

Release to Australian Securities Exchange

28 August 2014

FY2014 Preliminary Final Results

Redflex reports the following financial results for FY2014:

- Revenue of \$121.5 million
- EBITDA * of \$25.5 million (* non-IFRS measure)
- Pretax loss of \$3.8 million
- After tax loss of \$1.2 million
- Positive operating cash flow of \$29.9 million

Factors which contributed to the year's results are noted in the Review of Operations section of the Appendix 4E which is attached.

At 30 June 2014 the Company had net debt of \$2.2 million (including restricted cash of \$3.7 million).

The Board has determined not to declare a dividend at this time as the Board believes it appropriate to maintain maximum financial flexibility to ensure it is well positioned to address any potential acquisition opportunities as they arise.

The Company is forecasting an improved result in FY2015, with an expected pre-tax trading loss in the first half and approximately a break-even result for the full year.

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Redflex Holdings Limited

ABN: 96 069 306 216

APPENDIX 4E

Preliminary final report for the year ended 30 June 2014 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				\$'000
Revenue from operations	Down	11.5%	to	121,542
Earnings before interest, tax, depreciation and amortisation (EBITDA)	Down	27.9%	to	25,513
Profit/(Loss) before tax attributable to members	Down	144.6%	to	(3,842)
Profit/(Loss) after tax attributable to members	Down	116.2%	to	(1,183)
Basic earnings per share (2013: 6.61 cents)	Down	116.2%	to	(1.07) cents
Net tangible assets per share (2013: 87.90 cents)	Down	11.0%	to	78.22 cents

Dividends (distributions)	Amount per security	Franked amount per security
Interim dividend in respect of FY2013	2.0 cents	2.0 cents
Final dividend in respect of FY2013	3.0 cents	2.0 cents

The Directors have decided not to declare a dividend in respect of FY14.

Previous corresponding period

The previous corresponding period is the year ended 30 June 2013.

Note regarding non-IFRS financial information

1. Throughout this report, Redflex has included certain non-IFRS financial information, including EBITDA.
2. EBITDA reflects Earnings Before Interest, Tax, Depreciation, and Amortisation and is reconciled to Net Profit Before Tax (NPBT) on page 3.
3. This information is presented to assist in making appropriate comparisons with prior periods and to assess the performance of the Company. EBITDA is considered a non-IFRS measure, however, EBITDA is the measure most frequently quoted in the industry and forms the basis upon which investors, financiers and analysts are briefed.
4. Non-IFRS information is not audited.

APPENDIX 4E PRELIMINARY FINAL REPORT

For the Year Ended 30 June 2014

REDFLEX GROUP OVERVIEW

Redflex Holdings Limited (the “Company” or “Redflex” or “Group”) commenced operation in 1995 and has been listed on the Australian Securities Exchange (ASX) since 1997.

The Company’s vision is to enhance public safety through innovative technologies. A particular focus of the Company is to provide red-light and speed photo enforcement solutions.

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

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

The International business comprises a mix of product and service sales, and BOOM type contracts.

REDFLEX GROUP - REVIEW OF OPERATIONS

Revenue from operations for the Group for the financial year ended 30 June 2014 was \$121.5 million, a decrease of 11.5% on the previous year revenue of \$137.4 million. The reduced revenue was primarily attributable to the USA operations, with revenue down approximately \$11.0 million on the previous financial year due primarily to the, previously announced, non-renewal of the City of Chicago contract. The revenue attributable to the North America market, predominantly the USA BOOM business, decreased by 11.5% to \$83.4 million, compared to \$94.2million in the previous financial year. Revenues to International customers totaled \$38.0 million, compared to the previous financial year of \$43.1 million, a decrease of 11.8%.

EBITDA was \$25.5 million, a decrease of 28.0% over the previous year EBITDA of \$35.4 million.

Net operating loss before tax was \$3.8 million, compared to the previous year profit before tax of \$8.6 million. Net operating loss after tax was \$1.2 million, compared to the previous year profit after tax of \$7.3 million.

These results were affected by a positive average AU\$/US\$ exchange rate movement of 10.6 % over the year.

The cash flow from operations during FY14 increased 8.7% to \$29.9 million compared to \$27.5 million in FY13.

Contributing factors to the year’s results were:

- Recognition of revenue associated with the sale of software licences - \$3.2 million;
- The non-renewal of the Chicago contract reduced revenue by \$9.7 million, which had a significant impact on gross profit;
- Losses on the Student Guardian bus stop-arm operation - \$4.3 million;
- Costs relating to the strategy work, engagement of investment bankers, and the Group CEO search - \$1.5 million;
- Ongoing legal and associated costs in responding to investigative authorities throughout the USA arising from previous disclosures and related matters - \$2.4 million (FY13 \$3.7 million);
- Costs relating to the settlement of a class action law suit in New Jersey and a prevailing wage dispute in California - \$1.5 million;
- Impairment of Capitalised Development costs of approximately \$0.5 million;
- Costs of retrenchments and early termination agreements relating to the cost reduction exercise - \$0.5 million; and
- A bonus arising from the Transition Agreement for the previous Group CEO - \$0.6 million.

APPENDIX 4E PRELIMINARY FINAL REPORT

For the Year Ended 30 June 2014

REFLEX GROUP - REVIEW OF OPERATIONS – (CONTINUED)

Year on year comparison

A comparison of the Group's performance for FY14 and FY13 is as follows.

	FY14 \$'000	FY13 \$'000
EBITDA (non IFRS measure)	25,513	35,377
Less:		
Depreciation	23,276	21,596
Amortisation	4,776	4,024
Interest	1,303	1,156
Net profit/(loss) before tax	(3,842)	8,601

OPERATIONAL FOCUS

The key elements of the operational focus of the Company continue to be:

- Profitably growing the business beyond the previous sustainment strategy of the USA business;
- Continuing to look for operating efficiencies subsequent to the cost reduction exercises implemented during FY14;
- Maximisation of revenue from existing, renewed and new contracts;
- Investigation of new sources of revenue from existing customers; and
- Increasing the level of recurring revenue arising from International operations.

FINANCIAL RESOURCES

The Syndicated Financing Facility was renewed on 8 August 2014 for a further three years with the existing syndicate of three Australian banks. The revised facility is a US\$30 million loan (AU\$31.8 million), with an accordion feature for a further US\$30 million (AU\$31.8 million) which is uncommitted. The Company previously had a US\$70.0 million (AU\$76.6 million) revolving credit facility.

In addition, the Company retained an AU\$8.0 million working capital facility for bank guarantees and bonds required to support bids and contracts with certain customers.

On the basis that the renewal occurred after the reporting date, the Company has been required to classify interest-bearing liabilities of \$15.9 million, which is the subject of this facility, as short term liabilities for reporting purposes in accordance with *AASB 101 Presentation of Financial Statements*. Had the renewal occurred prior to the reporting date, the liability of \$15.9 million would have been classified as non-current liabilities. The Directors do not therefore consider the ratio of current assets to current liabilities, as classified in the financial statements, to be reflective of the true working capital position of the Company as at the reporting date.

