Redflow Limited

ABN 49 130 227 271

Appendix 4E and Financial Report

For the year ended 30 June 2020

APPENDIX 4E

ASX Preliminary Financial Report

Name of Entity:	Redflow Limited
ABN:	49 130 227 271
Reporting period:	year ended 30 June 2020
Previous corresponding period:	year ended 30 June 2019

Results for announcement to the market

Results		**%**		**$**
Revenue from ordinary activities	up	**144%**	to	**1,948,432**
Other income	up	**34%**	to	**2,595,099**
Loss from ordinary activities after tax attributable to members	down	**13%**	**to**	**(10,017,689)**
Net loss for the year attributable to members	down	**14%**	**to**	**(10,022,210)**

Dividend Information

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

Net tangible assets per security	***30 June 2020***	*30 June 2019*
Net tangible asset per security	$0.01	$0.02

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.

Due to the acceleration in development for the new Gen3 battery with customer trials anticipated for the end of 2020 management reviewed the NRV of the current ZBM2 inventory and assessed it was prudent to include a writedown of $703,108 against finished goods and raw materials in the current financial year.

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 2020.

This report is based on the consolidated financial statements for the year ended 30 June 2020 which have been audited by PricewaterhouseCoopers with the Independent Auditor's Report included in the 2020 Annual Financial Report. The independent audit report for Redflow Limited and its controlled entities (the Group) for the year ended 30 June 2020 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 2020.

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Board of Directors

Brett Johnson
(Chairman)
Timothy Harris
(Managing Director and Chief Executive Officer)
David Brant
David Knox
John Lindsay

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 28, 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 Fellow Shareholders,

We are pleased to present our full year results for Redflow for the 2020 financial year (FY2020).

Despite the ongoing challenges experienced globally due to the impact of COVID-19, Redflow has continued to make progress towards its operational objectives. Over the course of FY2020, Redflow achieved significant progress against a number of milestones including:

- FY2020 sales up 144%, to $1.95 million, (FY2019: $800k), reflecting conversion of existing orders and new sales. Total sales revenue for FY2020 is the highest for Redflow since FY2012;
- Achieved initial sales with a number of new end customers including the Rural Connectivity Group in New Zealand, Swansea University in the United Kingdom and Vodacom in South Africa through our new relationship with Mobax;
- Built an increasing number of reference deployments for weak and off grid deployments in Australia, such as the Yallalong Cattle Station in Western Australia with our partner TIEC;
- Established new partnerships and collaborations with Darwin-based Delta Electrics, a leading supplier of power-related products and services in the Northern Territory to extend our partnership network across all States in Australia, and carbonTRACK to add Virtual Power Plant capability to Redflow's batteries, with an initial focus to explore the South African market;
- Secured ISO9001 accreditation for our Thailand factory in July 2020 and demonstrated flexible manufacturing capability to adjust to market conditions;
- Substantiated the value proposition of the Redflow solution through the Australian Federal Government funded battery testing program report released in April 2020, which showed the Redflow battery had a State of Health of 100% after approximately 600 cycles. This unique ability of Redflow batteries to repeatedly use 100% of its energy capacity without degradation is a key advantage recognised by our customers;
- Added to the customer value proposition of the Redflow solution through new innovations including anti-theft features and standby power functionality;
- Reduced costs through disciplined expense management, delivering a 52% improvement to cashflow; and
- Achieved material savings through negotiations with one strategic supplier for volume orders.

Redflow now has nearly 100 active deployments globally, which has grown by over 40% over the last 12 months. Many of our sites have now stored and delivered significant megawatt-hours of energy since their installation and commissioning.

However, like most businesses across the world, COVID-19 has had a material impact on Redflow's ability to progress its strategy over the second half of FY2020. International and domestic travel restrictions, various government measures in key markets such as South Africa and broader global uncertainty all impacted the momentum that had been created in the first half of the year. Despite these challenges, Redflow has continued to maintain focus and resources on our key markets, partners and end customers.

In light of ongoing uncertainty and market conditions, Redflow made the decision to accelerate the development of its next generation zinc bromine flow battery (Gen3 battery) with a planned launch towards the end of this calendar year. The new developments under our Gen3 program include a major advancement in stack technology, tank architecture, improved cooling and a new electronics control system. As a result of these changes, Redflow will produce the same level of performance as the current ZBM2 batteries, (10 kilowatt-hours of energy, 5 kilowatts of peak power) but will deliver manufacturing cost reductions of at least 30% compared to current ZBM2 batteries. Partner and customer trials of the Gen3 battery are targeted by the end of calendar year 2020.

Critically, the Gen3 program will allow us to be more competitive in telecommunication and small distributed energy systems which is our current target but also position us for expansion into larger centralised systems over the medium term through a new stack designed for volume manufacturing.

During FY2021, Redflow will also continue to progress strategic growth opportunities, particularly across Africa; and progress current and alternative supplier discussions to reduce cost and improve supplier diversification.

Redflow has also implemented a number of measures to reduce expenditure in response to the COVID-19 pandemic including:

- Implementing material reductions in remuneration for both the Board and management with an ongoing focus on cost management;
- Moderating production in the Thailand facility and lower material purchases to focus the facility on Gen3 support;
- Securing support through the Federal Government's JobKeeper program and other support packages resulting in cost mitigations for FY2020;
- Selected reductions in Redflow personnel in Australia and Thailand; and
- Reducing all other discretionary expenditure to the absolute maximum extent possible.

Through these measures, Redflow has achieved a reduction in payroll costs of nearly $2.0 million for FY2020 compared to FY2019. Further reductions in costs are targeted where it is prudent to do so. However, shareholders will understand that it is critical for Redflow to retain its core technical and R&D capability, operational expertise and manufacturing capability to support sales recovery and growth when business conditions improve.

Post year end, the $5.3 million (before costs) Entitlement Offer undertaken in July 2020, will enable Redflow to further the near-term growth and strategic plans. The Board thanks those shareholders who participated.

Relentless focus and prioritisation of Redflow's resources on the best commercial and sales opportunities will continue to be critical. Our core market proposition is that Redflow produces the world's smallest production flow battery that delivers long-life, degradation-free energy storage enabling reliable off-grid and weak-grid systems between 20kWh and 450kWh in size.

Over the past two years Redflow has achieved significant progress in establishing the building blocks to position the business for growth in the future. Critically, these include a strong manufacturing base, a growing set of reference deployments in our target markets and applications and significant progress in the development of a competitive product. Although COVID-19 has impacted on the progress we hoped to achieve in FY2020, we remain confident that these investments and capabilities position the business well for the future.

We continue to have the support of our staff, our board and our shareholders to continue to progress the development of our Gen3 battery and achieve a reduced cost of production to enable the acceleration of our battery sales into our core target markets.

It has taken time to realign the business and reposition our product and we will continue to improve our technology, ensure we have the commercial capabilities to sell our batteries in a competitive market and execute our key cost-down and research and development activities. We will continue to explore and progress strategic partnership and investment opportunities, including licensing deals in specific markets where credible opportunities exist. In summary, we are focused on delivering on the many growth opportunities we can see for Redflow's unique battery technology and building a truly unique Australian technology company.

We would like to thank Redflow's talented team for the effort and commitment they have shown in the face of the challenges faced in the past 12 months. In addition, we would like to thank our shareholders for their ongoing support.

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 2020.

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	
David Knox	Director (Non-Executive)	2 March 2017	
Jenny Macdonald	Director (Non-Executive)	22 December 2017	30 September 2019
John Lindsay	Director (Non-Executive)	11 September 2018	
David Brant	Director (Non-Executive)	19 October 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 (2019: nil).

Issue of shares
During the year, contributed equity increased by $84,100 (from $119,586,245 to $119,670,345). A total of 2,541,290 ordinary shares were issued during the year. Details of the changes in contributed equity are disclosed in Note 21 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 2020 was $10,017,689 (2019: $11,569,996). The FY2020 loss was mainly attributable to the following factors:

- Lower than anticipated revenue in Q4 of FY2020 due to the impact of COVID-19 pandemic on the ability to progress and finalise sales in overseas markets;
- A $703,108 writedown in current inventory of finished goods and raw materials as a result of the acceleration in development of the Gen3 battery targeted for customer trials by the end of 2020;
- The immediate expensing of a portion of the overheads at the Thailand facility due to the moderation of production;
- An increase in share based payment expense due to the expansion of the long term incentive plan to all Executives and some Senior Management and;
- Continued spend on research and development offset by receipt of R&D tax incentive received of $2,014,854.

During the year the Company executed on key elements of its strategy. Milestones achieved include:

- Total Revenue from Contracts with Customers of $1.95 million for FY2020 was the highest Revenue from Contracts with Customers achieved for Redflow since FY2012. The increase of 144% from FY2019 ($0.8 million) evidenced the traction made in forging continued and sustainable sales in international markets until the COVID-19 enforced lockdowns;
- Battery testing funded by the Australian Renewable Energy Agency and conducted at the Canberra Institute Of Technology has proven Redflow's ZBM2 battery with no degradation

after approximately 600 cycles and reinforces a key advantage recognised by customers and potential customers;
- Accelerated development of the Gen3 battery. This included major advancements in stack technology, tank architecture, improved cooling and a new electronics control system that will deliver manufacturing cost reductions of at least 30% compared to the ZBM2 batteries;
- Announced an Entitlement Offer to eligible shareholders to raise an initial target of $6.25 million to fund company activities and execute on its growth plan over the next twelve months.

In March 2020 the COVID-19 pandemic began having an impact with customers delaying significant commitments to sales orders. Due to the uncertainty of a committed future sales pipeline management and the Board began implementing a number of cost saving measures.

These included:
- Reducing hours for some non-core employees;
- Further moderating the Thailand operation whilst ensuring we retain core competency to assist with Redflow's battery development program and recommence manufacturing when appropriate;
- Executives accepted a 25% pay cut, the Chairman of the Board reduced his fees by 57% and the other Board members reduced their fees by 27%;
- Redflow applied for a number of Queensland State and Federal Government COVID-19 support programs including JobKeeper Payment and Payroll Tax relief and;
- Additionally Redflow recognised the cash flow boost grant from the Federal Government.

In July and August 2020 the Company raised a total of $5.314 million in capital on the completion of the Rights Issue at 1 for 1 at an issue price of 2.5 cents.

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

The Group's independent auditor's report for the year ended 30 June 2020 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 2020.

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 24 July 2020 an Entitlement Offer closed with applications totalling $4,899 million raised from shareholders;
- On 29 July 2020 Redflow instigated a trading halt;
- On 31 July 2020 the trading halt was lifted as the Directors of Redflow believed the application monies received from shareholders together with the R&D tax rebate for FY2020 will provide sufficient funding to meaningfully pursue Redflow's strategy, with a primary focus on the development of the new Gen3 battery;

- On 11 August 2020 Redflow announced an additional $415,000 shortfall placement with the total funds now raised to be over $5.3 million.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected the Group's operations, results or state of affairs, or may do so in future years.

Likely developments and expected results of operations
Redflow is focused on the following opportunities and objectives over the next 12 months:

- Convert current orders, existing and new sales opportunities into ongoing and material battery sales;
- Maintain focus on the telecommunications, off grid and weak grid energy system markets with a predominant attention on Australia, New Zealand and Africa;
- Selectively strengthen and grow the Company's integrator eco-system both in Australia and other target markets;
- Continue the accelerated development of Redflow's next generation zinc bromine flow battery (Gen3 battery) with initial customer trials targeted for the end of 2020;
- Align Thailand manufacturing facility to support Gen3 development and position the plant for production ramp up as customer demand increases;
- Ensure Redflow's Australia and Thailand management and staff remain engaged and the Company's health and safety metrics are robust, including any necessary actions to effectively manage COVID-19;
- Optimise our technical, deployment and operational support capabilities to support existing and an increasing number of deployments;
- Continue to focus on effective cost management to manage expenditure in response to the COVID-19 pandemic, including available government support, whilst retaining core capabilities; and
- Progress potential strategic partnerships which will help to secure Redflow's long term future. This may include options to licence our battery technology into specific markets.

Redflow expects to receive a research and development tax cash credit for FY2020 during the course of the next 12 months.

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 — Independent Non-Executive Chairman

Experience and Expertise
Brett Johnson has more than 15 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 & Member of the Audit & Risk Committee

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 to CEO on 27 March 2018 and Managing Director on 2 July 2018.

Special Responsibilities:-	CEO

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 Chair of Snowy Hydro since January 2020 and MD & CEO of Santos Limited from 2008 to 2015. He was previously MD for BP Developments in Australasia from 2003 to 2007 and has held management and engineering positions at BP, ARCO and Shell in the USA, Australia, Netherlands, United Kingdom, Pakistan and Norway. He was previously MD & CEO of Australian Naval Infrastructure stepping down in April 2020 on completion of the construction of the Osborne South Shipyard.

