled to receive payments from PwC as part of a retirement plan. The payments are based on a set formula relating to his partnership and tenure with PwC. The amount is fixed and is not dependent on the revenues, profits or earnings of PwC. The Board is satisfied that this does not affect Mr Davey's independence as a non-executive Director, nor does it constitute a conflict of interest. The Board has, however, put in place appropriate safeguards to address any perceived conflicts of interest if they were to arise from time to time.

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 has more than 20 years of executive experience having held executive roles including Chief Financial Officer and Chief Operating Officer at HeartWare International, Inc (NASDAQ:HTWR) from 2005 to 2011. Mr McIntyre's experience includes seven years as a Partner at Apple Tree Partners, a multibillion-dollar life science venture capital and growth equity fund operating in the U.S. pharmaceutical and biotechnology sectors.

Based in the United States, Mr McIntyre is currently the Chief Financial Officer of AVITA Medical Ltd and is a current non-executive director of Starpharma Holdings Limited (ASX: SPL, OTCQX:SPHRY). Mr McIntyre previously practiced as a senior lawyer at Baker & McKenzie and KPMG specialising in corporate law. He has also held various senior finance roles in both multi-national companies and small growth companies including Coal & Allied Limited (subsidiary of Rio Tinto Group).

Mr McIntyre serves as a member of the Audit & Risk Committee and the Nominations Committee.

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. 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.

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 that 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 (formerly Mallesons Stephen Jaques). He has also held senior legal and compliance roles at Foster's Group in Melbourne, Australia and in 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	44,702,428
Mark Talbot	1,063,950
Clark Davey	548,678
Robert DeVincenzi	178,000
Terence Winters	64,345
David McIntyre	62,618
John Worthington	-

DIRECTORS' REPORT

Directors' and Board Committee Meetings

Directors' and Board Committee meetings held and attended during the year ended 30 June 2020 were:

	Board		Audit & Risk Committee		People, Culture & Remuneration Committee		Nominations Committee	
No. of meetings	Available	Attended	Available	Attended	Available	Attended	Available	Attended
Adam Gray	12	10	6	5	1	1	2	2
Mark Talbot	12	12	-	-	-	-	-	-
Robert DeVincenzi	12	10	-	-	3	3	2	2
Clark Davey	12	12	6	6	4	4	2	2
David McIntyre	12	11	6	6	-	-	2	2
Herman Schwarz[1]	3	2	-	-	1	1	1	1
Terence Winters	12	11	6	6	4	4	2	2
John Worthington[2]	9	9	-	-	3	3	1	1

1. Herman Schwarz retired as a non-executive director on 9 September 2019.
2. John Worthington was appointed as a non-executive director and a member of the PCR and Nominations Committees on 9 September 2019.

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.

Members acting on the committees of the Board during the period from 1 July 2019 until 30 June 2020:

	Audit & Risk Committee	PCR	Nominations
Adam Gray	Member	Former Member (until 23 August 2019)	Member
Mark Talbot	-	-	-
Clark Davey	Chair	Member	Member
Robert DeVincenzi	-	Chair (from 23 August 2019)	Member
David McIntyre	Member	-	Member
Herman Schwarz[1]	-	Former Chair (until 23 August 2019)	Former Member (until 9 September 2019)
Terence Winters	Member	Member	Chair
John Worthington[2]	-	Member (from 9 September 2019)	Member (from 9 September 2019)

1. Herman Schwarz retired as a non-executive director on 9 September 2019.
2. John Worthington was appointed as a non-executive director and a member of the PCR and Nominations Committees on 9 September 2019.

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.

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW – CONTINUED

REVENUE	2020 $'000	2019 $'000	% change
America's Traffic business	44,805	61,797	(27.5%)
Australian/International Traffic business	55,928	55,214	1.3%
Revenue – Traffic business	**100,733**	**117,011**	**(13.9%)**

EARNINGS BEFORE DEPRECIATION, AMORTISATION, IMPAIRMENT, FINANCE COSTS AND TAX ("EBITDA")	2020 $'000	2019 $'000	% change
Traffic business (The America's and Australia / International)	19,371	18,481	6.1%
Head Office costs	(1,058)	(2,313)	(54.3%)
EBITDA	**18,313**	**16,168**	**13.3%**

LOSS BEFORE TAX	2020 $'000	2019 $'000	% Change
Traffic business (The America's and Australia / International)	(5,184)	(6,291)	(21.3%)
Head Office costs	(1,058)	(2,313)	(54.3%)
Pre-tax loss	**(6,242)**	**(8,604)**	**(30.2%)**

	2020 $'000	2019 $'000	% Change
Net loss after tax	**(10,410)**	**(5,604)**	**(85.8%)**

Shareholder returns

	2020	2019	2018	2017	2016	2015	2014	2013
Basic earnings/(loss) per share (cents)	(6.90)	(3.74)	(9.18)	(28.41)	(4.23)	(28.84)	(1.07)	6.61
Net tangible asset backing per share (cents)	21.01	27.52	38.71	42.94	75.58	71.70	78.22	87.90
Return on assets (%)	(8.1)	(4.7)	(9.2)	(24.5)	(3.4)	(19.3)	(0.7)	3.7
Return on equity (%)	(16.5)	(7.6)	(15.9)	(44.4)	(4.5)	(30.0)	(1)	5.8
Interest bearing debt/equity ratio (%)*	30.5	8.0	8.3	N/A	N/A	18.3	13.5	20.8
Available franking credits ($'000)	0	0	0	0	480	480	462	26

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

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW - CONTINUED

Liquidity and capital resources

The cash position of the Group at 30 June 2020 was $22.3 million (including restricted cash of $2.5 million) (FY19: $21.2 million including restricted cash of $4.2 million). Restricted cash is revenue collected on behalf of customers.

Cash flows used in investing activities of $20.0 million (FY19: $6.9 million) which includes capitalized development costs. The increase in investing activity reflects investment in major new programs won in North America as well as equipment upgrades to existing programs. Development expenditure relates to continued development of the Halo and Alcyon platforms.

Cash flows from financing activities were an inflow of $9.4 million (FY19: $0.8 million outflow) as a result of the Company drawing down debt to complete its capital expenditure projects.

Asset and capital structure

	2020 $'000	2019 $'000
Debt		
Interest bearing liabilities	(19,234)	(5,882)
Cash at bank, on hand, and restricted cash	22,328	21,204
Net cash	**3,094**	**15,322**
Total equity	62,973	73,597
Total capital employed	**66,067**	**88,919**

Shares issued during the year

During FY20, 824,184 shares were issued pursuant to the vesting of performance rights pertaining to executive remuneration (and which related to the achievement of non-financial KPIs) (FY19: 1,124,147).

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 2,701,786 performance rights on issue. At 30 June 2020, there were 2,701,786 performance rights on issue (FY19: 2,837,131).

Options over shares

During FY20, (29 October 2019), after receiving shareholder approval at the 2019 Annual General Meeting, the Company granted to Mr Talbot 786,174 options to subscribe for 786,174 ordinary shares in the Company in aggregate. No options were granted during FY19.

OPERATING AND FINANCIAL REVIEW - CONTINUED

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.

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 believe that its approach to risk and compliance management supports the achievement of the Company's commercial and financial goals and objectives.

The Audit & Risk Committee of the Board has primary responsibility to 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.

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 local enabling 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

DIRECTORS' REPORT

Risks Related to Our Business (continued)

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, restrictive and enabling legislation impacting upon the Company's solutions 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 a policy in relation to the assessment of and in 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 the potential financial opportunity of our contracts and 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, the Company's management and external legal advisors closely monitor and manage these legal actions, as appropriate. 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. The Company has a dedicated systems security officer who has the primary responsibility for the oversight and monitoring of the Company's information technology systems security.

4. *Cessation of and enforcement of Customer Contracts*

The uneven nature of the Company's contracts make it difficult to predict future performance. In addition, the non-performance, termination or non-renewal of contracts with 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 solutions offerings as well as seeking to achieve a balanced mix between volume based contracts and annual recurring revenue contracts. The Company also carefully assesses, manages and monitors the profitability of its contracts. However, the uneven nature of our contracts is not due to the Company's actions, but rather due to the characteristics of the market in which the Company operates.

5. *Epidemic or Pandemic*

An epidemic is a disease that affects a large number of people in a community, population or geographic region. A pandemic is an epidemic that has spread over multiple countries or continents. Either an epidemic or a pandemic has the capability to adversely affect Redflex's revenue due to a number of factors due to government mandated lockdowns, work stoppages, customer contract or program terminations or scope reductions, delayed or abandoned requests for tenders for new business, government focus transferred to the management and control of the epidemic or pandemic and social isolation which inevitably reduces traffic volumes.

DIRECTORS' REPORT

Risks Related to Our Business (continued)

Company strategy to mitigate – Management has established an executive management major event team, reporting to the Board, to co-ordinate the Company's actions, responses and communications required on the occurrence of an epidemic or pandemic. The Company has policies and procedures in place to create workplace flexibility to swiftly mobilise the Company's global workplace to work remotely. The Company also works closely with its customers to mitigate any material disruption to the Company's business and the customer programs within the confines of government social isolation and mandated lockdown. The Company also implements the necessary workplace health and safety policies and procedures to protect its employees, officers and other persons during an epidemic or pandemic. The Company can also mobilise and use secure information technology systems (with two factor authentication) for its workforce to continue to work and collaborate. The Company also ensures that it informs itself about the availability, and where appropriate, takes advantage, of any external support offered by government.

6. *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 research and development and innovation. If appropriate, the Company may seek and maintain patent protection on strategically valuable intellectual property.

7. *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.

8. *Competition and Technology*

The emergence of new competitors or technology in the market, or any technological development providing an alternative to the Company's solutions 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 research, development and innovation. The Company has an active program of, and investment in, developing new and innovative solutions in the road safety (photo enforcement) and adjacent intelligent motorways, urban traffic management and traffic management as a service markets as a desire to be 'first to market' with quality solutions.

9. *Access to additional sources of funding (including debt) or the ability to raise capital on public markets, may be limited, or not otherwise available*

The Company's access to various debt and capital markets may be limited by a number of factors including the scale and nature of the Company's business, the Company's financial performance and condition, generally applicable debt and capital market conditions and generally applicable economic conditions.

Company strategy to mitigate – The Company maintains a strong dialogue with the Company's existing debt providers and actively considers other financing alternatives as the need arises. The Company engages external advisers, when appropriate, to assist in the consideration of available financing options and access to markets.

