Redflow Limited

ABN 49 130 227 271

Appendix 4E and Financial Report

For the year ended 30 June 2018

APPENDIX 4E

ASX Preliminary Financial Report

Name of Entity:	Redflow Limited
ABN:	49 130 227 271
Reporting period:	year ended 30 June 2018
Previous corresponding period:	year ended 30 June 2017

Results for announcement to the market

Results		**%**		**$**
Revenue from ordinary activities	up	**29%**	to	**1,775,083**
Other income	down	**5%**	to	**2,112,280**
Loss from ordinary activities after tax attributable to members	down	**7%**	**to**	**(11,995,018)**
Net loss for the year attributable to members	down	**7%**	**to**	**(11,984,120)**

Dividend Information

The directors do not recommend the payment of a dividend for the reporting year.

Net tangible assets per security	***30 June 2018***	*30 June 2017*
Net tangible asset per security	**$0.03**	$0.00

Commentary on results for the period

Refer to the consolidated financial statements, and Directors Report to the market with this Appendix 4E Preliminary Final Report for detailed explanation and commentary on results.

Compliance Statement

Other information requiring disclosure to comply with Listing Rule 4.3A is contained in and should be read in conjunction with the notes to the consolidated financial statements and the Directors Report for the year ended 30 June 2018.

This report is based on the consolidated financial statements for the year ended 30 June 2018 which have been audited by PricewaterhouseCoopers with the Independent Auditor's Report included in the 2018 Annual Financial Report. The independent audit report for Redflow Limited and its controlled entities (the Group) for the year ended 30 June 2018 contains an emphasis of matter paragraph drawing members attention to the contents of Note 2(a) of the accompanying financial statements which deals with the Group's going concern assumptions and the basis upon which those financial statements have been prepared. A copy of the independent audit report is included with the accompanying financial statements for the year ended 30 June 2018.

Board of Directors

Brett Johnson
(Chairman)
Timothy Harris
(Managing Director and Chief Executive Officer)
Richard Aird
Simon Hackett
David Knox
Jenny Macdonald

Company Secretary

Trudy Walsh

Bankers

Commonwealth Bank of Australia
1/9 Brookfield Rd
Kenmore Hills, QLD, 4069

Patent Attorneys

Spruson & Ferguson
Level 6, 175 Eagle Street
Brisbane, QLD, 4000

Auditors

PricewaterhouseCoopers
480 Queen Street
Brisbane, QLD, 4000

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Solicitors

Thomson Geer Lawyers
Level 16, Waterfront Place, 1 Eagle Street
Brisbane, QLD, 4000

Principal registered office in Australia

Redflow Limited
ACN 130 227 271
ABN 49 130 227 271
1/27 Counihan Road
Seventeen Mile Rocks
Brisbane, QLD, 4073
Australia

Share Registry

Link Market Services Limited
Level 21, 10 Eagle St
Brisbane QLD 4000

Message from the Chairman and CEO

Dear Shareholders

This is our first Annual Report Message to Shareholders and we are pleased to report that Redflow has made significant progress since we were appointed in late September 2017 and March 2018 respectively.

Redflow has successfully established its wholly owned manufacturing facility in Thailand which is manufacturing our proprietary zinc-bromine flow batteries. Our primary focus is on the production of high-quality batteries which meet the commercial and technical requirements of our customers.

We have attracted talented executives with the appointment of Tim as our Managing Director & Chief Executive Officer and Trudy Walsh as our Chief Financial Officer. Richard Aird has returned to the role of Chief Operating Officer.

We are busy re-establishing our sales and marketing, training and aftersales support infrastructure and our focus is on developing a pipeline of orders which will support the ramp-up of manufacturing production as quickly as possible. As with the relaunch of any major commercial product, it will take some time to gain traction but we are pleased with progress to date.

Our target markets include telecommunication towers (replacing lead-acid), on-grid and off-grid residential customers and commercial, industrial, mining, micro-grid and remote power applications. Redflow is continuing to pursue opportunities across the Asia-Pacific Region and Southern Africa. We have a number of discussions underway with customers which are in the negotiation and/or trial phase.

Our engineering team continues to focus on reducing the production cost of the Redflow battery while ensuring a consistent high quality product. This is critical to ensuring that as production increases so does the margin on each battery. At the same time our Research & Development team are looking at next generation product development and other innovation ideas.

Redflow's priority is to maintain an efficient, high quality manufacturing facility that, with increasing sales revenue, will progressively improve our gross profit margin.

The Board appreciates the ongoing patience and support of shareholders and, in particular, the support earlier this year of the $18.1 million capital raising consisting of $7.5 million in private placements and further $10.6 million in a fully underwritten rights issue.

The Board has been renewed during the year with the resignation of Patrick Tapper, Bruce Brown and Howard Stack and the appointment of Jenny Macdonald to chair the Audit & Risk Committee. Also, a search is well underway for an additional director who has significant transformational manufacturing experience who, once appointed, can assist the Board and management through the process required to mass produce our product.

We would like to thank Pat, Bruce and Howard for their major contribution to Redflow over the years.

In summary, 2017-18 has been a transformation year for Redflow. We established a stable manufacturing platform, renewed the Board, developed the executive team and successfully raised additional working capital to position the company for future growth. We have a clear strategic and financial plan to develop a successful and sustainable business.

Brett Johnson

Chairman

Tim Harris

Chief Executive Officer

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Your Directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Redflow Limited (the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2018.

Directors and company secretary
The following persons were Directors of Redflow Limited during the year and up to the date of this report:

Directors	Position	Date of Appointment	Date of Resignation
Brett Johnson	Chairman (Non-Executive)	27 September 2017	
Timothy Harris	Managing Director & Chief Executive Officer (CEO)	2 July 2018	
Richard Aird *	Chief Operating Officer (COO)	5 March 2012	
Bruce Brown	Director (Non-Executive)	5 March 2012	22 December 2017
Howard Stack	Director (Non-Executive)	9 February 2012	28 June 2018
Patrick Tapper	Director (Non-Executive)	24 March 2016	24 November 2017
Simon Hackett*	Director (Non-Executive)	21 November 2014	
David Knox	Director (Non-Executive)	2 March 2017	
Jenny Macdonald	Director (Non-Executive)	22 December 2017	

*On 27 September 2017 Simon Hackett stood aside from executive roles remaining as a Non-Executive Director. Richard Aird was appointed as Managing Director and CEO through to 27 March 2018 when Timothy Harris was appointed as CEO.

The company secretary is Trudy Walsh. Trudy was appointed to the position of company secretary on 28 August 2018. Michael Wilkes was appointed company secretary on 25 May 2018 and held the position until his resignation on 28 August 2018.

Principal activities
The principal activity of the Group consists of the development, manufacture and sale of its zinc-bromine flowing electrolyte battery module (ZBM).

A review of the operations of the Group for the financial year is included in the Directors Report.

Dividends
No dividend has been paid and the Directors do not recommend the payment of a dividend (2017: $nil).

Issue of shares
During the year, contributed equity increased by $30,972,322 (from $80,328,589 to $111,300,911). A total of 326,801,523 ordinary shares were issued during the year. Details of the changes in contributed equity are disclosed in note 20 of the financial statements.

Review of operations and financial position
The loss of the Group after income tax on a consolidated basis for the financial year ended 30 June 2018 was $11,995,018 (2017: $12,915,584). The decrease in the loss from the previous year was mainly attributable to the following factors:

- Lower fixed costs for the year with the relocation of the manufacturing facility from Flex in Mexico to a Redflow operated facility in Chonburi, Thailand;
- Higher sales with the delivery of the Company's largest purchase order to date; and
- Continued spend on research and development offset by receipt of $2,112,280 from the R&D tax refund for spend in the prior year.

During the year the Company executed on key recommendations from its strategic review as outlined to shareholders during 2017. The milestones achieved include:

- Moving the manufacturing operations and capabilities to a more appropriate location in Thailand. This has been a successful transition with quality batteries being manufactured and shipped to customers;
- Renewing the Board during the year with the resignation of Patrick Tapper, Bruce Brown and Howard Stack and the appointment of Jenny Macdonald to chair the Audit and Risk Committee. The management and leadership team has been expanded with the appointment of Tim Harris to the position of CEO and Managing Director and Trudy Walsh as Chief Financial Officer (CFO);
- Maintaining investments in product cost down engineering and research and development activities. This investment will be offset by a research and development credit towards the end of 2018; and
- Aligning sales and marketing focus on key target markets in Australasia, Asia Pacific and South Africa.

In July/August 2017 and May 2018 the Company successfully raised in total $32,622,435 in capital as summarised below:

- Completion of a placement to sophisticated investors in two tranches during July and August 2017. Tranche 1 of $5,816,185 was placed on 20 July 2017 and Tranche 2 of $4,683,815 was completed 31 August 2017;
- Shareholders approved the conversion of $4,000,000 in convertible notes on the same terms as the share placements in August 2017; and
- A second capital raising in the form of an Entitlement Offer was finalised in May 2018 with a placement of $7,500,000 and a rights issue of $10,622,435.

This capital has positioned the Company to execute further on its growth strategy. The Company is committed to investing its scarce resources in opportunities which will provide shareholder return.

The Group's independent auditor's report for the year ended 30 June 2018 contains an emphasis of matter paragraph drawing members attention to the contents of Note 2(a) of the accompanying financial statements which deals with the Group's going concern assumptions and the basis upon which those financial statements have been prepared. A copy of the independent audit report is included with the accompanying financial statements for the year ended 30 June 2018.

Material risks
The Company, like all companies, faces risks inherent in its business and the stage of development of its core product. These risks are both specific to the Company and also relate to general business and economic climate. Neither the Directors, the Company nor any person associated with the Company can guarantee the performance of the Company. A detailed review of the Company's risks is outlined in the Risk report of the Annual Report.

Significant changes in the state of affairs
Significant changes in the state of affairs of the Company during the year are outlined in the Review of operations and financial position.

Matters subsequent to the end of the financial year
Subsequent to the end of the financial year, the following events have occurred:

- On 2 July 2018, CEO Tim Harris was appointed to the position of Managing Director;
- Trudy Walsh commenced in the CFO role on 21 August 2018 and company secretary on 28 August 2018 following the resignation of Michael Wilkes on that date;
- The Company has approved approximately $490,000 in capital expenditure for the purchase of manufacturing equipment to assist in production growth; and
- The Company has implemented a Short Term Incentive plan across the Company for all eligible full time Australian employed personal as well as a Long Term Incentive Plan consisting of performance rights for a number of management positions. Further details in respect to these two incentives are outlined in the remuneration report.

Likely developments and expected results of operations
The Company will build on the momentum achieved over the past 12 months with the business strategy focused on the following opportunities and objectives:

- Increasing production levels and capacity in the Thailand manufacturing facility, including the purchase of additional machinery to improve efficiencies in the production process as sales demand expands and new opportunities are identified;
- Expanding sales and marketing focus in targeted Telecommunications, Commercial & Industrial and Residential markets;
- Continuing the staged implementation of key engineering cost down projects which will reduce battery manufacturing costs, improve efficiency in production and increase gross profit margin;
- Identifying and developing new application solutions which will grow the existing key market segments;
- Utilising the existing IP of the product, the Company is looking to develop new product opportunities which will grow the target markets available to the Company;
- Exploring alternative collaboration opportunities, through which the Company is seeking to expand market segments, develop additional technology, and improve raw material and supply chain quality;
- Continuing to review the Board and management capabilities and continuing to recruit in the sales, commercial, manufacturing and marketing teams in order to deliver on the Company's strategy; and
- Entering into strategic partnerships and securing sales channel opportunities with system integrators both nationally and international and working with state and federal governments to secure further research and development and other project funding.

Redflow expects to receive a research and development tax cash credit towards the end of 2018.

Environmental regulation
The Company and its subsidiaries are subject to the environmental regulations of the countries in which it operates or has activities. The Company currently operates facilities in Australia and Thailand and complies with Environmental and Workplace Health & Safety regulations of both countries and closely monitors the requirements around chemical storage and handling. Based on the results of enquires made, the Board is not aware of any significant breaches during the period covered in this report.

Greenhouse gas and energy data reporting requirements
The group is not subject to the reporting requirements of the *National Greenhouse and Energy Reporting Act 2007*.

Information on Directors and company secretary
The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Brett Johnson LLB, FAICD — Independent Non-Executive Chairman

Experience and Expertise
Brett Johnson has more than 10 years experience as a director of listed companies, including Scott Corporation Limited and Helloworld Limited. At Scott, Brett was the only Independent Non-Executive Director representing minority shareholders and chaired the Audit Committee. At Helloworld, he was a member of the Audit Committee and Remuneration & Nominations Committee. He was also Chairman from August 2014 to December 2015. Brett also has more than 25 years experience as General Counsel of listed Australian companies, including Qantas Airways Limited (1995-2012). Brett was appointed Non-Executive Chairman on 27 September 2017.

Former Directorships (of listed entities) in the last three years:-	Helloworld Limited
Other Current Directorships:-	Allotrac Limited Advisory Board (Chair)
Special Responsibilities:-	Chair of the Board

Timothy Harris BA, LLB, MBA — Managing Director (CEO)

Experience and Expertise
Tim Harris is a seasoned business executive with extensive experience working for international companies. Prior to joining Redflow, Tim was Chief Commercial Officer for Chorus, New Zealand's largest telecommunications infrastructure company. Prior to that, Tim spent a decade in senior executive roles with BT, the British multinational telecommunications company that is the UK's largest provider of fixed-line, mobile, broadband and media services, which has operations in 180 countries. Tim was appointed CEO 27 March 2018 and Managing Director 02 July 2018.

Special Responsibilities:-	CEO

Richard Aird — Executive Director (COO)

Experience and Expertise
Richard Aird is a commercial manager with current product development and technology commercialisation experience, and holds the position of Non-Executive Director for medical equipment technology company, Magnetica Limited. As CEO, Richard developed Magnetica's hi-tech manufacturing operations, expanded technology development and systems integration capabilities along with commercial opportunities with global channel partner companies. Richard's former roles in Redflow (2008-2012) and prior positions in construction and agribusiness industries brings a wealth of practical business experience to Redflow. Richard has first-hand knowledge of customer needs and requirements for grid-connected and off-grid electricity generating and storage systems in regional and remote areas. Richard was appointed COO and Company Secretary in September 2016 and was CEO from September 2017 to 27 March 2018 and Company Secretary until 25 May 2018.

Other Current Directorships:-	Magnetica Limited
Special Responsibilities:-	COO

Jenny Macdonald BCom, CA, MEI, GAICD — Independent Non-Executive Director

Experience and Expertise
Jenny Macdonald has extensive experience working with ASX-listed and global companies at the CFO and general management level. She serves on the Board and audit committee of API (Australian Pharmaceutical Industries) and Redbubble. Previous roles include Non-Executive Director for hipages and Fitted for Work; CFO and interim CEO at Helloworld Limited; and CFO and General Manager International with REA Group.

Other Current Directorships:-	Australian Pharmaceuticals Industries Redbubble
Special Responsibilities:-	Chair of the Audit Committee

Simon Hackett BSci(AppMath), FACS, FAICD Non-Executive Director

Experience and Expertise

Simon Hackett founded Internode in 1991 which became Australia's largest privately owned broadband company. In December 2011 this was sold to ASX listed iiNet where he served on the Board from August 2012 to November 2013. Simon was subsequently appointed as Non-Executive Director on the Board of NBNCo Limited where he served from November 2013 until April 2016. Simon has other investment and advisory roles in a number of internet/technology related organisations. Simon was appointed Executive chairman in October 2015 and CEO in September 2016 until his resignation in September 2017.

Other Current Directorships:-	Base64 Pty Ltd

David Knox, BSc, MBA, FIEAust, FTSE, GAICD Independent Non-Executive Director

Experience and Expertise

David Knox is an experienced executive in the energy sector, most notably as MD & CEO of Santos Limited from 2008 - 2015. He was previously Managing Director for BP Developments in Australasia from 2003 – 2007 and has held management and engineering positions at BP, ARCO and Shell in the USA, Australia, Netherlands, United Kingdom, Pakistan and Norway. He is currently MD & CEO of Australian Naval Infrastructure.

David is originally from Edinburgh, Scotland and has a BSc Hons in Mechanical Engineering and an MBA. He is a fellow of the Australian Academy of Technology and Engineering and the Institution of Engineers Australia and a graduate of the Australian Institute of Company Directors.