The total drawn amount at 30 June 2014 was US\$15.0 million (AU\$15.9 million). The total amount drawn at 30 June 2013 was US\$25 million (AU\$26.0 million).

The net debt position of the Group at 30 June 2014 was \$2.2 million (including restricted cash of \$3.7 million).

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

The reduction in the facility limit was decided based on the current lack of need to draw down the facility, and the holding costs of carrying an unutilised facility.

Tax payments of \$2.9 million were made in Australia, USA, Malaysia and Saudi Arabia during the year.

APPENDIX 4E PRELIMINARY FINAL REPORT

For the Year Ended 30 June 2014

DIVIDENDS

During the current financial year, Directors declared a final dividend in respect of FY13. This was a partially franked final dividend of 3.0 cents per share of which 2.0 cents was fully franked and 1.0 cent was unfranked. The dividend was paid on 2 December 2013.

No dividend has been declared in respect of FY14.

Despite having a strong balance sheet and the capacity to return capital to shareholders, the Board believes it appropriate to maintain maximum financial flexibility to ensure it is well positioned to address any potential acquisition opportunities as they arise.

NORTH AMERICAN OPERATIONS

Results for the North American Operations

Revenue for the year ended 30 June 2014 of \$83.4 million was down 11.5% over the prior year at (FY13: \$94.2 million).

Redflex had previously installed and managed 384 automated enforcement systems for the City of Chicago. The contracts, together with extensions, expired on 31 January 2014 resulting in reduced revenue of approximately \$18 million per annum going forward.

The total number of installed systems in the USA as at 30 June 2014 was 1,518 (FY13: 1,960).

During the year 55 new systems were installed and 140 were removed, excluding Chicago.

More than half of the terminating approaches were from California contracts, all of which elected to discontinue their photo enforcement programs.

No terminating contracts were lost to competitors.

The resultant reduction in cameras and associated asset write-downs, together with a lack of new installations, has negatively impacted the USA revenue base and profitability.

Additionally, there was an extraordinarily adverse weather period in the north east of the USA that significantly reduced traffic volumes and traffic violations for an extended period of time.

All of the above factors have had a negative impact on our 2014 financial results.

Red Light and Speed Contracts

The company signed 2 new contracts during FY14.

During FY14, contracts with 610 approaches were renewed at a renewal rate of 68%, excluding Chicago.

Write-downs for those contracts that were not renewed totalled \$1.8 million (FY13: \$1.8 million).

Redflex Guardian

REDFLEX Guardian™ is a school bus stop-arm photo enforcement camera system, which addresses the safety needs of children on school buses. Video tracking is used to capture offences by drivers who pass a bus which is stationary with its safety lights flashing whilst children are getting on and off. The Redflex developed product has been introduced to the operations of Smart Bus which the Group acquired in FY12 for US\$4.5 million.

Redflex has received an award to install an initial requirement on 300 buses for a school district in Georgia, however this is still subject to a formal agreement which is expected to be signed in the near term.

The ongoing volume of citations arising from expected detections is unproven at this stage, and this is a key determinant of future revenue and profitability. The carrying value of the investment in REDFLEX Guardian™ has not been further impaired in FY14 pending the results of the new contract along with changes being made to existing contracts.

APPENDIX 4E PRELIMINARY FINAL REPORT

For the Year Ended 30 June 2014

NORTH AMERICAN OPERATIONS (CONTINUED)

Redflex Guardian (continued)

Key performance indicators are improving, suggesting that any impairment of the investment is premature.

Accordingly, the operation is still considered to be in a start-up phase and incurred an operating loss of \$4.3 million for FY14 (FY13: \$2.2 million loss).

Legal and Legislative Environment

The level of litigation throughout the industry remains significant but continues to decline as the industry matures and litigation precedents accumulate. Note 16 addresses legal actions that arise in the ordinary course of business.

Redflex legislative efforts are focused on preparing defences against potential adverse developments that may arise in state and local legislative initiatives. Redflex is supporting the filing of bills in certain states seeking enablement and enhancements for red light and speed road safety cameras, as well as for photo enforcement of school bus stop-arm infractions.

Redflex continues to face the challenges raised through local voter initiatives and referendums. Citizen initiatives prevented several Redflex contracts being renewed after their terms expired, consistent with industry dynamics.

REFLEX INTERNATIONAL OPERATIONS

The International business is subject to peaks and troughs with international customers. There has been an increase in the level of long term recurring revenue through service contracts and maintenance, which goes some way to smoothing the variability.

Although revenue was down approximately \$5.1 million compared to the prior year, the NSW mobile speed contract was progressively rolled out in the last few months of FY14 and will have full year impact heading into FY15.

Some of the major achievements for the year include the following:

New South Wales

During FY14 Redflex was awarded four of the six regions of the NSW Roads and Maritime Services (RMS) expanded Mobile Camera Program. Redflex had been operating the Interim Mobile Camera Program since 2010 which involved the provision of 6 manned vehicles together with adjudication services. The expanded program is for delivery of 7,000 hours per month, a significant amount of which will be delivered by Redflex. Revenue is generated based on the number of deployment hours.

The program has been progressively implemented during the last few months of FY14 and became fully operational in August 2014.

Redflex operates mobile camera vehicles in the Greater Sydney Metropolitan Region; the Southern Region which encompasses the Southern Highlands, the Illawarra, the South Coast and the Snowy Mountains; the South-West Region which includes South-Central NSW to the South Australian and Victorian borders; and the Western Region which includes the Blue Mountains and Central Ranges plus Central, North-Central and Far-West New South Wales. The Company runs a network operations centre and a pre-verification processing service in Sydney, which will become a centre of excellence for Redflex's service offerings in the region.

The contract is valued at over \$9 million per annum, and has an initial term of two and a half years, with two additional option periods of one year each.

RMS also purchased a technology enhancement for the six vehicles from the pilot program, that provides enhanced photo evidence of speeding vehicles, including the identification of speeding motorcycles.

Malaysia

The Automated Enforcement System (AES) program was launched in Malaysia in September 2012. Under the AES program, Redflex is contracted to provide state-of-the-art speed enforcement technology with 450 fixed speed cameras, 140 mobile cameras, extensive enterprise back-office software, and implementation services.

APPENDIX 4E PRELIMINARY FINAL REPORT

For the Year Ended 30 June 2014

REFLEX INTERNATIONAL OPERATIONS (CONTINUED)

Malaysia (continued)

Initially, the implementation of the project was subcontracted to two concessionaires, one of whom represented Reflex technology. There has been significant debate regarding the use of a concession model for an enforcement program. To overcome negative public opinion, the Malaysian Government decided to hand the operations and enforcement of the program to a new Government-owned company, AES Solutions.

Given the changes to the program, there is uncertainty in respect of the timing and end requirements of the program. Orders originally anticipated for FY14 are uncertain and will be further delayed with any future deliveries extended over a number of years.

