

# ASX ANNOUNCEMENT

24 February 2021

Redflex Holdings Limited | ABN 96 069 306 216

The Redflex logo features the word "Redflex" in a white, sans-serif font. To the right of the text is a stylized green icon consisting of a circle with a vertical line through it, resembling a traffic light or a sensor.

## FY2021 First Half Year Results

Redflex Holdings Limited (**ASX: RDF**) releases its first half-year results for FY2021.

**Attached** is the Company's Appendix 4D.

### 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 document is authorised by the officers listed below. For further information please contact:

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## **REDFLEX HOLDINGS LIMITED**

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

## **APPENDIX 4D**

### **AND REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

### **RESULTS FOR ANNOUNCEMENT TO THE MARKET**

Reporting period

Previous corresponding period

Half-year ended 31 December 2020 "H1 FY21"

Half-year ended 31 December 2019 "H1 FY20"

**APPENDIX 4D**  
**HALF-YEAR REPORT**  
**HALF-YEAR ENDED 31 DECEMBER 2020**

<b><u>RESULTS FROM OPERATIONS</u></b>				<b><u>H1 FY21</u></b>	<b><u>H1 FY20</u></b>
				<b><u>(\$'000)</u></b>	<b><u>(\$'000)</u></b>
Revenue from operations	Up	6.5%	to	52,313	49,106
Earnings before depreciation, amortisation, finance costs and tax <b>(EBITDA) non-IFRS</b>	Up	14.5%	to	6,668	5,826
Loss before tax	Down	26.9%	to	(3,454)	(4,728)
Loss after tax	Down	10.9%	to	(3,102)	(3,482)
				<b><u>H1 FY21</u></b>	<b><u>H1 FY20</u></b>
				<b><u>Cents</u></b>	<b><u>Cents</u></b>
Basic / diluted loss per share	Down	34.7%	to	(2.05)	(3.14)
Net tangible asset backing per ordinary security	Down	58.5%	to	15.65	37.74
<b><u>DIVIDENDS (DISTRIBUTIONS)</u></b>					
No dividends have been declared in respect of H1 FY21 or H1 FY20					

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

It is recommended that this Interim Financial Report for the half-year ended 31 December 2020 (“Half-Year Report”) be read in conjunction with the Annual Report for the year ended 30 June 2020 and be considered together with any public announcements made by Redflex up to 24 February 2020 in accordance with Redflex’s continuous disclosure obligations (and a copy of the Company’s Continuous Disclosure Policy is available on the Company’s website by clicking [here](https://redflex.com/wp-content/uploads/sites/3/2019/03/Continuous-Disclosure-Policy-1.pdf)). The URL is:

<https://redflex.com/wp-content/uploads/sites/3/2019/03/Continuous-Disclosure-Policy-1.pdf>

This Half-Year Report is prepared in accordance with Australian Accounting Standards Board (AASB) and has been reviewed by the Group’s auditors, PricewaterhouseCoopers (“PwC”), and PwC’s conclusion is attached.

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

**Note regarding non-IFRS financial information**

1. Throughout this Half-Year Report, Redflex has included certain non-IFRS financial information, including earnings before interest, tax, depreciation and amortisation (“EBITDA”), net debt and free cash flow.
2. This information is presented to assist readers in making appropriate comparisons with prior periods and to assess the performance of the Group. 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.
3. Non-IFRS information is not reviewed by PwC.

## INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

### Directors' Report

Your Directors submit their report for the half-year ended 31 December 2020.

### Directors

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

Adam Gray	Chairman
Mark Talbot	Group Chief Executive Officer
Robert DeVincenzi	Non-Executive Director
Clark Davey	Non-Executive Director
David McIntyre	Non-Executive Director
Terry Winters	Non-Executive Director
John Worthington	Non-Executive Director

### Company Secretary

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

### OPERATING AND FINANCIAL REVIEW

- EBITDA growth of 14.5% and revenue growth of 6.5% driven by strong International performance;
- Continued successful conversion of sales pipeline opportunities with \$33.9m of new business contracted during H1 FY21;
- Acquisition of all the assets and intellectual property of Roadmetric, a strategic partner for the past two years, which accelerates Redflex's development of video analytics and artificial intelligence solutions;
- Further progress and investment on the implementation of significant new programs in North America with commencement of the speed program in Ontario and programs being delivered to Pennsylvania Department of Transport and Los Angeles County Metropolitan Transit Authority.