David currently serves as a Non-Executive Director on a number of Boards including CSIRO, i3 Energy, Migration Council Australia, TACSI and the Adelaide Festival. He also a member of the Commonwealth Science Council and the Council of RiAus. He was appointed Non- Executive Director of Redflow Limited in March 2017.

Former Directorships (of listed entities) in the last three years:-	Managing Director and CEO of Santos Limited Botanic Gardens of South Australia SA Economic Development Board (Deputy Chair)
Other Current Directorships:-	I3 Energy (Non-Executive Chair) CSIRO TACSI (Chair) Migration Council of Australia Adelaide Festival Australian Naval Infrastructure (MD & CEO)
Special Responsibilities:-	Member of the Audit Committee.

Michael Wilkes BBus, CPA, GradDip CSA, MPM Company secretary

Experience and Expertise

Michael Wilkes has spent more than 20 years in management positions working for private and public companies with exposure in both the domestic and international markets. He has held financial, commercial, operational and company secretarial roles in companies such as Fisher & Paykel, Super Cheap Auto, KR Darling Downs and Hastings Deering. He brings a broad range of skills and knowledge from the manufacturing, retail, logistics, distribution and construction industries. Michael was company secretary from 25 May 2018 until his resignation on 28 August 2018.

Trudy Walsh BBus, CPA, MBA, GAICD Company secretary

Experience and Expertise

Trudy Walsh is an experienced Finance Executive with over 15 years' experience as Coutnry CFO/Senior Business Unit Executive for global companies Bucyrus, Caterpillar Global Mining, Ansaldo, ABB and several privately held companies. She has worked in high growth businesses in the manufacturing, engineering and mining industries. She has been company secretary in several of the above companies. Trudy commenced as CFO on 21 August 2018 and was appointed company secretary on 28 August 2018.

Directors' interest in Shares and Options
As at the date of this report, the interests (direct and/or beneficial) of the Directors in the shares and options of Redflow Limited were:

	Number of ordinary shares	Number of Options over Ordinary Shares	Number of Performance Rights
Brett Johnson	600,000		2,500,000
David Knox	804,823		
Richard Aird	1,358,907	2,000,000	5,000,000
Simon Hackett	110,228,920	3,000,000	
Jenny Macdonald	550,000		
Tim Harris	500,000		5,000,000*

*Issuing of performance rights requires shareholder approval at the company's next Annual General Meeting.

Meetings of Directors
The numbers of meetings of the Group's Board of Directors and Audit Committee held during the year ended 30 June 2018, and the numbers of meetings attended by each Director were:

	Full meeting of Directors		Meetings of Audit committee	
	A	**B**	**A**	**B**
Brett Johnson	11	11	2	2
Simon Hackett	15	15	*	*
Howard Stack	13	15	*	*
Bruce Brown	5	6	1	1
Richard Aird	15	15	*	*
Patrick Tapper	5	5	*	*
Jenny Macdonald	9	9	2	2
David Knox	14	15	3	3

A = Number of meetings attended
B = Number of meetings held during the time the Director held office or was a member of the committee during the year. All Directors were eligible to attend all meetings held during their tenure.
* = Not a member of the committee

Shares Issued on the exercise of options
There were no ordinary shares of Redflow Limited issued during the year ended 30 June 2018 on the exercise of options granted under the Redflow Limited Employee Option Plan. The options do not entitle the holder to participate in any share issue of the Company.

Performance Rights issue
During the year ended 30 June 2018 the Company established a Performance Rights Plan in lieu of a share option plan. Performance rights will be issued to executive and key management from time to time, aligning management objectives with shareholders. During the year ended 30 June 2018, there were no ordinary shares of Redflow Limited issued as a result of the vesting of any performance rights.

Shares under option
Unissued ordinary shares of Redflow Limited under option at the date of this report are as follows:

Grant Date	*First Exercise Date*	*Expiry date*	*Exercise price*	*Balance at date of report*	*Vested and exercisable at date of report*
				Number	Number
10/12/2014	31/12/2016	31/12/2018	$0.19	1,000,000	1,000,000
18/05/2015	30/06/2015	30/06/2018	$0.19	100,000	100,000
18/05/2015	30/06/2016	30/06/2019	$0.19	550,000	550,000
18/05/2015	31/12/2016	31/12/2019	$0.19	300,000	300,000
18/05/2015	30/06/2017	30/06/2020	$0.19	100,000	100,000
7/07/2015	30/06/2016	31/12/2018	$0.28	250,000	250,000
7/07/2015	31/12/2016	31/12/2018	$0.28	250,000	250,000
28/11/2016	14/07/2018	28/11/2022	$0.34	2,000,000	-
28/11/2016	14/07/2018	28/11/2022	$0.34	3,000,000	-
				7,550,000	2,550,000

Insurance of Officers
During the financial year, Redflow Limited paid a premium of $47,257 (2017: $35,659) to insure the Directors and Secretaries of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be bought against the officers in their capacity as officers in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings on behalf of the Group
No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the *Corporations Act 2001.*

Non-Audit Services
The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

The Board of Directors has considered the position and, in accordance with a resolution of the Directors of the Company, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality or objectivity of the auditor.
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

During the year no fees were paid or payable for non-audit services provided by the auditor of the Group, its related practices and non-related audit firms:

	30 June 2018	30 June 2017
Other services	$	$
PricewaterhouseCoopers Australian firm:		
R&D claim services	-	16,830
Non-recurring consulting services	-	-
Total remuneration for non audit services	**-**	**16,830**

Auditor's Independence Declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 36.

Remuneration Report (Audited)
The Directors of Redflow Limited present the Remuneration Report for the Company and the Group for the year ended 30 June 2018 accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

This remuneration report details the remuneration arrangements for key management personnel ("KMP") of the Group, which comprises all Directors (Executive and Non-Executive) and those Executives who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly.

For the purposes of this Remuneration report, the term "Executive" includes the Chief Executive Officer (CEO), Executive Directors, Senior Executives, General Managers and Secretaries of the Parent and the Group and the term "Director" refers to Independent and Non- Executive Directors only.

The remuneration report is presented under the following sections:

(a) Remuneration overview
(b) Remuneration at a glance
(c) Overview of executive remuneration
(d) Executive performance agreements
(e) Performance and executive remuneration outcomes in FY18
(f) Non-Executive Directors (Directors) remuneration disclosure
(g) Share-based compensation
(h) Loan funded share plan
(i) Equity instruments held by key management personnel
(j) Other transactions with key management personnel
(k) Securities Trading Policy

(a) Remuneration overview

The following table details the Groups KMP during the 2018 financial year and up to the date of this report.

Non-Executive and Executive Directors (see pages 8 to 9 for details about each Director)

Brett Johnson	Independent Non-Executive Chairman (appointed 27 September 2017)
Tim Harris	Managing Director (appointed 2 July 2018) and CEO (appointed 27 March 2018)
Simon Hackett	Non-Executive Director
Howard Stack	Independent Non-Executive Director and Deputy Chairman (resigned 28 June 2018)
Bruce Brown	Independent Non-Executive Director (resigned 22 December 2017)
Richard Aird	Executive Director and Chief Operating Officer
Patrick Tapper	Independent Non-Executive Director (resigned 24 November 2017)
David Knox	Independent Non-Executive Director
Jenny Macdonald	Independent Non-Executive Director (appointed 22 December 2017)

Key management personnel

Dr Alexander Winter [1]	Chief Engineer (ceased as a KMP on 29 March 2018)
Dr Michele Giulianini	Chief Technology Officer
Trudy Walsh [2]	Chief Financial Officer (commenced 21 August 2018) and company secretary (commenced 28 August 2018)

1. Resulting from a review of the organisation, its decision making delegations and reporting lines Alex Winter ceased to be a KMP at 29 March 2018.
2. Trudy Walsh was appointed to the role of CFO in June 2018 and commenced employment on 21 August 2018. Trudy was appointed company secretary on 28 August 2018.

(b) Remuneration at a glance

(i) Remuneration strategy

The Group's remuneration strategy is designed to attract, motivate and retain Employees, Executives and Directors by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the Group.

Four principles are used when determining employee remuneration. They are:

1. Fairness: provide a fair level of reward to all employees;
2. Transparency: build a culture of achievement by transparent links between reward and performance;
3. Alignment: Align Employees and Shareholders interests through share ownership; and
4. Culture: drive leadership performance and behaviours that creates a culture that promotes safety, high performance, diversity and employee satisfaction.

(ii) Use of remuneration consultants

External specialist remuneration advice is sought on an as-needs basis in respect of remuneration arrangements for KMP of the Group. General remuneration advice is sought on an ad-hoc basis. No external advisors were used during the current year.

(iii) Board oversight of remuneration – Remuneration Committee

All Directors of the Group are members of the Remuneration Committee. This is considered appropriate given the size and stage of development of the Group.

(c) Overview of executive remuneration

(i) Executive remuneration arrangements

The Group aims to reward Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and aligned with market practice. As such, the Group rewards each Executive with a fixed remuneration package, the value of which is determined by the Board acting as the Remuneration Committee based on the remuneration policy noted above. In the 2018 financial year, remuneration of Executives included the issue of performance rights and performance based remuneration incentive schemes consisting of a performance based bonus.

(ii) Structure

In the 2018 financial year, the Executive remuneration framework consisted of the following components:

(1) *Fixed remuneration*: This component has been negotiated by each Executive with the Board or Chief Executive Officer as appropriate, based on their experience and duties. The remuneration of Executives for the year ended 30 June 2018 is disclosed in Table 1.

(2) *Share based incentives*: The Board may, at any time, make invitations to Eligible Persons (being Directors, Officers, Employees or Contractors of Redflow) to participate in the Redflow Performance Rights Plan ('Plan') specifying the total number of rights being made available, the exercise period and exercise conditions. Performance is measured over the term of the rights based on the achievement of key performance measures. These include an element of loyalty and retention, operational performance hurdles and share price performance. The Board is satisfied that the selected performance measures are appropriate given the alignment with the objectives of the Group. The Board exercises discretion to determine the outcomes taking into account the impact of conditions outside the control of the Chief Executive Officer and executives. The Company replaced the Shares and Options Plan with a Performance Rights Plan during the year.

(3) *Bonus scheme*: Certain executives are eligible to participate in a short term bonus incentive scheme as agreed and reviewed annually in line with specific short term performance indicators. The short term performance indicators are a mixture of financial and non financial targets with a combination of personal and Group performance.

(iii) Changes for year ended 30 June 2019

The Board has determined that, as the Group commences the transition to commercial manufacturing and sales, short term remuneration arrangements will be offered to executive and eligible permanent employees within Australia. Further details will be provided in the remuneration report for the period ended 30 June 2019. In addition long term share base incentives will be offered to a broader range of management personal during the 2019 finanical year under the Group’s existing performance rights plan.

(d) Executive performance agreements

(i) Contractual arrangement Timothy Harris – Managing Director and CEO

Timothy Harris was appointed CEO effective 27 March 2018. The terms of Mr Harris’s appointment and termination arrangement were changed on 2 July 2018 and are set out as follows:

Component	**Description**
Fixed remuneration	$430,000 per annum
Superannuation	$25,000 per annum
STI	Up to $90,000 subject to satisfaction of operational performance hurdles set by the Board.
LTI	5,000,000 performance rights (subject to shareholder approval at the Company's 2018 AGM) which are subject to the satisfaction of loyalty, share price and operational performance hurdles over 3 years.
Contract duration	Ongoing contract
Notice by the individual/company	3 months
Termination of employment (without cause)	The Board has the discretion to award or not award pro-rata STI for the year and unvested LTI performance rights.
Termination of employment (with cause) or by the individual	STI is not awarded, and all unvested LTI will lapse. Vested and unexercised LTI can be exercised within the rules of the Performance Rights Plan.

(ii) KMP (excluding CEO) employment contracts and notice periods are set out below.

	Term	Start of contract	Basic salary including superannuation	Termination benefit
Executive directors				
Richard Aird	Indefinite, 6 months notice	02/02/2016	$328,500	6 months
Other key management personnel				
Dr Michele Giulianini	Indefinite, 2 months notice	25/11/2013	$208,050	2 months
Trudy Walsh [1]	6 month probation, 3 months notice	21/08/2018	$300,000	3 months

1. Contract for CFO role

(e) Performance and executive remuneration outcomes for the year ended 30 June 2018

The actual remuneration earned by Executives during the year ended 30 June 2018 is set out in Table 1 below. This provides shareholders with a view of the remuneration expense attributable to executives for performance during the year.

Table 1 **Details of Remuneration**

		Short-Term		***Post employ-ment***	***Long term*** [3]		***Share*** [4] ***based Payment***		*Performance related*
		Salary & fees	*Bonus*	*Super-annuation*	*Annual and Long service leave*	*Term-ination*	*Shares and options*	*Total*	
30 June 2018		*$*	*$*	*$*	*$*	*$*	*$*	*$*	*%*
Executive directors									
Richard Aird		263,560	150,000	39,288	13,661	-	57,602	524,112	*40%*
Other key management personnel						-	-		
Tim Harris	1	108,815		10,337	9,569	-	-	128,721	*0%*
Dr Alexander Winter	2	196,154	16,500	20,202	(47,566)	-	-	185,290	*9%*
Dr Michele Giulianini		170,000	25,000	18,525	11,159	-	-	224,684	*11%*
Total executive KMP		738,529	191,500	88,353	(13,176)	-	57,602	1,062,808	

1. Appointed 27 March 2018.
2. Resulting from a review of the organisation decision making delegations and reporting lines Alex Winter ceased to be a KMP at 29 March 2018.
3. Movement in provisions, does not have a cash implication.
4. Movement in reserves, does not have a cash implication.

		Short-Term		***Post employ-ment***	***Long term*** [3]		***Share*** [4] ***based Payment***		*Performance related*
		Salary & fees	*Bonus*	*Super-annuation*	*Annual and Long service leave*	*Term-ination*	*Shares and options*	*Total*	
30 June 2017		*$*	*$*	*$*	*$*	*$*	*$*	*$*	*%*
Executive directors									
Simon Hackett	1	100,000	-	9,500	1,048	-	118,656	229,204	*52%*
Richard Aird		175,833	-	16,704	7,561	-	79,104	279,202	*28%*
Stuart Smith		68,750	133,750	23,592	(229)	45,833	(77,464)	194,232	*29%*
Other key management personnel									
Dr Alexander Winter		255,000	36,000	27,645	(55,716)	-	60,780	323,709	*30%*
Bruce Ebzery		45,672	-	6,818	(5,036)	26,098	(19,425)	54,127	*-36%*
Dr Michele Giulianini	2	170,000	25,000	18,525	9,938	-	18,143	241,606	*18%*
Total executive KMP		815,255	194,750	102,784	(42,434)	71,931	179,794	1,322,080	

1. Received shares in lieu of cash for Directors fees until November 1 when he was appointed Executive chairman.
2. Bonus relating to year ended 30 June 2017 paid in year ended 30 June 2018.
3. Movement in provisions, does not have a cash implication.
4. Movement in reserves, does not have a cash implication.

The following table shows for each executive KMP how much of their STI cash bonus was awarded and how much was forfeited. It also shows the value of performance rights that were granted, exercised and forfeited during the year ended 30 June 2018. The number of options and performance rights vested/forfeited for each grant are disclosed in section (g) of the remuneration report.

		Total STI bonus (cash)		LTI Performance Rights	
30 June 2018	**Total opportunity $**	**Awarded %**	**Forfeited %**	**Value Granted $**	**Value exercised $**
Executive directors					
Richard Aird	150,000	100	-	511,598	-
Other key management personnel					-
Tim Harris [1]	-	-	-	-	-
Dr Alexander Winter [2]	41,250	40	60	-	-
Dr Michele Giulianini	25,000	100	-	-	-

1. Not eligible to participate during 2018.
2. Resulting from a review of the organisation decision making delegations and reporting lines Alex Winter ceased to be a KMP at 29 March 2018.

(f) Non-Executive Directors (Directors) remuneration disclosure

(i) Director fee policy

The Groups NED fee policy is designed to attract and retain high calibre Directors, who can discharge the roles and responsibilities required in terms of good governance, strong oversight, independence and objectivity.

The Group rewards each Director with a fixed remuneration package. In the year ended 30 June 2018 remuneration of Directors was not dependant on sales performance or any other financial measures. There are no short term incentive or bonus scheme in place. At the Annual General Meeting (AGM) held on 24 November 2017, shareholders approved to pay Directors fees in shares in lieu of cash, when the Directors elected this form of payment, for services provided to the Group. In addition, shareholders approved a long term incentive plan for the Chairman which included a performance rights issue linked to share price performance.