United Kingdom

For the last few years, Reflex has been working with HADECS, the UK highway authority, to introduce variable speed enforcement cameras for use on major UK roads. The ability to effectively enforce vehicle speed in locations where speed limits can be varied is an important management tool to most efficiently regulate traffic flows for maximum throughput. Reflex received Home Office approval for the cameras during FY14 and has recently received two initial orders for approximately \$4.2 million, with anticipated recurring maintenance fees to follow. These are important orders for building the business in the UK, a priority geography for future growth. We expect the majority of the two orders to be filled in FY15, and anticipate further orders during FY15.

The contracts will likely have ongoing maintenance revenue for a period of 10 years after commissioning.

Middle East

Conditions in the Middle East remain challenging. In Saudi Arabia, the Company continues to provide ticket processing services for the Eastern Province, Aseer, and Tabuk and has also provided enhancements to the speed enforcement cameras to allow enforcement for vehicles travelling in both directions.

The Abu Dhabi project is progressing slowly, as management deals with a number of issues associated with the installation of the systems and changing customer requirements.

Ireland

The road safety program in Ireland, the "GoSafe" program, is run by a consortium in which Reflex owns a 16% stake alongside partners Spectra (from Ireland) and Egis Projects SA (from France). The investment generated coupon interest and a management fee in FY14, and we have expectations of further returns on that investment in FY15 and beyond.

44 vehicles now operate in GoSafe program which enforces speed violations.

RESEARCH AND DEVELOPMENT

Research and development continues to deliver competitive advantage for the business. Reflex has launched a freeway speed radar system to enable enforcement of busy freeways from bridges and gantries, and continues to devote significant resources on radar detection technology for red light intersections, and on both mobile and fixed speed enforcement.

Reflex recently developed a Mapping Radar technology product to monitor traffic-light controlled intersections for both red light offences and speed offences. This has been highly successful and is being rolled out to new and existing customers within the USA enabling replacement of loops currently embedded in the road surface.

APPENDIX 4E PRELIMINARY FINAL REPORT

For the Year Ended 30 June 2014

REALIGNMENT OF COST STRUCTURE

Subsequent to being informed that Redflex was not invited to renew its contracts with the City of Chicago, the Board and management undertook a review of the Company's operations. The aim of this review was to ensure that resources were focused on customer support, priority growth opportunities, and to acknowledge that the cost structure was no longer appropriate for the size of the existing business.

As a result the Company instigated two rounds of expenditure cuts in April 2013, and May 2014, to reduce annualised cash costs (operating and capitalised), to help compensate for the loss of revenue and margin related to those contracts. These actions were designed to improve the financial performance of the Company, while at the same time reallocating resources to optimise future results.

STRATEGIC ROADMAP

During FY14 the Board announced its commitment to undertake a comprehensive review of the Company's strategy and existing operations. To facilitate this review, Redflex engaged a global consulting firm to assist with a thorough evaluation of strategic growth options, together with an assessment of the expected growth rates and expansion opportunities in the Company's core photo enforcement business.

The result of the review is that the Company intends to pursue organic and inorganic growth opportunities in adjacent Intelligent Transportation Systems ("ITS") market segments while continuing to build upon its leading market position in photo enforcement. Certain ITS market segments identified by the Company present attractive growth profiles, unmet market demand and needs, and a high level of market fragmentation.

In pursuing growth in adjacent ITS markets, Redflex will seek to leverage its existing global platform, existing technology capabilities, and knowledge of municipal and government contract management, violation processing systems, electronic signalling, and traffic flow monitoring.

Redflex has engaged global investment bank Canaccord Genuity Corp., to assist the Company with the identification of strategic acquisition opportunities. Although it is early in the process, a number of opportunities have been identified which will be pursued during FY15.

CEO SEARCH

The Board has engaged a leading recruitment firm to assist in the search for a global Group Chief Executive Officer. This process continues as the Board identifies potential candidates with skills and experience necessary to address the strategic roadmap and operating priorities for the Company.

APPENDIX 4E PRELIMINARY FINAL REPORT

For the Year Ended 30 June 2014

OUTLOOK FOR THE 2015 FINANCIAL YEAR

In summary, the Board and management are taking aggressive action to move the Company forward.

While the Company is clearly in a transition period, the Board has completed significant work over the last six months to position Redflex to enter FY15 with a clearly defined growth strategy in existing and adjacent markets, a new world class CEO, a leaner cost structure appropriate for the business, and a highly engaged and committed Board.

To strengthen the Board, the Company has added five new non-executive directors during FY14: Terry Winters, Paul Clark, John Murphy, Herman Schwarz, and Adam Gray, who was appointed chair in February 2014. Robert DeVincenzi has transitioned from Group CEO into a Non-executive director role.

Each new director brings significant business, strategic, financial and operational experience to assist Redflex in its commitment to drive long-term value creation.

Despite strong headwinds in the USA red light business, Redflex continues to effectively compete in the market with over 80 new contracts, renewals or extensions completed during the year.

In addition, the Board and management have realigned the cost structure of the business going forward to improve the financial performance of the North American operations. The Board continues to evaluate how to most efficiently steward both operating and capital expenditures.

In relation to the International operations, the recently announced award by RMS in support of the mobile speed camera road safety initiatives in New South Wales is a very positive development for the Australian business. During FY14, over \$3.5 million was invested in this contract which is anticipated to deliver recurring revenue of \$9+ million p.a. This, together with our Saudi Arabia infringement processing operations, and other maintenance contracts, means that \$27 million of the revenue attributable to the International operations is likely to be recurring. The improvement in the recurring revenue base has been a prime objective of the company outside of the USA business, where a sales and maintenance model is more the norm.

We believe that we have reinforced our financial capabilities with the extension of the syndicated financing facility for a further three years. The facility provides an appropriate mix of available funds compared to the cost of holding funding capability. This facility extension places Redflex in a strong position as we look for inorganic growth opportunities during FY15.

The Company is forecasting an improved result in FY15 on FY14, with an expected trading loss in the first half of the year, followed by a recovery in the second half, and approximately break even result before tax for the full year.

EVENTS SUBSEQUENT TO 30 JUNE 2014

There were no significant events subsequent to 30 June 2014 and prior to the date of this report, other than the renewal of the banking facility as described in Note 13.