The Company continues to pursue its strategy of creating value by focusing on enhanced business development and sales capability, while investing in innovative customer solutions and the delivery of new programs. The success of the strategy is reflected in our strong market position with more than \$33.9m of new business contract value signed during H1 FY21. Key contract wins during the period include:

- Expansion of the Ontario speed program in Canada to four additional municipalities: C\$13.9m over nine years including option periods;
- Award for the supply of fixed digital road safety cameras for the Westgate Tunnel Project in Victoria, Australia: A\$7m to be delivered by the estimated completion date of September 2022;
- Additional equipment sales to support our program with Highways England in the United Kingdom: A\$3.1m
- New equipment sales to Queensland Police Service, Australia of \$2.1m for point to point speed enforcement on the Gateway Motorway and fixed speed enforcement using our HALO systems at multiple sites throughout the state.

During H1 FY21 we have progressed the implementation of the key new North American programs which were won during FY20. The Ontario speed program in Toronto was fully implemented and operational during H1 FY21. The success of this program is reflected in the expansion to adjacent municipalities in Ontario as noted above. We expect the new programs to be delivered during H2 FY21 and continue to pursue opportunities for further expansion.

Implementation of the work zone speed enforcement program in Pennsylvania and the rail enforcement program in Los Angeles progressed during H1 FY21, with both programs commencing revenue generation during the period. It is noted that the implementation of these programs has been adversely affected by COVID-19 related delays which have impacted the delivery schedule. It is expected that both of these programs will be fully operational during H2 FY21.

We continue to develop and invest in our portfolio of innovative customer solutions to enable us to push deeper into the Intelligent Transportation Solutions marketplace. In November 2020 Redflex acquired the assets and intellectual property of

Roadmetric, an Israeli based software development company. We had partnered with Roadmetric over the previous two years to deliver a number of pilot programs to customers which expand our Managed Lane solutions. While the investment is not a material financial obligation, it adds to Redflex's technology footprint and accelerates our development in video analytics and artificial intelligence.

Besides the Roadmetric asset acquisition, we have further invested in our HALO product suite and development of the Alcyon platform. We have developed our HALO Edge product, a video based solution which we are piloting in Europe to enforce distracted driving and close following. Further investment has been made in the next iteration of our HALO 2.0 product which has successfully been positioned in the market to provide fixed and point to point speed, red light and number plate recognition enforcement. Our Alcyon back office solution continues to be developed and deployed in North America to support our existing customer base.

The financial performance of the Company has improved across each of the key metrics of revenue, EBITDA and loss before tax. Group revenue of \$52.3 million grew by 6.5% against the prior year attributable to growth in both the International and Americas segments. International revenue of \$29.9 million grew by 8.2% across both recurring revenue contracts and project based orders. Revenue in the Americas of \$22.4 million was 4.4% higher than the prior year. Revenue from new programs in Canada, Pennsylvania and Los Angeles during H1 FY21 of \$5.4 million was partly offset by lower revenue on existing programs which have been impacted by COVID-19 restrictions coupled with foreign exchange movements.

EBITDA of \$6.7 million represents growth of 14.5% on the prior year. The improvement is attributable to the International segment which continues to perform strongly for both recurring revenue contracts and project based orders. EBITDA in the International business also reflects lower labour costs from COVID-19 assistance in Australia under the JobKeeper program which ceased in September 2020. Despite increased revenue in the Americas, margin was unfavourably impacted by implementation delays on new programs in Pennsylvania and Los Angeles, and COVID-19 related impacts on existing programs.

At 31 December 2020 the Company had a cash balance of \$15.3 million which is a decrease of \$7.0 million during the half year. Cash generated from operations of \$5.3 million is an improvement of \$9.3 million on the prior year. During H1 FY21 the Company invested significantly in new programs in North America as well as in the Roadmetric asset acquisition. It is expected that this investment will abate in H2 FY21 as programs are fully implemented. The Company also retired borrowings and reduced its lease liability during H1 FY21.

## YEAR ON YEAR COMPARISON

A comparison of the Group's performance for H1 FY21 and H1 FY20 is as follows.