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 Snowy Hydro, CSIRO, Micro-X, Migration Council Australia, TACSI and the Adelaide Festival. He is also a member of 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:-	I3 Energy (Non-Executive Chair)
Other Current Directorships:-	Snowy Hydro (Chair) Micro-X CSIRO TACSI (Chair) Migration Council of Australia Adelaide Festival
Special Responsibilities:-	Chair of the Audit & Risk Committee.

David Brant BEng, PgDBA, FAICD — Independent Non-Executive Director

Experience and Expertise
David Brant has more than 20 years of Managing Director experience running a number of businesses in Asia for IMI plc, a UK based FTSE 200 company. This included 13 years at Executive Board level for the Norgren Group of companies focused on manufacturing automation and included establishing a global manufacturing and technology design centre based in China. David then worked for Redflow as Vice President Strategy and Corporate Development from 2010-12 and ran his own start-up energy storage business Energy 365 from 2014 to 2017.

David is a Fellow of the Australian Institute of Company Directors, has a Bachelor of Engineering and a Post Graduate Diploma of Business Administration. David is currently not a director of any other listed companies. He was appointed as a Non-Executive Director on 19 October 2018.

Other Current Directorships:-	Loddon Mallee Housing Services Ltd Nillumbik Community Health Services Ltd

John Lindsay GAICD — Non-Executive Director

Experience and Expertise
John Lindsay has been a Director of Uniti Group Ltd since May 2018 where he serves on the Audit and Risk Committee and is Chair of the Remuneration Committee. John is also a Director of the Telecommunications Industry Ombudsman Ltd, the external dispute resolution body for the telecommunications industry. He serves on the TIO Audit, Finance and Risk Committee.

John has previously held senior technology leadership roles as Chief Technology Officer (CTO) at iiNet Limited, CTO at Internode and General Manager of Chariot Internet. John is a graduate member of the Australian Institute of Company Directors. He was appointed as a Non-Executive Director on 11 September 2018.

Other Current Directorships:-	Uniti Group Ltd TIO Ltd
Special Responsibilities:-	Member of the Audit & Risk Committee.

Trudy Walsh BBus, CPA, MBA, GAICD — Company secretary

Experience and Expertise
Trudy Walsh is an experienced Finance Executive with over 15 years' experience as Country 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 and has been Company Secretary in several of the aforementioned 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 Performance Rights
Brett Johnson	1,875,330	-
David Knox	1,972,052	-
John Lindsay	1,027,301	-
David Brant	1,267,416	-
Tim Harris	750,000	15,000,000*

*5,000,000 of total Performance Rights approved at the AGM held on 26 November 2018 have not yet been issued as at 30 June 2020. It is Redflow's intention in FY2021 to cancel and reissue an equivalent long term incentive.

Meetings of Directors
The numbers of meetings of the Group's Board of Directors and Audit Committee held during the year ended 30 June 2020, and the numbers of meetings attended by each Director were:

	Full meeting of Directors		Meetings of Audit committee	
	A	**B**	**A**	**B**
Brett Johnson	24	24	7	7
Tim Harris	24	24	*	*
Jenny Macdonald	5	5	3	3
David Knox	23	24	6	7
John Lindsay	24	24	4	4
David Brant	23	24	*	*

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 2020 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
The Company has 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 2020, 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
18/05/2015	30/06/2017	30/06/2020	$0.19	100,000	100,000
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	-
				5,100,000	100,000

Insurance of Officers
During the financial year, Redflow Limited paid a premium of $79,788 (2019: $63,207) to insure the Directors and Secretary 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 $57,120 in fees were paid or payable for non-audit services provided by the auditor of the Group, its related practices and non-related audit firms:

Other services	30 June 2020 $	30 June 2019 $
PricewaterhouseCoopers Australian firm:		
R&D claim services	**15,300**	15,055
Non-recurring consulting	**41,820**	-
Total remuneration for non audit services	**57,120**	15,055

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 40.

Remuneration Report (Audited)
The Directors of Redflow Limited present the Remuneration Report for the Company and the Group for the year ended 30 June 2020 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 Secretary 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 FY2020
(f) Non-Executive Directors (Directors) remuneration disclosure
(g) Share-based compensation
(h) Equity instruments held by key management personnel
(i) Other transactions with key management personnel
(j) Securities Trading Policy

(a) Remuneration overview

The following table details the Group's KMP during the 2020 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
Tim Harris	Managing Director and CEO
David Knox	Independent Non-Executive Director
John Lindsay	Non-Executive Director
David Brant	Independent Non-Executive Director

Key management personnel

Richard Aird	Chief Operating Officer
Dr Michele Giulianini	Chief Technology Officer (resigned 30 June 2020)
Trudy Walsh	Chief Financial Officer and Company Secretary

(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

The Group's remuneration function is overseen and approved by the Non-Executive Directors. The Company currently has four Non-Executive Directors. 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 2020 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 2020 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 2020 is disclosed in Table 1.

(2) *Bonus scheme*: Employees are eligible to participate in a short term bonus incentive (STI) 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.

(3) *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.

(d) Executive performance agreements

KMP employment contracts and notice periods are set out below:

	Term	Start of contract	Basic salary including superannuation	Termination benefit
Executive Directors				
Tim Harris	Indefinite, 3 months notice	27/03/2018	$455,000	3 months
Other key management personnel				
Richard Aird	Indefinite, 6 months notice	02/02/2016	$340,000	6 months
Dr Michele Giulianini	Indefinite, 2 months notice	25/11/2013	$208,050	2 months
Trudy Walsh	Indefinite, 3 months notice	21/08/2018	$330,000	3 months

(e) Performance and executive remuneration outcomes for the year ended 30 June 2020

The actual remuneration earned by Executives during the year ended 30 June 2020 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*** [2]		***Share based Payment*** [3]		*Perfor-mance related*
		Salary & fees	*Bonus*	*Super-annuation*	*Annual and Long service leave*	*Term-ination*	*Shares and options*	*Total*	
30 June 2020		*$*	*$*	*$*	*$*	*$*	*$*	*$*	*%*
Executive Directors									
Tim Harris		417,596	-	25,000	14,949		187,938	645,483	29%
Other key management personnel									
Richard Aird		305,914	-	25,000	3,654		114,627	449,195	26%
Dr Michele Giulianini	1	189,375	-	17,991	(8,970)	-	27,417	225,813	12%
Trudy Walsh		295,048	-	25,000	14,527		104,044	438,619	24%
Total executive KMP		1,207,933	-	92,991	24,160	-	434,026	1,759,110	

1. Resigned 30 June 2020.
2. Movement in provisions, does not have a cash implication.
3. Movement in provisions, does not have a cash implication.

		Short-Term		***Post employ-ment***	***Long term*** [6]		***Share based Payment*** [7]		*Perfor-mance related*
		Salary & fees	*Bonus*	*Super-annuation*	*Annual and Long service leave*	*Term-ination*	*Shares and options*	*Total*	
30 June 2019		*$*	*$*	*$*	*$*	*$*	*$*	*$*	*%*
Executive Directors									
Tim Harris	1, 4	431,921	-	25,000	15,430	-	121,083	593,434	*20%*
Other key management personnel									
Richard Aird	2, 5	314,423	18,900	25,000	(1,415)	-	(22,290)	334,618	-1%
Dr Michele Giulianini	5	194,038	7,500	19,146	(3,599)	-	-	217,085	3%
Trudy Walsh	3, 5	219,054	13,750	22,116	7,567	-	-	262,487	5%
Total executive KMP		1,159,436	40,150	91,262	17,983	-	98,793	1,407,624	

1. Appointed Executive Director 2 July 2018.
2. Resigned as Executive Director 19 October 2018.
3. Appointed 21 August 2018.
4. The CEO has elected to forego payment of any bonus awarded for year ended 30 June 2019.
5. These KMPs short term bonuses will be paid in shares rather than cash for the year ended 30 June 2019.
6. Movement in provisions, does not have a cash implication.
7. Movement in provisions, does not have a cash implication.

The following table shows for each executive KMP how much of their STI 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 2020. The number of options and performance rights vested/forfeited for each grant are disclosed in section (g) of the remuneration report.

	Total STI bonus			LTI Performance Rights		
30 June 2020	**Total opportunity $**	**Awarded %**	**Forfeited %**	**Value granted $**	**Value exercised $**	**Value forfeited $**
Executive Directors						
Tim Harris	90,000	-	100	442,600	-	(126,000)
Other key management personnel						
Richard Aird	83,000	-	100	239,960	-	(83,333)
Dr Michele Giulianini	25,000	-	100	139,977	-	(112,560)
Trudy Walsh	55,000	-	100	239,960	-	-

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

(i) Director fee policy

The Group's 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 2020 remuneration of Directors was not dependent 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 26 November 2018 and 21 November 2019, 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.

(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 2020 were:

	Short-Term		***Post employ-ment***	***Long term*** [2]	***Share*** [3] ***based Payment***	
	Salary & fees	*Bonus*	*Super-annuation*	*Annual and Long service leave*	*Shares and options*	*Total*
30 June 2020	*$*	*$*	*$*	*$*	*$*	*$*
Non-Executive Directors						
Brett Johnson [1,3,5]	77,250		7,339	-	136,365	220,954
David Knox [1,5]	49,710		4,722	-		54,432
Jenny Macdonald [1,4]	15,820		1,503	-		17,323
John Lindsay [1,5]	49,710		4,722	-		54,432
David Brant [1,5]	49,710		4,722	-		54,432
Total Non-Executive Directors	242,200		23,008	-	136,365	401,573

1. At their option, these Directors have received approval at the AGM held on 24 November 2017, 26 November 2018 & 21 November 2019 to receive their fees in a combination of cash and shares.
2. Movement in provisions, does not have a cash implication.
3. Movement in reserves, does not have a cash implication. At 1 July 2020, the conditions for these performance rights were not met and therefore lapsed. As a result, the Director will not be issued these shares and receives no financial benefit.
4. Resigned from Non-Executive Director role 30 September 2019.
5. From April to June 2020 all Non-Executive Directors reduced their salaries to the equivalent of the JobKeeper payment.

Statutory Non-Executive Director fees for the year ended 30 June 2019 were:

	Short-Term		***Post employ-ment***	***Long term*** [8]		***Share*** [9] ***based Payment***	
	Salary & fees [10]	*Bonus*	*Super-annuation*	*Annual and Long service leave*	*Term-ination*	*Shares and options*	*Total*
30 June 2019	*$*	*$*	*$*	*$*	*$*	*$*	*$*
Non-Executive Directors							
Brett Johnson [1,6]	90,000	-	8,550	-	-	21,903	120,453
David Knox [1,6,7]	53,280	-	5,062	-	-	-	58,342
Simon Hackett [1,2]	22,200	-	2,109	-	-	-	24,309
Jenny Macdonald [5,6]	63,280	-	6,012	-	-	-	69,292
John Lindsay [3,5,6]	42,920	-	4,077	-	-	-	46,997
David Brant [4,5,6]	37,444	-	3,557	-	-	-	41,001
Total Non-Executive Directors	309,124	-	29,367	-	-	21,903	360,394

1. At their option, these Directors have received approval at the AGM held on 24 November 2017 to receive their fees in a combination of cash and/or shares.
2. Resigned from Non-Executive Director role 26 November 2018.
3. Appointed 11 September 2018.
4. Appointed 19 October 2018.
5. At their option, these Directors have received approval at the AGM held on 26 November 2018 to receive their fees in a combination of cash and/or shares.
6. At the Board meeting held on 14 March 2019, to preserve cash, it was approved that all Non-Executive Directors have elected to take their salary and fees as shares rather than cash for the period 1 April 2019 to 30 June 2019.
7. David Knox has elected to take 50% of his salary and fees as shares rather than cash for the period 1 July 2018 to 31 March 2019.
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.

(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. The conditions upon which performance rights will vest are outlined below.

Long term incentive plan – Performance Rights:

Performance Rights Tranche	Vesting – Performance Condition
Tranche 1	**Retention** – The Performance Rights in Tranche 1 will vest if the following condition is satisfied: a) Remain continuously employed as CEO/executive of Redflow until test date.
Tranche 2	**Operational KPIs** – The Performance Rights in Tranche 2 will vest if the following conditions are satisfied: a) Remain continuously employed as CEO/executive of Redflow until test date; and b) Operational Key Performance Indicators (KPI's) are satisfied on test date/s. Any Performance Rights that do not vest on their relevant test date will be re-tested on the following test date based on the KPI applicable on that next test date.
Tranche 3	**Share Price Target** - the Performance Rights in Tranche 3 will vest if the following conditions are satisfied: a) Remain continuously employed as CEO/executive of Redflow until test date; and b) The relevant Share Price Target is achieved during the Performance Period.