ROUNDING

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

APPENDIX 4E PRELIMINARY FINAL REPORT

For the Year Ended 30 June 2014

OPERATING RESULTS FOR THE 2014 FINANCIAL YEAR

REVENUE	First half \$'000	Second half \$'000	2014 \$'000	2013 \$'000	% change
North America Traffic business*	47,818	35,655	83,473	94,203	(11.4%)
Australian/International Traffic business	21,201	16,868	38,069	43,177	(11.8%)
Head Office interest income	-	-	-	5	n.a
Revenue	69,019	52,523	121,542	137,385	(11.5%)

* Includes sales of \$1.4 million to Canada (2013: \$2.2 million)

EBITDA	First half \$'000	Second half \$'000	2014 \$'000	2013 \$'000
Traffic business	21,786	8,391	30,177	38,588
Head Office costs	(2,003)	(2,661)	(4,664)	(3,211)
EBITDA	19,783	5,730	25,513	35,377

NET PROFIT/(LOSS) BEFORE TAX	First half \$'000	Second half \$'000	2014 \$'000	2013 \$'000
Traffic business	7,050	(6,220)	830	11,825
Head Office costs	(2,008)	(2,664)	(4,672)	(3,224)
Net profit/(loss) before tax	5,042	(8,884)	(3,842)	8,601

APPENDIX 4E PRELIMINARY FINAL REPORT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

For the Year Ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
Revenue from operations			
Sale of goods and services		19,075	24,130
Revenue from fee for service contracts		102,458	113,224
Finance revenue		9	31
Total revenue	2	121,542	137,385
Cost of goods sold		48,257	53,364
Cost of goods sold		48,257	53,364
Gross profit		73,285	84,021
Sales and marketing related expenses		13,376	10,658
Administrative related expenses		29,730	30,374
Amortisation of intangibles		4,776	4,024
Depreciation - fee for service contract assets		22,264	21,092
Depreciation - other		1,012	504
Impairment on plant and equipment		1,850	1,823
Provision for doubtful debts		-	2,250
Impairment of capitalised development costs		456	729
Reversal of deferred compensation payable	2	-	(3,053)
Impairment of goodwill	2	-	2,135
Costs of investigation		2,360	3,728
		75,824	74,264
Profit/(Loss) before tax and financing costs		(2,539)	9,757
Finance costs		1,303	1,156
Profit/(Loss) before tax		(3,842)	8,601
Income tax (benefit)/expense	5	(2,659)	1,286
Net profit/(loss) for the period		(1,183)	7,315
Other comprehensive income			
Foreign currency translation		(3,546)	10,424
Total comprehensive income/(loss) for the period		(4,729)	17,739
Earnings (cents) per share attributable to ordinary equity holders of the parent company			
- basic for profit		(1.07) cents	6.61 cents
- diluted for profit		(1.07) cents	6.44 cents

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

APPENDIX 4E PRELIMINARY FINAL REPORT **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

For the Year Ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	6	13,749	21,246
Trade and other receivables	7	18,299	25,508
Inventories	8	20,247	20,270
Income tax refundable	5	1,582	-
Other assets		1,953	2,193
Total Current Assets		55,830	69,217
Non-Current Assets			
Property plant and equipment	9	61,281	72,368
Deferred tax asset	5	13,076	15,221
Intangible assets and goodwill	2, 10	31,126	28,233
Other financial assets		1,127	2,057
Other non-current assets	11	8,947	9,289
Total Non-Current Assets		115,557	127,168
TOTAL ASSETS		171,387	196,385
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	12	17,826	18,502
Interest bearing borrowings	13	15,895	-
Income tax payable		917	2,006
Provisions	14	5,518	4,737
Other current liabilities		59	365
Total Current Liabilities		40,215	25,610
Non Current Liabilities			
Interest bearing borrowings	13	-	26,030
Deferred tax liabilities	5	9,380	15,933
Provisions	15	4,026	3,562
Total Non Current Liabilities		13,406	45,525
TOTAL LIABILITIES		53,621	71,135
NET ASSETS		117,766	125,250
Equity attributable to equity holders of the parent company			
Contributed equity		101,765	101,765
Reserves		(14,908)	(10,907)
Retained earnings		30,909	34,392
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		117,766	125,250
Net tangible assets per share		78.22 cents	87.90 cents

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

APPENDIX 4E PRELIMINARY FINAL REPORT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2014

	Contributed Equity \$'000	Foreign Currency Translation Reserve \$'000	Employee Equity Benefits Reserve \$'000	Accumulated Profits / (Losses) \$'000	Total Equity \$'000
At 30 June 2012	101,765	(24,368)	8,541	28,201	114,139
Profit for the period	-	-	-	7,315	7,315
Currency translation differences	-	10,424	-	-	10,424
Total comprehensive income	-	10,424	-	7,315	17,739
Dividends paid	-	-	-	(7,733)	(7,733)
Transfer of expired equity instruments	-	-	(6,609)	6,609	-
Cost of share based payments	-	-	1,105	-	1,105
At 30 June 2013	101,765	(13,944)	3,037	34,392	125,250
Profit/(Loss) for the period	-	-	-	(1,183)	(1,183)
Currency translation differences	-	(3,546)	-	-	(3,546)
Total comprehensive income	-	(3,546)	-	(1,183)	(4,729)
Dividends paid	-	-	-	(3,323)	(3,323)
Transfer of expired equity instruments	-	-	(1,023)	1,023	-
Cost of share based payments	-	-	568	-	568
At 30 June 2014	101,765	(17,490)	2,582	30,909	117,766

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

APPENDIX 4E PRELIMINARY FINAL REPORT

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
Operating activities			
Receipts from customers		125,825	129,731
Payments to suppliers and employees		(91,977)	(97,133)
Interest received		9	31
Interest paid		(1,008)	(979)
Income tax paid		(2,959)	(4,125)
Net cash flows from operating activities	6	29,890	27,525
Investing activities			
Purchase of property, plant and equipment		(15,970)	(15,454)
Return of investment		938	-
Capitalised development costs paid		(8,397)	(6,034)
Net cash flows (used in) investing activities		(23,429)	(21,488)
Financing activities			
Repaid bank borrowings		(10,089)	(956)
Lease liability (repaid) incurred		(4)	(8)
Dividends paid		(3,323)	(7,733)
Net cash flows (used in) financing activities		(13,416)	(8,697)
Net (decrease) /increase in cash held		(6,955)	(2,660)
Effect of exchange rate changes on cash		(542)	1,744
Cash and cash equivalents at beginning of financial year		21,246	22,162
Cash and cash equivalents at the end of financial year	6	13,749	21,246
Reconciliation of cash			
Cash at the end of the period consists of:			
Cash at banks and on hand		13,749	21,246
Cash at banks and on hand	6	13,749	21,246

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

NOTES TO PRELIMINARY FINAL REPORT

for the year ended 30 June 2014

BASIS OF PREPARATION

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

The preliminary final report has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The preliminary final report covers the consolidated group of Redflex Holdings Limited and its controlled entities (economic entity). Redflex Holdings Limited is a listed public company, incorporated and domiciled in Australia.

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

It is recommended that the preliminary final report be read in conjunction with the annual report for the year ended 30 June 2013 and considered together with any public announcements made by Redflex Holdings Limited during the reporting period in accordance with the continuous disclosure obligations of the ASX Listing Rules.

Prior period comparatives have been adjusted to provide added disclosure on revenue attributes to more accurately reflect their recurring nature.

NOTE 1 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 different products and services different markets.

The Group operates within two key markets, the USA, and Australia/International. The Traffic business in the USA is predominantly a Build Own Operate and Maintain business providing fully outsourced traffic enforcement programs to municipalities. The Australian/International Traffic business involves the sale of traffic enforcement products to those markets.