	H1 FY21 \$'000	H1 FY20 \$'000
<b>Earnings before interest, tax, depreciation, and amortisation (EBITDA)*</b>	<b>6,668</b>	<b>5,826</b>
Less:		
Depreciation	5,749	7,015
Amortisation	3,521	2,736
Net finance costs	852	803
<b>Loss before tax</b>	<b>(3,454)</b>	<b>(4,728)</b>

	H1 FY21 \$'000	H1 FY20 \$'000	% Change
<b>Segment revenue</b>			
The America's Traffic business	22,407	21,468	4.4%
Australian/International Traffic business	29,906	27,638	8.2%
<b>Total Consolidated Revenue</b>	<b>52,313</b>	<b>49,106</b>	<b>6.5%</b>
<b>Earnings before interest, tax, depreciation, and amortisation Non-IFRS*</b>			
EBITDA from combined Traffic business	8,294	6,410	29.4%
Head Office costs	(1,626)	(584)	(>100%)
<b>EBITDA</b>	<b>6,668</b>	<b>5,826</b>	<b>14.5%</b>
<b>Pre-tax loss</b>			
Pre-tax loss from combined Traffic business	(1,828)	(4,144)	55.9%
Head Office profit (loss)	(1,626)	(584)	(>100%)
<b>Pre-tax loss from operations</b>	<b>(3,454)</b>	<b>(4,728)</b>	<b>26.9%</b>
<b>Net loss after tax</b>	<b>(3,102)</b>	<b>(3,482)</b>	<b>10.9%</b>

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

1. Throughout this Half-Year Report, Redflex has included certain non-IFRS financial information, including earnings before interest, tax, depreciation and amortisation ("EBITDA"), net debt and free cash flow.
2. This information is presented to assist readers in making appropriate comparisons with prior periods and to assess the performance of the Group. 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.
3. Non-IFRS information is not reviewed by PwC.

## 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 31 December 2020, US\$3.1 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. This facility has been drawn to support investment in new Americas programs. At 31 December 2020, US\$8.8 million 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\$15.3 million which includes restricted cash of A\$1.6 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.

## Outlook for the remainder of the 2021 financial year

The Company remains confident of further growth in both revenue and earnings through H2 FY21. The COVID-19 pandemic continues to present challenges particularly in our Americas business where contracts have been adversely impacted by reduced traffic volumes and delays to implementing new programs. Nonetheless we expect to complete the delivery of key programs in both Pennsylvania and Los Angeles while further expanding the speed program in Ontario, Canada. It is expected that each of these contracts will deliver incremental revenue over the remainder of the year.

In our International business, the sales opportunity pipeline remains strong. In the near term we are focused on delivering confirmed orders in Australia, the United Kingdom and Europe. Our contract for the provision of mobile speed services in New South Wales, Australia was recently expanded to deliver additional deployments through to June 2021 which will increase revenue from that program during H2 FY21. We are bidding on a number of significant opportunities to be awarded during H2 FY21 which will position the business for growth in FY22.

## Subsequent events

On 22 January 2021 the Company announced to the ASX that it had entered into a binding Scheme Implementation Agreement (SIA) with Verra Mobility Corporation. In accordance with the SIA, Verra Mobility nominated VM Consolidated, Inc., a wholly owned subsidiary of Verra Mobility Corporation, to acquire 100% of the share capital of Redflex at a cash price of \$0.92 for every Redflex share. Implementation of the scheme is subject to Redflex shareholder approval, satisfaction of a number of conditions precedent and the obtaining of all necessary court and regulatory approvals.

Further detail relating to the Scheme Implementation Agreement is available on the Company's website by clicking [here](#). The URL is:

[https://asx.api.markitdigital.com/asx-research/1.0/file/2924-02332765-3A559830?access\\_token=83ff96335c2d45a094df02a206a39ff4](https://asx.api.markitdigital.com/asx-research/1.0/file/2924-02332765-3A559830?access_token=83ff96335c2d45a094df02a206a39ff4)

## Rounding

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

## Auditor's Independence

The Group has received the Auditor's Independence Declaration dated 24 February 2021.

Signed in accordance with a resolution of the directors.



**Adam Gray**  
Chairman  
Melbourne  
24 February 2021



## *Auditor's Independence Declaration*

As lead auditor for the review of Redflex Holdings Limited for the half-year ended 31 December 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in blue ink, appearing to read 'Andrew Cronin', is positioned above the printed name.

