Sample traffic fines - current client programs

Transol

Investor Brief

September 2004

From the Managing Director

I am pleased to report that the execution of a leaseback agreement for an initial $A15 million operating lease facility with RentWorks Limited concludes construction of the financial platform required to fund Transol's US operations and new growth.

In summary the agreement enables the company to aggressively pursue growth opportunities, generate positive cash flows, maximise operating margins, fast track installations and grow and preserve shareholder value.

The leaseback method of financing was selected because it provides Transol with a distinct competitive advantage.

Our industry knowledge and experience from the mid 1990's onward in the US market for photo enforcement program operations has shown that the high-upfront cost of installing program infrastructures is an industry-wide challenge, particularly in the "start-up" phase of new operations.

If Transol's installations were to be funded only from capital reserves this would place an inherent limitation on our growth and could slow the pace of installations.

Instead, the leaseback model allows Transol to maximise early cashflows and build balance sheet strength to pursue new growth.

In turn this positions Transol to capture a solid foundation of annuity revenues upon which we can expand our high margin traffic enforcement services.

Our agreement with RentWorks is open-ended. Depending on the rate of new installations we wish to sell into the arrangement, Transol has the ability to extend this facility beyond the first funding tranche of $A15 million, should we choose to do so. Equally, the directors may, at a later stage, decide to retain ownership of future US installations if they consider it appropriate in order to manage the company's balance sheet position more actively.

I am pleased to confirm that execution of the funding agreement signals conclusion of the establishment phase of Transol USA Inc.'s operations. The company is now well positioned to aggressively pursue new contracts and exploit market opportunities.

Rob Cioili
Managing Director

23rd September, 2004

Financing for growth

The Transol funding model -
Install / Sell / Leaseback / Operate
- optimises the company's ability to exploit favourable market opportunities in the United States and aggressively pursue new contracts.

The opportunity

Transol's core objective is to become a significant provider of outsourced traffic enforcement services in the high potential US market. Market information continues to indicate that this opportunity has substantial upside. While the US market may be exhibiting some temporary, abnormal, slowing in the lead up to city and federal elections in November 2004, the long term view is that US cities have a strong and growing interest in photo enforcement. It is seen as both a strategic public policy solution and as a means to generate new revenue to ease budgetary pressures.

With approximately 140 cities having awarded red light camera photo enforcement contracts, of an estimated potential of 2,500 cities, Transol recognises significant potential for growth including expansion into 'virgin territory' states. Red light camera programs are generally viewed as the 'ground-breaker' for cities embarking on photo enforcement programs.

Emerging opportunities for speed enforcement programs using fixed and mobile cameras are a response to the urgent need for governments to tackle speed as the overwhelming cause of US road fatalities. These programs have the potential to generate greater program revenues for both operating cities and contracted vendors such as Transol.

Sustainable funding
- final step of Transol's establishment phase

With the company's proprietary technology, marketing function and USA Operations Centre in place, the strategic focus for Transol in recent months has been the development of a funding model capable of meeting the high up-front capital requirements of contract installation and of enabling a high rate of growth on a sustainable basis.

The facility with RentWorks Ltd meets these objectives and allows for future extension of the facility or other funding options at Transol's discretion. The agreement for an initial operating lease facility of $A15 million will provide funding for the installation of red light camera systems for at least 100 intersection approaches. Under the agreement Transol will sell the infrastructure it installs for each red light camera program contract to RentWorks at a margin that allows for exponential growth. Transol will then lease back the infrastructure from RentWorks for the contract's duration and will operate and maintain the photo enforcement program on behalf of client cities.

Traffic enforcement services - a 'turn key' industry

The US traffic enforcement services industry has distinct operating features. Individual cities (as opposed to state or federal governments in Australia) deliver police and public safety services including traffic law enforcement for their own communities.

With competing demands for city revenues, the model of 'turn-key' program operations, under which contractors bear all costs of program infrastructure and operations in return for a share of traffic fines or monthly lease fees, has become the norm.

In essence the industry's turnkey characteristics require a contractor such as Transol to operate a city's (usually) red light camera program. This involves the supply, installation and maintenance of all 'field' systems, which includes cameras, site computers, communications systems, etc. The contractor must also process evidence that is gathered by the camera systems and generate traffic fines, court evidence and systems reports on behalf of the city throughout its contract term. Additional support services, particularly customer training and public relations support consultancy services, are often required also.

While contracts are typically for three or five year terms (and may provide for additional renewal terms) the great majority of costs are incurred by contractors in the installation and implementation phase including the funding of site construction works, equipment supply and commissioning.

The funding challenge

Funding up-front installation and implementation costs has proven to be an industry wide challenge, particularly for new market entrants. Under a conventional funding model (where new installations are funded by profits, debt or equity sources) it can take one to two years for an operating contract to become profitable.

While there is some capacity for organic growth this usually requires the redemption of a large number of operating contracts before more contracts can be sought. More typically, contractors have sought to fund new installations from capital reserves, which creates an inherent limitation on further growth as well as a dilutive impetus to raise funds from equity sources on a repeated basis.

Inadequate attention to funding issues can lead contractors into a 'catch 22' scenario - a contractor either stops seeking growth because it has insufficient capital to fund expansion, or wins contracts at a rate faster than it can afford to install them. Either outcome is unacceptable; demand from cities for better traffic and revenue solutions is unmet, or there are installation bottlenecks with delayed contracts and frustrated clients. The challenge is to identify the funding model to overcome this issue and secure the funding itself.