The segmental split segregates the business units into revenue from recurring fee for service business and revenue related to the sale of goods and services.

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 business segments. Those transfers are eliminated on consolidation.

The following tables present revenue and profit/(loss) information and certain asset and liability information regarding business segments for the years ended 30 June 2014 and 30 June 2013.

NOTES TO PRELIMINARY FINAL REPORT

for the year ended 30 June 2014

NOTE 1 SEGMENT INFORMATION - CONTINUED

Year ended 30 June 2014

Operating Segments	Traffic Operations		Total
	North America	Aust/ International	
	\$'000	\$'000	\$'000
Revenue			
Revenue from sale of goods and services to external customers*	1,479	17,596	19,075
Revenue from fee for service contracts	81,994	20,464	102,458
Finance revenue	-	9	9
Inter-segment revenue	-	4,193	4,193
Total segment revenue	83,473	42,262	125,735
Inter-segment elimination			(4,193)
Head office finance revenue			-
Total consolidated revenue			121,542
Result			
Earnings before interest, tax, depreciation and amortisation	20,514	9,663	30,177
Inter-segment royalty	1,744	(1,744)	-
Depreciation	(22,264)	(1,004)	(23,268)
Amortisation	(1,594)	(3,182)	(4,776)
Segment result	(1,599)	3,733	2,133
Head office result			(4,672)
(Loss) before tax and finance charges			(2,539)
Finance charges			(1,303)
(Loss) before income tax			(3,842)
Income tax benefit			2,659
Net (Loss) after income tax			(1,183)
Assets and liabilities			
Segment assets	64,242	83,667	147,909
Head office assets			23,478
Total assets			171,387
Segment liabilities	35,981	17,153	53,134
Head office liabilities			487
Total liabilities			53,621
Other segment information			
Capital expenditure	11,093	4,845	15,938
Head office capital expenditure			32
Total capital expenditure			15,970
Cash flow information			
Net cash flow from operating activities	17,333	11,188	28,521
Head office operating cash flow			1,369
Net cash flow from operating activities			29,890
Net cash flow from investing activities	(11,603)	(12,732)	(24,335)
Head office investing cash flow			906
Net cash flow from investing activities			(23,429)
Net cash flow from financing activities	(10,089)	(4)	(10,093)
Head office financing cash flow			(3,323)
Net cash flow from financing activities			(13,416)

*Sales revenue shown under the North America segment relates predominantly to sales arising in Canada.

NOTES TO PRELIMINARY FINAL REPORT

for the year ended 30 June 2014

NOTE 1 SEGMENT INFORMATION – CONTINUED

Year ended 30 June 2013

Operating Segments	Traffic Operations		Total
	North America	Australia/ International	
	\$'000	\$'000	\$'000
Revenue			
Revenue from sale of goods and services to external customers*	3,170	20,960	24,130
Revenue from fee for service contracts	91,032	22,192	113,224
Finance revenue	1	25	26
Inter-segment revenue	-	7,294	7,294
Total segment revenue	94,203	50,471	144,674
Inter-segment elimination			(7,294)
Head office finance revenue			5
Total consolidated revenue			137,385
Result			
Earnings before interest, tax, depreciation and amortisation	29,432	9,156	38,588
Inter-segment royalty	1,333	(1,333)	0
Depreciation	(21,092)	(491)	(21,583)
Amortisation	(1,416)	(2,608)	(4,024)
Segment result	8,257	4,724	12,981
Head office result			(3,224)
Profit before tax and finance charges			9,757
Finance charges			(1,156)
Profit before income tax			8,601
Income tax expense			(1,286)
Net profit after tax			7,315
Assets and liabilities			
Segment assets	92,300	76,134	168,434
Head office assets			27,951
Total assets			196,385
Segment liabilities	56,155	14,683	70,838
Head office liabilities			297
Total liabilities			71,135
Other segment information			
Capital expenditure	14,811	631	15,442
Head office capital expenditure			12
Total capital expenditure			15,454
Cash flow information			
Net cash flow from operating activities	15,851	4,507	20,358
Head office operating cash flow			7,167
Net cash flow from operating activities			27,525
Net cash flow from investing activities	(16,093)	(5,383)	(21,476)
Head office investing cash flow			(12)
Net cash flow from investing activities			(21,488)
Net cash flow from financing activities	(956)	(8)	(964)
Head office financing cash flow			(7,733)
Net cash flow from financing activities			(8,697)

*Sales revenue shown under the North America segment relates predominantly to sales arising in Canada.

NOTES TO PRELIMINARY FINAL REPORT

for the year ended 30 June 2014

NOTE 2 OTHER REVENUE, OTHER INCOME AND EXPENSES

	Consolidated	
	30 Jun 2014	30 Jun 2013
	\$'000	\$'000
Revenues and expenses		
Revenue from sales of goods and services	121,533	137,354
Finance revenue	9	31
Total Revenue	121,542	137,385
Depreciation, amortisation and impairment costs included in income statement		
Depreciation of assets in fee for service business	22,264	21,092
Depreciation of other assets	1,012	504
Amortisation of intangibles	4,776	4,024
Impairment of receivables	-	2,250
Impairment of assets	1,850	1,823
Impairment of goodwill	-	2,135
Impairment of capitalised development costs	456	729
	30,358	32,557
Employee benefits expense *		
Wages and salaries	41,143	40,755
Payroll benefits	5,965	4,884
Contract labour	2,124	2,052
Superannuation	1,681	1,473
Payroll taxes	2,741	2,839
Share-based payment expense	567	1,105
Other payroll related expenses	2,190	2,021
	56,411	55,129
Research and development costs		
Expensed in administrative expenses	858	424

*Employee benefits expense includes some costs which are capitalised where appropriate.

NOTES TO PRELIMINARY FINAL REPORT

for the year ended 30 June 2014

NOTE 3 CONSOLIDATED EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit 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 amounts are calculated by dividing the net profit 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.

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

	2014 \$'000	2013 \$'000
Net profit/(loss) for the period for basic and diluted earnings per share	(1,183)	7,315
	Thousands	Thousands
Weighted average number of ordinary shares for basic earnings per share	110,762	110,650
Effect of dilution –performance rights not yet converted to shares	1,811	2,809
Adjusted weighted average number of ordinary shares for diluted earnings per share	112,573	113,459
Weighted average number of converted, lapsed or cancelled potential ordinary shares included in diluted earnings per share.	(532)	40

NOTE 4 ISSUED AND QUOTED SECURITIES

ORDINARY SECURITIES	Total number	Number quoted	Issue price per security	Amount paid up per security
Issued at 1 July 2013	110,762,310	110,762,310		
Changes during current period				
Increases through issues	-	-	-	-
On issue at 30 June 2014	110,762,310	110,762,310		
ISSUED AND UNQUOTED PERFORMANCE RIGHTS				
Unquoted performance rights	Total Number			
Issued at 1 July 2013	2,343,047			
Changes during the current half-year period				
Issued – 17 June 2014	1,344,159 *			
Vested – performance to 1 October 2013	-			
Cancelled – Outgoing CEO transition arrangements	(129,323)			
Lapsed - performance to 1 October 2013	(536,164)			
Forfeited - performance to 1 October 2014	(79,966)			
- performance to 1 October 2015	(117,661)			
Outstanding at 30 June 2014	2,824,092			

* Under the terms of the Company's established LTI plan, key management personnel receive an annual grant of performance rights which vest three years out if performance hurdles are met. The annual grant of performance rights were issued on 17 June 2014, rather than on 1 October 2013, being the date of issue in previous years.