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

Terms and conditions for each Grant

30 June 2020	*Performance Rights awarded*	*Fair value at date of award ($)*	*Award date*	*Expiry date*	*First test date*	*Last test date*	*Forfeited during the year*	*Vested at 30 June 2020 Number*	*%*
Non-Executive Directors									
Brett Johnson									
Tranche 3	833,333	66,417	4/12/2017	28/11/2023	30/06/2020	30/06/2020	(833,333)	-	0%
Tranche 3	833,333	58,467	4/12/2017	28/11/2023	30/06/2020	30/06/2020	(833,333)	-	0%
Tranche 3	833,334	46,167	4/12/2017	28/11/2023	30/06/2020	30/06/2020	(833,334)	-	0%
	2,500,000						(2,500,000)	-	
Executive Directors									
Tim Harris									
Tranche 1*	1,000,000	84,000	26/11/2018	25/11/2024	30/06/20201	30/06/2021	-	-	0%
Tranche 2*	1,500,000	126,000	26/11/2018	25/11/2024	30/06/2019	30/06/2021	(1,500,000)	-	0%
Tranche 3*	833,333	32,083	26/11/2018	25/11/2024	30/06/2020	30/06/2021	-	-	0%
Tranche 3*	833,333	28,000	26/11/2018	25/11/2024	30/06/2021	30/06/2021	-	-	0%
Tranche 3*	833,334	18,417	26/11/2018	25/11/2024	30/06/2021	30/06/2021	-	-	0%
Tranche 1	1,666,667	85,000	21/11/2019	21/11/2025	30/06/2020	30/06/2020	-	1,666,667	100%
Tranche 1	1,000,000	51,000	21/11/2019	21/11/2025	30/06/2021	30/06/2021	-	-	0%
Tranche 1	666,666	34,000	21/11/2019	21/11/2025	30/06/2022	30/06/2022	-	-	0%
Tranche 2	833,333	42,500	21/11/2019	21/11/2025	30/06/2020	30/06/2022	-	-	0%
Tranche 2	1,166,667	59,500	21/11/2019	21/11/2025	30/06/2021	30/06/2022	-	-	0%
Tranche 2	1,333,333	68,000	21/11/2019	21/11/2025	30/06/2022	30/06/2022	-	-	0%
Tranche 3	3,333,334	102,600	21/11/2019	21/11/2025	30/06/2022	30/06/2022	-	-	0%
	15,000,000						(1,500,000)	1,666,667	
Other Key Management Personnel									
Richard Aird									
Tranche 1	1,000,000	125,000	4/12/2017	28/11/2023	30/06/2020	30/06/2020		1,000,000	100%
Tranche 2	666,667	83,333	4/12/2017	28/11/2023	30/06/2020	30/06/2020	(666,667)	-	0%
Tranche 1	1,000,000	47,000	17/12/2019	21/11/2025	30/06/2020	30/06/2020	-	1,000,000	100%
Tranche 1	600,000	28,200	17/12/2019	21/11/2025	30/06/2021	30/06/2021	-	-	0%
Tranche 1	400,000	18,800	17/12/2019	21/11/2025	30/06/2022	30/06/2022	-	-	0%
Tranche 2	500,000	23,500	17/12/2019	21/11/2025	30/06/2020	30/06/2022	-	-	0%
Tranche 2	700,000	32,900	17/12/2019	21/11/2025	30/06/2021	30/06/2022	-	-	0%
Tranche 2	800,000	37,600	17/12/2019	21/11/2025	30/06/2022	30/06/2022	-	-	0%
Tranche 3	2,000,000	51,960	17/12/2019	21/11/2025	30/06/2022	30/06/2022	-	-	0%
	7,666,667						(666,667)	2,000,000	
Dr Michele Giulianini									
Tranche 1	583,334	27,417	17/12/2019	21/11/2025	30/06/2020	30/06/2020	-	583,334	100%
Tranche 1	350,000	16,450	17/12/2019	21/11/2025	30/06/2021	30/06/2021	(350,000)	-	0%
Tranche 1	233,333	10,967	17/12/2019	21/11/2025	30/06/2022	30/06/2022	(233,333)	-	0%
Tranche 2	291,667	13,708	17/12/2019	21/11/2025	30/06/2020	30/06/2022	(291,667)	-	0%
Tranche 2	408,333	19,192	17/12/2019	21/11/2025	30/06/2021	30/06/2022	(408,333)	-	0%
Tranche 2	466,667	21,933	17/12/2019	21/11/2025	30/06/2022	30/06/2022	(466,667)	-	0%
Tranche 3	1,166,666	30,310	17/12/2019	21/11/2025	30/06/2022	30/06/2022	(1,166,666)	-	0%
	3,500,000						(2,916,666)	583,334	
Trudy Walsh									
Tranche 1	1,000,000	47,000	17/12/2019	21/11/2025	30/06/2020	30/06/2020	-	1,000,000	100%
Tranche 1	600,000	28,200	17/12/2019	21/11/2025	30/06/2021	30/06/2021	-	-	0%
Tranche 1	400,000	18,800	17/12/2019	21/11/2025	30/06/2022	30/06/2022	-	-	0%
Tranche 2	500,000	23,500	17/12/2019	21/11/2025	30/06/2020	30/06/2022	-	-	0%
Tranche 2	700,000	32,900	17/12/2019	21/11/2025	30/06/2021	30/06/2022	-	-	0%
Tranche 2	800,000	37,600	17/12/2019	21/11/2025	30/06/2022	30/06/2022	-	-	0%
Tranche 3	2,000,000	51,960	17/12/2019	21/11/2025	30/06/2022	30/06/2022	-	-	0%
	6,000,000						-	1,000,000	
Total	34,666,667						(7,583,333)	5,250,001	

*These Performance Rights approved at the AGM held on 26 November 2018 have not yet been issued as at 30 June 2020.
It is Redflow's intention in FY2021 to cancel and reissue an equivalent long term incentive.

Fair value of options included as a part of remuneration
For details on the valuation of performance rights and options, including models and assumptions used, please refer to Note 33. There were no alterations to the terms and conditions of performance rights and options granted as remuneration since the grant date.

(h) Equity instruments held by key management personnel

Shares held by key management personnel are outlined in Table 4 below.
Performance Rights are outlined in Table 3 above.

Table 4 Shares held by key management personnel

30 June 2020		*Balance at start of year*	*Granted during the year as compensation*	*Other changes during the year*	*Balance at end of year*
Ordinary shares		*Number*	*Number*	*Number*	*Number*
Non-Executive directors					
Brett Johnson		1,251,670	623,660	-	1,875,330
David Knox		1,629,059	342,993	-	1,972,052
Jenny Macdonald	1	1,052,208	144,642	(1,196,850)	-
John Lindsay		684,308	342,993	-	1,027,301
David Brant		866,221	401,195	-	1,267,416
Executive directors					
Tim Harris		750,000	-	-	750,000
Other key management personnel					
Richard Aird		1,496,417	236,250	(236,250)	1,496,417
Dr Michele Giulianini		520,000	85,616	-	605,616
Trudy Walsh		100,000	171,875	-	271,875
Total		8,349,883	2,349,224	(1,433,100)	9,266,007

1. Directors and KMPs who ceased to be a Director or KMP during the year have been adjusted down to a nil balance.

(i) Other transactions with key management personnel

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 2020	30 June 2019
	$	$
Expenses/purchases recharged and paid by the Company	**-**	4,183

(j) 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. Unless otherwise permitted by the policy, 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. 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 27 August 2020.

Brett Johnson
Chairman

Redflow Limited (the ‘Company’) and its associated entities (the ‘Group’) are committed to achieving best practice across the Group in all respects, which is fundamental to the long-term performance and sustainability of the Group and the delivery of the Group’s 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’s Corporate Governance Principles and Recommendations (4th 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 FY2020 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 27 August 2020.

You can find further information on the structure of our business, our Board and management team on the Company’s 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 can be viewed on the corporate governance page of the company's website. The Board has approved the Group's Values Statement and Code of Conduct, which underpin the desired culture within the Group.
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 background 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, (including the requirement to comply with the Group's Anti-bribery and Corruption Policy) , 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 of the 2020 Annual Report.
1.4 Company Secretary	The Group has a Board-appointed company secretary. Biographical details and qualifications can be viewed on page 9 of the 2020 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 on the Company's website.

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 values and embraces the diversity of all employees and is committed to creating an inclusive workplace where everyone is treated equally and fairly, and where discrimination, harassment and inequity are not tolerated.

Gender diversity statistics as at 30 June 2020 are outlined in the table below.

Item	Men	Women
Number of permanent employees	48	10
Percentage of permanent employees	83%	17%
Number of employees in senior management positions*	8	1
Percentage of employees in senior executive positions	89%	11%
Number of NED Board members	4	0
Percentage of NED Board members	100%	0%

***** 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)

FY2020 Measure

Targets	Objective	Progress
Ensure against inappropriate workplace and business behaviour (including discrimination, harassment, bullying, victimisation 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
20%	Percentage of Non-Executive board positions filled by women	Ongoing
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, formally 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, with input from the other Non-Executive Directors, is also responsible for periodically reviewing the performance of the Managing Director and CEO. These reviews are documented.

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 Chairman 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 this recommendation to be materially detrimental to the Company.
2.2 Board skills matrix	Further details regarding the skills and experience of each Director are included in the 2020 Annual Report on page 8 and 9. Details of the Board skills matrix can be viewed on the corporate governance page of the Company's website. 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.
2.3 Disclose independence and length of service	The Group currently has a five member Board, of which three are Independent Non-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 2020 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
David Knox (Appointed 23 Jun 2010) Independent Non-Executive Director	C
John Lindsay (Appointed 11 September 2018) Non-Executive Director)	M
David Brant (Appointed 19 October 2018) Independent Non-Executive Director)	A
C – Chairman, M – Member, A – Attendee	

Recommendations	Compliance with recommendations

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

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 five Board members are considered to be independent – Brett Johnson, David Knox and David Brant. John Lindsay is not considered an Independent Director. Tim Harris is an Executive Director 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. Further details regarding the Chairman are set out on page 8 of the 2020 Annual Report and are also available on the Company's website.
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	**Articulate and disclose values**	The Group's Values Statement sets out the guiding principles for Redflow and what is required from its Directors, senior executives and employees. Redflow's values include ethics, safety, sustainability, fair profits, excellence and diversity The Values Statement has been approved by the Board and can be viewed on the Corporate Governance page of the Company's website.

Recommendations	Compliance with recommendations
Principle 3 – Act ethically and responsibly (continued)	
3.2 Code of Conduct	The Group has a Code of Conduct for Directors, senior executives, employees, consultants and contractors, which sets out the fundamental principles of business conduct expected by the Group and can be viewed on the Corporate Governance page of the Company's website. The Board is informed of any material breaches of the Code of Conduct.
3.3 Whistleblower Policy	The Group's Whistleblower Policy is contained within the Code of Conduct and all employees are required to read and follow this policy. The CEO is the initial point of contact and will inform the Board of details of the complaint or allegation. The Board is tasked with the responsibility to take appropriate action in relation to, all bona fide complaints or allegations which indicate that there may be illegal or unethical conduct by Redflow or any of its employees. In certain circumstances, where appropriate, the Chair of the Board will receive and deal with the complaint or allegation. A copy of the policy can be viewed on the Corporate Governance page of the Company's website.
3.4 Anti-bribery and Corruption Policy	The Group's Anti-bribery and Corruption policy is contained within the Code and all employees are required to read and follow this policy. The Board is notified of all breaches of the Anti-bribery and Corruption policy. A copy of the policy can be viewed on the Corporate Governance page of the Company's website.
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 Non-Executive Directors, the majority of whom are Independent and is chaired by Independent Non-Executive Director, David Knox. Further details about the membership of the Audit & Risk Management Committee, including the names and qualifications of its members, are included in the Annual Report. The Audit and Risk Committee Charter can be viewed on the Corporate Governance page of the Company's website. The number of meetings held by the Committee and the Directors' attendance at meetings is disclosed in the Group's Annual Report.

Recommendations		Compliance with recommendations
Principle 4 – Safeguard integrity in corporate reporting (continued)		
4.2	**MD and CFO certification of financial statements**	The Managing Director and Chief Financial Officer 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 of the *Corporations Act 2001* 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.
4.3	**Integrity of periodic corporate reports released to market**	Information that is not audited or reviewed by an external auditor is subject to a rigorous process of internal review before it is released to the market. Once prepared, the information is submitted to the Chief Financial Officer and Company Secretary for first review, followed by a second review by the Chief Executive Officer, and finally by the Audit Committee Chair, prior to lodgement with the ASX.
Principle 5 – Make timely and balanced disclosure		
5.1	**Continuous 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 2001*. A copy of the policy can be viewed on the Corporate Governance page of the Company's website. 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, or in his absence another Non-Executive Director.
5.2	**Board's visibility of information disclosed to market**	Links to ASX announcements on the ASX website are provided to Board members promptly after being released to market, allowing timely visibility of the nature and quality of the information being disclosed to the market and the frequency of such disclosures.
5.3	**Investor presentation released to ASX in advance**	All investor presentations are approved by the Board and are released to the ASX in advance of the presentation.