(ii) Maximum aggregate NED fee pool

The total amount paid to all Directors for their services must not exceed in aggregate in any financial year the amount fixed by shareholders in a general meeting. At the Annual General Meeting on 24 November 2017 shareholders approved an aggregate amount of $400,000 per annum for Director fees. Any changes to this amount in future will require approval by shareholders in a general meeting in accordance with ASX listing rules.

Statutory Non-Executive Director fees for the year ended 30 June 2018 were:

		Short-Term		Post employ-ment	Long term [8]		Share [9] based Payment	
		Salary & [10] fees	Bonus	Super-annuation	Annual and Long service leave	Term-ination	Shares and options	Total
30 June 2018		$	$	$	$	$	$	$
Non-Executive Directors								
Brett Johnson	1	68,538		6,511	-	-	12,482	87,531
Howard Stack	2, 11	53,280	-	5,062	-	-	-	58,342
Bruce Brown	2, 3	26,640	-	2,531	-	-	-	29,171
Patrick Tapper	4	22,200	-	2,109	-	-	-	24,309
David Knox	5	53,280	-	5,062	-	-	-	58,342
Simon Hackett	6	66,736	-	6,140	(1,048)	-	(118,656)	(46,828)
Jenny Macdonald	7	33,341	-	3,167	-	-	-	36,508
Total Non-Executive Directors		324,015	-	30,582	(1,048)	-	(106,175)	247,375

1. Appointed 27 September 2017.
2. These Directors have elected not to receive these fees in cash and received approval for the issue of shares in lieu of this cash payment at the AGM held on 24 November 2017.
3. Resigned 22 December 2017.
4. Resigned 24 November 2017.
5. These Directors have elected to receive fees in a combination of cash and shares and received approval for the issue of shares in lieu of cash payment at the AGM held on 24 November 2017.
6. Resigned from Executive Director role 27 September 2017. Total includes fees for Executive and Non-Executive Director roles.
7. Appointed 22 December 2017.
8. Movement in provisions, does not have a cash implication.
9. Movement in reserves, does not have a cash implication.
10. Salary and fees include any amounts salary sacrificed during the year.
11. Resigned 28 June 2018.

Statutory Non-Executive Director fees for the year ended 30 June 2017 were:

		Short-Term		Post employ-ment	Long term [3]		Share [4] based Payment	
		Salary & fees	Bonus	Super-annuation	Annual and Long service leave	Term-ination	Shares and options	Total
30 June 2017		$	$	$	$	$	$	$
Non-Executive Directors								
Howard Stack	1	53,280	-	5,062	-	-	-	58,342
Bruce Brown	1	53,280	-	5,062	-	-	-	58,342
Patrick Tapper		53,280	-	5,062	-	-	-	58,342
David Knox	2	17,760	-	1,687	-	-	-	19,447
Total Non-Executive Directors		177,600	-	16,873	-	-	-	194,473

1. These Directors have elected not to receive these fees in cash and received approval for the issue of shares in lieu of this cash payment at the AGM held on 25 November 2016.
2. Appointed 2 March 2017.
3. Movement in provisions, does not have a cash implication.
4. Movement in reserves, does not have a cash implication.

(g) Share based compensation

Long term incentives provided to executives under a share rights issue include performance based measures such as the achievement of key performance indicators specific to the executive’s role. These align with the objectives, goals and strategy of the Company, and the role of the individual. Achievement of these key performance indicators is ultimately determined at the discretion of the Board.

Table 3 Details of Options awarded and/or vested during the year (consolidated)

Terms and conditions for each Grant

30 June 2018	Options awarded	Fair value of option at date of award ($)	Award date	Exercise price ($)	Expiry date	First test date	Last test date	Options cancelled	Vested at 30 June 2018 Number	%
Non-Executive Directors										
Simon Hackett										
	1,500,000	328,800	28/11/2016	0.340	28/11/2022	14/07/2017	28/11/2022	(1,500,000)	-	0%
	3,000,000	657,600	28/11/2016	0.340	28/11/2022	14/07/2018	28/11/2022	-	-	0%
	4,500,000									
Executive Directors										
Richard Aird										
	1,000,000	219,200	28/11/2016	0.340	28/11/2022	14/07/2017	28/11/2022	(1,000,000)	-	0%
	2,000,000	438,400	28/11/2016	0.340	28/11/2022	14/07/2018	28/11/2022	-	-	0%
	3,000,000									
Other key management personnel										
Dr Alexander Winter										
	100,000	15,260	18/05/2015	0.190	30/06/2018	30/06/2015	30/06/2018	-	100,000	100%
	550,000	91,795	18/05/2015	0.190	30/06/2019	30/06/2016	30/06/2019	-	550,000	100%
	300,000	51,900	18/05/2015	0.190	31/12/2019	31/12/2016	31/12/2019	-	300,000	100%
	100,000	17,840	18/05/2015	0.190	30/06/2020	30/06/2017	30/06/2020	-	-	0%
	1,050,000									
Total	8,550,000							(2,500,000)	950,000	

Table 4 Details of Performance Rights awarded and/or vested during the year (consolidated)

Terms and conditions for each Grant

30 June 2018		Performance Rights awarded	Fair value at date of award ($)	Award date	Expiry date	First test date	Last test date	Vested at 30 June 2018 Number	%
Non-Executive Directors									
Brett Johnson									
	Tranch 1	833,333	66,417	4/12/2017	28/11/2023	30/06/2020	30/06/2020	-	0%
		833,333	58,467	4/12/2017	28/11/2023	30/06/2020	30/06/2020	-	0%
		833,334	46,167	4/12/2017	28/11/2023	30/06/2020	30/06/2020	-	0%
		2,500,000							
Executive Directors									
Richard Aird									
	Tranch 1	1,000,000	125,000	4/12/2017	28/11/2023	30/06/2020	30/06/2020	-	0%
	Tranch 2	666,666	83,333	4/12/2017	28/11/2023	30/06/2018	30/06/2020	-	0%
		666,666	83,333	4/12/2017	28/11/2023	30/06/2019	30/06/2020	-	0%
		666,667	83,333	4/12/2017	28/11/2023	30/06/2020	30/06/2020	-	0%
	Tranch 3	666,666	53,133	4/12/2017	28/11/2023	30/06/2020	30/06/2020	-	0%
		666,667	46,533	4/12/2017	28/11/2023	30/06/2020	30/06/2020	-	0%
		666,668	36,933	4/12/2017	28/11/2023	30/06/2020	30/06/2020	-	0%
		5,000,000							
Total		7,500,000						-	

Fair value of options included as a part of remuneration
There were no options awarded as a part of remuneration of key management personnel during the year.

For details on the valuation of performance rights and options, including models and assumptions used, please refer to Note 32. There were no alterations to the terms and conditions of performance rights and options granted as remuneration since the grant date.

(h) Loan funded share plan
As part of its long-term incentives, Redflow Limited previously offered a loan funded share plan in order to:

- Retain key Executives over the long term;
- Provide an incentive and benefit to participants in the share plan to encourage dedicated and ongoing commitment to the Group; and
- Better align the interest of the participants in the share plan with the interest of Shareholders and sharing in the long term growth of the Group.

There were no shares in the loan funded plan on issue to key management personnel at the end of the year (2017: $190,000). All remaining shares lapsed during the year. The Company no longer offers a loan funded share plan to executives.

Table 5

Name	Issue Date	Number of Loan Funded Shares	Number of Loan Funded Forfeited	Weighted Average Issue Price ($)	Weighted Average Fair Value ($)	Total Loan Balance ($)	Expiry Date
Michele Giulianini	12/08/2014	1,500,000	1,500,000	$0.190	$0.143	0	12/08/2017

(i) Equity instruments held by key management personnel
Shares held by key management personnel are outlined in the Table 6 below.
Options and loan funded shares held are outlined in Table 3 and Table 5 above.

Table 6 Shares held by key management personnel

30 June 2018	*Balance at start of year*	*Granted during the year as compensation*	*Other changes during the year* [1]	*Balance at end of year*
Ordinary shares	*Number*	*Number*	*Number*	*Number*
Non-executive directors				
Brett Johnson	-		600,000	600,000
Howard Stack	10,623,404	337,837	(10,961,241)	-
Bruce Brown	2,993,661	82,478	(3,076,139)	-
Patrick Tapper	72,709	-	(72,709)	-
David Knox [2]	30,000	111,041	622,149	763,190
Simon Hackett	51,645,545	-	58,583,375	110,228,920
Jenny Macdonald	-		550,000	550,000
Executive directors				
Richard Aird	932,422	-	426,485	1,358,907
Other key management personnel				
Dr Alexander Winter	2,424,378	-	(2,424,378)	-
Dr Michele Giulianini	190,000	-	38,000	228,000
Tim Harris	-	-	500,000	500,000
Total	68,912,119	531,356	44,785,542	114,229,017

1. Directors and KMP who ceased to be a Director or KMP during the year have been adjusted down to a nil balance.
2. A further 41,633 shares were issued post balance date in lieu of Directors fees.

(j) Other transactions with key management personnel
A Director, Mr Simon Hackett, is a beneficiary of Hackett CP Nominees, the Hackett Family Trust and Director of Base64 Pty Ltd.

During the year, Hackett CP Nominees was issued shares on conversion of Convertible Notes provided as working capital funding during the financial year ended 30 June 2017. The Notes were converted to shares following shareholder approval on the same terms as the capital raising completed in August 2017 as outlined in Note 20(b).

In 2017 Base64 Pty Ltd was contracted to develop the BMS and ZCell enclosure for the launch of the ZCell residential offer and provide technology advice. Professional Fees charged under these contracts include substantial pass-through costs for enclosure engineering design and analysis services from subcontractors, costs to construct a battery inverter integration, testing and training lab in Adelaide, and prototype enclosure tooling and manufacturing expenses. Expenses and purchases recharged during the period to 30 June 2018 include cost of travel and accommodation expenses associated with employees from Base64 Pty Ltd. Expenditure incurred in the period ended 30 June 2018 was lower than prior year as the project work was completed.

During the year an employee of Base64 Pty Ltd was seconded to Redflow as Sales Director before becoming an employee of the Company.

All of these contracts were delivered under arms length commercial terms and conditions.

The aggregate amounts of each of the above types of other transactions with key management personnel of Redflow Ltd are set out below.

	30 June 2018 $	30 June 2017 $
Convertible Notes Debt Facility	-	4,000,000
Professional Fees paid by the Company	43,246	350,847
R&D expenses paid by the Company	100,202	276,084
Payroll expenses paid by the Company	82,050	234,297
Expenses/purchases recharged and paid by the Company	55,264	468,540
Provision for warranty	360,150	527,500

(k) Security Trading Policy

All Directors and employees are required to comply with the Group's Securities Trading policy in undertaking any trading in the Group shares and may not trade if they are in possession of any inside information. Directors and employees can only trade during the specified trading windows immediately following the release of the half year and full year results and the AGM. In addition, Directors and certain restricted employees may only trade during the trading windows with prior clearance as set out in the policy. Employees who participate in any equity- based plans are prohibited from entering into any transactions in relation to invested securities which would have the effect of limiting the economic risk of an invested security.

This report is made in accordance with a resolution of Directors on 30 August 2018.

Brett Johnson
Chairman

Redflow Limited (the 'Company') and its associated entities (the 'Group') are committed to achieving best practice across the Group in all that we do, which we believe is fundamental to the long-term performance and sustainability of the Group and the delivery of our strategic objectives.

The Group believe corporate governance is central to its business objectives and a critical element contributing to the preservation of shareholder value.

The Board has adopted a suite of charters and key corporate governance documents which define the policies and procedures followed by the Group. These documents are reviewed as required to address changes in governance practices and the law.

The Directors are responsible for establishing the corporate governance framework of the Group having regard to the ASX Corporate Governance Council Corporate Governance Principles and Recommendations (3rd Edition) (the "Principles"). The Board guides and monitors the business and the affairs of Redflow Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Principles are outlined on the following pages, with the corresponding section of this Corporate Governance Report addressing the Group's practices.

This report provides an outline of the main corporate governance policies and practices the Group had in place during FY18 and how the Group's framework aligns with the Principles (unless otherwise noted).

This report has been approved by the Board of Directors of the Group and the information contained herein is correct as of 30 August 2018.

You can find further information on the structure of our business, our Board and management team on our website.

Website Links:

Company information
www.redflow.com/about-us/board-management/

Recommendations	Compliance with recommendations
Principle 1 – Lay solid foundations for management and oversight	
1.1 Role of Board and management	The Board has established a clear distinction between the functions and responsibilities reserved for the Board and those delegated to management, which are set out in the Group's Board Charter (Charter). The Charter also provides an overview of the roles of the Chairman, Directors and Executives. A copy of the Charter is available from the Company's registered office.
1.2 Information regarding election or re-election of Director candidates	The Group carefully considers the character, experience, education, skill set as well as interests and associations of potential candidates for appointment to the Board and conducts appropriate checks to verify the suitability of the candidate prior to their election. Comprehensive biographical information is provided to shareholders in the notice of meetings to enable them to make an informed decision on whether to elect or re-elect a Director. The Group has appropriate procedures in place to ensure material information relevant to a decision to elect or re-elect a Director is disclosed in the Notice of Meeting provided to shareholders.
1.3 Written contracts to appointment	In addition to being set out in the Charter, all Directors and senior executives have a written agreement which formalises the terms of their appointment. Each Director commits to a letter of appointment which specifies the term of their appointment, the envisaged time commitment, expectations and duties relating to the position, remuneration, disclosure and confidentiality obligations, insurance and indemnity entitlements, details of the Group's corporate governance policies, and reporting lines. Each Senior Executive enters into an employment contract which sets out the material terms of employment, including a description of position and duties, reporting lines, remuneration arrangements and termination rights and entitlements. Contract details of senior executives who are key management personnel can be found on page 14 and 15 of the 2018 Annual Report.
1.4 Company Secretary	The Group has a Board-appointed company secretary. You can view the biographical details and qualifications on page 9 of the 2018 Annual Report. The Group company secretary has overall responsibility for the Group secretariat function and is directly accountable to the Board, through the chairman, on all matters to do with the proper functioning of the board. This includes advising the Board and its committees on governance matters, coordinating Board business and providing a point of reference for dealings between the Board and management. All Directors have access to the advice and services of the company secretary.

Recommendations	Compliance with recommendations

Principle 1 – Lay solid foundations for management and oversight (continued)

1.5 Diversity and inclusion

The Group's Diversity Policy sets out its objectives and reporting practices regarding diversity. A copy of the diversity policy is available from the Company's registered office.

The Company recognises the value contributed to the organisation by employing people with skills, cultural backgrounds, ethnicity and experience. The Company believes its diverse workforce is the key to its continued growth, improved productivity and performance.

The Company actively value and embrace the diversity of our employees and are committed to creating an inclusive workplace where everyone is treated equally and fairly, and where discrimination, harassment and inequity are not tolerated. While the Company is committed to fostering diversity at all levels, gender diversity has been and continues to be a priority for the Group. At a senior management level the Company is improving its position with Trudy Walsh commencing in the CFO role on 21 August 2018.

Gender diversity statistics as at 30 June 2018 are outlined in the table below.

Item	Men	Women
Number of total permanent employees	95	22
Percentage of total permanent employees	81%	19%
Number of employees in senior management positions*	7	1
Percentage of employees in senior executive positions	87.5%	12.5%
Number of total NED Board members	3	1
Percentage of NED Board members	75%	25%

***** For the purpose of determining the above statistics, the Group considers "Senior Management" to include those individuals who are either heads of lines of business, functions or regions.