NOTES TO PRELIMINARY FINAL REPORT

for the year ended 30 June 2014

NOTE 5 INCOME TAX

The major components of income tax expense for the years ended 30 June 2014 and 2013 are:

Consolidated income statement

	2014 \$'000	2013 \$'000
Current income tax		
Current income tax charge	1,749	3,035
Adjustments in respect of current income tax of previous years	-	(1,654)
Adjustments in respect of deferred income tax of previous years	-	2,556
Deferred tax		
Relating to origination and reversal of temporary differences	(4,408)	(2,651)
Income tax expense/(benefit) reported in the consolidated statement of comprehensive income	(2,659)	1,286

A reconciliation between tax expense and the product of accounting profit multiplied by Australia's domestic tax rate for the years ended 30 June 2014 and 2013 is as follows:

	2014 \$'000	2013 \$'000
Accounting profit/(loss) before income tax	(3,842)	8,601
At the statutory income tax rate of 30% (2013: 30%)	(1,153)	2,580
Adjustments in respect of current income tax of previous years	31	(1,654)
Impact of tax rate differential on foreign operations	(509)	320
Research and development tax incentives	(946)	(481)
Other	(82)	521
At effective income tax rate of (69%), (2013: 15.0%)	(2,659)	1,286
Income tax expense/(benefit) reported in the consolidated statement of comprehensive income	(2,659)	1,286

NOTES TO PRELIMINARY FINAL REPORT

for the year ended 30 June 2014

NOTE 5 INCOME TAX – CONTINUED

Deferred Tax

Deferred tax relates to the following:

	Consolidated Statement of Financial Position		Consolidated Statement of Comprehensive Income	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
(i) Deferred tax liabilities				
Accelerated depreciation for tax purposes	(37)	10,326	(10,363)	1,375
Capitalised development costs	9,495	5,607	3,888	623
Other	(78)	-	(78)	-
Gross deferred tax liabilities	9,380	15,933		
(ii) Deferred tax assets				
Employee Entitlements	3,510	2,418	(1,092)	(664)
Provisions	3,133	7,767	4,634	(3,677)
Deferred tax asset on foreign tax credits	751	3,485	(2,734)	(1,062)
Deferred tax asset on net operating losses	-	1,551	1,551	754
Carry forward research & development tax offset	3,421	-	(3,421)	-
Other	2,261	-	(2,261)	-
Gross deferred tax assets	13,076	15,221		
Deferred tax charge			(4,408)	(2,651)

At 30 June 2014 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.

The adjustments in respect of current income tax of the previous year includes an amount arising from a realignment of the accounting and tax balance differentials, predominantly in relation to USA based assets.

Tax Consolidation

Redflex Holdings Limited and its 100% Australian owned subsidiaries are a tax consolidated group. Members of the Group have entered into a tax sharing arrangement and a tax funding agreement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the reporting date, the possibility of default is remote. The head entity of the tax consolidated group is Redflex Holdings Limited.

NOTES TO PRELIMINARY FINAL REPORT

for the year ended 30 June 2014

NOTE 6 CASH AND CASH EQUIVALENTS

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 30 June:

	2014 \$'000	2013 \$'000
Cash at banks and on hand	9,996	14,927
Restricted cash	3,753	6,319
	13,749	21,246

Reconciliation of net profit after tax to net cash flows from operations

Net profit after income tax	(1,183)	7,315
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Non cash flow items

Depreciation expense	22,863	21,257
Asset retirement obligation depreciation	413	339
Amortisation of intangibles	4,776	4,024
Provision for employee entitlements	430	11
Impairment and write-down of property, plant and equipment	1,850	1,823
Impairment of capitalised development costs	456	729
Deferred financing costs amortisation	295	177
Share based payments	568	1,105
Impairment of contingent consideration payable	-	(3,155)
Impairment of intangibles	-	2,136
Provision for doubtful debts	-	2,250

Change in operating assets and liabilities

Decrease/(Increase) in prepayments	121	687
(Increase)/Decrease in receivables	7,048	(1,838)
(Increase)/Decrease in tax refund	(1,582)	-
(Increase)/Decrease in inventories	(189)	(3,194)
(Decrease)/Increase in taxation provisions	(1,798)	4,017
(Increase)/Decrease in deferred tax asset	2,145	(6,618)
Increase/(Decrease) in deferred tax liability	(6,038)	(1,113)
(Decrease)/Increase in deferred revenue	302	(424)
(Decrease)/Increase in payables	(740)	(3,345)
Decrease/(Increase) in deferred costs asset	153	2,762
Net cash flows from operating activities	29,890	27,525

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 \$13,748,505 (2013: \$21,245,737)

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.

NOTES TO PRELIMINARY FINAL REPORT

for the year ended 30 June 2014

NOTE 7 TRADE AND OTHER RECEIVABLES (CURRENT)

	2014	2013
	\$'000	\$'000
Trade receivables	19,899	27,933
Allowance for impairment losses	(1,600)	(2,425)
	18,299	25,508

Trade receivables are non-interest bearing and are generally on 30 day terms.

Movements in the provision for impairment loss were as follows:

	2014	2013
	\$'000	\$'000
At 1 July	2,425	175
Charged (utilised) for the year	(825)	2,250
At 30 June	1,600	2,425

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

	Total	0-30 days	31-60 days	61-90 days	61-90 days	+ 91 days	+ 91 days
				PDNI*	CI*	PDNI*	CI*
2014	19,899	8,957	3,933	1,734	-	3,675	1,600
2013	27,933	14,925	5,107	2,057	-	3,419	2,425

*PDNI – Past due not impaired

*CI – Considered impaired

NOTE 8 INVENTORIES (CURRENT)

	2014	2013
	\$'000	\$'000
Work in progress – at cost	7,388	7,413
Raw materials and camera components – at cost	12,859	12,857
	20,247	20,270

Raw material and camera components represent items held for the manufacture of photo enforcement camera systems for use within the USA business or for resale as individual components.