Recommendations		Compliance with recommendations
Principle 6 – Respect the rights of the security holders		
6.1	**Publicly available information accessible on website**	The Company'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.
6.2	**Investor relations programs**	The Group recognises the value of providing current and relevant information to its shareholders and aims to provide information that will enable existing and potential shareholders 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 Group are communicated to the shareholders through the annual and half yearly reports, quarterly operational reports accompanying Appendix 4C cash flow statement releases, market updates and ASX announcements released at the time of key developments (for example, relating to material sales of batteries and strategic partnerships). Investor briefings are provided on the day that half year and full year results are released, providing investors with the opportunity to ask questions to Executive Management and investor roadshows are periodically conducted to keep investors informed of developments. Additionally, shareholders are kept informed via general meetings, notices of the general meetings and by general correspondence from the Board. Contact details are provided on ASX releases allowing investors to contact the company representative with any queries they have related to the releases. All presentation material is provided to the ASX and subsequently uploaded to the Company's website to 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.
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	**Substantive resolutions**	All substantive resolutions at the Group's AGM and at shareholder meetings are decided by a poll (rather than by a show of hands).
6.5	**Facilitate electronic commun-ication**	The Group provides its investors the option to receive communications from, and send communications to, the Group and the share registry electronically.

Recommendations		Compliance with recommendations

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 a majority of Independent Non-Executive Directors and is chaired by David Knox who is an Independent Non-Executive Director. 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 2020 Annual Report. The Charter of the Audit and Risk Committee can be viewed on the Corporate Governance page of the Company's website. 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 is 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.
7.4	**Sustainability risks**	The Directors advise the Group has no material exposure to environmental or social 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 four 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 an 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 this ASX recommendation to be materially detrimental to the Company.

Recommendations	Compliance with recommendations
Principle 8 – Remunerate fairly and responsibly (continued)	
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 21 of the 2020 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. 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 was awarded performance rights approved by shareholders at the 2017 AGM. These performance rights have since lapsed in FY2020.
8.3 Equity-based remuneration scheme	The Group has an equity-based remuneration scheme. Participants are not permitted to enter into a scheme or arrangement that protects the value of Performance Rights granted under the Plan prior to them becoming a vested Performance Right.

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

Impact of COVID-19

The ongoing COVID-19 pandemic has had a significant impact on the global and Australian economy and the ability of businesses, individuals and governments to operate. Emergency powers and restrictions have been enacted on an international, Federal and State level in Australia which, amongst other things, has restricted travel and the ability of individuals to leave their homes and travel to places of work.

The Company has already experienced a material adverse impact on the Company's sales opportunities and its ability to progress various customer engagements over the second half of Q3 FY2020. Ongoing international and domestic travel restrictions, government lockdown measures in key markets such as South Africa, and broader global uncertainty around a recovery of business activity has led to delays in progressing key sales opportunities and orders that were expected for Q4 FY2020.

COVID-19 has already increased unemployment in Australia and New Zealand and it could reduce further consumer and business discretionary spending and demand for the Company's products.

Given the high degree of uncertainty surrounding the extent and duration of COVID-19, it is not currently possible to assess the full impact of COVID-19 on the Company's business.

However, a number of aspects of the Company's business may be directly or indirectly affected by government, regulatory or health authority actions, work stoppages, lockdowns, quarantines and travel restrictions associated with COVID-19, including disruption to the Company's supply chain and workforce, particularly the availability of products and logistics (including shipping of materials and finished goods) and government imposed shut downs of manufacturing and distribution centres affecting the supply of products to customers.

There is a risk that if the duration of events surrounding COVID-19 are prolonged, the Company may need to take additional measures in order to respond appropriately (eg restructuring to reduce further costs from its business and raising additional funding).

There are also other changes in the domestic and global macroeconomic environment associated with the events relating to COVID-19 that are beyond the control of the Company and may be exacerbated in an economic recession or downturn. These include but are not limited to (i) changes in inflation, interest rates and foreign currency exchange rates; (ii) changes in employment levels and labour costs; (iii) changes in aggregate investment and economic output; and (iv) other changes in economic condition which may affect the revenue or costs of the Company.

Sales revenue risk

The Company currently operates on a negative cash operating basis in that its operating expenses exceed its revenue. The Company's revenue depends on the extent and timing of future product sales. There is a risk that sales may take longer than expected to materialise or not be realised at all, including as a result of COVID-19. For example, there are no guarantees that battery trials, system demonstrations or initial deployments will be successful or, even if successful, will convert into firm orders on a timely basis.

Funding risk

There is no guarantee the funds raised will be adequate or sufficient to meet the ongoing funding requirements of the Company under its current business plan or to achieve a breakeven point.

If the Company requires access to further funding at any stage in the future, there can be no assurance that additional funds will be available either at all or on terms and conditions which are commercially acceptable to the Company. If the Company is unable to obtain such additional capital, it may be required to reduce the scope of its anticipated activities, which could adversely affect its business, financial condition and operating results.

Reliance on system integrators as strategic partner's risk

The Company relies on key system integrators as strategic partners providing channels to market. A key part of its business plan is predicated on a steady expansion of the customer bases through development of its strategic system integrator relationships.

There may be a materially adverse effect on the Company if one or more of these strategic system integrator relationships is lost and not replaced or if a dispute arises between the Company and a systems integrator. There is also a risk associated with being one step removed from the ultimate customer and end user.

The Company's system integrators may operate in multiple jurisdictions which are subject to differing regulatory requirements. There is a risk that these regulatory frameworks may expose the Company to obligations, claims and additional compliance costs in relation to its products, including storage, handling and disposal of chemicals.

Product risk

The Company's products are complex and now includes a battery which is capable of being deployed for various applications (including telecommunications, residential, small-scale and large-scale commercial use and application by utilities), a battery management system and a physical enclosure for its residential and commercial storage system. The Company is planning to introduce its new Gen3 product in the next 12 months, with customer trials targeted for December 2020.

There is an inherent risk that the products and enhancements (including the new Gen3 product) will contain defects or otherwise do not perform as expected (for example in terms of battery life and reliability). The Company undertakes product testing under laboratory and simulated field conditions, which aims to identify such problems before their release for field trials or use. Even after pre-release testing, there remains the risk of manufacturing or design defects, errors or performance problems that may only emerge over time and use in the field under operating conditions.

The Company provides a 10 year battery performance warranty which is subject to a range of technical and operating conditions. However, the Company has not tested its battery over this operating life either in the field or in simulated conditions.

If the Company's products fail to perform as expected or if production of the Company's products is subject to delays (including delays in the rollout of the Gen3 product), the Company could lose existing and future business and its ability to develop, market and sell its battery and energy storage systems could be harmed. Product defects or non-performance may also give rise to claims against the Company, diminish the brand or divert resources from other purposes, all of which could have a materially adverse impact on the Company financially and reputationally.

The Company’s products will frequently be deployed in remote locations where reliability is important, and these problems could result in expensive and time-consuming design modifications or warranty charges, delays in the introduction of new products or enhancements (including the new Gen3 product), significant increases in service and maintenance costs, exposure to liability for damages, damaged customer relationships and harm to the Company's reputation, any of which may adversely affect its business and the Company's operating results.

The Company is dependent on the supply of raw materials for a number of different parts and components. While the Company follows a quality control process there are possible situations where the quality of raw materials supplied will adversely affect the performance of the product.

Customer and Commercialisation risk in target sectors

Rapid and ongoing changes in technology and product standards could quickly render the Company's products less competitive, or even obsolete if it fails to continue to improve the performance of its battery, its chemistry and battery management systems.

The Company continues to research, develop and manufacture zinc bromine flow batteries. The market for advanced rechargeable batteries is at a relatively early stage of development, and the extent to which the Company's zinc bromine batteries will be able to meet its customers' requirements and achieve significant market acceptance is uncertain.

One or more new, higher energy rechargeable battery technologies could be introduced which could be directly competitive with, or superior to, the Company's technology. Competing technologies that outperform the Company's batteries could be developed and successfully introduced, and as a result, there is a risk that the Company's products may not be able to compete effectively in its target markets.

If the Company's battery technology is not adopted by its customers, or if its battery technology does not meet industry requirements for power and energy storage capacity in an efficient and safe design the Company's batteries will not gain market acceptance.

Many other factors outside of the Company's control may also affect the demand for its batteries and the viability of adoption of advanced battery applications, including:

i. performance and reliability of battery power products compared to conventional and other non-battery energy sources and products;
ii. success of alternative battery chemistries; and
iii. cost-effectiveness of the Company's products compared to products powered by conventional energy sources and alternative battery chemistries.

Manufacturing risks - general
There are risks which are inherent in manufacturing operations including machinery breakdowns, damage from flood and fire, below standard workmanship or materials, employee issues (including accidents), workplace health and safety and so on. Any adverse impact on production 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
As the Company will build its manufacturing capability based on its projection of future supply agreements, its business revenue and profits will depend upon its ability to enter into and complete these agreements, achieving competitive manufacturing yields and drive volume sales consistent with its demand expectations.

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.

Alternatively, if the Company experiences sales in excess of its estimates, it may be unable to support higher production volumes, which could harm customer relationships and overall reputation. The Company's ability to meet such excess customer demand could also depend on its ability to raise additional capital and effectively scale its manufacturing operations.

If the Company is unable to achieve and maintain satisfactory production yields and quality, its relationships with certain customers and overall reputation may be harmed, and its sales could decrease.

Manufacturing production and outsourcing risk
The manufacturing and assembly of safe, long lasting batteries is a highly complex process that requires extreme precision and quality control throughout a number of production stages. Improving manufacturing processes will be an ongoing requirement both to reduce cost and improve battery performance and reliability by minimising manufacturing errors.

The Company has adopted a combination of outsourced and insourced component manufacturing of its battery parts to achieve the benefits of scalability, quality control, and cost efficiencies and to reduce its overall manufacturing risks (including the risk of damage to finished products when they are delivered from the factory to the customer).

The outsourced component of the Company's manufacturing strategy has associated risks. It means the Company is unable to directly control delivery schedules, quality assurance, manufacturing yields and production costs.

Any defects in battery packaging, impurities in the electrolyte or electrode materials used, contamination of the manufacturing environment, incorrect welding, excess moisture, equipment failure or other difficulties in the manufacturing process (including as a result of COVID-19) could cause batteries to be rejected or to fail in the field, thereby reducing yields and affecting the Company's ability to meet customer expectations.

Problems in the Company's manufacturing and assembly processes could limit its ability to produce sufficient batteries to meet the demands of potential customers.

Regulatory and compliance risk
The Company uses hazardous substances including zinc bromine, zinc chloride and hydrochloric acid in the manufacture of its ZBMs. Various regulatory requirements apply to the storage, handling and disposal of such chemicals. The Company must also comply with prescribed product standards in the various jurisdictions in which it operates, that are relevant to the manufacture, installation and operation of its battery.

There is a risk that the Company will be unable to comply with the regulatory requirements imposed on its batteries or that the cost of compliance will exceed expectations and have an adverse impact on the financial position of the Company. This may prevent the Company from accessing markets in certain jurisdictions.

Manufacturing supply risk
The Company's manufacturing operations depend on obtaining raw materials, parts and components, manufacturing equipment and other supplies including services from reliable suppliers in adequate quality and quantity in a timely manner.

It may be difficult for the Company to substitute one supplier for another, increase the number of suppliers or change one component for another in a timely manner or at all due to the interruption of supply or increased industry demand. This may adversely affect the Company's operations.

The prices of raw materials, parts and components and manufacturing equipment may increase due to changes in supply and demand. In addition, currency fluctuations and the weakening of the Australian dollar against foreign currencies may adversely affect the Company's purchasing power for raw materials, parts and components and manufacturing equipment from foreign suppliers.

If the Company is unable to secure key supply inputs in a timely and economically acceptable manner, it could have a materially adverse effect on its ability to meet customer demand and sell batteries profitably.

Manufacturing cost reductions
The Company's business prospects are dependent on its ability to ramp up manufacturing capability and reduce the production costs of its batteries. The Company is targeting the introduction of its new Gen3 product in the next 12 months, which has an objective to reduce manufacturing unit costs by 30% compared to the current Gen2.5 battery costs at 150 batteries per month production levels. The Company believes this can be achieved via key engineering projects, supplier cost reductions and manufacturing, plus productivity and process improvements. There is no guarantee that this program 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.

Sovereign risk
The Company's manufacturing operations in Thailand are subject to the risks associated in operating in foreign emerging countries. These risks may include economic, social or political instability or change, hyperinflation, or changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, export duties, repatriation of income or return of capital, environmental protection, labour relations and government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents. No assurances can be given that the co-operation of such authorities, if sought by the Company, will be obtained, and if obtained, maintained.

It cannot be ruled out that the government of Thailand may adopt substantially different laws, policies and conditions relating to foreign investment and taxation. The Company may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Any future material adverse changes in government policies or legislation in Thailand in relation to foreign investment and ownership may affect the viability and profitability of the Company.

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. The Company will mitigate this risk via the usual contractual provisions which exclude liability for consequential loss and so on, but it is not possible to protect the Company against reputational loss.