Recommendations **Compliance with recommendations**

Principle 1 – Lay solid foundations for management and oversight (continued)

1.5 Diversity and inclusion (continued)

FY2018 Measure

Targets	Objective	Progress
Ensure against inappropriate workplace and business behavior (including discrimination, harassment, bullying, victimization and vilification).	Build and maintain safe work environment	Achieved
Develop and ensure flexibility in the work place to meet the differencing needs of employees at different stages of their life cycle.	Flexible work practices	Achieved
Ensure recruitment practices, policies and procedures give everyone equal opportunity to employment, training, promotion and compensation regardless of gender and ethnicity.	Equal opportunity employment	Achieved
Develop targeted and formal mentoring and professional development programs.	Mentoring programs and professional development programs targeted at female employees	Ongoing
25%	Percentage of Non-Executive board positions filled by women	Achieved
20%	Percentage of Senior Management roles filled by women	Ongoing
22.5%	Percentage of roles across the entire organisation filled by women	Ongoing
15%	Percentage of the total remuneration of the Company paid to women	Ongoing

1.6 Board reviews

The full Board led by the Chairman, Brett Johnson, informally evaluates its performance on an ongoing basis assessing the needs of the Group and ensuring the Board has the required skills to support the executive team and meet its obligations. The full Board self assess their skills as required during the year with any gaps addressed when evaluating key attributes of Board replacements.

Recommendations	Compliance with recommendations

Principle 1 – Lay solid foundations for management and oversight (continued)

1.7 Management reviews

The Board is responsible for evaluating the performance of the Executive Management Team. At least annually, the Board formally evaluates the performance of the Executive Management Team against their previously approved KPIs. The Chair of the Board is also responsible for periodically reviewing the performance of the Managing Director and CEO. These reviews are documented. Performance reviews have not yet been undertaken for the current reporting period given the short tenure of the Managing Director.

Principle 2 – Structure the Board to add value

2.1 Nominations committee

The full Board carries out the nomination function which forms part of the Directors established charter. The chair of the Company, Brett Johnson, is an Independent Non-Executive Director.

Due to the size, scale and nature of the Company's business, the Board does not consider the non-compliance with the Principle to be materially detrimental to the Company.

2.2 Board skills matrix

The skills, knowledge and experience set out in the table below have been identified as those that are required for the effective management of the Group. The Board possesses broad coverage of these skills and attributes. Further details regarding the skills and experience of each Director are included in the 2018 Annual Report on page 8 and 9. As part of the Board's Charter the Board periodically reviews the skills of the Board and aligns these with the needs of the business.

Skills Matrix

The skills were determined by what is considered important for the management of a publicly listed company and specific to the industry in which the Group operates.

The following table sets out the experience and skills deemed necessary or desirable by the Board, in the Group's Directors and whether they are represented on the Board.

Competency	Representation of skills held by Directors
Strategy Track record of developing and implementing a successful strategy (strategy development & strategy execution).	5 Directors
Going Global Senior executive or equivalent to enter into global markets/jurisdictions.	4 Directors
Industry Knowledge Experience in the renewables and energy storage markets both domestically and internationally.	2 Directors

Recommendations	Compliance with recommendations

Principle 2 – Structure the Board to add value (continued)

2.2 Board skills matrix (continued)

Going into the SME Market Senior executive with business experience in SME markets dependent on optimising customer lifetime value (acquisition cost + cost to serve + duration served) through sector specific marketing strategies.	5 Directors
Manufacturing Experience Senior executive experience in the automotive, engineering or mass manufacturing industries and, in particular, across the manufacturing value chain.	1 Directors
Financial Acumen Senior executive or equivalent experience in financial accounting and reporting, corporate finance, risk management, and internal financial controls, including an ability to probe the adequacies of financial and risk controls. In addition, deep knowledge of generic, technology and manufacturing industry specific risks, and macro drivers and trends.	3 Directors
Corporate Governance Strong corporate governance experience with an understanding of publicly listed company obligations.	5 Directors
Innovation and Technology Experience in using information and technology as a core product and solution differentiator, and experience in using information and technology systems as a strategic asset to grow business.	6 Directors
Capital Markets and/or Mergers and Acquisitions Experience in capital markets and/or experience in identifying, implementing or executing mergers and acquisitions.	3 Directors
External Marketing and Communications Experience in and a thorough understanding of marketing a SME and using external communications to influence other business leaders, industry peak bodies, government and financial markets.	5 Directors
Stakeholder Management Experience in being accountable to, and managing engagement with and the expectations of, external stakeholders.	6 Directors
Executive Management and Leadership Experience in evaluating performance of senior management and oversee strategic human capital planning. Experience in organisational change and management programs.	5 Directors

Recommendations	Compliance with recommendations

Principle 2 – Structure the Board to add value (continued)

2.3 Disclose independence and length of service

The Group currently has a six member Board, of which three are Independent Non-Executive Directors, one Non-Executive Director and two Executive Directors. Together, the Directors have a broad range of experience, expertise, skills, qualifications and contacts relevant to the Group and its business.

Details of their length of service, individual skills and experience are set out on pages 5, 8 and 9 of the 2018 Annual Report.

Board composition

Board	Audit & Risk Committee
Tim Harris (Appointed 2 July 2018) Managing Director	A
Brett Johnson (Appointed 27 September 2017) Independent Non-Executive Chairman	M
Simon Hackett (Appointed 21 November 2014) Non-Executive **D**irector	
David Knox (Appointed 23 Jun 2010) Independent Non-Executive **D**irector	M
Jenny Macdonald (Appointed 22 Dec 2017) Independent Non-Executive **D**irector	C
Richard Aird (Appointed 5 March 2012) Executive Director	
C – Chairman, M – Member, A – Attendee	

2.4 Majority of Directors independent

In accordance with the Board Charter, a Director is considered independent if the Director is independent of management and free of any business or other relationship that could materially interfere, or be perceived as interfering, with the exercise of an unfettered and independent judgment in relation to matters concerning the Group.

Three of the six Board members are considered to be independent – Brett Johnson, David Knox and Jenny Macdonald. Simon Hackett is a significant shareholder and not considered independent and Tim Harris and Richard Aird are Executive Directors and therefore not considered independent.

The decision as to whether a Director is independent is a decision made by the Board. The Board will continue to assess the needs of the Board and the level of independence across the Board.

2.5 Chair Independent

The Chairman, Brett Johnson, is an Independent Non-Executive Director and the Group's Managing Director is Tim Harris.

Further details regarding the Chairman are set out on page 8 of the 2018 Annual Report and also available on the Group's website.

Recommendations	Compliance with recommendations

Principle 2 – Structure the Board to add value (continued)

2.6 Induction and professional development	An induction process including appointment letters and ongoing education exists to promote early, active and relevant involvement of new members of the Board. Directors are encouraged to undertake continuing professional development activities each year and to join appropriate professional associations in order to continually develop and enhance their respective levels of industry knowledge, technical knowledge and other skills required to discharge their role effectively.

Principle 3 – Act ethically and responsibly

3.1 Code of conduct	The Group has a Code of Conduct for Directors, senior executives, employees, consultants and contractors, which set out the fundamental principles of business conduct expected by the Group. The Code of Conduct, as it relates to Directors, is contained within the Charter and available from the Group's registered office.

Principle 4 – Safeguard integrity in corporate reporting

4.1 Audit committee	The Group has an established Audit and Risk Committee which is comprised of three Independent Non-Executive Directors and is chaired by Independent Non-Executive Director, Jenny Macdonald. Further details about the membership of the Audit & Risk Management Committee, including the names and qualifications of its members, are detailed in the Annual Report. The Audit and Risk Committee Charter is contained within the Corporate Governance Policies and available from the Group's register office. The number of meetings held by the Committee and the Directors' attendance at meetings is disclosed each year in the Group's Annual Report.
4.2 MD and FC certification of financial statements	The Managing Director and Financial Controller provide a statement to the Board and Audit and Risk Committee in advance of seeking approval of any financial report to the effect that the Group's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects. In accordance with the above, the Board has received a written assurance that the declaration provided under section 295A Corporations Act is based on a sound system of internal control and risk management, which is operating effectively in all respects in relation to material business risks and financial reporting.

Recommendations	Compliance with recommendations
Principle 4 – Safeguard integrity in corporate reporting (continued)	
4.3 External auditor attends AGM	The Group's auditor, PricewaterhouseCoopers ('PwC') attends the AGM each year and is available to answer questions.
Principle 5 – Make timely and balanced disclosure	
5.1 Disclosure policy	The Group has adopted a Continuous Disclosure Policy which sets out the processes and practices to ensure compliance with the continuous disclosure requirements under the ASX Listing Rules and the Corporations Act. A copy of the policy and guidelines are available from the Group's registered office. The company secretary is responsible for communications with the ASX including responsibility for ensuring compliance with the Continuous Disclosure requirements in the ASX Listing Rules and overseeing information going to the ASX, shareholders and other interested parties. All such communication is circulated to the Chairman for approval.
Principle 6 – Respect the rights of the security holders	
6.1 Publicly available information accessible on website	The Group's website contains extensive information on the Group, its history and business activities and information relevant to investors as set out in the guidelines. Investors may access copies of ASX announcements, notices of meeting, investor presentations and annual reports, as well as general information about the Group, on the Group's website from January 2019.
6.2 Investor relations programs	Through its shareholder communications, the Group aims to provide information that will enable existing and potential shareholders and financial analysts to make informed decisions about the Group's value. The Directors aim to ensure that all shareholders are informed of information necessary to assess the performance of the Group and its Directors. Information on major developments affecting the Company are communicated to the shareholders through the annual and half yearly reports, general meetings and notices of the general meetings and by general correspondence from the Board. All presentation material is provided to the ASX and subsequently uploaded to the Group's website ensure that all shareholders have timely access to information. The Group aims to ensure that all shareholders are well informed of all major developments affecting the Group through its ongoing commitment to continuous disclosure obligations.

Recommendations	Compliance with recommendations
Principle 6 – Respect the rights of the security holders (continued)	
6.3 Facilitate participation at meetings of security holders	Shareholders are encouraged to attend and participate in the Group's Annual General Meeting and any other general meeting and to ask questions of Directors. The notice of meeting provides background information on the business of the meeting and the resolutions being put to shareholders.
6.4 Facilitate electronic communication	The Group provides its investors the option to receive communications from, and send communications to, the Group and the share registry electronically.
Principle 7 – Recognise and manage risk	
7.1 Risk committee	The Group manages risk through its Audit and Risk Committee. The Audit and Risk Committee is comprised of three Independent Non-Executive Directors and is chaired by Jenny Macdonald. Further details about the membership of the Audit and Risk Committee, including the names and qualifications of its members, are set out on pages 8 and 9 of the 2018 Annual Report. The Charter of the Audit and Risk Committee is held at the Group's registered office. The number of meetings held by the Committee and the Directors' attendance at meetings is disclosed each year in the Group's Annual Report.
7.2 Annual risk review	The Board is responsible for the oversight and management of risk, including the identification of material business risks on an ongoing basis and will be assisted by the Audit and Risk Committee where required. A review of material business risks has been conducted in the current period, which concluded that controls over risk management processes were adequate and effective. Risk is formally reviewed at least quarterly by the Audit and Risk Committee.
7.3 Internal audit	The Group does not have a formal internal audit function. To ensure compliance with the Group's published policies and procedures and its legal and regulatory obligations, the Group continually review and refine processes and policies to enhance the effectiveness of the Group's internal controls. Any identified control and process issues are formally reported to the Audit and Risk Committee and formalised action plans are put in place to address the issues.

Recommendations	Compliance with recommendations

Principle 7 – Recognise and manage risk (continued)

7.4 Sustainability risks	The Group has determined there is a level of exposure to economic risk and the impact of economic conditions upon the Group may be either specific, or of a more general nature. Economic downturns may have an adverse impact on the Group's operating performance. Other factors include general outlook for economic growth and its impact on confidence. The Group continues to actively monitor and manage all perceived economic risks to the business through monitoring the financial, economic and industry data available to the Company from internal and external sources. For further information relating to the Group's exposure to various risks, with explanations as to how this impacts the Group please refer to the Risk Report located on pages 33 to 35 of the 2018 Annual Report. The Directors advise the Group to have no material exposure to environmental or social sustainability risks.

Principle 8 – Remunerate fairly and responsibly

8.1 Remuneration committee	The Group's remuneration function is overseen and approved by the Non-Executive Directors. The Company currently has 4 Non-Executive Directors. Whilst the ASX Principles suggest a remuneration committee be established comprising at least three Directors, a majority of whom are independent, with and independent chair, they recognise that for smaller boards the same efficiencies may not be obtained through establishing a separate committee. Given the size, scale and nature of the Company's business, the Board does not consider the non-compliance with the ASX Principles to be materially detrimental to the Company.
8.2 Disclosure of Executive and Non-Executive Director remuneration policy	The Group seeks to attract and retain high performing Directors and Executives with appropriate skills, qualification's and experience to add value to the Group and fulfil the roles and responsibilities required. Further details of the Group's remuneration methodologies are set out on pages 12 to 20 of the 2018 Annual Report. Executive remuneration is designed to reflect performance and accordingly, remuneration is structured with a fixed component and performance-based component split across short term performance goals and long term incentives. The long term plan is designed to focus executives on delivering long term shareholder return. Under the Plan, participants will be granted rights only if performance conditions pertaining loyalty, share price and operational performance hurdles are met and the employee is still employed at the end of the three years vesting period.

Recommendations	Compliance with recommendations

Principle 8 – Remunerate fairly and responsibly (continued)

8.2 Disclosure of Executive and Non-Executive Director remuneration policy (continued)	Non-Executive Directors are paid fixed fees for their services in accordance with the Group's Constitution. Fees paid cover Board and Committee responsibilities and where applicable additional fees for chairing any committees and any contributions by the Group to a fund for the purposes of superannuation benefits for a Director. The Chairman has been awarded performance rights as approved by shareholders at the 2017 AGM.

As outlined in the Directors Report the Company has a number of specific risks which it must manage as outlined in this report.

Sales, revenue and funding risk

The Company currently operates on a negative cash operating basis. Revenue will be dependent on future sales. Sales may take longer than expected to materialise or not be realised at all. There is no guarantee the funds raised will be sufficient to meet the funding requirements of the Company or to achieve a breakeven point. There is no assurance that additional funds will be available in the future.

Reliance on system integrators as strategic partners risk

The Company relies on key system integrators as strategic partners providing channels to market. There may be a materially adverse effect on the Company if one or more of these strategic system integrator relationships is lost, not replaced or if a dispute arises between both parties.

Product risk

The Company’s products are complex and there is an inherent risk that the products and enhancements will contain defects or otherwise do not perform as expected. If this occurs it could lose existing and future business and its ability to develop, market and sell batteries and energy storage systems could be harmed, potentially giving rise to a claim against the Company.

For example, Redflow experienced various technical defects in 2017 – see ASX announcements dated 24 April 2017, 8 May 2017 and 29 June 2017. Subsequent technical issues have emerged in Flex built batteries affecting performance of deployed batteries in the field. The extent of these technical issues is uncertain. Redflow has made provision for the repair or replacement of defective batteries sold. There is no guarantee that there will not be further technical defects or that the provision made will be adequate or sufficient to repair or replace defective batteries.

Customer and Commercialisation risk in target sectors

Rapid and ongoing changes in technology and product standards could render the Company’s products less competitive or obsolete if it fails to continue to improve performance. If the Company’s battery technology is not adopted by its customers, or does not meet industry requirements for power and energy storage in efficient and safe design then the Company’s batteries will not gain market acceptance.

Manufacturing risks - general

Production challenges could have a materially adverse impact on the Company's ability to meet customer needs and the risk of customer claims and the Company's ability to achieve its expansion plans or its financial performance.

Manufacturing capacity risk

In order to fulfil the anticipated product delivery requirements of its potential customers, the Company will invest in capital expenditures in advance of actual customer orders, based on estimates of future demand. If market demand for the Company's products does not increase as quickly as it has anticipated and align with the Company's manufacturing capacity, or if the Company fails to enter into and complete projected development and supply agreements, the Company may be unable to offset these costs and to achieve economies of scale, which could materially affect its business and operating results.

Manufacturing outsourcing risk

The Company outsources component manufacturing of some of its battery parts. Outsourcing has associated risks of supply schedules, quality assurance, manufacturing yields and production costs. Problems in the Company’s outsourcing could limit its ability to produce sufficient batteries to meet the demand of potential customers and the quality of products supplied.

Manufacturing regulatory risk
The Company uses hazardous chemicals which have various regulatory requirements that apply to the storage, handling and disposal of such chemicals. There is a risk that the cost of compliance will exceed expectations and have an adverse impact on the financial position of the Company.

Manufacturing supply risk
The Company's manufacturing operations depend on obtaining raw materials, parts and components, manufacturing equipment and other supplies to operate. An interruption in supply may adversely affect the Company's operations and ability to supply demand and sell batteries profitably.