Andrew Cronin  
Partner  
PricewaterhouseCoopers

Melbourne  
24 February 2021

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2020

	31-Dec-20 \$'000	31-Dec-19 \$'000
Revenue from operations	52,313	49,106
<b>Total revenue</b>	<b>52,313</b>	<b>49,106</b>
Cost of goods sold	31,608	28,513
<b>Cost of sales</b>	<b>31,608</b>	<b>28,513</b>
<b>Gross profit</b>	<b>20,705</b>	<b>20,593</b>
Sales and marketing related expenses	2,785	2,457
Administrative related expenses	11,252	12,310
Amortisation of intangibles	3,521	4,526
Depreciation of plant and equipment	5,749	5,225
<b>Loss before tax and financing costs</b>	<b>(2,602)</b>	<b>(3,925)</b>
Net finance costs	852	803
<b>Loss before tax</b>	<b>(3,454)</b>	<b>(4,728)</b>
Income tax benefit	(352)	(1,246)
<b>Net loss for the period</b>	<b>(3,102)</b>	<b>(3,482)</b>
<b>Other Comprehensive Income</b>		
<b>Items that may be reclassified subsequently to profit and loss</b>		
Foreign currency translation	(4,521)	(202)
<b>Total comprehensive income for the period</b>	<b>(7,623)</b>	<b>(3,684)</b>
<b>Losses per share ("LPS") attributable to ordinary equity holders</b>		
- basic / diluted EPS for the half-year ended	(2.05) cents	(3.14) cents

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	31-Dec-20 \$'000	30-Jun-20 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		15,268	22,328
Trade and other receivables		19,797	26,584
Inventories		7,326	5,630
Other current assets		2,944	2,394
<b>Total Current Assets</b>		<b>45,335</b>	<b>56,936</b>
<b>Non-Current Assets</b>			
Plant and equipment		34,737	39,780
Right of use asset		6,454	8,245
Deferred tax asset		14,896	14,907
Intangible assets	5	10,515	8,092
Other financial assets		441	441
Other non-current assets		612	648
<b>Total non-current assets</b>		<b>67,655</b>	<b>72,113</b>
<b>TOTAL ASSETS</b>		<b>112,990</b>	<b>129,049</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables		16,317	16,817
Lease liabilities		1,958	3,087
Interest bearing liabilities		6,180	3,171
Deferred revenue		917	1,589
Income tax payable		78	283
Provisions		6,783	6,859
<b>Total Current Liabilities</b>		<b>32,233</b>	<b>31,806</b>
<b>Non-Current Liabilities</b>			
Trade and other payables		7,063	8,480
Lease liabilities		5,222	6,019
Interest bearing liabilities		9,376	16,063
Provisions		3,446	3,708
<b>Total Non-Current Liabilities</b>		<b>25,107</b>	<b>34,270</b>
<b>TOTAL LIABILITIES</b>		<b>57,340</b>	<b>66,076</b>
<b>NET ASSETS</b>		<b>55,650</b>	<b>62,973</b>
<b>Equity</b>			
Contributed equity	4	117,387	117,387
Reserves		5,511	9,732
Accumulated losses		(67,248)	(64,146)
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		<b>55,650</b>	<b>62,973</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2020

	Contributed Equity \$'000	Foreign Currency Translation Reserve \$'000	Employee Equity Benefits Reserve \$'000	Accumulated losses \$'000	Total Equity \$'000
<b>At 1 July 2019</b>	<b>117,387</b>	<b>5,909</b>	<b>3,307</b>	<b>(53,006)</b>	<b>73,597</b>
Adjustment for change in accounting policy relating to the implementation of AASB 16 - Leases	-	-	-	(730)	(730)
<b>Balance at 1 July 2019 - restated</b>	<b>117,387</b>	<b>5,909</b>	<b>3,307</b>	<b>(53,736)</b>	<b>72,867</b>
Loss for the half-year	-	-	-	(3,482)	(3,482)
Currency translation differences	-	(202)	-	-	(202)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(202)</b>	<b>-</b>	<b>(3,482)</b>	<b>(3,684)</b>
Cost of share-based payments and options	-	-	117	-	117
<b>At 31 December 2019</b>	<b>117,387</b>	<b>5,707</b>	<b>3,424</b>	<b>(57,218)</b>	<b>69,300</b>
<b>Balance at 1 July 2020</b>	<b>117,387</b>	<b>5,938</b>	<b>3,794</b>	<b>(64,146)</b>	<b>62,973</b>
Loss for the half-year	-	-	-	(3,102)	(3,102)
Currency translation differences	-	(4,521)	-	-	(4,521)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(4,521)</b>	<b>-</b>	<b>(3,102)</b>	<b>(7,623)</b>
Cost of share-based payments	-	-	300	-	300
<b>At 31 December 2020</b>	<b>117,387</b>	<b>1,417</b>	<b>4,094</b>	<b>(67,248)</b>	<b>55,650</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2020