The Company is currently offering its latest model batteries for sale with a battery life warranty of 10 years. The expected battery life is based on tests conducted on earlier models of the battery, laboratory tests of the current model of the battery, technical data from past experience and professional judgement. The batteries have not however been fully tested in field operating conditions. Accordingly, 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 a risk of the Company's products and battery management system being reverse engineered or copied. Redflow relies on trade secrets to protect its proprietary technologies, especially where it does not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. The Company relies in part on confidentiality agreements with its employees, contractors, consultants, outside scientific collaborators and other advisors to protect its trade secrets and other proprietary information. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorised disclosure of confidential information. Costly and time-consuming litigation could be necessary to enforce and determine the scope of the proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect the Company's competitive business position.

Information technology
The Company relies heavily on its computer hardware, software and information technology systems. Should these not be adequately maintained secured or updated or the Company's disaster recovery processes not be adequate, system failures 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.

To protect its proprietary intellectual property, the Company has applied for patents through its wholly owned subsidiary Redflow R&D Pty Ltd. The patent applications are at various stages of the examination process. There is a risk that some or all of the patent applications not be accepted, either in Australia or overseas and that other persons may be able to commercially exploit the proprietary intellectual property.

The granting of protection such as a registered patent does not guarantee that the rights of third parties are not infringed or that competitors will not develop technology to avoid the patent. Patents are territorial in nature and patents must be obtained in each and every country where protection is desired. There can be no assurance that any patents which the Company may own or control will afford the Company significant protection of its technology or its products have commercial application.

Competition in obtaining and sustaining protection of intellectual property and the complex nature of intellectual property can lead to disputes. The Company has, and may in the future, enter into commercial agreements under which intellectual property relevant to the Company and its ZBM batteries, and which is created by the counterparty or jointly created by the Company and the counterparty, will not be owned exclusively by the Company. In these circumstances the Company will seek to negotiate an appropriate licence to use any such intellectual property.

There is a risk that such newly created intellectual property not exclusively owned by the Company, will be material to the Company and there is no guarantee that the Company will be able to enter into appropriate agreements to use it either at all or on commercially acceptable terms and conditions, or on a timely basis. The inability to secure rights to use such intellectual property could have a material impact on the Company's ability to sell or otherwise commercialise its products, and its financial performance.

Personnel Risk
Redflow may not be able to successfully recruit and retain skilled employees, particularly scientific, technical and management professionals.

The Company believes that its future success will depend in large part on its ability to attract and retain highly skilled technical, managerial and marketing personnel who are familiar with its key customers and are experienced in the battery industry. Industry demand for employees with experience in battery chemistry and battery manufacturing processes exceeds the number of personnel available, and the competition for attracting and retaining these employees is intense. This competition will intensify if the advanced battery market continues to grow, possibly requiring increases in compensation for current employees over time.

The Company cannot be certain that it will be successful in attracting and retaining the skilled personnel necessary to operate its business effectively in the future. Due to the highly technical nature of its battery, the loss of any significant number of the Company's existing engineering and project management personnel could have a materially adverse effect on its business and operating results.

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 technical staff as replacements. The loss of key personnel could have 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. Exchange rate movements affecting these currencies (including as a result of the circumstances surrounding COVID-19) may impact the profit and loss account or assets and liabilities of the Company (to the extent the foreign exchange rate risk is not hedged or not appropriately hedged) and the general competitiveness of the Company's products in the market.

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 conditions, including levels of consumer spending, inflation, interest rates and exchange rates, access to debt and capital markets, government fiscal, monetary and regulatory policies.

A prolonged deterioration in general economic conditions (whether or not due to COVID-19), including an increase in interest rates or a decrease in consumer and business demand, could be expected to have a materially adverse impact on the Company's business or financial condition. Changes to laws and regulations or accounting standards which apply to the Company from time to time could adversely impact the Company's earnings and financial performance.

Tax risk
Any change to the rate of company income tax in jurisdictions in which the Company operates will impact on shareholder returns, as will any change to the rates of income tax applying to individuals or trusts. Any change to the tax arrangements between Australia and other jurisdictions 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.

Auditor's Independence Declaration

As lead auditor for the audit of Redflow Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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
27 August 2020

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	Note	30 June 2020 $	30 June 2019 $
Revenue from contracts with customers	6	**1,948,432**	800,072
		1,948,432	800,072
Other Income	7	**2,595,099**	1,938,144
Expenses			
Raw materials and consumables used		**(5,534,822)**	(3,413,172)
Other expenses from ordinary activities			
Administrative expenses		**(523,197)**	(560,773)
Depreciation and amortisation	8	**(886,808)**	(698,076)
Interest and finance expense	8	**(10,010)**	(17,162)
Business development		**(357,616)**	(384,361)
Travel and accommodation		**(237,107)**	(310,445)
Professional fees		**(790,247)**	(492,072)
Payroll expenses	8	**(5,768,157)**	(7,725,405)
Impairment for credit loss	8	**(55,743)**	(28,400)
Other expenses		**(346,628)**	(606,458)
Loss before income tax		**(9,966,804)**	(11,498,108)
Income tax expense	9(a)	**(50,885)**	(71,888)
Loss for the year		**(10,017,689)**	(11,569,996)
Other comprehensive income for the year	22	**(4,521)**	(25,542)
Total comprehensive loss for the year		**(10,022,210)**	(11,595,538)
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Group:		**$**	$
Basic earnings per share	32	**(0.01)**	(0.02)
Diluted earnings per share	32	**(0.01)**	(0.02)

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

	Note	30 June 2020 $	30 June 2019 $
ASSETS			
Current assets			
Cash and cash equivalents	11	**3,390,203**	10,902,466
Trade and other receivables	12	**135,277**	61,314
Inventories	13	**5,603,817**	7,866,933
Other current assets	14	**377,381**	316,030
Total current assets		**9,506,678**	19,146,743
Non-current assets			
Property, plant and equipment	15	**766,860**	1,089,681
Intangible assets	16	**630,448**	606,609
Right of use assets	17	**76,019**	-
Total non-current assets		**1,473,327**	1,696,290
TOTAL ASSETS		**10,980,005**	20,843,033
LIABILITIES			
Current liabilities			
Trade and other payables	18	**492,098**	1,054,647
Lease liabilities	17	**76,241**	-
Other current liabilities	19	**417,664**	759,404
Provisions	20	**1,456,393**	1,313,359
Total current liabilities		**2,442,396**	3,127,410
Non-current liabilities			
Provisions	20	**65,017**	118,083
Total non-current liabilities		**65,017**	118,083
TOTAL LIABILITIES		**2,507,413**	3,245,493
NET ASSETS		**8,472,592**	17,597,540
EQUITY			
Contributed equity	21	**119,670,345**	119,586,245
Reserves	22	**4,218,643**	3,410,002
Accumulated losses	22	**(115,416,396)**	(105,398,707)
TOTAL EQUITY		**8,472,592**	17,597,540

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 2018		111,300,911	3,314,848	(93,828,711)	20,787,048
Loss for the year		-	-	(11,569,996)	(11,569,996)
Other comprehensive income	22(a)	-	(25,542)	-	(25,542)
Total comprehensive income for the year		-	(25,542)	(11,569,996)	(11,595,538)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	21	8,285,334	-	-	8,285,334
Employee share options - value of employee services	22(a)	-	120,696	-	120,696
		8,285,334	120,696	-	8,406,030
Balance at 30 June 2019		119,586,245	3,410,002	(105,398,707)	17,597,540
Balance at 1 July 2019		**119,586,245**	**3,410,002**	**(105,398,707)**	**17,597,540**
Loss for the year		**-**	**-**	**(10,017,689)**	**(10,017,689)**
Other comprehensive income	22(a)	**-**	**(4,521)**	**-**	**(4,521)**
Total comprehensive income for the year			**(4,521)**	**(10,017,689)**	**(10,022,210)**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	21	**84,100**	**-**	**-**	**84,100**
Employee share options - value of employee services	22(a)	**-**	**813,162**	**-**	**813,162**
		84,100	**813,162**	**-**	**897,262**
Balance at 30 June 2020		**119,670,345**	**4,218,643**	**(115,416,396)**	**8,472,592**

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

	Note	***30 June 2020***	*30 June 2019*
		$	*$*
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**1,881,038**	1,001,021
Payments to suppliers and employees (inclusive of goods and services tax)		**(11,128,493)**	(17,360,205)
Grants/R&D Tax Incentive received		**2,313,841**	1,751,567
Interest received		**67,258**	178,503
Interest & bank charges paid		**(10,009)**	(17,167)
Income tax paid		**(60,539)**	(46,331)
Net cash (outflow) from operating activities	31	**(6,936,904)**	(14,492,612)
Cash flows from investing activities			
Payment for property, plant and equipment (inclusive of goods and services tax)		**(146,642)**	(479,379)
Purchase of intangible assets (inclusive of goods and services tax)		**(198,556)**	(138,097)
Proceeds from sale of property, plant and equipment (inclusive of goods and services tax)		**-**	22,000
Net cash (outflow) from investing activities		**(345,198)**	**(595,476)**
Cash flows from financing activities			
Proceeds from capital raising		**-**	8,395,499
Transaction costs from capital raising (inclusive of goods and services tax)		**(66,154)**	(155,115)
Principal elements of lease payments		**(186,374)**	-
Net cash inflow from financing activities		**(252,528)**	8,240,384
Net increase/(decrease) in cash and cash equivalents		**(7,534,630)**	(6,847,704)
Cash and cash equivalents at beginning of year		**10,902,466**	17,732,832
Effects of exchange rate changes on cash and cash equivalents		**22,367**	17,338
Cash and cash equivalents at end of year	11	**3,390,203**	10,902,466

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 2020 was authorised for issue in accordance with a resolution of the Directors on 27 August 2020. 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.*

The impact of COVID-19 on world economies has been significant and there is much uncertainty with how quickly economies will recover in both the short and medium term. As such these financial statements have been prepared with all known COVID-19 financial impacts to assets and liabilities. Any further COVID-19 impacts including eligibility for any further government support that arise after the reporting period will be accounted for in future reporting periods.

Compliance with IFRS
When new Accounting Standards are reviewed prior to adoption, any International Financial Reporting Standards (IFRS) are also simultaneously reviewed to ensure 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 2019 with the exception of the following accounting standards which the Group has applied for the first time for the reporting period commencing 1 July 2019:

- AASB 16 Leases
- AASB 2018 - 1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle
- AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement
- Interpretation 23 Uncertainty over Income Tax Treatments.

Comparative information has been reclassified only where it will enhance comparability. For example, on the Consolidated Statement of Comprehensive Income the Group has decided to change the classification of its expenses and other comprehensive income to a classification by nature. Directors believe that this will provide more relevant information to our stakeholders as it is more in line with common practice in the industries the Group is operating in. The comparative information has been reclassified accordingly.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies
The Group has adopted AASB 16 retrospectively from 1 July 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 1%.

The Group has applied the simplified cumulative catch-up approach whereby the associated right of use assets for property leases were measured at an amount equal to the outstanding lease liability (adjusted for accruals and prepayments) on 1 July 2019. There were no onerous lease contracts that would have required an adjustment to the right of use assets at the date of initial application.

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Reliance on previous assessments on whether leases are onerous as an impairment to performing an impairment review;
- There were no onerous contracts as at 1 July 2019;
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- Excluding initial direct costs for the measurement of the right of use asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The associated right of use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019.

The change in accounting policy affected the following balance sheet items on 1 July 2019:

- Right of use assets – increase by $258,463
- Lease liabilities – increase by $258,463

There was no impact on retained earnings on 30 June 2019.

A reconciliation of the adjustments recognised on adoption of AASB 16 is set out below:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

	$
Operating lease commitments disclosed as at 30 June 2019	**533,422**
Less short-term leases	**(96,835)**
Less low-value leases	**(5,808)**
Less contracts reassessed as service agreements	**(172,312)**
Less discounting adjustment / foreign exchange movement	**(4)**
Lease liability recognised as at 1 July 2019	**258,463**
Payments allocated to lease liability	**(186,374)**
Foreign exchange movement	**4,152**
Lease liability closing balance as at 30 June 2020	**76,241**
Of which are:	
Current lease liabilities	**76,241**
Non-current lease liabilities	**-**
	76,241
Associated right of use asset recognised as at 1 July 2019	**258,463**
Less depreciation	**(186,601)**
Foreign exchange movement	**4,157**
Carrying amount - closing as at 30 June 2020	**76,019**

The new accounting policies resulting from the adoption of AASB 16 are disclosed in Note 2(g).

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.

Going concern status
The Group incurred an operating loss after income tax of $10,017,689 (2019: $11,569,996) and an operating cash outflow of $6,936,904 (2019: $14,492,612) for the year ended 30 June 2020. Cash held at bank as at 30 June 2020 was $3,390,203 (2019: $10,902,466).

Since the commencement of operations in 2005, the Group has been undertaking research and development activities in accordance with its comprehensive business and strategic plan. The Group has been successful in further advancing the technology to a stage which has generated commercial interest in the Group's products. 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 raising further funding from existing and new investors as well as other governmental incentive and grant programs where available and applicable.

With reference to the COVID-19 discussion in the Directors' Report, the Group has experienced a material adverse impact on its sales opportunities and its ability to progress various customer engagements over the second half of FY2020. This has resulted in significant strain on the Group's future revenue forecast and its cashflow position.