DIRECTORS' REPORT

Risks Related to Our Business (continued)

10. *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 Company's international business (outside the Americas). The Company's ability to generate revenue and profit depends on the volume and quality of the project sales and annual recurring revenue sales it makes on its solutions offerings. As with any business, there is a risk that the Company's business development strategies are not sufficiently effective in generating the increased customer scale the Company is targeting.

Company strategy to mitigate – The Company continually seeks to diversify its revenue and customer base including the seeking of a balanced mix of project sales and annual recurring revenue sales in new geographies and new technology solutions offerings.

11. *Brand and reputation risk*

The reputation and brand of Redflex and its individual products and services are important in retaining existing customers and attracting potential new customers. Any reputational damage or negative publicity around the Company, its brand or its solutions 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 including a rigorous anti-bribery and anti-corruption policy and framework. 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 solutions and services. The Company also engages in a sales and marketing program that accurately describes its solutions and services.

12. *Historical internal investigation disclosures*

With a small number of external parties (mainly competitors), the Company's internal investigative disclosures from many year ago may continue to impact the Company's ability to win new contracts and this may negatively affect operations and profitability. However, this has become an increasingly reduced risk as more time passes.

Company strategy to mitigate - The Company continues to implement its previously disclosed comprehensive remediation compliance 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 FY20 or FY19.

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 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.

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 FY20 was $393,537 (FY19 $361,012).

Auditor's Independence Declaration

As lead auditor for the audit of Redflex Holdings Limited for the year ended 30 June 2020, 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
27 August 2020

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REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 30 June 2020 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 2020 (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
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, and the SVP - Group General Counsel & Company Secretary of Redflex for the year ending 30 June 2020.

REMUNERATION REPORT (AUDITED) - CONTINUED

1 INTRODUCTION - CONTINUED

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) - retired as a non-executive director on 9 September 2019
Terence Winters	Director (non-executive)
John Worthington	Director (non-executive) - appointed as a non-executive director on 9 September 2019

Other KMP

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

REMUNERATION REPORT (AUDITED) - CONTINUED

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. During the reporting period, the PCR Committee was chaired by former independent non-executive director, Mr Herman Schwarz (until 23 August 2019), and subsequently by Mr Robert DeVincenzi (from 23 August 2019), an independent non-executive director. Mr Schwarz retired as a non-executive director on 9 September 2019.

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 participating senior 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 and awards under any Short Term Incentive Plan ("STI Plan") for participating senior executives.

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 2019 Annual General Meeting ("AGM") was passed by the required majority of votes cast under the Corporations Act. The results of the 2019 were released to the ASX. The Company's remuneration report for FY20 will be laid before the 2020 AGM. If the remuneration report for FY20 is not passed by more than 75% of the votes cast at the 2020 AGM the Company will receive a 'first strike'.

As with all previous years, during FY20, 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 FY20 was disclosed on the Company's website for the entire reporting period.

The Company's LTI Plan is designed to provide both cash and equity based incentives to senior executives to drive long term performance. Provided financial performance and non-financial hurdles are met, which the Board believes are aligned with shareholder interests, applicable to FY20 performance, senior executives may be rewarded for their performance with performance rights after the end of FY22.

The Group Chief Executive Officer's previously granted 1,597,523 performance rights (disclosed to the ASX on 2 August 2017) vested 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. The remaining 533,573 performance rights vested and were converted to shares on 21 August 2020.

REMUNERATION REPORT (AUDITED) – CONTINUED

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 2020 the Company did not receive any remuneration recommendations in relation to KMP remuneration.

3 EXECUTIVE REMUNERATION ARRANGEMENTS

3.A Remuneration principles and strategy

The Company's executive remuneration principles and strategy for FY20 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:

REMUNERATION REPORT (AUDITED) - CONTINUED

3 EXECUTIVE REMUNERATION ARRANGEMENTS (CONTINUED)

Redflex Business Objective:
To build long-term value for shareholders by being a world leader in developing and implementing intelligent traffic management products and services. To develop, manufacture and operate a wide range of platform-based solutions all utilising advanced sensor and image capture technologies enabling active management of state and local motorways. To help to improve roadway safety, alleviate congestion and reduce the harmful impacts of vehicle emissions

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	Senior executive short term incentive will be assessed annually against key performance indicators (KPIs), with an entitlement of: • 40% Base Pay for the Group CEO (and a maximum entitlement of 60% of Base Pay for out-performance); and • 25% of Base Pay for other senior executives, for meeting a financial measure set by the Board and non-financial measures (individual KPIs): • as determined and assessed by the Board for the Group CEO; and • as determined and assessed by the Group CEO (and noted by the Board) for other senior executives.	To reward senior executives for their contribution to the creation of shareholder value over the short term.	For the Group CEO vesting of the short term incentive is weighted 90% related to achievement of a financial measure (set and assessed by the Board) and 10% related to the achievement of individual KPIs (also set and assessed by the Board). For other senior executives vesting of the short term incentive is weighted 80% related to achievement of a financial measure (set and assessed by the Board) and 20% related to the achievement of individual KPIs (set and assessed by the Group CEO and noted by the Board).

REMUNERATION REPORT (AUDITED) - CONTINUED

3 EXECUTIVE REMUNERATION ARRANGEMENTS (CONTINUED)

Long Term Incentive	The Group Chief Executive Officer's 2017 long term incentive arrangements at the start of his employment were announced to the market through the ASX on 2 August 2017. The performance rights granted under that arrangement have all vested. For FY20, for the Group CEO, long term incentive awards, if earned, are made in a combination of 8% of Base Pay in cash and up to 36% of Base Pay in performance rights which may vest, depending on achievement of the financial and non-financial measures set by the Board after the end of FY22. For FY20, for other senior executives, long term incentive awards, if earned, are made in a combination of up to 7% of Base Pay in cash and up to 31.5% of Base Pay in performance rights which may vest, depending on achievement of the financial and non-financial measures set by the Board after the end of FY22.	To reward the Group Chief Executive Officer and senior executives for their contribution to the creation of shareholder value over the longer term.	Vesting of any FY20 LTI awards is dependent on (i) the achievement of a revenue growth target set and assessed by the Board (over the period FY20 through FY22); (ii) the senior executive remaining employed on 1 October 2022; and (iii) achievement of a share price growth target set and assessed by the Board (over the period FY20 through FY22). Vesting is dependent on the achievement of financial measures set and assessed by the Board (together weighted 70%) and a non-financial measure (weighted 30%), as set by the Board.

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 FY20. 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 FY20, the remuneration strategy for senior executives consisted of fixed remuneration, an incentive grant of STI (cash) and an incentive grant of LTI cash and performance rights (and for the Group Chief Executive Officer also included options as previously disclosed to the ASX on 2 August 2017 and 31 October 2019, respectively). In summary, the senior executives have the following target remuneration mix.

REMUNERATION REPORT (AUDITED) - CONTINUED

3 EXECUTIVE REMUNERATION ARRANGEMENTS - CONTINUED

	STI opportunity	LTI Plan opportunity (face value)
Group Chief Executive Officer	As above	As above
Other Senior Executives (excluding the Vice-President – Global Sales Operations)	As above	As above
Vice-President – Global Sales Operations	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.	Nil
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 (i.e. key performance indicators (KPIs) as set by the relevant senior executive in that department).	Nil

3.C Detail of incentive plans

Short Term Incentives ("STI") for Manager Level Employees (other than the Group Chief Executive Officer and the senior executives who participated in the LTI Plan and the Global Sales Commission Plan)

For FY20 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 and the Global Sales Commission 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 financial 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 and Short Term Incentives for Senior Executives

For FY20, 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.

REMUNERATION REPORT (AUDITED) - CONTINUED
3 EXECUTIVE REMUNERATION ARRANGEMENTS (CONTINUED)

Long Term Incentive (LTI) Plan for Senior Executives

LTI grants are made under the Company's LTI Plan, the rules of which are published in the Investors / Governance / Remuneration section of the Redflex website. While LTI Plan grants are generally made annually, for FY20 LTI Plan grants were made in the form of cash and performance rights.

For FY20, the LTI Plan grant was made with a three year testing period from the time of grant (October 1, 2019). This means that for FY20 no eligibility assessment will be made by the Board for any FY20 LTI Plan awards until after the FY22 audited financial statements are released to the market.

- If a senior executive meets a set financial measure (i.e. for FY20 this was a Group Revenue Growth Target (the consolidated revenue for the Redflex Group) set by the Board) the senior executive is eligible to receive up to 20% of the LTI Plan grant as an award. Awards for this component, if earned, are made in cash for all senior executives.
- If a senior executive meets the service based vesting condition (i.e. the senior executive is employed by a Redflex Group entity on 1 October 2022 and not within any employment termination notice period) the senior executive is eligible to receive up to 30% of the LTI Plan grant as an award. Awards for this component, if earned, are made in performance rights for all senior executives.
- If a senior executive meets a Share Price Growth Target (set by the Board) the senior executive is eligible to receive up to 50% of the LTI Plan grant as an award. Senior executives are also eligible to receive up to an additional 20% of the Share Price Growth Target component of the LTI Plan grant as an award if performance is exceeded as determined by the Board. Awards for this component, if earned, are made in performance rights for all senior executives.

As stated above, these LTI Plan award conditions need to be assessed by the Board relative to the FY20, FY21 and FY22 audited financial statements.

Short Term Incentive (STI) Plan for Senior Executives

For FY20, senior executives were eligible to receive a percentage of their base salary (i.e. a percentage set by the Board) by way of short term incentive (STI) payment made in cash. For FY20, the Board set an EBITDA Target to be achieved before any STI award is payable to the senior executive. The EBITDA Target was weighted at 90% of the STI grant for the Group CEO and 80% for all other senior executives. Senior executives must also achieve agreed personal objectives or key performance indicators (KPIs) in order to be eligible to receive that portion of the STI grant. The KPI portion of the STI grant was weighted at 10% for the Group CEO and 20% for all other senior executives.

EBITDA Target is a target Earnings Before Interest, Tax, Depreciation, Amortisation and Capitalised Research & Development Costs as set by the Board.

Performance Measures to determine vesting

As set out above, the Company applied:

- a Group Revenue Growth Target, a Service Based Vesting Condition and a Share Price Growth Target to be met for a senior executive to be eligible for any LTI Plan award; and
- an EBITDA Target to be met for a senior executive to be eligible for any STI Plan award.

A Group Revenue Growth Target was selected as a financial performance hurdle for the FY20 LTI Plan for the following reason:

- The Board identified Group Revenue Growth over a longer horizon as a key target for senior executives to achieve to be rewarded with a cash payment incentive award.