Manufacturing cost reductions
The sustainability of the Company's business depends on its ability to reduce the cost of production of its batteries. The Company has identified a number of opportunities in its manufacturing and production processes to achieve cost reductions. There is no guarantee however that these opportunities will be successfully implemented or that the necessary cost reductions will be achieved. If the Company is unable to reduce its cost of production sufficiently, the Company may not achieve profitability.

Warranty risk, product liability and extended life cycle testing risk
There is an inherent risk of defective workmanship or materials in the manufacture of the Company's products and for exposure to product liability for damages suffered by third parties attributable to the use of the product. Defective products may have a materially adverse impact on the Company's reputation, its ability to achieve sales and commercialise its products and on its financial performance due to warranty obligations. It may also give rise to product liability claims. There is a risk that the actual battery life will be less than the warranted battery life and that the Company may be exposed to significant warranty claims, contractual damages and the cost of replacing non-performing batteries.

Reverse engineering risk and trade secret risk
There is risk of the Company's products being reverse engineered or copied. Redflow relies on trade secrets to protect its proprietary technologies, where patent protection is not obtainable.

Information technology
The Company relies heavily on is computer hardware, software and IT systems. Failure in these systems may negatively impact on its performance.

Technology obsolescence risk
New competing technology may enter the market affecting the cost viability and operating performance of zinc-bromine flow batteries within the battery storage market.

Intellectual property and patent risk
The ability of the Company to maintain protection of its proprietary intellectual property and operate without infringing the proprietary intellectual property rights of third parties is an integral part of the Company's business.

Personnel Risk
The Company relies heavily on its senior executives and engineering team. There can be no assurance that the Company will be able to retain its key personnel or recruit suitable replacement personnel, having a materially adverse impact on the Company.

Dividends
There is no guarantee as to future earnings or profitability of the Company and the ability to pay dividends any time in the future.

Exchange rates

The Company is potentially exposed to movements in exchange rates. The Company's financial statements are expressed and maintained in Australian dollars. However, a portion of the Company's income and costs are earned in foreign currencies and this proportion may increase materially.

Share market

The Company is exposed to share market fluctuations and the price at which shares trade on ASX may be affected by the financial performance of the Company and by external factors over which the Directors and the Company have no control.

Dependence on general economic conditions

The operating and financial performance of the Company is influenced by a variety of general economic and business decisions which could be expected to have a material adverse impact on the Company’s business or financial condition.

Tax risk

Any change to the rate of company income tax or change to the tax arrangements between Australia and other jurisdictions in which the Company operates could have an adverse impact on future earnings and the level of dividend franking.

Legislative and regulatory changes

Legislative of regulatory changes, including property or environmental regulations or regulatory changes in relation to product sold by the Company, could have an adverse impact on the Company.

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Auditor's Independence Declaration

As lead auditor for the audit of Redflow Limited for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Simon Neill
Partner
PricewaterhouseCoopers

Brisbane
30 August 2018

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	Note	***30 June 2018*** ***$***	*30 June 2017* *$*
Sale of goods	6	**1,728,061**	825,758
Other revenue	6	**47,022**	545,253
		1,775,083	1,371,011
Other Income	7	**2,112,280**	2,224,632
Expenses			
Raw materials and consumables used		**(5,054,124)**	(4,476,637)
Other expenses from ordinary activities			
Incorporation expenses		**(715,223)**	(577,464)
Depreciation and amortisation	8	**(567,228)**	(603,167)
Research and development expenses		**(207,159)**	(327,378)
Manufacturing transition costs		**(922,746)**	(1,004,593)
Interest and finance expense	8	**(21,948)**	(66,425)
Business development		**(275,513)**	(394,377)
Travel and Accommodation		**(234,677)**	(430,020)
Professional fees		**(802,716)**	(1,195,332)
Payroll expenses	8	**(6,160,175)**	(6,173,646)
Impairment reversal/(Impairment of receivables)	8	**15,951**	(216,126)
Other expenses		**(915,381)**	(1,033,715)
Loss before income tax		**(11,973,576)**	(12,903,237)
Income tax expense	9(a)	**(21,442)**	(12,347)
Loss for the year		**(11,995,018)**	(12,915,584)
Other comprehensive income for the year	21	**10,898**	2,713
Total comprehensive loss for the year		**(11,984,120)**	(12,912,871)
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Group:		**Cents**	Cents
Basic earnings per share	31	**(0.02)**	(0.03)
Diluted earnings per share	31	**(0.02)**	(0.03)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

	Note	**30 June 2018**	30 June 2017
		$	$
ASSETS			
Current assets			
Cash and cash equivalents	10	**17,732,832**	2,699,521
Trade and other receivables	11	**253,933**	225,089
Inventories	12	**4,066,227**	5,536,211
Other current assets	13	**520,642**	144,180
Total current assets		**22,573,634**	8,605,001
Non-current assets			
Property, plant and equipment	14	**1,024,240**	1,045,608
Intangible assets	15	**629,091**	601,119
Total non-current assets		**1,653,331**	1,646,727
TOTAL ASSETS		**24,226,965**	10,251,728
LIABILITIES			
Current liabilities			
Trade and other payables	16	**848,065**	2,875,515
Borrowings	17	**-**	4,000,000
Other current liabilities	18	**465,136**	282,346
Provisions	19	**1,938,937**	1,061,740
Total current liabilities		**3,252,138**	8,219,601
Non-current liabilities			
Provisions	19	**187,779**	185,410
Total non-current liabilities		**187,779**	185,410
TOTAL LIABILITIES		**3,439,917**	8,405,011
NET ASSETS		**20,787,048**	1,846,717
EQUITY			
Contributed equity	20	**111,300,911**	80,328,589
Reserves	21	**3,314,848**	3,351,821
Accumulated losses	21	**(93,828,711)**	(81,833,693)
TOTAL EQUITY		**20,787,048**	1,846,717

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

	Note	Contributed equity $	Reserves $	Accumulated losses $	Total $
		Attributable to owners of Redflow Limited			
Balance at 1 July 2016		79,935,759	3,248,986	(68,918,109)	14,266,636
Loss for the year		-	-	(12,915,584)	(12,915,584)
Other comprehensive income		-	2,713	-	2,713
Total comprehensive income for the year		-	2,713	(12,915,584)	(12,912,871)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	20	392,830	-	-	392,830
Employee share options - value of employee services	21	-	100,122	-	100,122
		392,830	100,122	-	492,952
Balance at 30 June 2017		80,328,589	3,351,821	(81,833,693)	1,846,717
Balance at 1 July 2017		**80,328,589**	**3,351,821**	**(81,833,693)**	**1,846,717**
Loss for the year		**-**	**-**	**(11,995,018)**	**(11,995,018)**
Other comprehensive income	21	**-**	**10,898**	**-**	**10,898**
Total comprehensive income for the year		**-**	**10,898**	**(11,995,018)**	**(11,984,120)**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	20	**30,972,322**	**-**	**-**	**30,972,322**
Employee share options - value of employee services	21	**-**	**(47,871)**	**-**	**(47,871)**
		30,972,322	**(47,871)**	**-**	**30,924,451**
Balance at 30 June 2018		**111,300,911**	**3,314,848**	**(93,828,711)**	**20,787,048**

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

	Note	***30 June 2018***	*30 June 2017*
		$	*$*
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**1,222,315**	1,244,201
Payments to suppliers and employees (inclusive of goods and services tax)		**(14,493,713)**	(16,877,343)
Grants/R&D Tax Incentive received		**2,112,280**	2,200,284
Interest received	6	**47,022**	81,579
Interest & bank charges paid	8	**(21,948)**	(31,150)
Income Tax Paid	9	**(21,442)**	(12,347)
Net cash (outflow) from operating activities	30	**(11,155,486)**	(13,394,776)
Cash flows from investing activities			
Payment for property, plant and equipment	14	**(468,611)**	(79,807)
Purchase of intangible assets	15	**(176,465)**	(253,035)
Proceeds from sale of property, plant and equipment		**-**	88,213
Net cash (outflow) from investing activities		**(645,076)**	**(244,629)**
Cash flows from financing activities			
Proceeds from capital raising	20	**26,861,295**	-
Proceeds from borrowings – related parties	17	**-**	**4,000,000**
Net cash inflow from financing activities		**26,861,295**	4,000,000
Net increase/(decrease) in cash and cash equivalents		**15,060,733**	(9,639,405)
Cash and cash equivalents at beginning of year		**2,699,521**	12,355,167
Effects of exchange rate changes on cash and cash equivalents		**(27,422)**	(16,241)
Cash and cash equivalents at end of year	10	**17,732,832**	**2,699,521**

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

1 CORPORATE INFORMATION

The financial report of Redflow Limited (the "Company or Parent") and its controlled entities (the "Group") for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Directors on 30 August 2018. The Directors have the power to amend and reissue the financial statements.

The Company is a company limited by shares incorporated and domiciled in Australia. The Company is a for-profit entity for the purpose of preparing financial statements.

The registered office of the Company is 1/27 Counihan Road, Seventeen Mile Rocks, Brisbane, QLD 4073.

The nature of the operations and principal activities of the Group are described in the Directors' report on page 5 which is not a part of this financial report.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Redflow Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001.*

Compliance with IFRS
The consolidated financial statements of Redflow Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention
These financial statements have been prepared under the historical cost convention.

New and amended accounting standards adopted by the Group

The accounting policies adopted are consistent with those of the previous financial year ended 30 June 2017 and corresponding interim financial reporting period.

Comparative information has been reclassified where appropriate to enhance comparability.

Critical accounting estimates
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The area involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern status
The Group incurred an operating loss after income tax of $11,995,018 (2017: $12,915,584) and an operating cash outflow of $11,155,486 (2017: $13,394,776) for the year ended 30 June 2018. Cash held at bank as at 30 June 2018 was $17,732,832 (2017: $2,699,521).

Since the commencement of operations in 2005, the Group has been undertaking research and development activities and is in the early stages of commercialising its technology. Nevertheless, the ability to fund development, production and marketing of the Group's products is dependent upon its ability to transition to a positive cash flow from operations and/or raise funding from existing and new investors as well as other government incentive and grant programs where available and applicable.

During the year ended June 2018 the Company successfully raised funds with a placement of $7,500,000 and a rights issue of $10,622,435 in May 2018. This supplements a placement to sophisticated investors completed in two tranches consisting of $5,846,185 on 20 July 2017 and $4,683,815 on 31 August 2017.

Consistent with the Research and Development Tax refund of $2,112,280 received in January 2018 for the year ended 30 June 2017, the Group is in the process of preparing its claim for development expenditure incurred during the year ended 30 June 2018.

The Directors have initiated the following strategies to secure the Group's going concern status for at least the twelve months after the Directors Declaration:

- Increasing production levels and capacity in the Thailand manufacturing facility, including the purchase of additional machinery to improve efficiencies in the production process as sales demand expands and new opportunities identified;
- Expanding sales and marketing focus in targeted Telecommunications, Commercial and Industrial and Residential markets;
- Continuing the staged implementation of key engineering cost down projects which will reduce battery manufacturing costs, improve efficiency in production and increase gross profit margin;
- Identifying and developing new application solutions which will grow the existing key market segments;
- Utilising the existing IP of the product, the Company is looking to develop new product opportunities which will grow the available target markets;
- Exploring alternative collaboration opportunities through which the Company is seeking to expand market segments, develop additional technology, and improve raw material and supply chain quality;
- Continuing to review the Board and management capabilities and continuing to recruit in the sales, commercial and marketing teams in order to deliver on the Company's strategy; and
- Entering into strategic partnerships and securing sales channel opportunities with system integrators both nationally and international and working with state and federal governments to secure further research and development and other project funding.

As there is uncertainty over the ability to execute on the above strategies there is a material uncertainty that may cast significant doubt over whether the Group can continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business at the amounts stated in the financial report.

However, the Directors believe that the Group will be successful in the above matters. In addition, the Directors believe they will be able to raise additional equity or debt finance should the need arise. Accordingly this financial report has been prepared on a going concern basis.

At this time, the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report as at 30 June 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Company and its controlled entities not continue as a going concern.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2018 and the results of all subsidiaries for the year then ended. Redflow Limited and its subsidiaries together are referred to in this financial report as the Group.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

(d) Foreign currency translation

(i) Functional currency and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Group operates (‘the functional currency'). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

(ii) Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available for sale financial assets are included in the fair value reserve in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:
(i) Sale of goods
A sale is recorded when goods have been delivered to the customer, the customer has accepted the goods and collectability of the related receivables is probable.

(ii) Interest income
Interest income is recognised using the effective interest method.

(iii) Government grants
Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group has complied with all attached conditions. Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in noncurrent liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

(iv) Deferred Revenue
Revenue is deferred when goods are invoiced under contractual arrangements but where the risks and rewards of ownership remain with the Company.

(f) Income tax
The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Redflow Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

(g) Leases
Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short term and long term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 26). Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight line basis over the period of the lease.

(h) Cash and cash equivalent
For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

(i) Trade and other receivables
Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. They are presented as current unless collection is not expected for more than 12 months after the reporting date.

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(j) Inventories

Raw materials, consumables and finished goods

Raw materials, consumables and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Consumables are held for use in the development of prototypes and are expensed to the profit and loss as prototypes are manufactured.

(k) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation on assets is calculated using the diminishing value method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Plant and equipment: 2 to 10 years
Leasehold improvements: 3 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(v)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Intangible assets

(i) Patents, trademarks and designs
Patents, trademarks and designs have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of patents, trademarks and designs over their estimated useful lives, which vary from 4 to 20 years.

(ii) Software
Costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and amortised using the diminishing values method over their estimated useful life which varies from 1 to 4 years.

(iii) Research and development
Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised on a straight line basis from when the asset is ready for use, to the end of its useful life which is from 3 to 10 years.

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(o) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Employee Benefits
(i) Short term obligations
Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. All short-term employee benefit obligations are presented as payables or provisions in the balance sheet.

(ii) Other long-term employee benefit obligations
The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Expected future payments are discounted using market yields at the end of the reporting period of corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Termination Benefits
Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(iv) Share-based payments
The fair value of options granted is recognised as an expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions but excludes the impact of any service and non-market performance vesting conditions and the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The fair value of shares issued under the loan funded share plan and performance rights issued are recognised as an expense in the same manner as if they were issued as an option with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the share granted, which includes any market performance conditions but excludes the impact of any service and non-market performance conditions and the impact of any non-vesting conditions. Non-market vesting conditions are included in assumptions about the number of shares that are expected to vest.

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(q) Warranty provisions
Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

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

(s) Goods and Service Tax (GST)
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(t) Earnings per share
Basic earnings per share
This is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share
This is calculated as net profit attributable to members of the parent, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends.
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses.
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Parent entity financial information

The financial information for the parent entity, Redflow Limited, disclosed in note 33 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of the parent, Redflow Limited.

Tax consolidation legislation

Redflow Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Redflow Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Redflow Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate Redflow Limited for any current tax payable assumed and are compensated by Redflow Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Redflow Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

(v) Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(w) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) New accounting standards and interpretations
Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) *AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 , AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures and AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments (effective for annual reporting periods beginning on or after 1 January 2018)*

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group has undertaken a detailed assessment of the classification and measurement of financial assets and will adopt the standard for the period commencing 1 July 2018. Currently the Group only holds receivable category financial assets and therefore does not expect the new guidance to have a material impact on its financial statements.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the management's risk management practices. The Group had no hedging instruments as of 30 June 2018 nor anticipate any such transaction in the foreseeable future. Accordingly, the Group does not expect a significant impact from this new rule.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only booking the provision when credit losses occur as is the case under AASB139. It would apply mainly to the Group's financial assets classified at amortised cost, such as trade receivables and other receivables. The Group has completed a detailed assessment of how its impairment provisions would be affected by the new model, and expects that it will adopt the simplified approach granted by AASB 9 and this would not have any material impact.

(ii) *AASB 15 Revenue from Contracts with Customers, AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15, AASB 2016-3 Amendments to Australian Accounting Standards – Clarification of AASB 15*

AASB 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers; and replaces AASB 111 Construction Contracts, AASB 118 Revenue, Interpretation 13 Customer Loyalty Programmes, and Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers, and Interpretation 131 Revenue-Barter Transactions Involving Advertising Services. The core principle is that an entity recognises revenue to depict the transfer of promised goods or services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group has considered the impact of the new rules on its revenue recognition policies and will adopt the standard in the period commencing 1 July 2018. The Group has undertaken a detailed assessment of all current revenue streams including a review of all current sales contracts and other income including income from the R&D tax incentive. The review assessed the timing of revenue recognition, performance obligations, variable consideration, warranty provision and contract costs. As a result, the Group does not believe the standard will have a material impact on the financial statements.