NOTES TO PRELIMINARY FINAL REPORT

for the year ended 30 June 2014

NOTE 9 PROPERTY PLANT AND EQUIPMENT (NON CURRENT)

Year ended 30 June 2014

	Plant and equipment \$'000	Motor vehicles \$'000	Furniture and other \$'000	Computer equipment \$'000	Asset Retirement Obligation* \$'000	Total \$'000
At 1 July 2013 net of accumulated depreciation and impairment	67,887	606	265	1,713	1,897	72,368
Additions	10,625	3,414	-	1,931	1,309	17,279
Reclassification	34	-	(34)	-	-	-
Impairment	(1,723)	-	-	-	(127)	(1,850)
Disposals	-	(143)	-	-	(138)	(281)
Depreciation for the year	(21,013)	(518)	(97)	(1,197)	(451)	(23,276)
Exchange adjustment	(2,833)	(5)	(4)	(48)	(69)	(2,959)
At 30 June 2014 net of accumulated depreciation and impairment	52,977	3,354	130	2,399	2,421	61,281
At 1 July 2013						
Cost	185,219	2,446	2,276	15,432	4,711	210,084
Accumulated depreciation and impairment	(117,332)	(1,839)	(2,011)	(13,719)	(2,814)	(137,716)
Net carrying amount	67,887	606	265	1,713	1,897	72,368
At 30 June 2014						
Cost	171,211	5,401	1,957	16,890	5,077	200,536
Accumulated depreciation and impairment	(118,234)	(2,048)	(1,828)	(14,491)	(2,656)	(139,256)
Net carrying amount	52,977	3,354	130	2,399	2,421	61,281

* 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 PRELIMINARY FINAL REPORT

for the year ended 30 June 2014

NOTE 9 PROPERTY PLANT AND EQUIPMENT (NON CURRENT) - CONTINUED

Year ended 30 June 2013

	Plant and equipment \$'000	Motor vehicles \$'000	Furniture and other \$'000	Computer equipment \$'000	Asset Retirement Obligation * \$'000	Total \$'000
At 1 July 2012 net of accumulated depreciation and impairment	62,504	643	1,175	2,297	1,718	68,337
Additions	14,363	179	110	802	565	16,019
Reclassification	725	-	(761)	36	-	-
Impairment	(1,823)	-	-	0	0	(1,823)
Disposals	0	(30)	-	(36)	0	(66)
Depreciation for the year	(19,092)	(186)	(275)	(1,532)	(573)	(21,658)
Exchange adjustment	11,210	-	16	146	187	11,559
At 30 June 2013 net of accumulated depreciation and impairment	67,887	606	265	1,713	1,897	72,368
At 1 July 2012						
Cost	155,149	2,174	2,721	13,131	3,828	177,029
Accumulated depreciation and impairment	(92,645)	(1,530)	(1,547)	(10,834)	(2,110)	(108,692)
Net carrying amount	62,504	643	1,175	2,297	1,718	68,337
At 30 June 2013						
Cost	185,219	2,446	2,276	15,432	4,711	210,084
Accumulated depreciation and impairment	(117,332)	(1,839)	(2,011)	(13,719)	(2,814)	(137,716)
Net carrying amount	67,887	606	265	1,713	1,897	72,368

NOTES TO PRELIMINARY FINAL REPORT

for the year ended 30 June 2014

NOTE 10 INTANGIBLE ASSETS

Year ended 30 June 2014

	Development Costs \$'000	Goodwill \$'000	Contracts \$'000	Non- complete \$000	Trademarks \$000	Total \$'000
At 1 July 2013, net of accumulated amortisation and impairment	23,984	2,471	1,175	135	468	28,233
Additions	8,045	-	-	-	-	8,045
Impairment	(456)	-	-	-	-	(456)
Amortisation for the year	(4,168)	-	(417)	(53)	(138)	(4,776)
Exchange adjustment	179	(75)	(15)	(5)	(4)	80
At 30 June 2014, net of accumulated amortisation and impairment	27,584	2,396	743	77	326	31,126
At 1 July 2013						
Cost	39,317	4,606	1,635	274	530	46,362
Accumulated amortisation and impairment	(15,333)	(2,135)	(460)	(139)	(62)	(18,129)
Net carrying amount	23,984	2,471	1,175	134	468	28,233
At 30 June 2014						
Cost	46,976	4,536	1,585	265	514	53,876
Accumulated amortisation and impairment	(19,392)	(2,140)	(842)	(188)	(188)	(22,750)
Net carrying amount	27,584	2,396	743	77	326	31,126

Year ended 30 June 2013

	Development Costs \$'000	Goodwill \$'000	Contracts \$000	Non Compete \$000	Trademarks \$000	Total \$'000
At 1 July 2012, net of accumulated amortisation and impairment	21,244	4,286	1,464	246	475	27,715
Additions	6,561	-	-	-	-	6,561
Impairment	(729)	(2,135)	-	-	-	(2,864)
Amortisation for the year	(3,571)	-	(370)	(112)	(50)	(4,103)
Exchange adjustment	479	320	81	1	43	925
At 30 June 2013, net of accumulated amortisation and impairment	23,984	2,471	1,175	134	468	28,233
At 1 July 2012						
Cost	32,870	4,286	1,504	252	487	39,399
Accumulated amortisation and impairment	(11,626)	-	(40)	(6)	(12)	(11,684)
Net carrying amount	21,244	4,286	1,464	246	475	27,715
At 30 June 2013						
Cost	39,317	4,606	1,635	274	530	46,362
Accumulated amortisation and impairment	(15,333)	2,135	(460)	(139)	(62)	(18,129)
Net carrying amount	23,984	2,471	1,175	134	468	28,233

NOTES TO PRELIMINARY FINAL REPORT

for the year ended 30 June 2014

NOTE 10 INTANGIBLE ASSETS AND GOODWILL – CONTINUED

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. The asset is tested for impairment when an indicator of impairment arises.

GOODWILL

Goodwill was acquired upon the acquisition of the business and business assets of Smart Bus and is tested for impairment on an annual basis. The recoverable amount of the Redflex Guardian cash generating unit within the North American reporting segment has been determined based upon a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five year period.

Impairment testing of goodwill

The key assumptions used in cash flow projections to undertake impairment testing of goodwill are:

- Revenue growth has been determined by extrapolating the number of new systems, anticipated issuance and paid citation rates for near term opportunities which have already been identified. These assumptions are based on historical performance and also the assumptions underlying the Company's board approved budget. Specific assumptions include:
 - a. An approximate 42% (CAGR) growth in systems over the five year period. This is based on initial growth of over 100% in 2015 based on "pipeline" business being converted. Long term growth is estimated to be 25% p.a in subsequent years of the forecast period.
 - b. An improvement in the volume of citations identified per system by 66% over the first two years of the forecast and then flat thereafter. This assumption is based on the location of new systems being more high yielding than those currently installed to date.
- Margins based on performance in the preceding year, increased for expected efficiency improvements.
- The yield on a ten year USA based Government Bond rate consistent with external informational sources is utilised;
- Projected cash flows have been discounted using an after-tax discount rate of 15.5% (FY2013: 15.8%); and
- An extrapolated growth rate of 2% in the installed base has been used beyond the forecast period.