A Share Price Growth Target was selected as the other LTI Plan financial performance hurdle for FY20 for the following reasons:

- a Share Price Growth Target more closely aligns with the expectations of shareholders; and
- with the testing period being over a longer horizon, a Share Price Growth Target rewards senior executives for long term and achieved sustainable share price growth.

An EBITDA Target was selected as a financial performance hurdle for the FY20 STI Plan for the following reasons:

- EBITDA is a generally accepted financial performance measure in the market;
- excluding capitalised research and development costs more closely reflects the financial performance of the Company;
- the financial performance hurdles for the STI Plan should be different to those under the LTI Plan; and
- EBITDA is a generally accepted short term metric to assess short term financial performance.

REMUNERATION REPORT (AUDITED) - CONTINUED

3 EXECUTIVE REMUNERATION ARRANGEMENTS (CONTINUED)

The EBITDA Target will:

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

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 events such as adverse state legislation or global pandemic) that management might not otherwise anticipate.

Furthermore, up to 10% of the Group CEO's and up to 20% of other senior executive's STI Plan is measured on achievement of non-financial measures. The Group CEO sets, and the Board approves, these non-financial measures on an individual basis for senior executives participating in the STI Plan. For the Group CEO the Board sets and approves these non-financial measures for the Group CEO's participation in the STI 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 have been met and to what extent. For senior executives the assessment of achievement or otherwise of non-financial measures is based on the Group CEO's recommendations and for the Group CEO the assessment of achievement or otherwise of non-financial measures is based on the Board's assessment. For FY20, if the 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

Under the LTI Plan Rules, in a change of control situation, unless the individual senior executive participation letter states otherwise, 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.

REMUNERATION REPORT (AUDITED) - CONTINUED

4 EXECUTIVE REMUNERATION OUTCOMES FOR FY20 (INCLUDING LINK TO PERFORMANCE)

Short-term incentives

The FY20 assessment for short term incentive payments for the Group CEO and for senior executives has not yet occurred. The weighting of the STI is structured as 90% in relation to certain financial measures set by the Board and 10% as a result of individual non-financial performance measures set by the Board.

Company performance and its link to LTI

For FY20, 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 one non-financial measure being continuation of employment until 1 October 2022 (approved by the Board).

LTI vesting outcomes

The table below outlines both vesting and expected outcomes for outstanding awards in FY20.

	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)	Grant 1 October 2019 (Group Chief Executive Officer and Other Executives)
Target EBITDA Performance	N/A	Expect < 100% achievement	Expect < 100% achievement	N/A	Expect < 100% achievement	Expect < 100% achievement	N/A
Implication for vesting	On 21 Aug 2018, 531,975 (First Tranche) of performance rights vested, on 21 Aug 2019, 531,975 (Second Tranche) of performance rights vested and on 21 Aug 2020, 533,573 (Third 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 2020, 118,777 (Second 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) vested.	The testing date is 1 October 2022.

* Note the grants on 14 December 2017 and 5 April 2018 were retrospectively granted effective 1 October 2017 and pro-rated from the date of appointment.

REMUNERATION REPORT (AUDITED) - CONTINUED

4 EXECUTIVE REMUNERATION OUTCOMES FOR FY20 (INCLUDING LINK TO PERFORMANCE) - CONTINUED

Remuneration of Executive KMP

Table 1: Remuneration for the years ended 30 June 2020 and 30 June 2019

		Short term benefits				Long term benefits						
		Salary and fees*	Other benefits**	Leave Entitlements	Bonus	Super-annuation***	Leave Entitlement	Cash bonus	Options	Performance rights	Total	Performance related
		$	$	$	$	$	$	$	$	$	$	%
Executive director												
Mark Talbot	**2020**	**596,624**	**25,949**	**43,209**	**150,584**	**17,873**	**-**	**-**	**237,547**	**333,541**	**1,405,327**	**51%**
	2019 (restated)	607,801	24,347	8,337	209,614	16,769	-	-	309,498	282,229	1,458,595	55%
KMP												
Neville Joyce	**2020**	**272,697**	**-**	**7,933**	**-**	**21,002**	**5,070**	**32,069**	**-**	**28,548**	**367,319**	**17%**
	2019	279,468	-	275	-	20,531	-	10,168	-	27,059	337,501	11%
Craig Durham	**2020**	**288,958**	**-**	**14,345**	**-**	**21,002**	**5,476**	**32,879**	**-**	**33,919**	**396,579**	**17%**
	2019	295,549	-	11,957	-	20,531	-	15,981	-	30,086	374,104	12%
TOTAL	**2020**	**1,158,279**	**25,949**	**65,487**	**150,584**	**59,877**	**10,546**	**64,948**	**237,547**	**396,008**	**2,169,225**	**39%**
TOTAL	2019 (restated)	1,182,818	24,347	20,569	209,614	57,831		26,149	309,498	339,374	2,170,200	41%

Notes to Table 1: Remuneration for the years ended 30 June 2020 and 30 June 2019

*Due to the impact of Covid-19 the Group CEO and Managing Director and KMP were requested, and agreed, to take a 20% pay reduction on their salary from 1 April 2020 until 9 June 2020 (10 weeks).

**Other benefits represent medical insurance costs paid by the Company during the year.

***Superannuation for the Group CEO and Managing Director represents 401k contributions made by the Company. Superannuation for Australian KMP for the period per Australian Taxation Office guidelines is capped at $21,002 per year (FY19 $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".

Restatement of FY19 remuneration for the Group CEO and Managing Director:

For the year ended 30 June 2019 it was noted in the current period that renumeration paid to the Group CEO and Managing Director as published in the Groups FY19 Annual Report was incorrect. The principal reasons for these discrepancies were as follows;

- Omission of other benefits paid in respect of medical insurance paid by the Company;
- Omission of 401k pension contribution paid by the Company; and
- Omission of non-cash options expense ($309,498) in respect of options granted in FY18.

These omissions have been reflected in the comparative values presented in the table above.

REMUNERATION REPORT (AUDITED) - CONTINUED

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 (appointed 21 August 2017) and Managing Director (appointed 29 November 2017) of Redflex Holdings Limited.

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 90% in relation to certain financial measures set by the Board and 10% as a result of individual performance measures set by the Board. Mr Talbot received US$104,400 in respect of FY19 performance during FY20 in respect of this.
- Mr Talbot was 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 were intended to vest in equal tranches over 3 years from the date of commencement of his employment being 21 August 2017. Vesting was contingent on Mr Talbot's continued employment with the Company. Any shares issued are subject to a 12 month holding lock. On 21 August 2018, tranche 1 (being 531,975 performance rights) vested. On 21 August 2019 tranche 2 (being 531,975 performance rights) vested. On 21 August 2020 the remaining tranche 3 (being 533,573 performance rights) vested.
- After approval of shareholders was obtained at the 2019 AGM, Mr Talbot was entitled to receive 532,653 performance rights as part of his FY20 long term incentive. These Performance Rights will be assessed after June 30, 2022 against key performance indicators with an entitlement of 40% of base pay for achieving such objectives and a maximum entitlement of 44% of base pay for out-performance. The weighting of the Performance Rights grant is structured as 20% in relation to the achievement of a certain Revenue Growth Target over the period FY20 through FY22 set by the Board, 30% for remaining employed by a Redflex group entity until at least 1 October 2022 and 50% in relation to the achievement of a Share Price Growth Target over the period of FY20 through FY22 set by the Board.
- 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.
- After approval of shareholders was obtained at the 2019 AGM, Mr Talbot was issued with 786,174 options (one option is equivalent to one share) by the Company. The options are exercisable at AUD44 cents per option and vest and are exercisable on the 21st of each month starting on 21 November 2019 and ending on 21 January 2022, 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 the SVP, Group Chief Financial Officer of Redflex Holdings Limited and was appointed on 26 February 2018. Under the terms of Mr Joyce's employment contract:

- Mr Joyce was entitled to be paid $285,057.97 per annum base salary plus superannuation (TFR).
- Mr Joyce is entitled to receive up to 27.5% of his base salary under the Company's LTI Plan comprising performance rights calculated as a percentage of 22.5% of his base salary and cash calculated as a percentage of 5% of his base salary.
- On 1 October 2019 Mr Joyce was granted 149,715 performance rights and a cash component of $13,973 in respect of his LTI.

REMUNERATION REPORT (AUDITED) - CONTINUED

SUMMARY OF EXECUTIVE CONTRACTUAL ARRANGEMENTS (CONTINUED)

- The performance rights granted to Mr Joyce would vest dependent on Mr Joyce meeting the Company's Service Based Vesting Condition (7.5%) and Share Price Growth Target (up to 15%). The cash component of the LTI is dependent on Mr Joyce meeting the Company's Group Revenue Target (5%). Subject to the criteria being met the performance rights and cash component would vest as follows:
  - 1 October 2022 – The full cash component for Meeting Financial Measures would vest;
  - 1 October 2022 – The Performance rights for achievement of the Service Based Qualification (49,905) would vest; and
  - 1 October 2022 – The Performance rights for achievement of Share Price Growth (99,810) would vest.
- Mr Joyce is also entitled to receive up to 25% of his base salary in cash under the Company's STI Plan. The cash payment for STI granted to Mr Joyce would vest dependent on Mr Joyce meeting the Company's Group EBITDA Target (80% weighted) and also his personal key performance indicators (KPIs) (weighted 20%).
- The vesting terms above are subject to Mr Joyce being employed by the Company at the relevant vesting date.
- Based on a determination by the Board, only a proportion of the performance rights and cash component issued to Mr Joyce on 1 October 2019 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 $302,578.29 per annum base salary plus superannuation (TFR).
- Mr Durham is entitled to receive up to 27.5% of his base salary under the Company's LTI Plan comprising performance rights calculated as a percentage of 22.5% of his base salary and cash calculated as a percentage of 5% of his base salary.
- On 1 October 2019 Mr Durham was granted 158,917 performance rights and a cash component of $14,832 in respect of his LTI.
- The performance rights granted to Mr Durham would vest dependent on Mr Durham meeting the Company's Service Based Vesting Condition (7.5%) and Share Price Growth Target (up to 15%). The cash component of the LTI is dependent on Mr Durham meeting the Company's Group Revenue Target (5%). Subject to the criteria being met the performance rights and cash component would vest as follows:
  - 1 October 2022 – The full cash component for Meeting Financial Measures would vest;
  - 1 October 2022 – The Performance rights for achievement of the Service Based Qualification (52,972) would vest; and
  - 1 October 2022 – The Performance rights for achievement of Share Price Growth (105,945) would vest.
- Mr Durham is also entitled to receive up to 25% of his base salary in cash under the Company's STI Plan. The cash payment for STI granted to Mr Durham would vest dependent on Mr Durham meeting the Company's Group EBITDA Target (80% weighted) and also his personal key performance indicators (KPIs) (weighted 20%).
- The vesting terms above are subject to Mr Durham being employed by the Company at the relevant vesting date.
- Based on a determination by the Board, only a proportion of the performance rights and cash component issued to Mr Durham on 1 October 2019 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.