	31-Dec-20 \$'000	31-Dec-19 \$'000
<b>Operating activities</b>		
Receipts from customers	60,052	50,838
Payments to suppliers and employees	(55,483)	(52,303)
Cash received from government grants	2,892	-
Chicago settlement payment	(1,297)	(1,427)
Interest paid	(465)	(541)
Income tax paid	(362)	(538)
<b>Net cash (outflow) / inflows from operating activities</b>	<b>5,337</b>	<b>(3,971)</b>
<b>Investing activities</b>		
Purchase of plant and equipment	(4,771)	(6,117)
Acquisition of intellectual property and other assets	(904)	-
Capitalised development costs paid	(2,049)	(1,357)
<b>Net cash outflow from investing activities</b>	<b>(7,724)</b>	<b>(7,474)</b>
<b>Financing activities</b>		
Proceeds from borrowings	-	7,130
Repayment of borrowings	(1,525)	(431)
Repayment of lease liability principal	(1,739)	(1,880)
<b>Net cash inflow from financing activities</b>	<b>(3,264)</b>	<b>4,819</b>
Net (decrease) / increase in cash held	(5,651)	(6,626)
Effect of exchange rate changes on cash	(1,409)	18
Cash and cash equivalents at beginning of period	22,328	21,204
<b>Cash and cash equivalents at end of the period</b>	<b>15,268</b>	<b>14,596</b>

The above consolidated statement of cash flow should be read in conjunction with the accompanying notes.

## NOTES TO THE FINANCIAL STATEMENTS

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### 1 CORPORATE INFORMATION

Redflex Holdings Limited (“Redflex” or “the Company”) and its subsidiaries (collectively, “the Group”) is an Australian incorporated company limited by shares that are publicly traded on the Australian Securities Exchange (ASX) with the code RDF.

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

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation and new accounting standards

This consolidated financial report for the half-year ended 31 December 2020 (“the Half-Year Report”) has been prepared in accordance with *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*.

The Half-Year Report does not include all notes of the type normally included within the annual general purpose financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the Group’s Annual Report.

It is recommended that the Half-Year Report be read in conjunction with the Annual Report for the year ended 30 June 2020 and considered together with any public announcements made by the Company in accordance with the Group’s continuous disclosure obligations under ASX listing rules (a copy of which is available on the Company’s website ([www.redflex.com.au](http://www.redflex.com.au))).

The Half-Year Report has been prepared on a going concern basis, which assumes the normal continuity of business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

#### (b) Changes in accounting policies

There have been no changes in accounting policies during the half-year ended 31 December 2020.

#### (c) Change in accounting estimates

There were no significant changes in accounting estimates for the half-year ended 31 December 2020.

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

The preparation of the Half-Year Report requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgments and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions. The Half-Year Report does not include any adjustments relating to the recoverability and classification of recorded asset amounts that might be necessary should the Group’s judgments differ from future circumstances.

Management has identified the following critical accounting policies for which significant judgments, estimates and assumptions are made at 31 December 2020. 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.

## NOTES TO THE FINANCIAL STATEMENTS

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

#### Impairment of plant and equipment and capitalised development costs

At each reporting date the Group makes a formal assessment of the recoverable amount generated by each Cash Generating Unit (“CGU”). Where the carrying amount of assets contained within the CGU exceeds its recoverable amount the assets contained within the CGU are considered impaired and written down to their recoverable amount.

