

TRANSOL CORPORATION LIMITED

ACN 089 224 402

LEVEL 11, 300 FLINDERS STREET
MELBOURNE VIC 3000

TEL: (61 3) 1300 557 007
FAX: (61 3) 1300 557 006

29 October 2004

ASX CODE: TNC

<p>QUARTERLY REPORT FOR THE 3 MONTH PERIOD ENDED 30 SEPTEMBER 2004</p>

- **Finalisation of a \$15m operating lease facility as the fourth and final establishment pillar of Transol's USA business plan**
- **First MidWest USA contract operating and generating citations in Davenport, Iowa**
- **Transol to file a motion for summary dismissal of claims of alleged patent infringement by Nestor Inc. (USA)**
- **2004 Financial Report marks the conclusion of Transol USA's establishment phase**
- **Corporate activity – shares released from escrow**

Transol finalises \$15m operating lease facility as the fourth and final pillar of its USA business plan

As announced on 23 September, executing Transol's \$A15million operating lease facility with RentWorks Limited concludes the establishment phase of Transol USA Inc.

The install/sell/leaseback/operate model provides the financial platform to fund Transol's US operations and will also build the balance sheet strength necessary to aggressively pursue new contracts. The model allows Transol to generate early positive cash flows, maximize operating margins, fast track installations as well as grow and preserve shareholder value.

The (initial) A\$15m funding tranche is sufficient to install camera systems at up to 100 approaches. Transol has the ability to extend this facility further should it choose to do so.

Under the agreement Transol installs each red light camera program contract and may then sell site infrastructure to RentWorks at a margin. Transol would then lease back the infrastructure from RentWorks for the contract's duration during which period Transol would operate and maintain the photo enforcement program on behalf of the client city.

Transol believes that this is the first time that the install/sell/leaseback/operate model has been applied in the USA 'turn-key' photo enforcement market. Transol notes that the high-upfront cost of installing program infrastructures is an industry-wide challenge. Where installations are funded solely from capital reserves this tends to place an inherent limitation on growth as well as slowing the pace of installations.

Transol's first Mid-West USA contract operating in Davenport Iowa

The company's first contract in Mid-West USA, for the City of Davenport, Iowa, commenced operating and issuing traffic fines in September. All five contract sites are installed.

Despite delays caused by lengthy city and utility approvals processes for site permits, construction is currently underway for the installation of camera systems in the Californian cities of Santa Fe Springs, Roseville and Berkeley and the company's first East-Coast contract for Dalton, Georgia.

Operation of the Dalton contract will be made possible by customisation of the Transol VP Processing System to meet the specific requirements of Georgia Law relating to privacy of registered driver information. The company's proprietary, fully Internet-enabled, processing technology directly facilitates cost-efficient customisations such as this and allows new clients to be rapidly brought on line.

By end September, Transol was contracted to operate red light camera programs for seven USA cities across the States of California, Colorado, Georgia and Iowa. (Subsequently, a further contract has been awarded by the City of Beaumont in California giving Transol its fifth award in that state). All contracts awarded to date (except Northglenn) are for five-year terms. A total of 35 intersection approaches have now been awarded to Transol in the first year of its USA operations, additional to the six approaches that had already been awarded.

The company's network of US sales consultants continues to actively market its Internet based digital red light camera technology to target cities and counties in the USA and will use existing contracts as reference sites. The company will advise the market when new contracts are awarded in the future.

Transol to file a motion for summary dismissal of claims of alleged patent infringement by Nestor Inc. (USA)

On 20 January 2004, following extensive filings and a hearing, the federal court in Los Angeles, California, denied Nestor's injunction motion seeking to immediately prevent Transol from marketing its red light enforcement system in the United States. In denying Nestor's motion, the Court stated that Nestor "has failed to demonstrate a reasonable likelihood of success on the infringement issue . . .".