REMUNERATION REPORT (AUDITED) - CONTINUED

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 2010 Annual General Meeting when shareholders approved an aggregate remuneration of $700,000 per year in relation to directors' fees.

6.B Structure of non-executive director remuneration

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 for Australian resident directors, nor do they participate in any incentive programs. In the current year due to the impact of Covid-19 the non-executive directors agreed to accept a 20% reduction in their fees for the period 1 April 2020 to 9 June 2020. In addition, the Board agreed that director fees payable to non-executive directors for the period 1 April 2020 to 30 June 2020 would be delayed and paid during the usual director fee payment cycle in July 2020.

The remuneration of non-executive directors for the years ended 30 June 2020 and 30 June 2019 is detailed in Table 2.

Table 2: NED remuneration for the year ended 30 June 2020 and 30 June 2019

		Short-term benefits	Post-employment	
		Salary and Fees	Superannuation	Total
Adam Gray	**2020**	**149,058**	**-**	**149,058**
	2019	155,000	-	155,000
Robert DeVincenzi*	**2020**	**97,146**	**-**	**97,146**
	2019	103,750	-	103,750
Herman Schwarz	**2020**	**19,154**	**-**	**19,154**
	2019	102,500	-	102,500
Terence Winters	**2020**	**90,019**	**8,552**	**98,571**
	2019	93,607	8,893	102,500
Clark Davey	**2020**	**94,410**	**8,969**	**103,379**
	2019	98,173	9,327	107,500
David McIntyre	**2020**	**88,954**	**-**	**88,954**
	2019	92,500	-	92,500
John Worthington	**2020**	**71,482**	**-**	**71,482**
	2019	-	-	-
	2020	**610,223**	**17,521**	**627,744**
	2019	**645,530**	**18,220**	**663,750**

* 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.

REMUNERATION REPORT (AUDITED) - CONTINUED

7 ADDITIONAL STATUTORY DISCLOSURES RELATING TO OPTIONS AND SHARES

This section provides the additional disclosures required under s300Aof the Corporations Act 2001 (Cth).

Table 3 discloses the LTI Plan (performance rights) granted to executives as remuneration during FY20. 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 FY20
Executive Director							
Mark Talbot	2020	532,653	1 Oct 19	$0.39	Performance to 30 Jun 20, assessed on 1 Oct 20	-	-
	2019	-	-	-	-	-	-
	2018	1,597,523	21 Aug 17	$0.53	21 August 2018	531,975	-
KMP							
Neville Joyce	2020	149,715	1 Oct 19	$0.39	Performance to 30 Jun 20, assessed on 1 Oct 20	-	-
	2019	210,302	1 Oct 18	$0.45	Performance to 30 Jun 19, assessed on 1 Oct 19	-	138,800
	2018	132,960	2 Oct 17	$0.53	Performance to 30 Jun 18, assessed on 1 Oct 18	9,622	-
Craig Durham	2020	158,917	1 Oct 19	$0.39	Performance to 30 Jun 20, assessed on 1 Oct 20	-	-
	2019	219,930	1 Oct 18	$0.45	Performance to 30 Jun 19, assessed on 1 Oct 19	-	146,620
	2018	132,960	2 Oct 17	$0.53	Performance to 30 Jun 18, assessed on 1 Oct 18	15,125	-
	2017	231,824	19 Jan 17	$0.46	Performance to 30 Jun 17, assessed on 1 Oct 17	29,594	-

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.

Options awarded, vested, lapsed or forfeited during the year - Executive KMP

	Financial Year	Options 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 FY20
Executive Director							
Mark Talbot	2020	786,174	31 Oct 19	$0.17	Continuous employment to 31 Oct 21	232,936	-
	2019	-	-	-	-	-	-
	2018	2,218,195	21 Aug 17	$0.36	Continuous employment to 21 Aug 21	554,548	-

REMUNERATION REPORT (AUDITED) - CONTINUED

7 ADDITIONAL STATUTORY DISCLOSURES RELATING TO OPTIONS AND SHARES-CONTINUED

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	202,053	281,947	-
KMP			
Neville Joyce	56,792	5,100	62,460
Craig Durham	60,282	21,629	65,979
	319,127	**308,676**	**128,439**

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

REMUNERATION REPORT (AUDITED) - CONTINUED

7 ADDITIONAL STATUTORY DISCLOSURES RELATING TO OPTIONS AND SHARES- CONTINUED

Table 5a: Movements in Shareholdings of KMP during the year ended 30 June 2020

	Shares held at 1 July 2019	Vested Performance Rights	Cessation of being a Director or KMP	Bought (Sold) on market*	Shares held at 30 June 2020
Directors - non executive					
Adam Gray	**41,628,866**	-	-	3,073,562	**44,702,428**
Clark Davey	**548,678**	-	-	-	**548,678**
Robert DeVincenzi	**178,000**	-	-	-	**178,000**
Terence Winters	**64,345**	-	-	-	**64,345**
David McIntyre	**-**	-	-	62,618	**62,618**
John Worthington	**-**	-	-	-	**-**
	42,419,889	**-**	**-**	**3,136,180**	**45,556,069**
Executive Directors & KMP					
Mark Talbot	**531,975**	531,975	**-**	-	**1,063,950**
Neville Joyce	**-**	9,622	-	-	**9,622**
Craig Durham	**107,434**	44,719	-	-	**152,153**
	639,409	**586,316**	**-**	-	**1,225,725**

Table 5b: 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**

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.

REMUNERATION REPORT (AUDITED) - CONTINUED

7 ADDITIONAL STATUTORY DISCLOSURES RELATING TO OPTIONS AND SHARES - CONTINUED

Table 6a: Movement in performance rights held by KMP during the year ended 30 June 2020

	Number held at 1 July 2019	Transactions during the year				Number held at 30 June 2020
		Awarded as remuneration	Forfeited	Vested	Lapsed	
Executive directors						
Mark Talbot	**1,065,548**	532,653	-	(531,975)	-	**1,066,226**
KMP						
Neville Joyce	**229,546**	149,715	-	(9,622)	(138,800)	**230,839**
Craig Durham	**279,774**	158,917	-	(44,719)	(146,620)	**247,352**
Total	**1,574,868**	**841.285**	**-**	**(586,316)**	**(285,420)**	**1,544,417**

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

	Number held at 1 July 2018	Transactions during the year				Number held at 30 June 2019
		Awarded as remuneration	Forfeited	Vested	Lapsed	
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**

REMUNERATION REPORT (AUDITED) - CONTINUED

ADDITIONAL STATUTORY DISCLOSURES RELATING TO OPTIONS AND SHARES - CONTINUED

Movements in Options held by KMP for the year ended 30 June 2020

	Number held at 1 July 2019	Transactions during the year				Number held at 30 June 2020
		Awarded as remuneration	Forfeited	Exercised	Lapsed	
Executive directors						
Mark Talbot	**2,218,195**	786,174	-	-	-	**3,004,369**
KMP						
Neville Joyce	**-**	-	-	-	-	**-**
Craig Durham	**-**	-	-	-	-	**-**
Total	**2,218,195**	786,174	-	-	-	**3,004,369**

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 2020 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, other than the matters noted in respect to Covid-19 as noted in Note 4 of the financial statements and the Directors report.

This concludes the Remuneration Report, which has been audited.

Signed in accordance with a resolution of the directors.

Adam Gray

Adam Gray
Chairman
27 August 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2020

	Note	30 June 2020 $'000	30 June 2019 $'000
Revenue from operations	6	100,733	117,011
Total revenue		**100,733**	**117,011**
Payroll related expenses		50,763	56,974
Materials and other costs		18,436	24,702
Sales and marketing related expenses		850	1,391
Administrative related expenses		12,371	17,777
Depreciation		9.845	12,503
Amortisation		11,359	6,549
Impairment of intangible asset		1,498	-
Impairment trade receivables		-	2,142
Impairment of Texas related equipment		-	2,119
Other expenses		-	515
Loss before tax and financing costs		**(4,389)**	**(7,661)**
Net finance costs		1,853	943
Loss before tax		**(6,242)**	**(8,604)**
Income tax expense / (benefit)	9	4,168	(3,000)
Loss for the period		**(10,410)**	**(5,604)**
Other comprehensive loss			
Foreign currency translation that may be reclassified to the profit or loss, net of tax		29	2,375
Total comprehensive loss for the period		**(10,381)**	**(3,229)**
Earnings per share ("EPS") attributable to ordinary equity holders			
- basic / diluted EPS for the year ended		(6.72) cents	(3.74) cents

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Note	30 June 2020 $'000	30 June 2019 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	10	22,328	21,204
Trade and other receivables	11	26,584	25,587
Inventories	12	5,630	6,405
Other current assets	13	2,394	1,952
Total Current Assets		**56,936**	**55,148**
Non-Current Assets			
Plant and equipment	14	39,780	32,013
Right of use asset	21	8,245	-
Deferred tax assets	9	14,907	18,096
Intangible assets	15	8,092	14,159
Other financial assets		441	441
Other non-current assets		648	130
Total Non-Current Assets		**72,113**	**64,839**
TOTAL ASSETS		**129,049**	**119,987**
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	16	16,817	16,620
Lease liabilities	21	3,087	-
Interest bearing liabilities	17	3,171	853
Deferred revenue		1,589	1,174
Income tax payable		283	371
Provisions	18	6,859	8,673
Total Current Liabilities		**31,806**	**27,691**
Non-Current Liabilities			
Trade and other payables	16	8,480	10,020
Lease liabilities	21	6,019	-
Interest bearing liabilities	17	16,063	5,029
Provisions	19	3,708	3,650
Total Non-Current Liabilities		**34,270**	**18,699**
TOTAL LIABILITIES		**66,076**	**46,390**
NET ASSETS		**62,973**	**73,597**
Equity attributable to equity holders of the parent company			
Contributed equity	22	117,387	117,387
Reserves	23	9,732	9,216
Accumulated losses	23	(64,146)	(53,006)
TOTAL EQUITY		**62,973**	**73,597**