Recoverable amounts are calculated in line with each CGU’s valuation methodology, which is based on a value in use model. Impairment losses are recognised immediately in the income statement.

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.

At 31 December 2020 an impairment test was performed for both CGU’s. The Company continued to apply a value in use methodology to the test as described below.

#### 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 forecasts approved by the Board. Cash flows beyond the five year forecast period are extrapolated using the estimated growth rate stated below. In response to Covid-19, an assessment of the impact of 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 Forecast which assumes a return to relative normal operating conditions within FY21 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 in 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 the five year period. The pre-tax discount rate applied to the projections is 16.5% (FY20: 16.5%) which is the assumed weighted cost of capital. Cash flows beyond year five and into perpetuity are extrapolated using a growth rate of 2% (FY20: 2%), which is our estimate of long term inflation.

The carrying value of the assets within the CGU have been assessed against the weighted outcome of the base forecast and the two scenarios described. Based on the results of the test the recoverable amount was US\$1.9 million above the carrying value of the CGU’s assets and it was determined an impairment charge was not required.

#### 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 the five year period. The pre-tax discount rate applied to the projections is 18.7% (FY20: 18.7%) which is the assumed weighted cost of capital. Cash flows beyond year five and into perpetuity are extrapolated using a growth rate of 2% (FY20: 2%), which is our estimate of long term inflation.

The carrying value of the assets within the CGU have been assessed against the weighted outcome of the base forecast and the two scenarios described. Based on the results of the test the recoverable amount was \$8.1 million above the carrying value of the CGU’s assets and it was determined an impairment charge was not required.

## NOTES TO THE FINANCIAL STATEMENTS

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

#### Depreciation of property, plant and equipment

Plant and equipment mainly consist of red light and speed camera detection equipment. These assets are mainly installed in various cities throughout North America. The contract periods for which these assets are installed vary significantly between contracts, however most contract periods are at least five years and have extension options of either one year or two years.

The Group depreciates these assets over a seven to ten-year period on a straight-line basis regardless of the length of the contract. The major components of the installation relate to the construction and civil engineering works associated with the installation, in addition to the camera and detection equipment. The Group expects the infrastructure to last for decades once installed, whilst the camera and detection equipment is expected to last for a period approximating seven years.

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

#### 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 five to seven year period on a straight-line basis regardless of the length of individual contracts for which the technology is used. The Group expects the technology to last for a period of up to seven 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.

#### 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 fully provide against the likelihood of ultimate collectability.

#### Long service leave provision

In determining the present value of the liability, probabilities have been applied in estimating the proportion of employees who will be entitled to long service leave and a percentage applied to reflect pay increases through promotion and inflation.

#### Asset retirement obligations

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

#### 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 on the statement of financial position. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits in 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 the deferred tax assets 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 being implemented during the first half of the year. Judgements and assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These assumptions are consistent with the modelling used to support the carrying value of non-current assets. They depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgments are also required about the application of income tax legislation.

## NOTES TO THE FINANCIAL STATEMENTS

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

These judgments and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of comprehensive income.

### 3 SEGMENT INFORMATION

The operating businesses are organised and managed separately according to the nature of the products and services provided with each segment representing a strategic business unit that offers products and services to different markets. The Group identifies and reports on this basis to the chief operating decision maker (which for Redflex is the Group Chief Executive Officer).

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

Transfer prices between business segments are set on an arm’s length basis in a manner like transactions with third parties. Segment revenue, segment expense and segment result include transfers between operating segments. Those transfers are eliminated on consolidation of the Group’s financial results

The following tables present revenue and profit information and certain asset and liability information regarding operating segments for the half-years ended 31 December 2020 and 31 December 2019.