Sensitivity analysis has been performed on the key operational assumptions used in the forecast. The results from this analysis demonstrate that the following changes can be made to these assumptions, without the results giving rise for the need to consider impairment

- a. a 20% reduction in the forecasted volume of new installations; or
- b. a 10% reduction in citation yield rates.

NOTES TO PRELIMINARY FINAL REPORT

for the year ended 30 June 2014

NOTE 11 OTHER NON CURRENT ASSETS

	Consolidated	
	2014	2013
	\$'000	\$'000
Trade receivables	9,354	8,933
Allowance for impairment losses	(500)	-
Other non current assets	93	356
	8,947	9,289

Trade receivables are non-interest bearing.

Movements in the provision for impairment loss were as follows:

	2014	2013
	\$'000	\$'000
At 1 July	-	-
Charged (utilised) for the year	500	-
At 30 June	500	-

At 30 June, the ageing analysis of trade receivables is as follows:

	Total	0-30 days	31-60 days	61-90 days	61-90 days	+ 91 days	+ 91 days
				PDNI*	CI*	PDNI*	CI*
2014	9,354	-	-	-	-	8,854	500
2013	8,933	-	-	-	-	8,933	-

*PDNI – Past due not impaired

*CI – Considered impaired

NOTE 12 TRADE AND OTHER PAYABLES

	2014	2013
	\$'000	\$'000
Current		
Trade payables and accruals	16,869	18,435
Deferred revenue	957	67
Trade and other payables	17,826	18,502

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.

Deferred revenue represents payments received for which services remain to be provided. Amounts are recognised as revenue only when service has been provided. Deferred revenue normally applies to periods under one year in duration.

NOTES TO PRELIMINARY FINAL REPORT

for the year ended 30 June 2014

NOTE 13 INTEREST-BEARING LOANS AND BORROWINGS

	2014 \$'000	2013 \$'000
Current		
Bank borrowings	15,962	-
Deferred financing costs	(31)	-
	15,895	-
Non-Current		
Bank borrowings	-	26,278
Deferred financing costs	-	(248)
	-	26,030

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 \$1,782,868 (30 June 2013: \$3,913,415).

Financing facilities available

	2014 \$'000	2013 \$'000
Total facilities		
Bank borrowings	74,318	76,645
AU\$ working capital facility	8,000	8,000
	82,318	84,645
Facilities used at reporting date		
Bank borrowings	15,926	26,278
Deferred financing costs	(31)	(248)
Security for letters of credit issued to customers	1,783	3,913
	17,678	29,943
Facilities unused at reporting date	64,640	54,702

At 30 June 2014, the Group had a US\$70 million (A\$74.3 million) secured revolving credit facility, together with an A\$8 million working capital facility to address international and local business opportunities.

The Syndicated Financing Facility (the Facility) was renewed on 8 August 2014 for a further 3 years with a syndicate of three Australian banks. The revised Facility is a US\$30 million loan facility (A\$31.8 million), with an accordion feature for a further US\$30 million (A\$31.8 million) which is uncommitted. The company previously had a US\$70.0 million (A\$76.6 million) revolving credit facility.

In addition, the Company has retained an A\$8.0 million working capital facility for bank guarantees and bonds required to support bids and contracts with certain customers.

On the basis that the renewal occurred after the reporting date, the Company has been required to classify interest bearing liabilities of \$15.9 million, which is the subject of this Facility, as short term liabilities for reporting purposes in accordance with *AASB 101 Presentation of Financial Statements*. Had the renewal occurred prior to the reporting date, the liability of \$15.9 million would have been classified as non-current liabilities. The Directors do not therefore consider the ratio of current assets to current liabilities, as classified in the financial statements, to be reflective of the true working capital position of the Company as at the reporting date.

The total drawn amount at 30 June 2014 was US\$15.0 million (AU\$15.9 million). The total amount drawn at 30 June 2013 was US\$25 million (AU\$26.0 million).

The net debt position of the Group at 30 June 2014 was \$2.2 million (including restricted cash of \$3.7 million).

NOTES TO PRELIMINARY FINAL REPORT

for the year ended 30 June 2014

NOTE 14 CURRENT LIABILITIES – PROVISIONS

	2014 \$'000	2013 \$'000
Employee entitlements	3,337	2,999
Provision for warranties	35	55
Asset retirement obligation – liability	2,146	1,683
	5,518	4,737

NOTE 15 NON CURRENT LIABILITIES – PROVISIONS

	2014 \$'000	2013 \$'000
Employee entitlements	566	489
Asset retirement obligation – liability	3,460	3,073
	4,026	3,562

(a) Movements in provisions

	Maintenance Warranties \$'000	Employee Entitlements \$'000	Asset Retirement Obligations \$'000	Total \$'000
At 1 July 2013	55	3,488	4,756	8,299
Arising during the year	149	1,133	1,020	2,302
Utilised during the year	(22)	(1,022)	-	(1,044)
Unused amounts reversed	(147)	-	-	(147)
Exchange adjustment	-	304	(170)	134
At 30 June 2014	35	3,903	5,606	9,544
Current 2014	35	3,337	2,146	5,518
Non Current 2014	-	566	3,460	4,026
At 30 June 2014	35	3,903	5,606	9,544
Current 2013	55	2,999	1,683	4,737
Non Current 2013	-	489	3,073	3,562
At 30 June 2013	55	3,488	4,756	8,299

Superannuation

During the year ended 30 June 2014 the Group was obligated to contribute 9.25% 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 2014 have been discharged.

NOTES TO PRELIMINARY FINAL REPORT

for the year ended 30 June 2014

NOTE 15 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 and all will have been incurred within two years of the balance date.

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” business within the North American 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 16 CONTINGENCIES

There has been no change in contingent assets or liabilities since 30 June 2014

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

City of Chicago – possible outcomes

The Company has previously announced issues in regard to its USA subsidiary’s historical dealings with the City of Chicago, and the outcome of the internal investigation.

The Chicago City Authorities has authority to issue a variety of penalties for local ordinance violations ranging from monetary penalties to debarment. To date no monetary penalties have been presented to the Company.

The United States Department of Justice has also commenced investigation into the conduct of the Company, selected employees and external parties in relation to the Company’s internal investigative findings. On August 13 2014, the Department of Justice indicted a former company employee, a former company sales agent, and a representative of the City of Chicago. The Company was not indicted. As the Department of Justice continues its investigation and prosecution process, it is possible that the Company will be subject to monetary fines in association with the ultimate disposition of the matters. At this point in time it is not possible to estimate the potential timing for such a resolution, nor the level of potential monetary fine that the Company may face.

NOTES TO PRELIMINARY FINAL REPORT

for the year ended 30 June 2014

NOTE 17 EVENTS AFTER BALANCE SHEET DATE

There were no significant events subsequent to 30 June 2014 and prior to the date of this report, other than the renewal of the banking facility as described in Note 13.

NOTE 18 COMPLIANCE STATEMENT

This report is based on accounts that are in the process of being audited.

A handwritten signature in black ink, appearing to read 'Adam Gray', is positioned above the printed name and title.

Adam Gray
Chairman

28 August 2014