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 2020

	Contributed Equity	Foreign Currency Translation Reserve	Employee Equity Benefits Reserve	Accumulated Losses	Total Equity
	$'000	$'000	$'000	$'000	$'000
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**
At 1 July 2019	**117,387**	**5,909**	**3,307**	**(53,006)**	**73,597**
Adjustment for change in accounting policy (refer Note 21)	-	-	-	(730)	(730)
At 1 July 2019 (restated)	**117,387**	**5,909**	**3,307**	**(53,736)**	**72,867**
Loss for the year	-	-	-	(10,410)	(10,410)
Currency translation differences	-	29	-	-	29
Total comprehensive loss	**-**	**29**	**-**	**(10,410)**	**(10,381)**
Cost of share based payments	-	-	487	-	487
At 30 June 2020	**117,387**	**5,938**	**3,794**	**(64,146)**	**62,973**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2020

	Note	30 June 2020 $'000	30 June 2019 $'000
Operating activities			
Cash receipts from customers		99,976	114,542
Payments to suppliers, employees and GST		(91,315)	(102,988)
Cash received from government grants		5,636	-
Payment for Chicago restitution		(1,466)	(1,416)
Interest paid		(694)	(477)
Income tax paid		(603)	(346)
Net cash flows from operating activities	10	**11,534**	**9,315**
Investing activities			
Purchase of property, plant and equipment		(17,066)	(3,415)
Capitalised development costs paid		(2,957)	(3,451)
Net cash flows (used in) investing activities		**(20,023)**	**(6,866)**
Financing activities			
Proceeds from bank borrowings		14,542	-
Repayment of bank borrowings		(1,310)	(816)
Payment for lease liabilities		(3,859)	-
Net cash flows from (used in) financing activities		**9,373**	**(816)**
Net increase in cash held		**884**	**1,633**
Effect of exchange rate changes on cash		240	707
Cash and cash equivalents at beginning of financial year		21,204	18,864
Cash and cash equivalents at the end of financial year	10	**22,328**	**21,204**
Reconciliation of cash			
Cash at the end of the period consists of:			
Cash at banks and on hand		22,328	21,204
Cash at banks and on hand	10	**22,328**	**21,204**

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 2020

NOTE 1 CORPORATE INFORMATION

The consolidated financial statements of Redflex Holdings Limited (a for profit entity) for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of directors on 27 August 2020.

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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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 2019 the following new accounting standards and policy have been adopted by the Group:

AASB 16 Lease Accounting ("AASB 16")

Lease Accounting

The Group leases various offices and equipment. Rental contracts are typically made for fixed periods of 1 to 5 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, Extension options are only included in the lease term if the lease is reasonably certain to be extended.

Until the financial year ended June 2019, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight -line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

(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
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
AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material	1 January 2020	1 July 2020
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of liabilities as Current or Non-Current	1 July 2022	1 July 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at 30 June 2020.

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; and
- 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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(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. The functional currency of Redflex Traffic Systems India Pvt Ltd is Indian Rupees.

(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:

Sale of traffic management systems and equipment

Revenue on certain fixed price contracts where the Group provides equipment accompanied by systems development integration and installation services is recognised as a single performance obligation over the contract term based on the percentage of completion. 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.

Revenue from sale of equipment only is recognised at a point in time when the equipment is delivered to the customer.

No significant element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(f) Revenue recognition (continued)

Fee for service contracts

Revenue is principally derived from fees and traffic citations issued in jurisdictions where the company's equipment is located and billed on a monthly basis. Revenue is recognised over time when a traffic infraction is recorded by the company's equipment in various jurisdictions based on one of the below fee arrangements:

- fixed fees
- variable fees (based on volume of infringements or uptime hours)
- hybrid fees (with a fixed portion and a variable portion based on volume of infringements)
- fees subject to a ceiling per the contractual cost neutrality clause. Accumulated experience is used to estimate and provide for the cost neutrality, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

Revenue on maintenance service contracts is recognised over the period of service as the service is provided on a time and material basis.

No significant element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice.

Deferred revenue

Deferred revenue principally represents payments received for which services remain to be provided. Amounts are recognised as revenue when service has been provided.

Government grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

During the year, the Group received grants from the from the US Federal Government as part of the Pay check Protection Program (PPP) and the Australian Government through the Jobkeeper program. As at 30 June 2020, grants received were recognised in the Statement of Profit of Loss and Other Comprehensive income as the funds received were utilised against employment costs and other allowable expenditure prior to 30 June 2020. The funds received have been offset against relevant costs for the year. The duration of the Jobkeeper program is from April to September 2020 and the PPP from April to June 2020.

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:

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(g) Income tax and other taxes – continued

- 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(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.

De-recognition

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

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) 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).

(j) 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(j) Intangible assets - continued

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.

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.

Notes to the consolidated financial statements for the year ended 30 June 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(k) 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 construction commences on new sites.
- 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.

(l) 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.

(m) 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. The cash is controlled by the Group.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(n) 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.

(o) 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(o) Share Based payment transactions - continued

Equity settled transactions - continued

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, FY19 and FY20 LTI Plans

The company uses EBITDARD as a financial KPI for the FY16, FY17, FY18, FY19 and FY20 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.

(p) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, 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 30 June 2020, 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 a lifetime ECL. The Group applied the simplified approach and considered the impacts of Covid-19 on ECL, concluding that the lifetime ECL on receivables balances not already provided for was not material, particularly given the nature of the Group's customers being mostly state governments with a history of strong collections. The discounting impact of overdue receivable balances would not be considered material.

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

(q) 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Impairment of financial assets (continued)

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.

(r) 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.

(s) 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.

(t) Contributed equity

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

(u) 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(v) 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.

(w) 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.

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.

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 FY18 the Company entered a US$10 million debt facility with Western Alliance Bank. During the current financial year the facility was increased to US$15 million. As at 30 June 2020 the total drawn amount on the loan was $19.2 million. If interest rates increased or decreased by 1% in respect of the loan the effect increase or decrease the interest expense by approximately $0.2 million.

(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 44% of the Group business occurring within the U.S (30 June 2019: 52%)., and the other 56% arising from within Australia (30 June 2019: 48%), 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 59% (FY19: 58%) 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.

NOTE 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - CONTINUED

Risk Exposures and Responses - continued

(ii) Foreign currency risk - continued

At 30 June 2020 the Group had no foreign currency hedge arrangements in place (FY19: nil).

At 30 June 2020, 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, New Zealand and Ireland.

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

At 30 June 2020, 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) 30 June 2020 $'000	30 June 2019 $'000	Equity Higher/(Lower) 30 June 2020 $'000	30 June 2019 $'000
AU$/US$ +10%	683	204	683	204
AU$/US$ - 5%	(342)	(102)	(342)	(102)

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. The policy in respect of an allowance for expected credit loss is detailed in Note 2)p) 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.

NOTE 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

Risk Exposures and Responses - continued

(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 2020 $'000	30 June 2019 $'000
6 months or less	21,531	17,046
6-12 months	1,544	427
1-5 years	30,562	15,049
Over 5 years	-	-
	53,637	**32,522**

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$ 15 million credit facility agreement with Western Alliance Bank consisting of US$ 10 million revolving line of credit and a US$ 5 million three-year term loan.

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 2020

Consolidated	<6 months $'000	6-12 months $'000	1-5 years $'000	>5 years $'000	Total $'000
Financial assets					
Cash and cash equivalents	22,328	-	-	-	22,328
Trade and other receivables	26,584	-	-	-	26,584
Other financial assets	-	-	-	441	441
	48,912	**-**	**-**	**441**	**49,353**
Financial liabilities					
Interest bearing liabilities	(3,171)	-	(16,063)	-	(19,234)
Lease liabilities	(1,543)	(1,544)	(6,019)	-	(9,106)
Trade and other payables	(16,817)	-	(8,480)	-	(25,297)
	(21,531)	**(1,544)**	**(30,562)**	**-**	**(53,637)**
Net maturity	**27,381**	**(1,544)**	**(30,562)**	**441**	**(4,284)**

Notes to the consolidated financial statements for the year ended 30 June 2020

NOTE 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

Risk Exposures and Responses - continued

(v) Liquidity risk - continued

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**

(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.

NOTE 4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS - CONTINUED

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, and New Zealand. 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. 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.

Taxation

The Group's accounting policy for taxation requires management's judgment as to the taxation treatment of income and expenses. Judgment is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised in the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only when it is considered more likely than not that they will be recoverable, which is dependent on the generation of sufficient future taxable profits in Australia, North America and the United Kingdom 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.

The Group has concluded that a proportion of the deferred tax asset balance will be recoverable using estimated future taxable income based on the board approved forecasts in the relevant tax jurisdictions. Evidence supporting the recognition and recoverability of the deferred tax balances includes confirmed long term contracts signed during the year. Judgment and assumptions about the generation of future taxable profits and the repatriation of retained earnings depends on management's estimates of future cashflows. These assumptions are consistent with the modelling used to support the carrying value of non-current assets. They depend on estimates of future predications and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgements 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 amounts of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment resulting in a corresponding credit or charge to the statement of comprehensive income. During the year the Group has recorded an impairment charge in respect of its deferred tax asset balance. Refer to Note 9 for further details.

NOTE 4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS - CONTINUED

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.

Coronavirus global pandemic and the related government-mandated restrictions (COVID-19)

The Covid-19 global pandemic created significant business disruption during the second half of FY20. Redflex operates a number of volume based contracts in the North American market which were adversely impacted by lower traffic volumes due to mobility restrictions in some cities. Additionally, the implementation of some programs in North America and the United Kingdom were delayed due to mobility restrictions. As a result, approximately $7 million of revenue was lost or delayed during FY20.

In response to the pandemic the Company undertook a number of actions. Directors and the Executive team reduced their fees and salaries by 20% for a ten-week period from April 2020 and senior management agreed to reduce their working hours by 20% during the same period. The Company also accessed relevant government support packages where appropriate. Specifically, the company received funding under the Paycheck Protection Plan in the U.S. ($4.2 million) and the JobKeeper scheme in Australia ($2.0 million). Combined with the salary reductions, access to these schemes has enabled Redflex to retain its employees and capability during the pandemic.

In some jurisdictions mobility restrictions have eased leading to increased traffic volumes and programs have recommenced.

The impacts on Covid-19 on forecast traffic volumes and the timing of new contract commencements has been factored into our impairment assessment of assets, including the future recovery of deferred tax assets. The result of this assessment is an impairment of intangibles of $1.5 million and deferred tax assets of $4.0 million, described in notes 20 and 9 respectively. The Company continues to monitor and respond to rapidly changing circumstances in each jurisdiction in which it operates.

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.