## NOTES TO THE FINANCIAL STATEMENTS

### 3 SEGMENT INFORMATION – Continued

#### Half-year ended 31 December 2020

	Operating segments		Total
	The Americas	Australian /International	
	\$'000	\$'000	\$'000
<b>Revenue</b>			
Revenue from operations	22,407	29,906	52,313
Inter-segment revenue	-	2,810	2,810
<b>Total segment revenue</b>	<b>22,407</b>	<b>32,716</b>	<b>55,123</b>
Inter-segment elimination			(2,810)
<b>Total consolidated revenue</b>			<b>52,313</b>
<b>Result</b>			
Earnings before interest tax, depreciation and amortisation	395	7,899	8,294
Depreciation	(4,671)	(1,078)	(5,749)
Amortisation	(860)	(2,661)	(3,521)
Inter-segment royalty	830	(830)	-
<b>Segment result</b>	<b>(4,306)</b>	<b>3,330</b>	<b>(976)</b>
<b>Head office result</b>			<b>(1,626)</b>
<b>Loss before tax and finance charges</b>			<b>(2,602)</b>
Finance charges			852
<b>Loss before income tax</b>			<b>(3,454)</b>
Income tax benefit			(352)
<b>Net loss for the period</b>			<b>(3,102)</b>
<b>Assets and liabilities</b>			
Segment assets	59,602	47,312	106,914
Head office assets			6,076
<b>Total assets</b>			<b>112,990</b>
Segment liabilities	40,155	16,353	56,508
Head office liabilities			832
<b>Total liabilities</b>			<b>57,340</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 3 SEGMENT INFORMATION – Continued

#### Half-year ended 31 December 2019

	Operating segments		
	The Americas	Australian /International	Total
	\$'000	\$'000	\$'000
<b>Revenue</b>			
Revenue from operations	21,468	27,638	49,106
Inter-segment revenue	-	2,561	2,561
<b>Total segment revenue</b>	<b>21,468</b>	<b>30,199</b>	<b>51,667</b>
Inter-segment elimination			(2,561)
<b>Total consolidated revenue</b>			<b>49,106</b>
<b>Result</b>			
Earnings before interest tax, depreciation and amortisation	1,959	4,451	6,410
Depreciation	(4,428)	(2,587)	(7,015)
Amortisation	-	(2,736)	(2,736)
Inter-segment royalty	876	(876)	-
<b>Segment result</b>	<b>(1,593)</b>	<b>(1,748)</b>	<b>(3,341)</b>
<b>Head office result</b>			<b>(584)</b>
<b>Loss before tax and finance charges</b>			<b>(3,925)</b>
Finance charges			803
<b>Loss before income tax</b>			<b>(4,728)</b>
Income tax benefit			(1,246)
<b>Net loss for the period</b>			<b>(3,482)</b>
<b>Assets and liabilities</b>			
Segment assets	64,857	56,882	121,739
Head office assets			5,620
<b>Total assets</b>			<b>127,359</b>
Segment liabilities	42,642	14,590	57,232
Head office liabilities			827
<b>Total liabilities</b>			<b>58,059</b>

## NOTES TO THE FINANCIAL STATEMENTS

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### 4 ISSUED AND QUOTED SECURITIES

Ordinary Securities	<u>Total number</u>	<u>Date</u>
<b>On issue at 1 July 2020</b>	<b>151,042,616</b>	
Vesting of performance rights	533,573	21 Aug 2020
Vesting of performance rights	414,371	1 Oct 2020
<b>On issue at 31 December 2020</b>	<b>151,990,560</b>	

### 4A ISSUED AND UNQUOTED PERFORMANCE RIGHTS

Unquoted performance rights	<u>Total Number</u>	<u>Date</u>
<b>Issued at 1 July 2020</b>	<b>2,701,786</b>	
<b>Changes during the current half-year period</b>		
Vesting of performance rights	(533,573)	21 Aug 2020
Issue of performance rights	1,003,512	1 Oct 2020
Vesting of performance rights	(414,371)	1 Oct 2020
Issue of performance rights	1,052,492	1 Dec 2020
<b>Outstanding at 31 December 2020</b>	<b>3,809,846</b>	

### 4B ISSUED AND UNQUOTED OPTIONS

Unquoted options	<u>Total Number</u>	<u>Date</u>
<b>Issued at 1 July 2020</b>	<b>3,004,369</b>	
<b>Outstanding at 31 December 2020</b>	<b>3,004,369</b>	

## NOTES TO THE FINANCIAL STATEMENTS

### 5 INTANGIBLE ASSETS

	Capitalised development \$'000	Intellectual property \$'000	Total \$'000
<b>At 1 July 2020 net of accumulated amortisation and impairment</b>	<b>8,092</b>	-	<b>8,092</b>
Additions	2,049	-	2,049
Additions through asset acquisition*	-	2,198	2,198
Amortisation for the period	(1,824)	-	(1,824)
<b>At 31 December 2020 net of accumulated amortisation and impairment</b>	<b>8,317</b>	<b>2,198</b>	<b>10,515</b>
<b>At 31 December 2020</b>			
Cost	65,416	2,198	67,614
Accumulated amortisation and impairment	(57,099)	-	(57,099)
<b>Net carrying amount</b>	<b>8,317</b>	<b>2,198</b>	<b>10,515</b>