As announced on July 26, 2004, Transol's US counsel has advised Nestor's counsel that Transol would file a motion for summary dismissal of Nestor's infringement claims. This communication followed several months of discovery in the case, during which Transol provided Nestor clear opportunity to verify Transol's consistent position that its system does not infringe the asserted patents.

Transol's Directors believe that Nestor's lawsuits (and its July statement to the market) are motivated by that company's desire to influence market decisions. Transol will continue to vigorously defend its legitimate right to pursue business in the USA photo enforcement market and is confident that there are no patent infringements against Nestor.

2004 Financial Report marks the conclusion of Transol USA's establishment phase

During the quarter, Transol announced its 2004 full year results. The Company reported a consolidated loss of \$3,766,540 for the 12 months to 30 June 2004. That reporting period concluded the company's investment phase.

During the period Transol put into place the four pillars that Directors believe will be fundamental to its becoming a significant operator in the high potential USA cities market for traffic law enforcement operations. These critical elements are: –

- strategically differentiated, proprietary technologies;
 - USA-based contract operating facilities and expert staff;
 - a proven marketing capability supported by 'seed' contract awards in target regions; and
 - the financial capability to sustain continuing growth.
-

Corporate Activity – shares released from escrow

During the quarter, 5,700,016 ordinary shares and 4 million options were released from a 12 month restriction period. Since the end of the quarter a further 816,000 shares have been released from escrow with 192,000 shares to be released in November 2004 and 20,750,000 in December 2005.

As at the date of this report, the total number of ordinary shares on issue is 75,638,515 with 54,696,515 of these representing quoted securities on the ASX.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Andrew Metcalfe', with a long horizontal line extending to the right.

Andrew Metcalfe
Company Secretary

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

TRANSOL CORPORATION LIMITED

ABN

73 089 224 402

Quarter ended ("current quarter")

30 SEPTEMBER 2004

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from customers	48.8	48.8
1.2 Payments for		
(a) staff costs	(615.9)	(615.9)
(b) advertising and marketing	(81.5)	(81.5)
(c) research and development	(57.2)	(57.2)
(d) leased assets	(17.6)	(17.6)
(e) other working capital	(1,676.9)	(1,676.9)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	13.6	13.6
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (Government funding)	1.6	1.6
Net operating cash flows	(2,385.1)	(2,385.1)

	Current quarter \$A'000	Year to date (3 months) \$A'000
1.8 Net operating cash flows (carried forward)	(2,385.1)	(2,385.1)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(154.1)	(154.1)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(f) intellectual property	-	-
(g) physical non-current assets	-	-
(h) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (cash acquired - refer to Section 5)	-	-
Net investing cash flows	(154.1)	(154.1)
1.14 Total operating and investing cash flows	(2,539.2)	(2,539.2)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	-
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	1,848	1,848
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (cost of capital raised)	-	-
Net financing cash flows	1,848	1,848
Net increase (decrease) in cash held	(691.2)	(691.2)
1.21 Cash at beginning of quarter/year to date	2,656.2	2,656.2
1.22 Exchange rate adjustments to item 1.20	(3.9)	(3.9)
1.23 Cash at end of quarter	1,961.1	1,961.1

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000
1.24 Aggregate amount of payments to the parties included in item 1.2	49.2
1.25 Aggregate amount of loans to the parties included in item 1.11	Nil
1.26 Explanation necessary for an understanding of the transactions	
1.24 = directors fees and super for the quarter to 30 September 2004	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Proceeds of short-term loan from RentWorks Limited under the recently announced financing facility.

- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

None

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities (sale & lease buyback)	15,000	1,848
3.2 Credit standby arrangements	none	None

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	1,961.1	911.5
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (Short Term investment – commercial bills)	-	1,744.7
Total: cash at end of quarter (item 1.22)	1,961.1	2,656.2

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	-	-
5.2 Place of incorporation or registration	-	-
5.3 Consideration for acquisition or disposal	-	-
5.4 Total net tangible assets	-	-
5.5 Nature of business	-	-

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: Date: 29 October 2004
(Company Secretary)

Print name: Andrew Metcalfe

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.