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 2020 and 30 June 2019.

NOTE 5 SEGMENT INFORMATION – CONTINUED

Year ended 30 June 2020

Operating Segments	The Americas $'000	Traffic Operations Australia/ International $'000	Total $'000
Revenue			
Revenue from operations	44,805	55,928	**100,733**
Inter-segment revenue	-	6,015	**6,015**
Total segment revenue	**44,805**	**61,943**	**106,748**
Inter-segment elimination			**(6,015)**
Total consolidated revenue			**100,733**
Result			
Earnings before interest, tax, depreciation, amortisation, restructuring costs and recovery of trade receivables / associated legal expenses	8,402	10,969	**19,371**
Asset related expenses	(9,571)	(11,633)	**(21,204)**
Impairment of intangible assets		(1,498)	**(1,498)**
Inter-segment royalty	1,791	(1,791)	**-**
Segment result	**622**	**(3,953)**	**(3,331)**
Head office result			**(1,058)**
Loss before tax and finance charges			**(4,389)**
Finance charges			(1,853)
Loss before income tax			**(6,242)**
Income tax expense			(4,168)
Net loss after income tax			**(10,410)**
Assets and liabilities			
Segment assets	68,630	54,867	**123,497**
Head office assets			**5,551**
Total assets			**129,048**
Segment liabilities	48,467	16,726	**65,193**
Head office liabilities			**882**
Total liabilities			**66,075**
Other segment information			
Capital expenditure	16,571	739	**17,310**

NOTE 5 SEGMENT INFORMATION – CONTINUED

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)**
Asset related expenses	(8,456)	(10,597)	**(19,053)**
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 expense			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**

**Excludes asset retirement obligation ("ARO")

NOTE 5 SEGMENT INFORMATION – CONTINUED

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 2020 $'000	30 June 2019 $'000
Revenue by geographical location		
The Americas	44,805	61,797
Australia	41,187	49,037
Other*	14,741	6,177
Total Revenue	**100,733**	**117,011**

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

There were two customers who made up 30.6% of Group revenue for the current financial year generating revenue of 20.3% and 10.3% respectively (30 June 2019: no customers with greater than 10% of Group revenue).

NOTE 6 REVENUE, OTHER REVENUE, OTHER INCOME AND EXPENSES

	Consolidated	
	30 Jun 2020 $'000	30 Jun 2019 $'000
Revenues and expenses		
Revenue received from fee for service contracts	79,975	93,183
Revenue received from Sale of traffic management systems and equipment	19,987	23,103
Other revenue	771	725
Total Revenue	**100,733**	**117,011**
Employee benefits expense		
Wages and salaries	35,044	41,888
Payroll benefits	4,865	6,505
Contract labour	1,521	2,468
Superannuation	2,689	2,476
Payroll taxes	2,577	2,630
Share-based payment expense	487	485
Other payroll related expenses	985	1,090
	48,168	**57,542**
Research and development costs		
Expensed in administration expenses	-	-

Revenue recognised in relation to deferred revenue

The revenue recognised in the current reporting period relating to carried-forward deferred revenue revenue is $1,085,963 (2019: $2,384,050).

NOTE 7 DIVIDENDS PAID AND PROPOSED

No dividends were paid or proposed during FY20 and FY19.

Franking credit balance

	Parent 2020 $'000	2019 $'000
The amount of franking credits available for subsequent financial years are:		
Franking account balance at the end of the financial year at 30% (FY19: 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 FY20 and FY19 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 operation's basic earnings per share computations:

	30 June 2020 $'000	30 June 2019 $'000
Loss for the period for basic earnings per share	**(10,410)**	**(5,604)**
	Thousands	**Thousands**
Weighted average number of ordinary shares for basic earnings per share	150,898	149,976

NOTE 9 INCOME TAX

The major components of income tax expense for the years ended 30 June 2020 and 30 June 2019 are:

Consolidated income statement

	30 June 2020 $'000	30 June 2019 $'000
Current income tax		
Current income tax charge (benefit)	7,357	(6,904)
Deferred tax		
Deferred income tax charge / (benefit)	(3,189)	3,904
Income tax expense / (benefit) reported in the consolidated statement of comprehensive income	**4,168**	**(3,000)**

A reconciliation between tax expense and the product of accounting loss multiplied by Australia's domestic tax rate for the years ended 30 June 2020 and 30 June 2019 is as follows:

	30 June 2020 $'000	30 June 2019 $'000
Accounting loss before income tax	**(6,242)**	**(8,604)**
At the statutory income tax rate of 30% (FY19: 30%)	(1,873)	(2,581)
Tax effect of current year permanent differences	267	195
Reversal of prior year provision for withholding tax	-	(930)
Impact of tax rate differential on foreign operations	209	399
Impairment of deferred tax asset*	5,392	-
(Over) / under provision in prior years	173	(83)
Income tax (benefit) / expense reported in the consolidated statement of comprehensive income	**4,168**	**(3,000)**

* The Company recorded a tax expense of $4.2 million in FY20 compared to a tax benefit of $3.0 million in the previous year. The tax expense relates primarily to the Americas segment where the Covid-19 pandemic has impacted existing and new programs and resulted in an impairment charge of $4.0 million against the utilization of the deferred tax asset.

A 10% reduction in the probability-weighted future taxable income would result in no change in the deferred tax position of the International segment but would have a further $0.8m adverse impact in the Americas segment.

NOTE 9 INCOME TAX - CONTINUED

Deferred Tax

	Consolidated Statement of Financial Position		Consolidated Statement of Comprehensive Income	
	30 June 2020 $'000	30 June 2019 $'000	30 June 2020 $'000	30 June 2019 $'000
Deferred tax assets				
Employee Entitlements	1,256	1,017	239	(390)
Provisions	2,935	2,164	771	228
Deferred tax asset on fixed assets	1,124	1,871	181	3,124
Deferred tax asset on legal settlement	3,092	3,319	(227)	(90)
Lease liabilities	218	-	218	-
Deferred tax asset on net operating losses	3,104	7,338	(4,234)	1,632
Carry forward research & development tax offset	3,807	4,003	(196)	(534)
Other	608	549	59	(66)
Gross deferred tax assets	**16,144**	**20,261**		
Deferred tax charge			**(4,117)**	**3,904**
Deferred tax liabilities				
Capitalised development costs	846	2,165	1,319	2,221
Other	391	-	(391)	24
Gross deferred tax liabilities	**1,237**	**2,165**	**928**	**2,245**

At 30 June 2020 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 2020

NOTE 10 CASH AND CASH EQUIVALENTS

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

	30 June 2020 $'000	30 June 2019 $'000
Cash at banks and on hand	19,839	17,028
Restricted cash	2,489	4,176
	22,328	**21,204**

	30 June 2020 $'000	30 June 2019 $'000
Reconciliation of net loss after tax to net cash flows from operations		
Net loss after income tax	(10,410)	(5,604)
Non cash flow items		
Depreciation and amortisation expense	21,204	19,053
Share based payments	487	485
Non cash interest expense	1,159	(466)
Impairment of intangible asset	1,498	
Impairment of deferred tax asset	5,392	-
Impairment of Texas related equipment	-	2,119
Impairment of accounts receivable	-	2,142
Change in operating assets and liabilities		
(Increase) / decrease in other assets	(960)	691
Increase in receivables	(997)	(1,310)
(Increase) / decrease in inventories	775	(664)
(Decrease) / increase in taxation provisions	(88)	179
(Increase) / decrease in deferred tax asset	(1,962)	(1,658)
Decrease in deferred tax liability		(2,245)
Decrease in provisions	(1,756)	(260)
Increase / (decrease) in deferred revenue	415	(1,221)
Decrease in payables	(3,048)	(1,630)
Effect of exchange rate changes	(175)	(296)
Net cash flows from operating activities	**11,534**	**9,315**

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 $22.3 million (FY19: $21.2 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 2020 $'000	30 June 2019 $'000
Trade receivables	24,447	26,422
Allowance for impairment losses	(10,683)	(10,473)
	13,764	**15,949**
Work in progress	13,090	9,638
	26,584	**25,587**

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 2020 $'000	30 June 2019 $'000
At 1 July	**10.473**	**7,916**
Foreign currency translation	210	414
Bad debts recovered	-	(372)
Bad debts provided for/(reversed)	-	2,515
At 30 June	**10,683**	**10,473**

Notes to the consolidated financial statements for the year ended 30 June 2020

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

	Total	0-30 days	31-60 days	61-90 days	+ 91 days
30 June 2020					
Americas	16,182	5,747	661	264	9,510
Asia Pacific	6,555	6,165	(1)	7	384
Europe & Middle East	1,710	79			1,631
Total	24,447	11,991	660	271	11,525
Allowance for credit loss					
Americas	(9,052)				(9,052)
Europe & Middle East	(1,631)				(1,631)
Expected credit loss	(10,683)	-	-	-	(10,683)
30 June 2019					
Americas	15,691	4,936	262	151	10,342
Asia Pacific	6,675	4,605	1,595	7	468
Europe & Middle East	4,056	2,040	323		1,693
Total	26,422	11,581	2,180	158	12,503
Allowance for credit loss					
Americas	(8,780)				(8,780)
Europe & Middle East	(1,693)				(1,693)
Expected credit loss	(10,473)	-	-	-	(10,473)

NOTE 12 INVENTORIES

	30 June 2020 $'000	30 June 2019 $'000
Raw materials and camera components – at cost	6,790	7,394
Inventory provision	(1,160)	(989)
Total raw materials and camera components - at net realisable value	**5,630**	**6,405**

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.

NOTE 13 OTHER CURRENT ASSETS

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Prepayments	2,394	1,620
Other current assets	-	332
	2,394	**1,952**

Other assets are non-interest bearing.

Notes to the consolidated financial statements for the year ended 30 June 2020

NOTE 14 PLANT AND EQUIPMENT

Year ended 30 June 2020

	Plant and equipment $'000	Motor vehicles $'000	Furniture and other $'000	Computer equipment $'000	Asset Retirement Obligation* $'000	Total $'000
At 1 July 2019 net of accumulated depreciation and impairment	**29,952**	**217**	**286**	**766**	**792**	**32,013**
Additions	16,648	172	152	338	-	**17,310**
Disposals	(182)	-	-	-	-	**(182)**
Depreciation for the year	(8,356)	(86)	(134)	(560)	(709)	**(9,845)**
Exchange adjustment	442	(3)	-	12	33	**484**
At 30 June 2020 net of accumulated depreciation and impairment	**38,504**	**300**	**304**	**556**	**116**	**39,780**
At 30 June 2020						
Cost	96,261	1,816	2,307	9,629	6,878	116,891
Accumulated depreciation and impairment	(57,757)	(1,516)	(2,003)	(9,073)	(6,762)	77,111
Net carrying amount	**38,504**	**300**	**304**	**556**	**116**	**39,780**
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**

* 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 14 PLANT AND EQUIPMENT - CONTINUED

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	**34,551**	**262**	**397**	**1,596**	**1,745**	**38,551**
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.