\* On 24 November 2020, the Group completed the acquisition of certain assets of Roadmetric Ltd ("Roadmetric"). Roadmetric is an Israeli based organisation which specialises in various traffic management solutions, which are aligned to a similar objective to that of the Group. The Group has considered whether the acquisition of the Roadmetric assets constituted a business and should be accounted for as a business combination under *AASB 3 – Business Combinations*. Following the completion of the assessment by the Group it was determined that the Roadmetric assets acquired by the Group did not meet the definition of a business and the transaction has therefore been treated as an asset acquisition.

The total consideration for the transaction is for a minimum of US\$1.5 million with US\$0.5 million payable on the completion date and the remaining US\$1.0 million payable at the 1<sup>st</sup> and 2<sup>nd</sup> earn out period dates of 31 December 2021 and 31 December 2022 respectively. These amounts have been recorded as a liability in the statement of financial position as at 31 December 2020. There is also an additional earn out amount potentially payable which is calculated based on the volume of confirmed orders received during the earn out periods. As at 31 December 2020 no additional liability has been recognised in respect of the potential additional earn out. The Group has made the accounting policy election to increase the value of the assets acquired in the event that an additional payment becomes due to Roadmetric.

The primary asset acquired as part of the transaction was intellectual property as noted above. The other assets acquired as part of the transaction were not considered material to the Group.

### 6 CONTINGENCIES

The Company's U.S. subsidiary, Redflex Traffic Systems, Inc. ("RTSI"), is currently a party to two legal actions in the United States of America that have arisen during the ordinary course of its business. The actions are challenging the legality of some programs in the states of Louisiana and Ohio. Any liabilities arising from these actions are uncertain and indeterminate as at the date of this report.

The Company and its legal advisors closely monitor these actions and the Company and RTSI continue to assert their rights and defend 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.

### 7 SUBSEQUENT EVENTS

On 22 January 2021 the Company announced to the ASX that it had entered into a binding Scheme Implementation Agreement (SIA) with Verra Mobility Corporation. In accordance with the SIA, Verra Mobility nominated VM Consolidated, Inc., a wholly owned subsidiary of Verra Mobility Corporation, to acquire 100% of the share capital of Redflex at a cash price of \$0.92 for

## NOTES TO THE FINANCIAL STATEMENTS

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every Redflex share. Implementation of the scheme is subject to Redflex shareholder approval, satisfaction of a number of conditions precedent and the obtaining of all necessary court and regulatory approvals.

Further detail relating to the Scheme Implementation Agreement is available on the Company's website by clicking [here](#). The URL is:

[https://asx.api.markitdigital.com/asx-research/1.0/file/2924-02332765-3A559830?access\\_token=83ff96335c2d45a094df02a206a39ff4](https://asx.api.markitdigital.com/asx-research/1.0/file/2924-02332765-3A559830?access_token=83ff96335c2d45a094df02a206a39ff4)

## **DIRECTORS' DECLARATION**

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

In the opinion of the directors:

- (a) The half-year financial report of the consolidated entity is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position as at 31 December 2020 and of its performance;
  - (ii) complying with Accounting Standards AASB 134 Interim Financial reporting and Corporations Regulations 2001;  
and
- (b) As detailed in Note 2(a) of the half-year financial report, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



**Adam Gray**  
Chairman  
Redflex Holdings Limited  
Melbourne  
24 February 2021



# Independent auditor's review report to the members of Redflex Holdings Limited

## *Report on the half-year financial report*

### *Conclusion*

We have reviewed the half-year financial report of Redflex Holdings Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

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

1. giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### *Basis for conclusion*

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

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 & 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### *Responsibility of the directors for the half-year financial report*

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

### *Auditor's responsibility for the review of the half-year financial report*

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true

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and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in blue ink that reads 'Andrew Cronin'.

Andrew Cronin  
Partner

Melbourne  
24 February 2021