The following events and strategies have occurred or have been initiated by the Directors to secure the Group's going concern status during the 2020 financial year and for at least the 12 months after the date of the Director's declaration:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Raised $5.315 million through a non- renounceable entitlement offer and subsequent partial shortfall placement;
- Accelerated the development of the Gen3 battery, targeting a 30% production cost down with anticipated customer trials by the end of 2020;
- Continued potential investor activities to source additional funding such as exploring strategic investment discussions, potential licensing opportunities and non-equity financing options such as export financing;
- Continuing cost saving activities including management of discretionary spend, headcount management;
- Applied and received COVID-19 support from both Queensland State and Federal Governments for JobKeeper, Payroll tax refunds and payment deferral;
- Consistent with the Export Market Development Grant of $70,987 received in FY2020 for overseas expenditure incurred during FY2019 the Group has submitted a claim for overseas expenditure incurred during FY2020;
- Consistent with the Research and Development Tax Refund of $2,014,854 received in January 2020 for the year ended 30 June 2019 the Group is in the process of preparing its claim for research and development expenditure incurred during the year ended 30 June 2020.

However, taking into account the above matters, there remains a material uncertainty which may cast significant doubt over whether the Group can continue as a going concern and, therefore, 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.

The Directors believe that the Group will be successful in the above matters. In addition, the Directors believe Redflow will be able to obtain additional investment funds or export finance and, accordingly, have prepared this financial report 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 2020.

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 2020 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 the profit or loss as part of the fair value gain or loss.

(e) Revenue recognition

(i) Revenue from contracts with customers

The Group derives revenue from the sale of Redflow manufactured energy storage flow batteries at a point in time, when the battery is dispatched from Redflow premises, provided the performance obligation, by way of a written contract or purchase order has been received.

Under some customer contracts, batteries are sold with retrospective volume discounts based on aggregate sales over a specific period. Revenue from these sales is recognised based on the price specified in the contract, net of any estimated volume discounts. Accumulated experience is used to estimate and provide for these discounts using the most likely amount method, and revenue is only recognised to the extent that it is probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with credit terms of 30 days, which is consistent with market practice. The Group's obligation to repair or replace faulty products under the standard warranty terms is recognised as a provision, refer to note 2(o).

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government COVID-19 support grants such as JobKeeper are treated as Other Income in the profit and loss and recognised in the period in which they relate. Other Government COVID-19 support such as refunds or deferrals for company related taxes are treated as an offset against that tax in the profit and loss during FY2020.

(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 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 offset in the consolidated financial statements.

(g) Leases

From 1 July 2019, leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. 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 right of use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed and variable lease payments less incentives receivable. Where a lease contains an extension option, the lease payments for the extension period will be included in the liability if the Group is reasonably certain that it will exercise the option.

The lease payments are discounted using the interest rate implicit in the lease. If this rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions. Right of use assets are measured at cost and include the amount of the initial measurement of lease liability; initial direct costs and any lease payments made before the commencement date less any lease incentives and where applicable, provision for dismantling and restoration.

In the cash flow statements, the total amount of cash paid for lease liabilities has been separated into a principal portion (presented within financing activities) and interest portion (which the Group presents in operating activities).

Payments associated with short-term leases (a lease term of 12 months or less) and leases of low-value assets are charged to the profit or loss on a straight line basis over the period of the lease. In the cash flow statements, the total amount of cash paid is presented within operating activities.

(h) Cash and cash equivalents
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 day terms, are recognised initially at the amount of consideration that is unconditional. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less loss allowance.

AASB 9 Financial Instruments requires calculating the credit and recoverable risk for trade receivables.

The Group applies AASB 9 to measure the impairment of trade receivables and calculates an expected loss allowance over one year for all trade receivables. Expected credit losses are calculated based on historical loss rates over the expected life of each individual trade receivable for all revenue types and is adjusted for forward looking estimates. The amount of impairment loss is categorised in the profit or loss as an Impairment for credit loss. Subsequent recoveries of amounts previously recognised as an expected credit loss are credited against the same line item.

(j) Inventories
Raw materials, consumables and finished goods
Raw materials, consumables and finished goods are stated at the lower of cost or 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. With the planned manufacture of the Gen3 product, consideration has to be given to the net realisable value of the current

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

finished goods inventory of ZBM2s in stock, particularly with the uncertainty of COVID-19 impacts to future customer orders and the re-focus to prioritise the development and release of the Gen3 product.

As such the Group has reported a writedown to the ZBM2 finished goods inventory and raw materials.

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 15 years
Leasehold improvements: 3 to 15 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(t)).

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

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(n) 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 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

(o) 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 increase in the provision due to the passage of time is recognised as interest expense.

(p) 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.

(q) 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.

(r) 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)

(s) Parent entity financial information
The financial information for the parent entity, Redflow Limited, disclosed in Note 34 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 less accumulated impairment losses 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.

(t) 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.

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 ageing analysis for credit risk.

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

(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 2020			*30 June 2019*		
Denominated in:	***USD***	***THB***	***JPY***	*USD*	*THB*	*JPY*
Presented in AUD:	**$**	**$**	**$**	$	$	$
Trade Payables	**(50,176)**	**(11,343)**	**-**	(566,601)	(23,560)	-
Trade Receivables & Prepaid Expenses	**86,168**	**45,048**	**-**	61,514	-	75,249
Cash on Deposit	**160,039**	**-**	**-**	19,204	-	-

Group Sensitivity

The Group is primarily exposed to changes in the USD/AUD exchange rates. Based on the foreign currency assets and liabilities held at 30 June 2020, 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 $25,526 higher / $20,885 lower (2019: $48,244 higher / $39,472 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 risk assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. This assessment is outlined below.

3. FINANCIAL RISK MANAGEMENT (continued)

Trade receivables	30 June 2020 Gross carrying value $	30 June 2020 Expected credit loss $	30 June 2019 Gross carrying value $	30 June 2019 Expected credit loss $
Grade 1 (Low Risk)	**107,882**	**-**	41,141	-
Grade 2 (Substandard)	**54,790**	**27,395**	20,173	-
Grade 3 (Doubtful)	**59,605**	**59,605**	28,400	28,400
Grade 4 (Loss)	**-**	**-**	-	-
	222,277	**87,000**	89,714	28,400

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.

	30 June 2020 $	*30 June 2019* $
Cash at bank and short-term bank deposits		
AA	**3,390,203**	10,902,466

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 $3,390,203 (2019: $10,902,466) that are expected to readily generate cash inflows for managing liquidity risk.

The Group does not have any undrawn facilities as at 30 June 2020 (2019 :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 2020							
Non-derivatives							
Trade payables	**492,098**	**-**	**-**	**-**	**-**	**492,098**	**492,098**
Lease liabilities	**76,241**	**-**	**-**	**-**	**-**	**76,241**	**76,241**
	568,339	**-**	**-**	**-**	**-**	**568,339**	**568,339**
At 30 June 2019							
Non-derivatives							
Trade payables	1,054,647	-	-	-	-	1,054,647	1,054,647
Lease liabilities	-	-	-	-	-	-	-
	1,054,647	-	-	-	-	1,054,647	1,054,647

(c) Cash flow and fair value interest rate risk
As the Company has no significant interest bearing liabilities, 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.

At normal operating capacity all the Thailand Facility manufacturing overheads are allocated to the valuation of finished goods. Due to the moderation of the production at the facility a portion of these overheads are immediately expensed to the Profit and Loss and not included in the valuation of finished goods.

The provision for inventory diminution 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. The impairment of the ZBM2 finished good product has been recorded as a reduction to the finished goods asset value and as an expense to the Profit and Loss.

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(t). 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 be entitled to claim warranty, how often, and the costs of fulfilling the performance of the warranty.

The Group estimates a provision based on a percentage of sales revenue which reflects management's best estimate of potential warranty claims that result in full replacement of a battery. A specific provision for warranty is also made when product defects are identified and there is a greater likelihood that the battery has to be replaced or that rework is required on the battery.

Going concern
In preparation of the financial statements on a going concern basis, the Group has made a number of estimates and assumptions 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 installation preferences and continues to forge ahead with committed sales orders received from all over 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 sales to one customer for the year ended 30 June 2020 amounted to just over 43% of the total sales revenue with the balance split amongst six main customers.

6. REVENUE FROM CONTRACTS WITH CUSTOMERS

	30 June 2020	*30 June 2019*
	$	*$*
From continuing operations		
Revenue from contracts with customers		
Sale of goods - at a point in time	**1,948,432**	800,072
	1,948,432	800,072

7. OTHER INCOME

	30 June 2020	*30 June 2019*
	$	$
Interest	**67,258**	178,503
Gain on disposal of property, plant & equipment	**-**	8,074
R&D tax incentive	**2,014,854**	1,751,567
EMDG grant	**70,987**	-
JobKeeper payment	**342,000**	
Cash flow boost	**100,000**	
Total Other income	**2,595,099**	1,938,144

The Group qualifies for a refundable R&D tax incentive of 43.5% of its eligible R&D expenditure due to its aggregate turnover being less than $20 million. 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 2020 as the amount cannot be estimated accurately.

8. EXPENSES

	30 June 2020	30 June 2019
	$	$
Loss before income tax includes the following specific expenses:		
Employee benefits expense		
Defined contribution superannuation expense	**417,432**	531,677
Other employee benefit expense	**5,350,725**	7,193,728
Total employee benefits expense	**5,768,157**	7,725,405
Depreciation and amortisation		
Depreciation	**698,146**	519,767
Amortisation	**188,662**	178,309
Total depreciation and amortisation	**886,808**	698,076
Finance costs		
Interest expense on lease liabilities	**2,644**	-
Other Interest and finance charges paid/payable	**7,366**	17,162
	10,010	17,162
Impairment for credit loss	**55,743**	28,400
Net foreign exchange loss	**59,895**	136,693

9. INCOME TAX EXPENSE

		30 June 2020	30 June 2019
		$	$
(a)	**Income tax expense**		
	Current tax benefit	**(3,158,534)**	(4,059,043)
	Deferred tax	**42,251**	335,570
	Foreign tax paid	**50,885**	71,888
	Temporary differences and tax losses not brought to account	**3,116,283**	3,723,473
		50,885	71,888

		30 June 2020	30 June 2019
		$	$
(b)	**Numerical reconciliation of income tax expense to prima facie tax expense**		
	Loss from continuing operations before income tax expense	**(9,966,804)**	(11,498,108)
	Tax benefit at Australian tax rate of 27.5% (2019: 27.5%)	**(2,740,871)**	(3,161,980)
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
	Entertainment expense	**5,830**	10,020
	Share-based payment	**254,280**	33,191
	Foreign tax paid	**-**	
	Foreign tax rate and exchange rate differences	**(15,278)**	(39,611)
	Other non-temporary differences in foreign jurisdiction	**2,083**	(26,549)
	Government COVID-19 cashflow boost non-assessable non-exempt	**(27,500)**	-
	R&D tax incentive received	**(554,085)**	(481,681)
	Prior year under/over	**10,143**	15,025
		(3,065,398)	(3,651,585)
	Temporary differences and tax losses not brought to account	**3,116,283**	3,723,473
	Income tax expense	**50,885**	71,888
(c)	Unused tax losses for which no deferred tax asset has been recognised [1]	**92,943,214**	86,085,999
	Potential tax benefit at 27.5% (2019: 27.5%)	**25,559,384**	23,673,650

1. This includes a true-up of the R&D claim following lodgement of the respective year income tax return.

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 2020	*30 June 2019*
	$	*$*
The balance comprises temporary differences attributable to:		
Other receivables	**31,350**	-
Foreign exchange	**51,161**	64,521
Total deferred tax liabilities at 27.5% (2019: 27.5%)	**82,511**	64,521
Set off against deferred tax assets (relating to employee provisions)	**(82,511)**	64,521
Net deferred tax liabilities at 27.5% (2019: 27.5%)	**-**	-

(e) Unrecognised temporary differences

	30 June 2020	*30 June 2019*
	$	*$*
The balance comprises temporary differences attributable to:		
Payable and accruals	**314,226**	302,527
Employee benefits	**63,080**	66,987
Black hole expenses (P&L)	**25,020**	43,234
Black hole expenses (Equity)	**40,116**	90,656
Expected credit loss	**23,925**	7,810
PPE and leased assets	**4,460**	-
Tax losses	**25,559,384**	23,673,650
Total unrecognised deferred tax assets at 27.5% (2019: 27.5%)	**26,030,211**	24,184,864

(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(s).