Notes to the consolidated financial statements for the year ended 30 June 2020

NOTE 15 INTANGIBLE ASSETS

	30 June 2020 $'000	30 June 2019 $'000
At 1 July, net of accumulated amortisation and impairment	**14,159**	**18,633**
Additions	2,957	3,451
Impairment charge for the year	(1,498)	
Amortisation for the year	(7,526)	(7,925)
At 30 June, net of accumulated amortisation and impairment	**8,092**	**14,159**
At 30 June		
Cost	63,368	60,384
Accumulated amortisation and impairment	(55,276)	(46,225)
Net carrying amount	**8,092**	**14,159**

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, refer to Note 20.

NOTE 16 TRADE AND OTHER PAYABLES

	30 June 2020 $'000	30 June 2019 $'000
Current		
Trade payables and accruals	14,636	15,193
Payable in respect of the Legal settlement with the City of Chicago	2,181	1,426
Trade and other payables	**16,817**	**16,619**
Non-Current		
Payable in respect of the Legal settlement with the City of Chicago	8,480	10,020
Trade and other payables	**8,480**	**10,020**

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.

Notes to the consolidated financial statements for the year ended 30 June 2020

NOTE 17 INTEREST-BEARING LIABILITIES

	30 Jun 2020 $'000	30 June 2019 $'000
Current		
Term Loan	3,171	853
Total current interest bearing liabilities	**3,171**	**853**
Non-current		
Term loan	16,063	5,029
Total Non-current interest bearing liabilities	**16,063**	**5,029**

Net cash (debt) reconciliation

	Cash $'000	Lease liabilities $'000	Borrowings due in 1 year $'000	Borrowings due after 1 year $'000	Total $'000
Net cash (debt) 1 July 2019	21,204	11,362	(853)	(5,029)	15,322
Cash flow	884	(3,859)	-	-	884
Proceeds from borrowings	-	-	-	(14,542)	(14,542)
Repayment of borrowings	-	-	1,310	-	1,310
Other non-cash	241	1,603	(3,628)	3,508	121
Net cash (debt) 30 June 2020	**22,328**	**9,106**	**(3,171)**	**(16,063)**	**3,094**

	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**

Financing facilities available

	30 June 2020 $'000	30 June 2019 $'000
Total facilities committed		
Revolving line of credit	14,570	7,130
Term loan	7,285	7,130
Total available facilities	**21,855**	**14,260**
Facilities used at reporting date		
Revolving line of credit	14,158	-
Term loan	5,076	5,882
Security for letters of credit issued to customers	3,094	2,850
Facilities unused at reporting date	**22,328**	**8,732**

During the year the Company amended its US $ 10 million credit facility agreement with Western Alliance Bank increasing the facility to US $15 million consisting of a US $10 million revolving line of credit and a US$5 million 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 $3.1 million (June 2019: $2.9 million).

Notes to the consolidated financial statements for the year ended 30 June 2020

NOTE 18 CURRENT LIABILITIES – PROVISIONS

	30 June 2020 $'000	30 June 2019 $'000
Employee entitlements	3,701	3,280
Provision for warranties	59	59
Asset retirement obligation – liability	3,099	5,334
	6,859	**8,673**

NOTE 19 NON CURRENT LIABILITIES – PROVISIONS

	30 June 2020 $'000	30 June 2019 $'000
Employee entitlements	467	324
Asset retirement obligation – liability	3,241	3,326
	3,708	**3,650**

(a) Movements in provisions

	Maintenance Warranties $'000	Employee Entitlements $'000	Asset Retirement Obligations $'000	Total $'000
At 1 July 2019	**59**	**3,604**	**8,660**	**12,323**
Arising during the year	-	4,441	-	**4,441**
Utilised during the year	-	(3,893)	(2,500)	**(6,393)**
Exchange adjustment	-	16	180	**196**
At 30 June 2020	**59**	**4,168**	**6,340**	**10,567**
Current 2020	59	3,701	3,099	**6,859**
Non-Current 2020	-	467	3,241	**3,708**
At 30 June 2019	**59**	**4,168**	**6,340**	**10,567**
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**

Superannuation

During the year ended 30 June 2020 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 2020 have been discharged.

NOTE 19 NON CURRENT LIABILITIES – PROVISIONS - CONTINUED

(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 2020. 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 2020 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 model uses cash flow projections based on financial budgets approved by the Board. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. In response to Covid-19, an assessment of the impact on the carrying value of our assets and on our cash flows was undertaken. This included modelling three probability weighted scenarios to consider the potential impacts of Covid-19 on the impairment assessment . The three scenarios and their key features were as follows:

1. Base case – the FY21 Budget which assumes a return to relative normal operations with some localised impacts – weighting of 50%.
2. Alternate case – weighting of 40%.
   a. 3% decline in revenues and 8% decline in EBITDA for the International CGU.
   b. 3% decline in revenues and 4% decline in EBITDA for the Americas CGU.
3. Worst case – weighting of 10%.
   a. 10% decline in revenues in the base case at 14% constant EBITDA margins for the International CGU.
   b. 10% decline in revenues on the base case at 17% constant EBITDA margins for the Americas CGU.

The Americas traffic operations

The carrying value of assets has been tested using the weighted average scenario cash flow projections from financial forecasts covering a five year period. The pre-tax discount rate applied to the projections is 16.5% (FY19: 16.2%), which is the assumed weighted cost of capital. Cash flows beyond year five and into perpetuity are extrapolated using a growth rate of 2% (FY19: 2%), which is our estimate of long term inflation.

The carrying value of assets within the CGU have been assessed against a weighted outcome of the base forecast and the two scenarios described. Based on the results of the test the recoverable amount was US$2.9 million above the carrying value of the CGU's assets and it was determined that an impairment charge was not required.

The key assumptions used for the Americas traffic operations impairment assessment was applied to the assessment of the recoverability of the American deferred tax assets, resulting in an impairment charge of $4.0 million (refer to note 9)

Sensitivity Analysis

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

- Sales growth rate decreased by 1% compared to the current modelling;
- Long term growth rate decreased to 0.9% as compared to the current modelling of 2%; and
- Pre tax discount rate increased to 18.9% as compared to the current modelling of 16.2%.

Notes to the consolidated financial statements for the year ended 30 June 2020

Australian and International traffic operations

The carrying value of assets has been tested using the weighted average scenario cash flow projections from financial forecasts covering a five year period. The pre-tax discount rate applied to the projections is 18.7% (FY19: 15.2%), which is our assumed weighted cost of capital. Cash flows beyond year five and into perpetuity are extrapolated using a growth rate of 2% (FY19: 2%), which is our estimate of long term inflation.

The carrying value of assets within the CGU have been assessed against a weighted outcome of the base forecast and the two scenarios described. Based on the results of the test the recoverable amount was $1.5 million below the carrying value of the CGU's assets. As a result, an impairment charge of $1.5 million was recorded in FY20 against some intangible assets.

NOTE 21 LEASE ACCOUNTING

This note explains the impact of the adoption of AASB 16 Leases on the Group's financial statements.

The Group has adopted AASB 16 retrospectively from 1 July 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 7%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

	1 July 2019 $'000s
Operating lease commitments disclosed as at 30 June 2019	13,719
Discounted using the lessee's incremental borrowing rate of at the date of initial application	12,821
Less adjustments as a result of different treatment of extension and termination options	(1,459)
Lease liability recognised as at 1 July 2019	**11,362**
Of which are:	
Current lease liabilities	3,622
Non-current lease liabilities	7,740

NOTE 21 LEASE ACCOUNTING (CONTINUED)

The associated right-of-use assets for property leases were measured as if the lease commenced on 1 July 2019 using the modified approach for specific property leases and a simplified approach for other leases. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.
The recognised right-of-use assets relate to the following types of assets;

	30 June 2020 $'000s	1 July 2019 $'000s
Properties	6,397	7,366
Equipment	1,848	3,025
Total right-of-use assets	**8,245**	**10,391**

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- right-of-use assets - increase by $10,391,000;
- deferred tax assets – increase by $241,000;
- borrowings – no impact;
- lease liabilities - increase by $11,362,000; and
- Accumulated losses increase by $730,000.

Practical expedients applied
In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease.

The Right of use assert movement for the year is as follows:

	Properties $'000s	Equipment $'000s	Total $'000s
Opening balance at 1 July 2019	7,366	3,025	10,391
Additions in the year	1,033	1,384	2,417
Disposals in the year	-	(899)	(899)
Amortisation charge for the year	(2,088)	(1,716)	(3,804)
Foreign exchange movements	83	57	140
Total right-of-use assets at 30 June 2020	6,397	1,848	8,245

The interest expense on lease liabilities for the year ended 30 June 2020 was $0.6 million

The total expense incurred for low value assets for the year ended 30 June 2020 was not considered material to the Group.

NOTE 22 CONTRIBUTED EQUITY

	30 June 2020 $'000	30 June 2019 $'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 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**
Issued during FY20 as a result of:		
Vesting of performance rights	531,975	-
Vesting of performance rights	292,209	-
At 30 June 2020	**151,042,616**	**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 2020 $'000	30 June 2019 $'000
Balance 1 July	**(53,736)**	**(47,402)**
Net loss	(10,410)	(5,604)
Balance 30 June	**(64,146)**	**(53,006)**

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.

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 $3.1 million (FY19: $2.9 million).

(b) Operating lease commitments – Group as lessee

For the year ended 30 June 2019 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.

In the current year these leases have been accounted for under AASB 16- Leases and are held on the statement of financial position, refer to Note 21 for further information.

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Within 1 year	-	4,183
After 1 year but not more than 5 years	-	6,743
More than 5 years	-	2,793
	-	**13,719**

(c) Capital commitments

At 30 June 2020 the Group has commitments of $0.6 million relating to open capital purchase orders (FY19: Nil).

Notes to the consolidated financial statements for the year ended 30 June 2020

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 2020 %	Equity interest 30 June 2019 %
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
Redflex Traffic Systems India Private Limited	India	100	n/a
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.

Equity investment

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.