(iii) *AASB16 Leases*
AASB 16 will replace AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Leases – Incentives and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The Standard will provide a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The new Standard introduces three main changes:

- Enhanced guidance on identifying whether a contract contains a lease;
- A completely new leases accounting model for lessees that require lessees to recognise all leases on balance sheet, except for short-term leases and leases of low value assets; and
- Enhanced disclosures.

Lessor accounting will not significantly change.

The Group will adopt this standard in the period commencing 1 July 2019.

The Group has assessed the impact of this new standard and expects a change in the accounting for operating leases. The actual impact of applying AASB16 on the financial statements in the period of initial application will depend on future economic conditions including the Group's borrowing rate, the composition of the Group's lease portfolio at that date and the Group's latest assessment of whether it will exercise any lease renewal options. The most significant impact identified is that the Group will need to recognise a lease liability and a right-of-use asset on the balance sheet for its operating leases of premises. Previously expensed lease payments will be replaced with interest expense on the lease liability and depreciation on the right-of-use asset.

The Group expects to apply the Simplified approach whereby the retrospective cumulative effect will be adjusted in the opening balance of retained earnings and this adjustment is expected to be immaterial.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; market risk (including currency risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk.

Risk management is carried out under policies approved by the Board of Directors.

3. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk

(i) *Foreign exchange risk*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Group has not entered into any financial derivative instrument contracts and does not adopt hedge accounting.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	30 June 2018			*30 June 2017*		
Denominated in:	***USD***	***EUR***	***THB***	*USD*	*EUR*	*THB*
Presented in AUD:	**$**	**$**	**$**	$	$	$
Trade Payables	**(177,006)**	**(94,229)**	**(63,123)**	(1,453,900)	(21,385)	-
Trade Receivables	**360,317**	**-**	**-**	119,259	-	-
Cash on Deposit	**90,475**	**-**	**-**	396,985	-	-

Group Sensitivity

Based on the financial instruments held at 30 June 2018, had the Australian dollar weakened / strengthened by 10% against the foreign currencies with all other variables held constant, the Group's post tax loss for the year would have been $10,585 higher / $12,937 lower (2017: $106,560 higher / $87,185 lower), as a result of foreign exchange gains / losses on translation of foreign currency denominated financial instruments as detailed in the above table.

(b) Credit risk

Credit risk is managed on a Company basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions as well as outstanding receivables and committed transactions. Standard sales terms on contracts for supply of goods are; 50% due on order and 50% due on delivery of product.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates and are outlined below.

	30 June 2018	*30 June 2017*
	$	*$*
Receivable		
Counterparties without external credit rating		
Existing customers - no defaults	**253,933**	225,089
	253,933	225,089
Cash at bank and short-term bank deposits		
AA	**17,732,832**	2,699,521
	17,732,832	2,699,521

For trade receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of receivables based on historical settlement records and past experience. All credit and recovery risks associated with receivables have been provided for in the Consolidated Balance Sheet.

3. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed finance facilities to meet obligations when due. At the reporting date the Group held deposits at call of $17,732,832 (2017: $2,699,521) that are expected to readily generate cash inflows for managing liquidity risk.

The Group does not have any undrawn facilities as at 30 June 2018 (2017 :nil).

Maturities of financial liabilities
The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities	***≤6 months***	***6-12 months***	***1-2 years***	***2-5 years***	***>5 years***	***Total contractual cash flows***	***Carrying amount (assets)/ liabilities***
	$	***$***	***$***	***$***	***$***	***$***	***$***
At 30 June 2018							
Non-derivatives							
Trade payables	**848,065**	**-**	**-**	**-**	**-**	**848,065**	**848,065**
Borrowings	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	848,065	**-**	**-**	**-**	**-**	**848,065**	**848,065**
At 30 June 2017							
Non-derivatives							
Trade payables	2,875,515	-	-	-	-	2,875,515	2,875,515
Borrowings	4,000,000	-	-	-	-	4,000,000	4,000,000
	6,875,515	-	-	-	-	6,875,515	6,875,515

(d) **Cash flow and fair value interest rate risk**
As the Company has no significant interest bearing liabilities except borrowings disclosed in Note 17, the Company's income and operating cash flows are not materially exposed to changes in market interest rates.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Redflow Limited’s accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in the note appropriately. The impact of the new accounting standards not yet adopted will require management to exercise judgement in the application of these policies.

Valuation of inventory
Inventories are measured at lower of cost or net realisable value. In estimating net realisable value, management takes into account the most reliable evidence available at reporting date.

The provision for inventory obsolescence is based on assessments by management of particular inventory classes (i.e. finished goods and raw materials). The amount of the provision is based on a proportion of the value of damaged stock, slow moving stock and stock that has become obsolete during the reporting period.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Estimated impairment of intangibles and other non current assets
The Group tests annually whether intangibles have suffered any impairment, in accordance with the accounting policy stated in note 2(v). The recoverable amounts of cash-generating units have been determined based on value-in use calculations. These calculations require the use of assumptions. Other non current assets are reviewed annually for impairment using the same methodology as for intangibles. Impairment costs are recognised in profit or loss and against the impaired asset.

Warranty provisions
In determining the level of provision required for product warranties the Group has made judgements in respect of the expected performance of the product, number of customers who may use the warranty and how often, and the costs of fulfilling the performance of the warranty.

As the products are newly developed the Group has estimated the provision based on 5% of sales revenue, in the absence of historical data upon which to base a more reliable estimate. Specific provision for warranty is also made when product defects are identified.

Going concern
In preparation of the financial statements on a going concern basis, the Group has made a number of estimates and assumption around the timing and amount of the forecast cash flows of the business. More information on the going concern status is disclosed in note 2.

5. SEGMENT INFORMATION

Management provide oversight of the business by reviewing and reporting financial results on a consolidated basis to the Board of Directors.

The Group manufactures predominantly one product with varying levels of customisation and has commenced sales to customers around the world. However due to the preliminary stage of commercial operations, the Group does not report on an individual product or geographical basis.

Given the conditions stated above management has determined that there are no separately reportable operating segments. The Group operates as one reportable segment and the segment results are the same as those reported in the financial statements. The Group is not reliant on one single customer however for the year ended 30 June 2018 sales to one customer amounted to over 80% of the total sales for the year.

6. REVENUE

		30 June 2018 ***$***	*30 June 2017* *$*
	From continuing operations		
(a)	*Sales revenue*		
	Sale of goods	**1,728,061**	825,758
		1,728,061	825,758
(b)	*Other revenue*		
	Interest	**47,022**	81,579
	Other revenue from sale of raw material	**-**	463,674
		47,022	545,253
		1,775,083	1,371,011

7. OTHER INCOME

	30 June 2018 $	30 June 2017 $
Gain on disposal of property, plant & equipment	**-**	24,348
R&D Grant	**-**	15,216
R&D Tax Incentive	**2,112,280**	2,185,068
Total Other income	**2,112,280**	2,224,632

The Group qualifies for a refundable R&D tax incentive of 45% of its eligible R&D expenditure due to its aggregate turnover being less than $20million. As the Group is in a tax loss position, the tax offset is paid in cash. No accrual has been made for the year ended 30 June 2018 as the amount cannot be estimated accurately.

8. EXPENSES

	30 June 2018 $	30 June 2017 $
Loss before income tax includes the following specific expenses:		
Employee benefits expense		
Defined contribution superannuation expense	**472,444**	412,935
Other employee benefit expense	**5,687,731**	5,760,711
Total employee benefits expense	**6,160,175**	6,173,646
Depreciation		
Depreciation	**419,016**	479,560
Amortisation	**148,212**	123,607
Total depreciation and amortisation	**567,228**	603,167
Finance costs		
Interest and finance charges paid/payable	**21,948**	31,151
Notional interest expense on Convertible notes	**-**	35,274
	21,948	**66,425**
(Impairment reversal)/Impairment of receivables	**(15,951)**	216,126
Net foreign exchange loss	**18,209**	113,338
Net loss on disposal of property, plant and equipment	**64,435**	-

9. INCOME TAX EXPENSE

		30 June 2018 $	30 June 2017 $
(a)	**Income tax expense**		
	Current tax benefit	**(3,704,328)**	(4,133,862)
	Deferred tax	**(181,128)**	16,342
	Foreign tax paid	**21,442**	12,347
	Temporary differences and tax losses not brought to account	**3,885,455**	4,117,520
		21,442	12,347

		30 June 2018 $	30 June 2017 $
(b)	**Numerical reconciliation of income tax expense to prima facie tax expense**		
	Loss from continuing operations before income tax expense	**(11,973,577)**	(12,903,237)
	Tax benefit at Australian tax rate of 27.5% (2017: 27.5%)	**(3,292,734)**	(3,548,390)
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
	Entertainment expense	**1,320**	1,466
	Share-based payment	**(13,165)**	29,432
	Foreign tax paid	**21,442**	12,347
	R&D tax incentive received	**(580,877)**	(600,028)
		(3,864,014)	(4,105,173)
	Temporary differences and tax losses not brought to account	**3,885,455**	4,117,520
	Income tax expense	**21,442**	12,347
(c)	Unused tax losses for which no deferred tax asset has been recognised	**75,336,180**	67,024,090
	Potential tax benefit at 27.5% (2017: 27.5%)	**20,717,450**	18,431,625

This benefit from tax losses will only be realised if:
- the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- the Group continues to comply with the conditions for deductibility imposed by tax legislation; and
- there are no changes in tax legislation that adversely affect the entity in realising the benefit.

9. INCOME TAX EXPENSE (continued)

(d) Deferred tax liabilities

	30 June 2018	30 June 2017
	$	$
The balance comprises temporary differences attributable to:		
Capitalised lease surrender	**-**	75
Foreign exchange	**55,853**	63,394
Total deferred tax liabilities at 27.5% (2017: 27.5%)	**55,853**	63,469
Set off against deferred tax assets (relating to employee provisions)		
	55,853	63,469
Net deferred tax liabilities at 27.5% (2017: 27.5%)	**-**	-

(e) Unrecognised temporary differences

	30 June 2018	30 June 2017
	$	$
The balance comprises temporary differences attributable to:		
Payable and accruals	**465,618**	231,110
Employee benefits	**88,716**	76,733
Black hole expenses (P&L)	**93,343**	23,292
Black hole expenses (Equity)	**130,618**	228,006
Doubtful debts	**32,897**	59,435
Tax losses	**20,717,450**	18,431,251
Total unrecognised deferred tax assets at 27.5% (2017: 27.5%)	**21,528,641**	19,049,827

(f) Tax consolidation legislation

Redflow Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation with effect from 1 July 2008. The accounting policy in relation to this legislation is set out in note 2(u).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Redflow Limited.

10. CASH AND CASH EQUIVALENTS

	30 June 2018	30 June 2017
	$	$
Cash and cash equivalents	**17,732,832**	2,699,521
	17,732,832	2,699,521

Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the consolidated statement of cash flows as follows:

Balances as above	**17,732,832**	2,699,521

Risk exposure

The Group's exposure to credit risk is discussed in note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of cash and cash equivalents mentioned above.

11. CURRENT TRADE AND OTHER RECEIVABLES

	30 June 2018	*30 June 2017*
	$	*$*
Trade receivables	**373,558**	441,215
Provision for doubtful debts	**(119,625)**	(216,126)
	253,933	225,089

(a) **Fair value and credit risk**

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. Refer to note 3 for more information on the risk management policy of the Group.

(b) **Impairment of trade receivables**

As at 30 June 2018 trade receivables totalling $119,625 were impaired (2017: $216,126).

(c) **Past due but not impaired**

As at 30 June 2018 $141,831 (2017 $139,696) trade receivables were past due but not impaired. The Group expects to recover the amount owing on these outstanding balances. The ageing of these receivables is as follows:

	30 June 2018	*30 June 2017*
0 - 30 days	**3,300**	40,140
30 to 60 days	**104,054**	782
greater than 60 days	**34,477**	98,774
	141,831	139,696

12. INVENTORIES

	30 June 2018	*30 June 2017*
	$	*$*
At cost		
Raw Materials	**4,681,419**	3,740,918
Stock in transit	**-**	728,082
Finished goods	**308,066**	2,924,822
Work in progress	**-**	787
Provision for diminution in value	**(923,258)**	(1,858,398)
	4,066,227	**5,536,211**

Inventories recognised as an expense for the year ended 30 June 2018 totalled $5,054,124 (2017: $4,476,637). This expense has been included in the raw materials and consumables used in the statement of comprehensive income.

13. OTHER CURRENT ASSETS

	30 June 2018	*30 June 2017*
	$	*$*
Security Deposits	**36,069**	27,280
Rental bond deposits	**67,305**	-
Prepayments	**417,268**	116,900
	520,642	144,180

14. PROPERTY PLANT AND EQUIPMENT

	30 June 2018	*30 June 2017*
	$	*$*
Plant and equipment		
At cost	**4,103,945**	3,816,034
Accumulated depreciation	**(3,128,278)**	(2,863,287)
Net carrying amount	**975,667**	952,747
Leasehold improvements		
At cost	**611,685**	611,685
Accumulated depreciation	**(563,112)**	(518,824)
Net carrying amount	**48,573**	92,861
Total property, plant and equipment		
At cost	**4,715,630**	4,427,719
Accumulated depreciation	**(3,691,390)**	(3,382,111)
Net carrying amount	**1,024,240**	1,045,608

Reconciliation of carrying amounts at the beginning and end of the year

Plant and equipment		
Opening net carrying amount	**952,746**	1,378,299
Additions	**462,083**	79,807
Disposal	**(64,435)**	(63,865)
Depreciation charge	**(374,727)**	(441,495)
Balance at the end of the year	**975,667**	952,746
Leasehold improvements		
Opening net carrying amount	**92,862**	130,927
Depreciation charge	**(44,289)**	(38,065)
Balance at the end of the year	**48,573**	92,862
Total Property, plant and equipment		
Opening net carrying amount	**1,045,608**	1,509,226
Additions	**462,083**	79,807
Disposal	**(64,435)**	(63,865)
Depreciation charge	**(419,016)**	(479,560)
Balance at the end of the year	**1,024,240**	1,045,608

15. INTANGIBLE ASSETS

	30 June 2018	*30 June 2017*
	$	*$*
Patents, trademarks and designs		
Cost	**1,239,897**	1,106,939
Accumulated amortisation	**(645,084)**	(506,512)
Net carrying amount	**594,813**	600,427
Capitalised lease surrender		
Cost	**163,350**	163,350
Accumulated amortisation	**(163,350)**	(163,078)
Net carrying amount	**-**	272
Software		
Cost	**161,786**	118,561
Accumulated amortisation	**(127,508)**	(118,141)
Net carrying amount	**34,278**	420
Total intangible assets		
Cost	**1,565,033**	1,388,850
Accumulated amortisation and impairment	**(935,942)**	(787,731)
Net carrying amount	**629,091**	601,119

Reconciliation of carrying amount at beginning and end of the year

	30 June 2018	*30 June 2017*
	$	*$*
Patents, trademarks and designs		
Opening net carrying amount	**600,427**	470,488
Additions	**132,959**	253,035
Amortisation charge	**(138,573)**	(123,096)
Balance at the end of the year	**594,813**	600,427
Capitalised lease surrender		
Opening net carrying amount	**272**	363
Amortisation charge	**(272)**	(91)
Balance at the end of the year	**0**	272
Software		
Opening net carrying amount	**420**	840
Additions	**43,225**	-
Amortisation charge	**(9,367)**	(420)
Balance at the end of the year	**34,278**	420
Total intangible assets		
Opening net carrying amount	**601,119**	471,691
Additions	**176,184**	253,035
Amortisation charge	**(148,212)**	(123,607)
Balance at the end of the year	**629,091**	601,119

16. CURRENT TRADE AND OTHER PAYABLES

	30 June 2018	*30 June 2017*
	$	*$*
Trade payables	**642,578**	761,723
Other trade payables - contract manufacture	**-**	1,527,412
Other payables	**4,689**	-
Customer deposits	**58,193**	452,046
Accrued expenses	**142,605**	134,334
	848,065	2,875,515

Information about the Group's exposure to foreign exchange risk is provided in note 3.