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. FINANCIAL ASSETS AND LIABILITIES

The Group holds the following financial instruments:

	Notes	***30 June 2020***	*30 June 2019*
		$	*$*
Financial assets at amortised cost			
Trade receivables	12	**135,277**	61,314
Other current assets	14	**377,381**	316,030
Cash and cash equivalents	11	**3,390,203**	10,902,466
		3,902,861	11,279,810
Financial liabilities at amortised cost			
Trade and other payables	18	**492,098**	1,054,647
Lease liabilities	17	**76,241**	-
		568,339	1,054,647

11. CASH AND CASH EQUIVALENTS

	30 June 2020	*30 June 2019*
	$	*$*
Cash and cash equivalents	**3,390,203**	10,902,466
	3,390,203	10,902,466

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12. CURRENT TRADE AND OTHER RECEIVABLES

	30 June 2020	*30 June 2019*
	$	*$*
Trade receivables	**222,277**	89,714
Expected credit loss	**(87,000)**	(28,400)
	135,277	61,314

(a) Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the expected credit loss are provided in note 2(i).

(b) Fair value and credit risk

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

(c) Impairment and risk exposure

Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate can be found in note 3.

13. INVENTORIES

	30 June 2020 $	30 June 2019 $
At cost		
Raw Materials	**4,395,839**	4,576,920
Provision for diminution in value	**(919,879)**	(813,041)
Finished goods	**2,767,021**	4,103,054
Impairment	**(639,164)**	-
	5,603,817	**7,866,933**

Inventories recognised as an expense for the year ended 30 June 2020 totalled $5,534,822 (2019: $3,413,172). This expense has been included in the raw materials and consumables used in the statement of comprehensive income.

Impairment for finished goods refers to the existing ZBM2 battery stock at 30 June 2020 and the need to reflect the shift towards the new Gen3 battery production. Further, the ongoing effects of COVID-19 on international markets may impede sales orders for the ZBM2 battery. The value of the impairment on the ZBM2 battery is the best estimate of the recoverable amount as a result of the acceleration of the Gen3 product.

14. OTHER CURRENT ASSETS

	30 June 2020 $	30 June 2019 $
Security & Rental bond deposits	**91,977**	14,466
Prepayments	**285,404**	224,802
	377,381	316,030

15. PROPERTY PLANT AND EQUIPMENT

	30 June 2020	*30 June 2019*
	$	*$*
Plant and equipment		
At cost	**4,783,020**	4,593,653
Accumulated depreciation	**(4,043,245)**	(3,537,628)
Net carrying amount	**739,775**	1,056,025
Leasehold improvements		
At cost	**611,685**	611,685
Accumulated depreciation	**(584,600)**	(578,029)
Net carrying amount	**27,085**	33,656
Total property, plant and equipment		
At cost	**5,394,705**	5,205,338
Accumulated depreciation	**(4,627,845)**	(4,115,657)
Net carrying amount	**766,860**	1,089,681

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

Plant and equipment		
Opening net carrying amount	**1,056,025**	975,667
Additions	**179,554**	568,030
Disposal	**-**	(12,076)
Depreciation charge	**(504,974)**	(504,850)
Foreign exchange movement	**9,170**	29,254
Balance at the end of the year	**739,775**	1,056,025
Leasehold improvements		
Opening net carrying amount	**33,656**	48,573
Depreciation charge	**(6,571)**	(14,917)
Balance at the end of the year	**27,085**	33,656
Total Property, plant and equipment		
Opening net carrying amount	**1,089,681**	1,024,240
Additions	**179,554**	568,030
Disposal	**-**	(12,076)
Depreciation charge	**(511,545)**	(519,767)
Foreign exchange movement	**9,170**	29,254
Balance at the end of the year	**766,860**	1,089,681

16. INTANGIBLE ASSETS

	30 June 2020	30 June 2019
	$	$
Patents, trademarks and designs		
Cost	**1,608,225**	1,395,724
Accumulated amortisation	**(977,777)**	(801,781)
Net carrying amount	**630,448**	593,943
Capitalised lease surrender		
Cost	**163,350**	163,350
Accumulated amortisation	**(163,350)**	(163,350)
Net carrying amount	**-**	-
Software		
Cost	**161,786**	161,786
Accumulated amortisation	**(161,786)**	(149,120)
Net carrying amount	**-**	12,666
Total intangible assets		
Cost	**1,933,361**	1,720,860
Accumulated amortisation and impairment	**(1,302,913)**	(1,114,251)
Net carrying amount	**630,448**	606,609

Reconciliation of carrying amount at beginning and end of the year

Patents, trademarks and designs		
Opening net carrying amount	**593,943**	594,813
Additions	**212,501**	155,827
Amortisation charge	**(175,996)**	(156,697)
Balance at the end of the year	**630,448**	593,943
Software		
Opening net carrying amount	**12,666**	34,278
Additions		-
Amortisation charge	**(12,666)**	(21,612)
Balance at the end of the year	**-**	12,666
Total intangible assets		
Opening net carrying amount	**606,609**	629,091
Additions	**212,501**	155,827
Amortisation charge	**(188,662)**	(178,309)
Balance at the end of the year	**630,448**	606,609

17. LEASES

Information for leases where the Group is a lessee is set out below.

(a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	30 June 2020	*30 June 2019*
	$	*$*
Right of use assets		
Opening net carrying amount	**258,463**	**-**
Depreciation charge	**(186,601)**	**-**
Foreign exchange movement	**4,157**	**-**
Balance at the end of the year	**76,019**	-

	30 June 2020	*30 June 2019*
	$	*$*
Lease liabilitites		
Current	**76,241**	-
Non Current	**-**	-
	76,241	-

(b) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	30 June 2020	*30 June 2019*
	$	*$*
Depreciation charge of right of use assets	**186,601**	-
Interest expense (included in finance cost)	**2,644**	-
Expense relating to short-term leases	**163,941**	-
Expense relating to leases of low-value assets	**4,486**	-

Details about the Group's lease policy is provided in Note 2(g)

18. CURRENT TRADE AND OTHER PAYABLES

	30 June 2020	*30 June 2019*
	$	*$*
Trade payables	**336,161**	834,987
Other payables	**-**	3,641
Customer deposits	**44,746**	44,035
Accrued expenses	**111,191**	171,984
	492,098	1,054,647

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

19. OTHER CURRENT LIABILITIES

	30 June 2020	*30 June 2019*
	$	*$*
Other payroll liabilities	**417,664**	759,404
	417,664	759,404

20. PROVISIONS

	30 June 2020	**30 June 2019**
	$	**$**
Current		
Annual leave	**269,959**	276,860
Warranty claims	**1,031,770**	953,234
Long service leave	**154,664**	83,265
	1,456,393	1,313,359
Non-current		
Long service leave	**65,017**	118,083
	65,017	118,083

(a) Movements in provisions

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

		30 June 2020	
	$	***$***	***$***
	Warranty claims	*Annual Leave*	*Long Service Leave*
Carrying amount at start of year	**953,234**	**276,860**	**201,348**
Charged (credited) to profit or loss			
- Additional provision recognised	179,666	399,053	52,571
Amounts used during the year	(101,130)	(405,954)	(10,070)
Unused amounts reversed	-	-	(24,168)
	1,031,770	**269,959**	**219,681**

(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 a percentage 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.

21. CONTRIBUTED EQUITY

	30 June 2020	30 June 2019
	$	$
Ordinary shares		
Fully paid	**119,670,345**	119,586,245
	119,670,345	119,586,245
Ordinary shares	***shares***	*shares*
Issued and fully paid	**916,313,294**	913,772,004

(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-18	Opening balance	712,471,737		111,300,911
3-Aug-18	Issue of ordinary shares	41,431	$0.11	4,632
25-Jan-19	Issue of ordinary shares	108,988	$0.09	9,264
31-May-19	Issue of ordinary shares	199,892,704	$0.04	8,395,499
28-Jun-19	Issue of ordinary shares	1,257,144	$0.05	61,726
	Less: transactions cost on share issue			(185,787)
		913,772,004		119,586,245
1-Jul-19	Opening balance	913,772,004		119,586,245
1-Oct-19	Issue of ordinary shares (i)	757,481	$0.04	28,557
1-Oct-19	Issue of ordinary shares (ii)	685,807	$0.04	29,078
21-Jan-20	Issue of ordinary shares (iii)	466,759	$0.05	23,105
16-Jun-20	Issue of ordinary shares (iv)	631,243	$0.04	23,103
	Less: transactions cost on share issue (v)			(19,743)
		916,313,294		119,670,345

i. On 1 October 2019, Redflow Limited issued 757,481 ordinary shares to the Non-Executive Directors of the Group being Directors fee payments in lieu of cash for services provided to the Company as approved at the Annual General Meeting held on 24 November 2017 and 26 November 2018. These shares rank equally with the existing shares of the Company. 223.395 shares were issued to Mr Brett Johnson, 122,865 to Mr David Knox, 144,642 to Ms Jenny Macdonald, 122,865 to Mr John Lindsay and 143,714 to Mr David Brant. These shares rank equally with the existing shares of the Company.
ii. On 1 October 2019, Redflow Limited issued 685,807 ordinary shares to Redflow executives being bonus payments in lieu of cash for services provided to the Company. These shares rank equally with the existing shares of the Company.
iii. On 21 January 2020, Redflow Limited issued 466,759 ordinary shares to the Non-Executive Directors of the Group being Directors fee payments in lieu of cash for services provided to the Company as approved at the Annual General Meeting held on 26 November 2018 and 21 November 2019. These shares rank equally with the existing shares of the Company. 170,152 shares were issued to Mr Brett Johnson, 93,576 to Mr David Knox, 93,576 to Mr John Lindsay and 109,455 to Mr David Brant. These shares rank equally with the existing shares of the Company.
iv. On 16 June 2020, Redflow Limited issued 631,243 ordinary shares to the Non-Executive Directors of the Group being Directors fee payments in lieu of cash for services provided to the Company as approved at the Annual General Meeting held on 26 November 2018 and 21 November 2019. These shares rank equally with the existing shares of the Company. 230,113 shares were issued to Mr Brett Johnson, 126,552 to Mr David Knox, 126,552 to Mr John Lindsay and 148,026 to Mr David Brant. These shares rank equally with the existing shares of the Company.
v. Transaction costs were associated with the capital raising in May 2019.

21. CONTRIBUTED EQUITY (continued)

(c) Options and Performance Rights

Information relating to the Redflow Share and Option Plan and Performance Rights Plan, including details of options and performance rights issued, exercised and lapsed during the financial year and outstanding at the end of the reporting period, is set out in Note 33. Further details are also set out in the Remuneration Report.

(d) 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 2020 and 30 June 2019 were as follows:

	30 June 2020	*30 June 2019*
	$	*$*
Total borrowings	**-**	-
Less cash and cash equivalents	**(3,390,203)**	(10,902,466)
Net debt/(cash)	**(3,390,203)**	(10,902,466)
Total equity	**8,472,592**	17,597,540
Gearing ratio	**N/A**	N/A

22. RESERVES AND ACCUMULATED LOSSES

	30 June 2020	*30 June 2019*
	$	*$*
(a) Reserves		
Share-based payments reserve	**4,233,734**	3,420,572
Translation reserve	**(15,091)**	(10,570)
	4,218,643	3,410,002
Movements:		
Share based payments reserve		
Opening balance	**3,420,572**	3,299,876
Share options issued to employees	**813,162**	120,696
Closing balance	**4,233,734**	3,420,572
Translation reserve		
Opening balance	**(10,570)**	14,972
Unrealised gain/(loss) on translation of foreign subsidiary	**(4,521)**	(25,542)
Closing balance	**(15,091)**	(10,570)

22. RESERVES AND ACCUMULATED LOSSES (continued)

	30 June 2020 $	30 June 2019 $
(b) Accumulated losses		
Movements in accumulated losses were as follows:		
Opening balance	**(105,398,707)**	(93,828,711)
Net loss for the year	**(10,017,689)**	(11,569,996)
Closing balance	**(115,416,396)**	(105,398,707)

(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.

23. DIVIDENDS

No dividends were paid or declared to members during the financial year ended 30 June 2020 (2019: nil).

24. 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 2020 $	30 June 2019 $
Short term employee benefits	**1,450,133**	1,508,710
Post-employment employee benefits	**115,999**	120,629
Other long-term employee benefits	**24,160**	17,983
Share-based payment	**570,391**	120,696
	2,160,683	1,768,018

24. KEY MANAGEMENT PERSONNEL (continued)

(c) Transactions with key management personnel

	30 June 2020 ***$***	*30 June 2019* *$*
Subscription of new shares by key management personnel as a result of:		
Shares issued in lieu of directors fees	**74,765**	75,622
Shares issued in lieu of employee STI	**29,078**	-
	103,843	75,622

(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.

25. 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 2020 ***$***	*30 June 2019* *$*
PricewaterhouseCoopers Australia		
Audit and other assurance services		
Audit and review of financial statements	**120,880**	118,030
Total remuneration for audit and other assurance services	**120,880**	118,030
Other services		
R&D claim services	**15,300**	15,055
Non-recurring consulting	**41,820**	-
Total remuneration for other services	**57,120**	15,055
Total auditors' remuneration	**178,000**	133,085

26. CONTINGENCIES

The Group has no contingent liabilities at 30 June 2020 (2019: nil).

27. COMMITMENTS

(a) Capital commitments
The Group has $1,229 additional commitments at 30 June 2020 (2019: 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.