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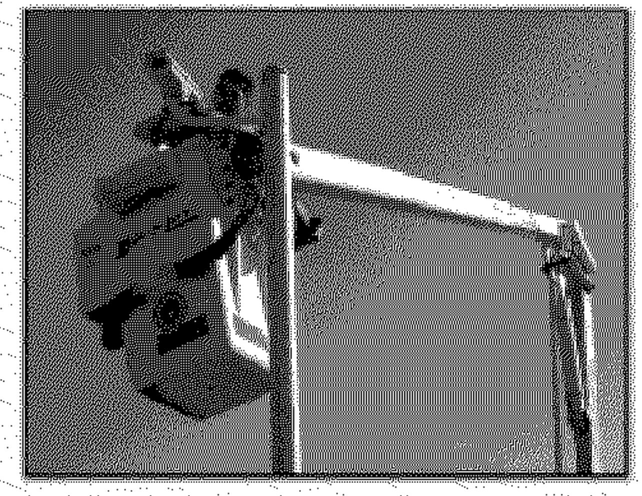
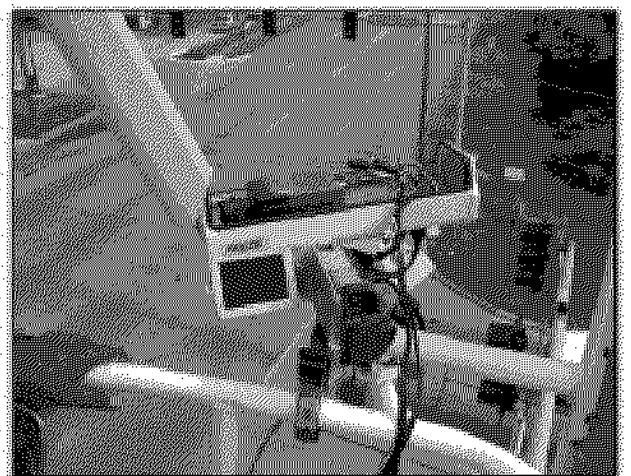
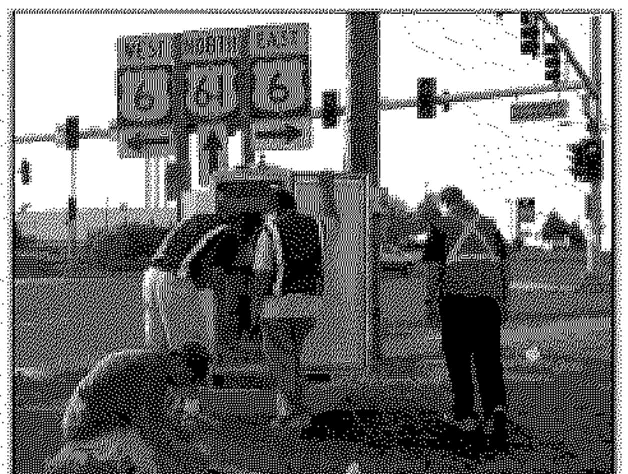
Site installations - Davenport, Iowa







Transol's off-balance sheet funding model overcomes the funding challenge by bringing forward contract profitability and providing good operating margins for Transol.

While the leasing facility model is commonly used in the transport industry, particularly by airlines, Transol is understood to be the first participant in its industry to adopt this model. Transol's operating lease facility with RentWorks has been specifically tailored to its US business and operates as follows:

- Each site lease/rental is linked directly to the contract term for that site and matches the relevant contract's duration.
- As installation and commissioning for a site is completed and it 'goes live' with active enforcement, RentWorks purchases the site infrastructure from Transol at a margin which allows exponential growth for Transol.
- Transol then leases back the site's infrastructure from RentWorks and delivers the city's contract service obligations for the duration of the contract. Contract revenues are used to meet lease payments for the site infrastructure.

Transol funding model advantages

- Maximises profitability and minimises risk.
- Strengthens balance sheet
  - Non-dilutive funding source
  - Widens operating margins
- Cash flow friendly
  - Allows exponential growth by preserving and building cash flow as new contracts are implemented
- Funds growth on a sustainable basis
  - Eliminates need to fund organic growth via time consuming debt or equity raisings
  - Allows contracted sites to be installed once all city permits have been obtained
  - No installation delays or bottlenecks due to financing hold-ups
  - Provides confidence in Transol's ability to rapidly install and operate programs to client cities
- Flexible arrangement
  - Transol has the ability to extend this facility beyond the first funding tranche of $A15 million

1. Install

- Transol supplies & installs site infrastructure for program contract (cameras, computers, communication systems etc.)

2. Sell

- RentWorks acquires site infrastructure from Transol at a margin following installation & commissioning.
- Margin allows exponential growth.

3. Leaseback

- Transol leases back the site infrastructure from RentWorks.
- Each lease matches the contract's duration.

4. Operate

- Transol operates and maintains the enforcement program.
- Contract revenue used to meet lease payments.

About RentWorks Limited

RentWorks was established in 1988 as a global operating lease provider with a niche market focus on a range of equipment classes including information technology, telecommunications, healthcare, gaming, mining and materials handling.

RentWorks operates as a finance group that invests in leasing companies that specialise in the provision of operating leases to the corporate and government customer markets. RentWorks is a fully owned subsidiary of Alleasing Trust which is owned by a number of privately held Allco Group related entities.

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Investors wanting up-to-the minute information on Transol should visit the company's website at **www.transolgroup.com** to register their email address for email delivery of ASX announcements and other news as it occurs including future editions of **Transol Investor Brief**.

Upcoming Transol Dates

Annual General Meeting 17th November 2004 (subject to confirmation)

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