17. CURRENT BORROWINGS

	30 June 2018	*30 June 2017*
	$	*$*
Unsecured		
Convertible notes	**-**	4,000,000
Total unsecured current borrowings	**-**	4,000,000
Total current borrowings	**-**	4,000,000

(a) Convertible Notes

During the year, Hackett CP Nominees was issued shares on conversion of Convertible Notes provided as working capital funding during the financial year ended 30 June 2017. The Notes were converted to shares on the same terms as the capital raising completed in August 2017.

(b) Fair Value

The carrying amount and fair value of borrowings at the end of reporting period is:

	30 June 2018	*30 June 2017*
	$	*$*
On-consolidated balance sheet		
Non-traded financial liabilities		
Convertible notes - at carrying amount	**-**	4,000,000
Convertible notes - at fair value	**-**	4,000,000

The fair value of current borrowings equals their carrying amount, as the carrying amount has either been discounted to reflect the fair value or the impact of discounting is not significant.

(c) Risk exposures

Information about the Group's exposure to interest rate and foreign currency changes is provided in note 3.

18. OTHER CURRENT LIABILITIES

	30 June 2018	*30 June 2017*
	$	*$*
Other payroll liabilities	**465,136**	282,346
	465,136	282,346

19. PROVISIONS

	30 June 2018	**30 June 2017**
	$	**$**
Current		
Annual leave	**320,031**	282,270
Warranty claims	**1,618,906**	779,470
	1,938,937	1,061,740
Non-current		
Long service leave	**187,779**	185,410
	187,779	185,410

(a) Movements in provisions

Movements in each class of provision during the financial year are set out below:

		30 June 2018	
	$	***$***	***$***
	Warranty claims	*Annual Leave*	*Long Service Leave*
Carrying amount at start of year	**779,470**	**282,270**	**185,410**
Charged (credited) to profit or loss			
- Additional provision recognised	1,431,683	259,073	88,698
Amounts used during the year	(592,247)	(221,312)	(55,959)
Unused amounts reversed	-		(30,370)
	1,618,906	**320,031**	**187,779**

(b) Carrying amount at end of year

Warranty claims

Provision is made for the estimated warranty claims in respect of products which are under warranty at the end of the reporting period. Management estimates the provision based on 5% of sales revenue, in the absence of historical data upon which to base a more reliable estimate. Specific provision for warranty is also made when product defects are identified.

Annual leave and long service leave

Provision is made for benefits accruing to employees in respect of annual leave and long service leave when it is probable that settlement will be required and they are capable of being reliably measured. Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

20. CONTRIBUTED EQUITY

	30 June 2018	30 June 2017
	$	$
Ordinary shares		
Fully paid	**111,300,911**	80,328,589
	111,300,911	80,328,589
Ordinary shares	***shares***	*shares*
Issued and fully paid	**712,471,737**	385,670,214

(a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(b) Movements in ordinary share capital

Date	Details	No. of shares	Issue price	$
1-Jul-16	Opening balance	384,218,614		79,935,759
20-Sep-16	Issue of ordinary shares	45,218	$0.50	22,584
20-Sep-16	Issue of ordinary shares	919,510	$0.29	269,062
14-Nov-16	Issue of ordinary shares	50,989	$0.44	22,584
20-Dec-16	Issue of ordinary shares	300,000	$0.13	38,400
22-Feb-17	Issue of ordinary shares	54,045	$0.37	20,100
18-May-17	Issue of ordinary shares	81,838	$0.25	20,100
30-Jun-17	Issued Capital	385,670,214		80,328,589
1-Jul-17	Opening balance	385,670,214		80,328,589
20-Jul-17	Issue of ordinary shares (i)	58,161,846	$0.10	5,816,185
31-Aug-17	Issue of ordinary shares (ii)	86,588,154	$0.10	8,658,815
4-Sep-17	Issue of ordinary shares (iii)	250,000	$0.10	25,000
4-Sep-17	Issue of ordinary shares (iv)	99,409	$0.20	20,100
4-Dec-17	Issue of ordinary shares (iv)	220,191	$0.11	24,728
24-Jan-18	Issue of ordinary shares (iv)	131,925	$0.12	15,462
2-May-18	Issue of ordinary shares (v)	75,000,000	$0.10	7,500,000
29-May-18	Issue of ordinary shares (vi)	106,224,348	$0.10	10,622,435
26-Jun-18	Issue of ordinary shares (iv)	30,298	$0.15	4,633
26-Jun-18	Issue of ordinary shares (iv)	95,352	$0.11	10,832
	Notional interest on convertible notes(ii)			35,273
	Less: transactions cost on share issue (vii)			(1,761,141)
		712,471,737		111,300,911

i. On July 20 2017, Redflow Limited issued 58,161,846 ordinary shares to sophisticated investors to fund working capital requirements of the Company as approved at the Extraordinary General Meeting held on 25 August 2017. These shares rank equally with the existing shares of the Company.

ii. On August 31 2017, Redflow Limited issues 46,588,154 ordinary shares to Directors Mr Richard Aird, Mr Howard Stack and Mr David Knox and other sophisticated investors for working capital requirements of the Company. A further 40,000,000 ordinary shares were issued to an entity controlled by Mr Simon Hackett with a convertible note conversion for debt reduction purposes. Notional interest of $35,273 was attributable to the convertible note. These ordinary share issues were approved at the Extraordinary General Meeting held on 25 August 2017. These shares rank equally with the existing shares of the Company.

20. CONTRIBUTED EQUITY (continued)

iii. On September 4 2017, Redflow Limited issued 250,000 ordinary shares to Mr Bruce Brown for working capital requirements of the Company as approved at the Extraordinary General Meeting held on 25 August 2017. These shares rank equally with the existing shares of the Company.
iv. On September 4 2017, Redflow Limited issued 99,409 ordinary shares to Mr Howard Stack and Mr Bruce Brown being Directors fee payments in lieu of cash for services provided to the Company as approved at the Annual General Meeting held on 25 November 2016. On December 4 2017, Redflow Limited issued 220,191 ordinary shares to Mr Howard Stack, Mr David Knox and Mr Bruce Brown, on 24 January 2018, 131,925 ordinary shares were issued to Mr Howard Stack and Mr David Knox and on 26 June 2018, 30,298 shares were issued to Mr David Knox and 95,352 shares to Mr Howard Stack being Directors fee payments in lieu of cash for services provided to the Company as approved at the Annual General Meeting held on 25 November 2017. These shares rank equally with the existing shares of the Company.
v. On 2 May 2018, Redflow Limited issued 75,000,000 shares by way of a placement to institutional and retail investors for working capital requirements.
vi. On 29 May 2018, Redflow Limited issued 106,224,348 shares by way of a fully underwritten 1 for 5 rights issue to eligible shareholders.
vii. Transaction costs were associated with the capital raising in July 2017, August 2017 and May 2018.

(c) Options

Information relating to the Redflow Share and Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in note 32.

(d) Loan funded share plan

The Group operates a Share and Option Plan to attract and retain key employees. This arrangement involves the issue of shares by Redflow Limited.

Due to the structure of the plan, in particular the use of a limited recourse loan, the Accounting Standards require that grants be treated the same as the issue of an option and do not permit the recognition of a loan balance. As a consequence, the shares are not recognised in contributed equity until such time as the loan is repaid or the shares sold. For further details of the limited recourse loan please refer to the Remuneration Report.

The fair value at grant date of the shares was determined using the binominal option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the shares price at grant date and expected price volatility of the underlying share price, the expected dividend yield and the risk-free interest rate for the term of the loan. The assessed fair value is recognised as share-based payments.

There were no shares issued during the year (2017: no shares issued) under the loan funded share plan. Shares issued are subject to dealing restrictions until the loan is repaid. Due to the loan being limited recourse, equity contributions are recognised on receipt of loan repayments. No loan repayments were received during the year and all outstanding shares were forfeited and cancelled during the year.

More information relating to the loan funded share issue including details of valuation and shares issued under the scheme is set out in note 32.

	30 June 2018	*30 June 2017*
Number of shares held by key management personnel (net of shares that have been repaid)	**-**	4,125,000
Number of shares held by other employees	**-**	5,000,000
Total	**-**	9,125,000

20. CONTRIBUTED EQUITY (continued)

(e) Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The gearing ratios at 30 June 2018 and 30 June 2017 were as follows:

	30 June 2018	*30 June 2017*
	$	*$*
Total borrowings	**-**	4,000,000
Less cash and cash equivalents	**(17,732,832)**	(2,699,521)
Net debt/(cash)	**(17,732,832)**	1,300,479
Total equity	**20,787,048**	1,846,717
Total capital	**38,519,880**	546,238
Gearing ratio	**N/A**	70%

21. RESERVES AND ACCUMULATED LOSSES

	30 June 2018	*30 June 2017*
	$	*$*
(a) Reserves		
Share-based payments reserve	**3,299,876**	3,347,747
Translation reserve	**14,972**	4,074
	3,314,848	3,351,821
Movements:		
Share based payments reserve		
Opening balance	**3,347,747**	3,247,625
Share options issued to employees	**(47,871)**	100,122
Closing balance	**3,299,876**	3,347,747
Translation reserve		
Opening balance	**4,074**	1,361
Unrealised gain/(loss) on translation of foreign subsidiary	**10,898**	2,713
Closing balance	**14,972**	4,074

21. RESERVES AND ACCUMULATED LOSSES (continued)

	30 June 2018	*30 June 2017*
	$	*$*
(b) Accumulated losses		
Movements in accumulated losses were as follows:		
Opening balance	**(81,833,693)**	(68,918,109)
Net loss for the year	**(11,995,018)**	(12,915,584)
Closing balance	**(93,828,711)**	(81,833,693)

(c) Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve is used to recognise the grant date fair value of options issued to employees and external parties over the vesting period.

Translation Reserve

The translation reserve is used to show gains and losses on translation of foreign subsidiaries.

22. DIVIDENDS

No dividends were paid or declared to members during the financial year ended June 30 2018 (2017: nil).

23. KEY MANAGEMENT PERSONNEL

(a) Directors

The Directors of Redflow Limited during or at the end of the financial year are disclosed in the Directors report on page 5:

(b) Key management personnel compensation

	30 June 2018	*30 June 2017*
	$	*$*
Short term employee benefits	**1,329,390**	1,187,605
Post-employment employee benefits	**126,092**	119,657
Other long-term employee benefits	**59,544**	(42,434)
Termination benefits	**-**	71,931
Share-based payment	**(48,572)**	179,794
	1,466,454	1,516,553

23. KEY MANAGEMENT PERSONNEL (continued)

(c) Transactions with key management personnel

	30 June 2018	*30 June 2017*
	$	*$*
Subscription of new shares by key management personnel as a result of:		
Shares issued in lieu of directors fees	**75,754**	106,560
	75,754	106,560

(d) Share holding disclosures relating to key management personnel
The numbers of shares in the Company held during the financial year by each Director of Redflow Limited and other key management personnel of the Company, including their personally related parties, are set out in the Remuneration report.

(e) Option holding disclosures relating to key management personnel
The numbers of options in the Company held during the financial year by each Director of Redflow Limited and other key management personnel of the Company, including their personally related parties, are set out in the Remuneration report.

(f) Loans to key management personnel
Except for loans provided to key management personnel in respect of the Loan Funded Share Plan, there were no other loans made to key management personnel during the year (2017: nil).

24 AUDITORS REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor of the Company and its related practices and non-related audit firms.

	30 June 2018	*30 June 2017*
	$	*$*
PricewaterhouseCoopers Australia		
Audit and other assurance services		
Audit and review of financial statements	**163,030**	108,117
Total remuneration for audit and other assurance services	**163,030**	108,117
Other services		
R&D claim services	**-**	16,830
Total remuneration for other services	**-**	16,830
Total auditors' remuneration	**163,030**	124,947

25 CONTINGENCIES

The Group has no contingent liabilities at 30 June 2018 (2017: $nil).

26 COMMITMENTS

(a) Capital commitments
The Group has $106,749 additional commitments at 30 June 2018 (2017: nil) in committed capital for Plant and Equipment purchases.

(b) Leasing commitments: Group as lessee
Non cancellable operating leases
The Group leases various offices, warehouses and other equipment under non cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Future minimum rentals payable under non cancellable operating leases as at 30 June are as follows:

	30 June 2018	*30 June 2017*
	$	*$*
Commitments for minimum lease payments in relation to non cancellable operating leases are payable as follows:		
Within one year	**391,039**	174,566
Later than one year but not later than five years	**456,541**	58,010
Later than five years	**-**	-
	847,580	232,576

27 RELATED PARTY DISCLOSURES

(a) Ultimate parent
The Parent entity within the Group is Redflow Limited.

(b) Subsidiaries
Interests in subsidiaries are set out in Note 28.

(c) Key management personnel
Disclosure relating to key management personnel is set out in Note 23.

(d) Transactions with related parties
The following transactions occurred with related parties. Further detail on the nature of these expenses is set out in the Remuneration report on Page 20.

	30 June 2018	*30 June 2017*
	$	*$*
Purchases of goods and services:		
Professional fees paid to entities controlled by key management personnel	**43,246**	350,847
R&D expenses paid to entities controlled by key management personnel	**100,202**	276,084
Payroll expenses paid to entities controlled by key management personnel	**82,050**	234,297
Other expenses paid to entities controlled by key management personnel	**55,264**	468,539

The closing balance in Provision for warranty relating to entities controlled by key management personnel was $360,150 (2017: $527,500)

27 RELATED PARTY DISCLOSURES (continued)

(e) Loans from related parties

	30 June 2018	30 June 2017
	$	$
Loans from related parties		
Beginning of the year	**4,000,000**	-
Loans advanced		4,000,000
Loans settled	**(4,000,000)**	-
End of year	**-**	4,000,000

Details of loans settled are set out in Note 17.

28 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2(b).

Name of entity	*Incorporation*	*Class of shares*	**2018**	**2017**	**Principal activity**
Redflow R&D Pty Ltd	Australia	Ordinary	**100%**	100%	Technology assets
Redflow International Pty Ltd	Australia	Ordinary	**100%**	100%	Operating entity
Redflow LLC	USA	Ordinary	**100%**	100%	Marketing and sales
Redflow Europe GmbH	Germany	Ordinary	**100%**	100%	Marketing and sales
Redflow (Thailand) Ltd	Thailand	Ordinary	**100%**	-	Manufacturing service

*The proportion of ownership interest is equal to the proportion of voting power held.

29 EVENTS AFTER BALANCE DATE

Subsequent to the end of the financial year, the following events have occurred:

- On 2 July 2018, CEO Mr Tim Harris was appointed to the positon of Managing Director;
- Trudy Walsh commenced in the CFO role on 21 August 2018 and company secretary on 28 August 2018 following the resignation of Michael Wilkes on that date;
- The Company has approved approximately $490,000 in capital expenditure for the purchase of manufacturing equipment to assist in production growth; and
- The Company has implemented a Short Term Incentive plan across the Company for all eligible full time Australian employed personal as well as a Long Term Incentive Plan consisting of performance rights for a number of management positions. Further details in respect to these two incentives are outlined in the Remuneration report on Page 14.

30 RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	30 June 2018 **$**	*30 June 2017* $
Total loss for the year	**(11,995,018)**	(12,915,584)
Adjustments for:		
Depreciation and amortisation	**567,228**	603,167
(Impairment reversal)/Impairment of receivables	**(15,951)**	216,126
Net (profit)/loss on disposal of property, plant and equipment	**64,435**	(24,348)
Notional interest on borrowings	**-**	35,274
Net gain on foreign exchange	**27,422**	16,242
Share-based payment expense	**38,781**	495,662
Changes in operating assets and liabilities		
(Increase)/Decrease in trade and other receivables	**(12,893)**	(326,901)
(Increase)/Decrease in inventories	**1,469,985**	(3,172,101)
(Increase)/Decrease in other operating assets	**(341,184)**	24,088
(Decrease)/Increase in trade and other payables	**(2,025,335)**	1,502,109
(Decrease)/Increase in other current liabilities	**225,240**	(51,417)
(Decrease)/Increase in provisions	**841,804**	202,907
Net cash (outflow) from operating activities	**(11,155,486)**	(13,394,776)

31 EARNINGS PER SHARE

	30 June 2018 **$**	*30 June 2017* $
(a) Basic and dilutive loss per share		
From continuing operations attributable to the ordinary equity of the Group	**(0.02)**	(0.03)
Total basic and dilutive earnings per share attributable to the ordinary equity holders of the Group	**(0.02)**	(0.03)

(b) Diluted earnings per share

Options and loan funded shares granted to employees and external parties during the year are not considered to be potential ordinary shares as including such securities in the calculation would result in a decreased loss per share therefore being anti-dilutive. Therefore the diluted earnings per share is equal to the basic earnings per share, per AASB 133. Options and Convertible notes issued have not been included in the determination of basic earnings per share.