Notes to the consolidated financial statements for the year ended 30 June 2020

NOTE 25 RELATED PARTY DISCLOSURES - CONTINUED

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 2020 $'000	30 June 2019 $'000 (Restated)
Short term employee benefits	1,400	1,437
Long-term employment benefits	135	84
Share based payments	634	649
	2,169	**2,170**

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 2020 (FY19: Nil).

NOTE 26 SHARE-BASED PAYMENT PLANS - CONTINUED

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.

For senior executives, vesting of the FY18 to FY20 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 at fair value dependent on the vesting criteria.

Performance rights assumptions

	1 October 2019
Share price at valuation date	0.47
Expected volatility	60%
Risk-free interest rate	0.7%
Expected life of performance right	3 years
Fair value of performance right	0.39
Dividend yield	0%

	1 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%

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 (FY19: 3 years).

NOTE 26 SHARE-BASED PAYMENT PLANS - CONTINUED

Equity-settled transactions - continued

Option holdings of key management personnel

On 31 October 2019 the Company issued 786,174 options to Mr Talbot. The options are exercisable at 44 cents and vest in 26 equal tranches of 29,117 over 26 months commencing from 21 November 2019, and 1 tranche of 29,132 on 21 January 2022, conditional on the executive being in continued employment with the Company at the vesting date. The options expire 5 years after they vest.

On 21 August 2017 the Company issued 2,218,195 options to Mr Talbot. 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.

The assumptions used in valuing these options have been disclosed below.

Options Assumptions

	21 August 2017	31 October 2019
Share price at valuation date	0.54	0.48
Expected volatility	78.5%	57.3%
Risk-free interest rate	2.2%	0.8%
Expected life of option	4 years	2.25 years
Fair value of option	0.36	0.17
Dividend yield	0%	0%

Movements in the year

Performance rights

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

	Total Number	Date
Issued at 1 July 2019	**2,837,131**	
Changes during the current year		
Vesting of performance rights	(531,975)	21 Aug 19
Issue of performance rights	1,540,823	1 Oct 19
Vesting of performance rights	(292,209)	1 Oct 19
Lapse of performance rights	(851,984)	1 Oct 19
Outstanding at 30 June 2020	**2,701,786**	

Unquoted options

The following table illustrates the movements in unquoted options during the year ended 30 June.

	Total Number	Date
Issued at 1 July 2019		
Changes during the current year	**2,218,195**	
Issue of options	786,174	31 Oct 19
Outstanding at 30 June 2020	**3,004,369**	

The total unquoted options expense for FY20 was $0.2 million (FY19: $0.2 million).

NOTE 27 PARENT ENTITY INFORMATION

Information relating to the parent entity, Redflex Holdings Limited.

	30 June 2020 $'000	30 June 2019 $'000
Current assets	3,542	3,180
Non-current assets	131,626	132,122
Total assets	**135,168**	**135,302**
Current liabilities	818	946
Non-current liabilities	64	22
Total liabilities	**882**	**968**
Net assets	**135,576**	**134,334**
Contributed equity	117,387	117,387
Retained earnings	5,245	5,412
Reserves	11,654	11,535
Total shareholders' equity	**134,286**	**134,334**
Profit / (loss) of the parent entity	(167)	(1,057)
Total comprehensive profit / (loss) of the parent entity	(167)	(1,057)

Contingent liabilities

With the exception of matters disclosed in Note 29 and elsewhere in this Annual Report, Redflex Holdings Limited does not have any contingent liabilities at 30 June 2020.

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 2020 (FY19: Nil)

Guarantees

Redflex Holdings Limited is a joint party under the credit facility agreement with Western Alliance Bank consisting of US$ 10 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.

NOTE 28 EVENTS AFTER BALANCE SHEET DATE

No matter or circumstance have arisen since 30 June 2020 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, other than the matters noted in respect to Covid-19 as noted in Note 4 of the financial statements and the Directors report.

NOTE 29 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.

NOTE 30 AUDITOR'S REMUNERATION

	30 June 2020 $	30 June 2019 $
Amount received or due and receivable by for:		
An audit and review of the financial report of the consolidated entity	400,000	428,400
An audit of the consolidated entity's overseas subsidiaries	21,350	23,162
Amount received or due and receivable for other services in relation to the consolidated entity for:		
Taxation services	393,537	361,012
	814,887	**812,574**

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 2020 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 2020 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 2020.

On behalf of the Board

Adam Gray
Director

27 August 2020

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 2020 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 2020
- 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 (including Independence Standards)* (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 and 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 $1.01 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 the Group's 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 Melbourne Victoria. • 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 deferred tax assets – Impairment assessment over plant and equipment and intangible assets • These are further described in the *Key audit matters* section of our report.

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.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Recoverability of deferred tax assets
(Refer to note 9)

The recoverability of deferred tax assets was a key audit matter because:
the Group has deferred tax assets of $16.1m at 30 June 2020
the Group recognised a deferred tax asset impairment charge of $5.4m for the year
there is judgement involved in a number of aspects of the tax calculations, including the assessment of the timing of recoverability of deferred tax assets, particularly as COVID-19 is expected to impact future profitability.</td><td>We performed the following procedures, amongst others, over the recognition and recoverability of deferred tax assets:
Together with PwC tax experts we assessed the tax analysis prepared by the Group. This included:
Comparing the forecast profits used in the tax analysis to the Group's probability weighted cash flow models, which we assessed as part of our impairment testing
Recalculating the Group's expected tax loss recoupment profile based on the forecasted profits available
Recalculating the mathematical accuracy of current and deferred tax calculations
Evaluating the recognition of the deferred tax assets and the adequacy of disclosures made in the financial report in light of the requirements of Australian Accounting Standards.</td></tr>
<tr><td>Impairment assessment over plant and equipment and intangible assets
(Refer to note 20)

As described in note 14 and 15 to the financial report, the Group held $40.0 million of plant and equipment and $8.1 million of intangible assets at 30 June 2020. 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 (CGUs), concluding its two CGUs are the Americas traffic operations and the International traffic operations.</td><td>We performed the following procedures, amongst others:
Assessed whether the division of the Group's plant and equipment and intangible assets into CGU's was appropriate under the requirements of Australian Accounting Standards and was consistent with our knowledge of the Group's operations and internal Group reporting.
To evaluate the Group's impairment assessments and the process by which they were developed, we performed the following procedures, amongst others:</td></tr>
</table>

Key audit matter	*How our audit addressed the key audit matter*
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 2020. This assessment was based on probability weighted value in use discounted cash flow models (the models). As a result of the Group's asset impairment assessment at year end, impairment of $1.5m was recognised. We considered impairment assessment over plant and equipment and intangible assets a key audit matter due to the significant judgements required by the Group in relation to assumptions and estimates used in the models, such as: ● Short-term and future growth rates in revenue ● The discount rates adopted in the models ● Long term growth rates (LTGR) applied beyond the initial five year period ● Application of probability weightings to cash flow forecasts representing different recovery scenarios post COVID-19 The rapidly evolving COVID-19 pandemic has meant assumptions regarding the economic and financial market outlook and its impacts on the Group's estimates are uncertain, increasing the degree of judgements required in determining the recoverable amount of plant and equipment and intangible assets. Specifically, this includes judgements regarding the impact of COVID-19 on forward looking information, including short term and future revenue growth rates and the long term growth rates.	○ Re-performed selected calculations in the impairment assessment to assess the mathematical accuracy of the models ○ With support from PwC valuation experts, we assessed the discount rates and LTGR's applied to the models for each CGU by comparing them historical results, market expectations of investment returns, projected economic growth and interest rates ○ Compared the 12 month cash flow forecasting used in the base case scenario of the models with the Board approved budgets ○ Assessed the reasonableness of the possible scenarios incorporated in the probability weighted analysis against the base forecast ○ Compared the forecasted cash flows to actual cash flows across the last three reporting periods 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 ○ Performed sensitivity analysis by varying the discount rate, cash flow projections and LTGR within a reasonably possible range. ● We evaluated the adequacy of the disclosures made in note 20, including those regarding the key assumptions, scenario analysis and sensitivities to changes in such assumptions, in light of the requirements 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 2020, 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.

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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 22 to 40 of the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of Redflex Holdings Limited for the year ended 30 June 2020 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

Jason Perry
Partner

Melbourne
27 August 2020

ASX ADDITIONAL INFORMATION

Additional information required by ASX and not shown elsewhere in this report is as follows. This information is current as at 31 July 2020.

Distribution of equity securities

There were 1,411 holders of 151,042,616 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	358	154,839	0.10
1,001 – 5,000	506	1,260,778	0.83
5,001 – 10,000	193	1,460,055	0.97
10,001 – 100,000	285	8,930,285	5.91
100,001 – over	69	139,236,659	92.18
	1,411	**151,042,616**	**100.00**
Holding less than a marketable parcel of 1,150 shares @ $500	396	195,690	

Substantial holders

Name	Ordinary Shares	% of Issued Capital
Coliseum Capital Management, L.L.C.	29.6%	44,702,428
Sidney Ho	10.8%	16,321,574
Elizabeth & Christopher Cooper	7.5%	11,263,132
Elizabeth Cooper	7.2%	10,906,081
DUMAC, LLC	6.7%	10,101,207
Cheng Man Oy	6.4%	9,604,803

Twenty largest holders of quoted equity securities

Name	Shares Held	% of Issued Capital
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	44,702,428	29.60
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	16,957,304	11.23
BLUE JADE PTY LTD	11,067,528	7.33
MRS ELIZABETH GERALDINE COOPER	9,920,041	6.57
MS CHENG MAN OY	9,604,803	6.36
INVESTACO PTY LTD	8,029,540	5.32
INVESTACO PTY LTD <HO FAMILY A/C>	4,050,622	2.68
MR CHRISTOPHER AUSTIN COOPER	3,686,735	2.44
HO & ASSOCIATES INTERNATIONAL PTY LTD	3,393,717	2.25
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,314,669	2.19
VERTEX BIANCA NOMINEES PTY LTD <SUPERANNUATION FUND A/C>	2,149,944	1.42
MR GRAHAM DAVIE	1,858,994	1.23
O'CONNOR HOLDINGS PTY LTD	1,571,215	1.04
CITICORP NOMINEES PTY LIMITED	1,563,169	1.03
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
MR MARK J TALBOT	1,063,950	0.70
MRS ELIZABETH GERALDINE COOPER	986,040	0.65
DEBUSCEY PTY LTD	784,179	0.52
HO & ASSOCIATES INTERNATIONAL PTY LTD <HO&ASSOC INT EX BEN PLAN A/C>	694,228	0.46
Top 20 Holders of ordinary fully paid shares	**128,033,188**	**84.77**