(c) Reconciliation of earning used in calculating earnings per share

	30 June 2018 **$**	*30 June 2017* $
Basic earnings per share		
Loss attributable to the ordinary equity holders of the Group used in calculating basic earnings per share	**(11,984,120)**	(12,912,871)
From continuing operations	**(11,984,120)**	(12,912,871)

31 EARNING PER SHARE (continued)

(d) Weighted average number of shares used as the denominator

	30 June 2018	*30 June 2017*
	$	*$*
Weighted average number of shares used as the denominator in calculating basic and dilutive earnings per share	**534,431,076**	385,183,965

32 SHARE BASED PAYMENTS

(a) Share options on issue to third parties

There were no options on issue to third parties during 2018 (2017: nil).

(b) Share options issued to employees under the Redflow Limited Share Option Plan

Grant Date	*First Exercise Date*	*Expiry date*	*Exer-cise price*	*Balance at start of the year*	*Forfeited during the year*	*Balance at end of the year*	*Vested and exercisable at end of the year*
Consolidated 2018				Number	Number	Number	Number
6/09/2011	1/07/2012	5/09/2017	$1.45	200,000	(200,000)	-	-
6/09/2011	1/07/2013	5/09/2017	$1.85	200,000	(200,000)	-	-
10/12/2014	31/12/2016	31/12/2018	$0.19	1,000,000		1,000,000	1,000,000
18/05/2015	30/06/2015	30/06/2018	$0.19	100,000		100,000	100,000
18/05/2015	30/06/2016	30/06/2019	$0.19	550,000	-	550,000	550,000
18/05/2015	31/12/2016	31/12/2019	$0.19	300,000	-	300,000	300,000
18/05/2015	30/06/2017	30/06/2020	$0.19	100,000	-	100,000	100,000
7/07/2015	30/06/2016	31/12/2018	$0.28	250,000	-	250,000	250,000
7/07/2015	31/12/2016	31/12/2018	$0.28	250,000	-	250,000	250,000
28/11/2016	14/07/2017	28/11/2022	$0.34	1,000,000	(1,000,000)	-	-
28/11/2016	14/07/2017	28/11/2022	$0.34	1,500,000	(1,500,000)	-	-
28/11/2016	14/07/2018	28/11/2022	$0.34	2,000,000	-	2,000,000	-
28/11/2016	14/07/2018	28/11/2022	$0.34	3,000,000	-	3,000,000	-
				10,450,000	(2,900,000)	7,550,000	2,550,000
Weighted average exercise price				$0.36	$0.52	$0.30	$0.21

There were no options granted during the year.

32 SHARE BASED PAYMENTS (continued)

(b) Share options issued to employees under the Redflow Limited Share Option Plan (continued)

Grant Date	*First Exercise Date*	*Expiry date*	*Exer-cise price*	*Balance at start of the year*	*Granted during the Year*	*Forfeited during the year*	*Balance at end of the year*	*Vested and exercisable at end of the year*
Consolidated 2017				Number	Number	Number	Number	Number
31/08/2010	31/08/2011	31/08/2016	$0.90	1,530,000	-	(1,530,000)	-	-
31/08/2010	30/11/2011	31/08/2016	$0.90	310,000	-	(310,000)	-	-
31/08/2010	1/01/2012	31/08/2016	$0.90	280,000	-	(280,000)	-	-
31/08/2010	29/02/2012	31/08/2016	$0.90	310,000	-	(310,000)	-	-
31/08/2010	31/05/2012	31/08/2016	$0.90	160,000	-	(160,000)	-	-
31/08/2010	31/08/2012	31/08/2016	$0.90	160,000	-	(160,000)	-	-
31/08/2010	1/01/2013	31/08/2016	$0.90	40,000	-	(40,000)	-	-
27/06/2011	27/06/2012	27/06/2017	$1.45	120,000	-	(120,000)	-	-
6/09/2011	1/07/2012	5/09/2017	$1.45	200,000	-	-	200,000	200,000
6/09/2011	1/07/2013	5/09/2017	$1.85	200,000	-	-	200,000	200,000
10/12/2014	31/12/2016	31/12/2018	$0.19	2,750,000	-	(1,750,000)	1,000,000	1,000,000
18/05/2015	30/06/2015	30/06/2018	$0.19	100,000	-	-	100,000	100,000
18/05/2015	31/12/2015	31/12/2018	$0.19	250,000	-	(250,000)	-	-
18/05/2015	30/06/2016	30/06/2019	$0.19	550,000	-	-	550,000	550,000
18/05/2015	30/06/2016	30/06/2019	$0.19	200,000	-	(200,000)	-	-
18/05/2015	31/12/2016	31/12/2019	$0.19	300,000	-	-	300,000	300,000
18/05/2015	30/06/2017	30/06/2020	$0.19	100,000	-	-	100,000	100,000
7/07/2015	31/12/2015	31/12/2018	$0.28	250,000	-	(250,000)	-	-
7/07/2015	30/06/2016	31/12/2018	$0.28	250,000	-	-	250,000	250,000
7/07/2015	31/12/2016	31/12/2018	$0.28	250,000	-	-	250,000	250,000
7/07/2015	30/06/2017	31/12/2018	$0.28	500,000	-	(500,000)	-	-
28/11/2016	14/07/2017	28/11/2022	$0.34	-	1,000,000	-	1,000,000	-
28/11/2016	14/07/2017	28/11/2022	$0.34	-	1,500,000	-	1,500,000	-
28/11/2016	14/07/2018	28/11/2022	$0.34	-	2,000,000	-	2,000,000	-
28/11/2016	14/07/2018	28/11/2022	$0.34	-	3,000,000	-	3,000,000	-
				8,810,000	7,500,000	(5,860,000)	10,450,000	2,950,000
Weighted average exercise price				$0.51	$0.34	$0.45	$0.36	$0.40

32 SHARE BASED PAYMENTS (continued)

(c) Loan funded share plan

Grant Date	*Expiry Date*	*Consideration*	*Balance at start of year*	*Forfeited and cancelled during the year*	*Repaid during the year*	*Balance at the end of the year*
			Number	*Number*	*Number*	*Number*
20/01/2014	20/01/2017	$0.13	2,625,000	(2,625,000)	-	-
12/08/2014	12/08/2017	$0.19	6,500,000	(6,500,000)	-	-
			9,125,000	(9,125,000)	-	-

Fair value of loan funded shares granted
There were no shares granted during the year under the share plan. All shares under the plan expired and were cancelled at the AGM in November 2017.

For further information on share based payments refer to Note 20(d) and the Remuneration report.

(d) Expenses arising from share based payment transactions

Total expenses arising from share based payments transactions during the period as a part of employee benefits expense were as follows:

	30 June 2018	*30 June 2017*
	$	*$*
Options issued under employee option plan	**(197,760)**	78,327
Shares issued in lieu of compensation	**-**	269,049
Shares issued under loan funded share plan	**701**	21,793
Share rights issued under performace rights plan	**149,188**	-
	(47,871)	369,169

33 PARENT ENTITY FINANCIAL INFORMATION

(a) Summary of financial information

The individual financial statements for the parent entity, Redflow Limited show the following aggregate amounts:

	PARENT	
	30 June 2018	*30 June 2017*
	$	*$*
Balance sheet		
Current assets	**17,456,734**	2,250,640
Non current assets	**212,962**	43,913
Total assets	**17,669,696**	2,294,553
Current liabilities	**-**	4,000,000
Non current liabilities	**34,328**	-
Total liabilities	**34,328**	4,000,000
Net assets	**17,635,368**	(1,705,447)
Shareholders' equity		
Contributed equity	**111,300,911**	80,328,589
Reserves	**3,299,876**	3,347,747
Accumulated losses	**(96,965,418)**	(85,381,782)
	17,635,368	(1,705,447)
(Loss) for the period	**(11,583,636)**	(10,427,227)
Total comprehensive (loss)	**(11,583,636)**	(10,427,227)

Included in the loss for the period is an impairment charge of $11,629,830 (2017: $10,507,146) against intercompany receivables.

Comparative information has been restated to reflect the consistent accounting treatment.

(b) Details of any guarantees entered into by the parent entity

The parent entity has not entered into any guarantees as at 30 June 2018 (2017: nil).

(c) Contingent liabilities of the parent entity

The parent entity does not have any contingent liabilities as at 30 June 2018 (2017: nil).

(d) Contractual commitments for the acquisition of property, plant or equipment.

The parent entity is not entered into any contractual commitments for acquisition of property, plant and equipment as at 30 June 2018 (2017: nil).

In the Directors' opinion:

(a) the financial statements and notes set out on pages 37 to 75 are in accordance with the Corporations Act 2001, including:
   - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
   - (ii) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable, and

Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Financial Controller required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Directors.

Brett Johnson
Chairman

Brisbane
Date: 30th August 2018

Independent auditor's report

To the members of Redflow Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Redflow Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2018
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Material uncertainty related to going concern

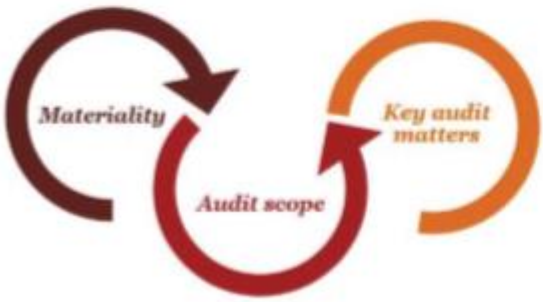
We draw attention to Note 2(a) in the financial report, which indicates that the Group incurred an operating loss after income tax of $11,995,018 and a net cash outflow from operating activities of $11,155,486 for the year ended 30 June 2018. As a result, the Group is dependent on its ability to generate positive cash flow from operations and/or raise funding from investors and government incentive programs. These conditions, along with other matters set forth in Note 2(a), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Redflow Limited is an ASX listed entity, headquartered in Brisbane, Australia. The Group's principal activities are the development, manufacture and sale of Zinc Bromine flowing electrolyte battery Module ('ZBM') cells, which are manufactured and distributed from the Group's facility in Thailand.



Materiality	*Audit scope*	*Key audit matters*
• For the purpose of our audit we used overall Group materiality of $577,000 (FY17: $640,000), which represents approximately 5% of the Group's loss before tax. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • The Group sells batteries to customers across the globe. The batteries are predominantly held in the Group's warehouse in Brisbane	• Amongst other relevant topics, we communicated the following key audit matters to the Audit Committee: - Material uncertainty related to going concern - Existence and valuation of inventory • These are further described in the *Key audit matters* section of our

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evaluate the effect of misstatements on the financial report as a whole.

- We chose Group loss before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

and Thailand. The accounting processes are structured around a group finance function at its head office in Brisbane.

- Our audit procedures were predominantly performed at the Brisbane head office, with the exception of procedures performed over inventory which were carried out at the Group's manufacturing facility in Thailand.

report, except for the matter which is described in the *material uncertainty related to going concern* section.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	*How our audit addressed the key audit matter*
Existence and valuation of inventory *(Refer note 12 of the consolidated financial statements)* The Group carried an inventory balance of $4.1m as at 30 June 2018 which is net of a provision of $0.9m. Inventory is predominantly held in the Brisbane and Thailand facilities and various third party external warehouses in these countries. The Group is in a phase of increasing commercial sales orders and there is a risk that the batteries or raw materials required in the manufacturing of these batteries may not realise at amounts equal to or above their carrying cost. The Group's policy for inventory valuation and provision is described in Note 2 to the consolidated financial statements. Provision for obsolete raw material has been estimated based on inventory's physical condition as at 30 June 2018 and including the impact of any expected rectification work, planned usage and production forecasts. We consider existence and valuation of inventory to be a key audit matter due to:	To test the existence of inventory presented in the financial report, we: • Attended inventory counts at selected Brisbane and Thailand locations based on financial significance. • Selected a sample of inventory items at these locations and compared the quantities we counted with quantities recorded in the inventory records. • Obtained third party confirmations from selected external warehouses, based on risk and materiality of the inventory balances held. • Considered the design and operating effectiveness of the controls related to the inventory processing and stocktake procedures. To assess the Group's judgements and assumptions applied in the valuation of inventory as at 30 June 2018, we performed the following procedures: • Assessed the Group's 30 June 2018 inventory provision balance against the inventory provisioning policy, taking into account the current inventory profile, ageing and our understanding of Redflow's business and inventory balances. • Evaluated the assumptions used by the Group

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Key audit matter	*How our audit addressed the key audit matter*
• The significance of the inventory balance in relation to the consolidated balance sheet. • The number of locations where inventory is held and managed. • The judgemental nature of estimates involved in computing the provision for inventory obsolescence.	to determine specific provisions recorded in relation to damaged/ obsolete raw materials and batteries with reference to physical inspections and supporting documentation. • Assessed the saleability of the batteries not provided for, on a sample basis, to determine whether these batteries passed the quality control processes of the Group. • Obtained the bill of material (BoM) which includes the list of raw materials intended to be used in the next 12 months and for a sample of raw material items, tested that they had been included as part of the BOM, in order to test the Group's assessment of the potential use and obsolescence of raw material items. • On a sample basis, tested the average cost of individual items to the actual year end average cost, by tracing to supporting invoices.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018, including the Directors Report, Corporate Governance Report, Risk Report and ASX additional information but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 12 to 20 of the directors report for the year ended 30 June 2018.

In our opinion, the remuneration report of Redflow Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Simon Neill
Partner

Brisbane
30 August 2018

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 27 August 2018.

(a) **Distribution of equity securities**

(i) Ordinary share capital

712,513,168 fully paid ordinary shares are held by 7,496 individual shareholders.
All issued ordinary shares carry one vote per share and carry the rights to dividends.

(ii) Options

7,550,000 options are held by 5 individual option holders

The number of shareholders, by size of holding, in each class are:

	Fully paid ordinary shares	Options
1 - 1,000	229	0
1,001 - 5,000	1,472	0
5,001 - 10,000	1,205	0
10,001 – 100,000	3,605	0
100,001 and over	985	6

	Parcel size	Shareholders
Holding less than a marketable parcel of shares at $0.090 per share	5,556	1,846

(b) Substantial shareholders

The names of the Company's substantial shareholders and the number of ordinary shares in which each has a relevant interest as disclosed in substantial shareholder notices given to the Company are as follows

Ordinary shareholders	***Full Paid Number***	***Percentage***
Simon Walter Hackett Hackett CP Nominees PTY LTD	110,228,920	15.47%

(c) Twenty largest holders of quoted equity securities

	Ordinary shareholders	*Full Paid* *Number*	*Percentage*
1	HACKETT CP NOMINEES PTY LTD	110,228,920	15.47%
2	MFS FUND PTY LTD	25,200,000	3.54%
3	MR GRAEME THOMAS WOOD	22,605,494	3.17%
4	DAVID FREDERICK OAKLEY	17,980,000	2.52%
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	13,595,920	1.91%
6	POLVRAN INVESTMENTS PTY LTD	12,111,241	1.70%
7	LEH SOON YONG	11,924,000	1.67%
8	MR JUSTIN ERIC SCHAFFER	10,000,000	1.40%
9	JOHN RICHARD SERISIER & SHELLEY ANN SERISIER	8,456,155	1.19%
10	HAPPINESS INVESTMENTS PTY LTD	7,473,534	1.05%
11	CITICORP NOMINEES PTY LIMITED	7,396,474	1.04%
12	HAYWARD AUSTRALASIA PTY LTD	6,400,000	0.90%
13	MR CHRISTOPHER LISTER LAWRANCE	4,836,953	0.68%
14	RESOURCE & LAND MANAGEMENT SERVICES PTY LTD	4,754,277	0.67%
15	KIDSKLUBS KARIONG PTY LTD	4,000,000	0.56%
16	MR BARRY JOHN WELLBY	3,996,500	0.56%
17	MORBRIDE PTY LTD	3,297,482	0.46%
18	BNP PARIBAS NOMINEES PTY LTD	3,163,550	0.44%
19	PLATE IMPRESSIONS PTY LTD	3,041,600	0.43%
20	MR IAIN CHARLES SMITH	3,000,000	0.42%
		283,462,100	39.78%