From 1 July 2019, the Group has recognised right of use assets for these leases, except for short-term and low-value leases, see Note 2(a), 2(g) and Note 17 for further information.

	30 June 2020	*30 June 2019*
	$	*$*
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**-**	405,283
Later than one year but not later than five years	**-**	128,139
Later than five years	**-**	-
	-	533,422

28. 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 29.

(c) Key management personnel
Disclosure relating to key management personnel is set out in Note 24.

(d) Transactions with related parties
The following transactions occurred with related parties.

	30 June 2020	*30 June 2019*
	$	*$*
Purchases of goods and services:		
Other expenses paid to entities controlled by key management personnel	**-**	4,183
Payroll expenses paid to related party employees	**28,000**	118,304

29. 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).

	Country of		*% Equity holding**		
Name of entity	*Incorporation*	*Class of shares*	**2020**	2019	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%**	100%	Manufacturing service

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

30. EVENTS AFTER BALANCE DATE

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

- On 24 July 2020 an Entitlement Offer closed with applications totalling $4,899 million raised from shareholders;
- On 29 July 2020 Redflow instigated a trading halt;
- On 31 July 2020 the trading halt was lifted as the Directors of Redflow believed the application monies received from shareholders together with the R&D tax rebate for FY2020 will provide sufficient funding to meaningfully pursue Redflow's strategy, with a primary focus on the development of the new Gen3 battery;
- On 11 August 2020 Redflow announced an additional $415,000 shortfall placement with the total funds now raised to be over $5.3 million.

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

	30 June 2020	*30 June 2019*
	$	*$*
Total loss for the year	**(10,017,689)**	(11,569,996)
Adjustments for:		
Depreciation and amortisation	**886,808**	698,076
(Impairment reversal)/Impairment of receivables	**55,743**	28,400
Impairment of inventory	**639,164**	-
Net (profit)/loss on disposal of property, plant and equipment	**-**	(8,074)
Net (gain)/loss on foreign exchange	**39,394**	(31,519)
Share-based payment expense	**917,006**	196,318
Changes in operating assets and liabilities		
(Increase)/Decrease in trade and other receivables	**(96,594)**	215,108
(Increase)/Decrease in inventories	**1,623,951**	(3,800,708)
(Increase)/Decrease in other operating assets	**(61,352)**	204,608
(Decrease)/Increase in trade and other payables	**(747,805)**	(22,771)
(Decrease)/Increase in other current liabilities	**(265,498)**	250,049
(Decrease)/Increase in provisions	**89,968**	(652,103)
Net cash (outflow) from operating activities	**(6,936,904)**	(14,492,612)

32. EARNINGS PER SHARE

	30 June 2020	*30 June 2019*
	$	*$*
(a) Basic and dilutive loss per share		
From continuing operations attributable to the ordinary equity of the Group	**(0.01)**	(0.02)
Total basic and dilutive earnings per share attributable to the ordinary equity holders of the Group	**(0.01)**	(0.02)

(b) Diluted earnings per share

Options 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.

Reconciliation of earning used in calculating earnings per share

	30 June 2020	*30 June 2019*
	$	*$*
Basic earnings per share		
Loss attributable to the ordinary equity holders of the Group used in calculating basic earnings per share	**(10,022,210)**	(11,595,538)
From continuing operations	**(10,022,210)**	(11,595,538)

32. EARNING PER SHARE (continued)

	30 June 2020 ***$***	*30 June 2019* *$*
Weighted average number of shares used as the denominator in calculating basic and dilutive earnings per share	**915,078,024**	728,992,316

33. SHARE BASED PAYMENTS

(a) Share options on issue to third parties

There were no options on issue to third parties during 2020 (2019: nil).

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

There were no options granted during the year.

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 2020				Number	Number	Number	Number	Number
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)	-	-
				400,000	-	(400,000)	-	-
Weighted average exercise price								

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 2019				Number	Number	Number	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	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)	-	-
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	-	(2,000,000)	-	-
28/11/2016	14/07/2018	28/11/2022	$0.34	3,000,000	-	(3,000,000)	-	-
				7,550,000	-	(7,150,000)	400,000	400,000
Weighted average exercise price				$0.30		$0.30	$0.19	$0.19

33. SHARE BASED PAYMENTS (continued)

(c) Performance Rights issued to employees under the Redflow Limited Performance Rights Plan

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 2020				Number	Number	Number	Number	Number
4/12/2017	30/06/2020	28/11/2023	-	1,000,000	-	-	1,000,000	1,000,000
4/12/2017	30/06/2020	28/11/2023	-	666,667	-	(666,667)	-	-
26/11/2018	30/06/2021	25/11/2024	-	1,000,000	-	-	1,000,000	-
26/11/2018	30/06/2019	25/11/2024	-	1,500,000	-	(1,500,000)	-	-
26/11/2018	30/06/2020	25/11/2024	-	833,333	-	-	833,333	-
26/11/2018	30/06/2021	25/11/2024	-	833,333	-	-	833,333	-
26/11/2018	30/06/2021	25/11/2024	-	833,334	-	-	833,334	-
21/11/2019	30/06/2020	21/11/2025	-	-	1,666,667		1,666,667	1,666,667
21/11/2019	30/06/2021	21/11/2025	-	-	1,000,000		1,000,000	-
21/11/2019	30/06/2022	21/11/2025	-	-	666,666		666,666	-
21/11/2019	30/06/2020	21/11/2025	-	-	833,333		833,333	-
21/11/2019	30/06/2021	21/11/2025	-	-	1,166,667		1,166,667	-
21/11/2019	30/06/2022	21/11/2025	-	-	1,333,333		1,333,333	-
21/11/2019	30/06/2022	21/11/2025	-	-	3,333,334		3,333,334	-
17/12/2019	30/06/2020	21/11/2025	-	-	4,916,669	-	4,916,669	4,916,669
17/12/2019	30/06/2021	21/11/2025	-	-	2,950,000	(350,000)	2,600,000	-
17/12/2019	30/06/2022	21/11/2025	-	-	1,966,665	(233,333)	1,733,332	-
17/12/2019	30/06/2020	21/11/2025	-	-	2,458,334	(291,667)	2,166,667	-
17/12/2019	30/06/2021	21/11/2025	-	-	3,441,666	(408,333)	3,033,333	-
17/12/2019	30/06/2022	21/11/2025	-	-	3,933,334	(466,667)	3,466,667	-
17/12/2019	30/06/2022	21/11/2025	-	-	9,833,332	(1,166,666)	8,666,666	-
				6,666,667	39,500,000	(5,083,333)	41,083,334	7,583,336

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 2019				Number	Number	Number	Number	Number
4/12/2017	30/06/2020	28/11/2023	-	1,000,000	-	-	1,000,000	-
4/12/2017	30/06/2018	28/11/2023	-	666,666	-	(666,666)	-	-
4/12/2017	30/06/2019	28/11/2023	-	666,666	-	(666,666)	-	-
4/12/2017	30/06/2020	28/11/2023	-	666,667	-	-	666,667	-
4/12/2017	30/06/2020	28/11/2023	-	666,666	-	(666,666)	-	-
4/12/2017	30/06/2020	28/11/2023	-	666,667	-	(666,667)	-	-
4/12/2017	30/06/2020	28/11/2023	-	666,668	-	(666,668)	-	-
26/11/2018	30/06/2021	25/11/2024	-	-	1,000,000		1,000,000	-
26/11/2018	30/06/2019	25/11/2024	-	-	1,500,000		1,500,000	-
26/11/2018	30/06/2020	25/11/2024	-	-	833,333		833,333	-
26/11/2018	30/06/2021	25/11/2024	-	-	833,333		833,333	-
26/11/2018	30/06/2021	25/11/2024	-	-	833,334		833,334	-
				5,000,000	5,000,000	(3,333,333)	6,666,667	-

33. SHARE BASED PAYMENTS (continued)

(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 2020	*30 June 2019*
	$	*$*
Share rights granted under performance rights plan	**813,162**	120,696

34. 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 2020	*30 June 2019*
	$	*$*
Balance sheet		
Current assets	**3,177,761**	10,845,445
Non current assets	**159,113**	159,113
Total assets	**3,336,874**	11,004,558
Current liabilities	**-**	-
Non current liabilities	**-**	34,328
Total liabilities	**-**	34,328
Net assets	**3,336,874**	10,970,230
Shareholders' equity		
Contributed equity	**119,670,345**	119,586,245
Reserves	**4,233,734**	3,420,572
Accumulated losses	**(120,567,205)**	(112,036,587)
	3,336,874	10,970,230
(Loss) for the period	**(8,530,619)**	(15,071,168)
Total comprehensive (loss)	**(8,530,619)**	(15,071,168)

Included in the loss for the period is an impairment charge of $8,596,196 (2019: $15,236,858) against intercompany receivables.

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

The parent entity has not entered into any guarantees as at 30 June 2020 (2019: nil).

(c) Contingent liabilities of the parent entity

The parent entity does not have any contingent liabilities as at 30 June 2020 (2019: 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 2020 (2019: nil).

In the Directors' opinion:

(a) the financial statements and notes set out on pages 41 to 78 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 2020 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: 27 August 2020

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 2020 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 2020
- 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 (including Independence Standards)* (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 $10,017,689 and an operating cash outflow of $6,936,904 during the year ended 30 June 2020. This highlights that the ability to fund development, production and marketing of the Group's products is dependent on its ability to generate positive cashflows from operations and 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.

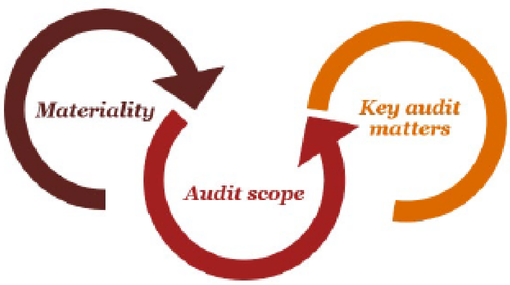
Our audit approach

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 flow electrolyte battery module ('ZBM') cells, which are manufactured and distributed from the Group's facility in Thailand. The Group sells batteries to a limited number of customers across the globe, with a focus on the key regions of Australia, New Zealand, South Africa and China.

The oversight and corporate governance and accounting processes are structured around a group finance function at its headquarters in Brisbane.



Materiality	*Audit scope*	*Key audit matters*
• For the purpose of our audit we used overall Group materiality of $466,000, which represents approximately 5% of the Group's loss before tax,	• Our audit focused on the areas of significant estimate and judgement, such as the valuation of inventory and the going concern basis of	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee:

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adjusted for inventory impairment which is an infrequent occurring item impacting the loss position.

- 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 evaluate the effect of misstatements on the financial report as a whole.
- We chose Group's adjusted 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.

preparation adopted for the financial report.

– Valuation of inventory
– Completeness and accuracy of the warranty provision

- These are further described in the *Key audit matters* section of our 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.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	***How our audit addressed the key audit matter***
Valuation of inventory *(Refer to note 13, note 2 and note 4) $5.6m* The Group carried an inventory balance of $5.6m as at 30 June 2020 which is net of provisions for diminution in value of raw materials of $0.9m and impairment of finished goods of $0.6m. The Group continues to pursue volume -based	We performed the following procedures, amongst others: • Assessed the Group's 30 June 2020 inventory provision methodology against the inventory provisioning policy, taking into account the current inventory ageing and our understanding of the Group's business and

Key audit matter	*How our audit addressed the key audit matter*
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 has estimated the provision for diminution in value of raw materials based on the inventory's physical condition as at 30 June 2020, taking into account any expected rectification work, planned usage and production forecasts. The Group has estimated the impairment of finished goods inventory based on its assessment of the most likely future external sales price of the batteries currently on hand. The valuation of inventory was a key audit matter due to: • The significance of the inventory balance in relation to the Group's consolidated balance sheet. • The judgement required in estimating the net realisable value of raw materials in order to determine the provision for diminution in value. • The increased judgement on the valuation of finished goods that is required due to the expected production of the Gen3 ZBM battery in FY21, which has increased the estimation uncertainty around the future external sales price of current batteries on hand. • The judgement required for determining the allocation of manufacturing overhead for each battery produced which determines the valuation of a battery unit and the gross margin of a battery sale.	inventory balances. • Evaluated the assumptions used by the Group to determine specific provisions recorded in relation to damaged / obsolete raw materials and batteries with reference to physical inspections and supporting documentation. • Assessed the valuation of the Group's 30 June 2020 finished goods on hand by comparing the carrying value per battery to recent external sales prices. In addition, we have discussed the future sales pipeline with management and vouched a sample of pipeline opportunities to supporting documentation in order to assess the most likely future external sales price of batteries. • Selected a sample of raw materials, and in order to assess whether these have been appropriately valued, traced this sample to the Bill of Materials ('BOM') listing, which is a list of all raw materials intended to be used over the next 12 months for the purpose of battery production. Where an individual raw material sample was not included on the BOM, ensured that this was appropriately provided for as part of the Group's provision for diminution in value of raw materials. • For a sample of individual raw material items, obtained relevant invoices to reperform the average cost calculation and compared this to the recorded average cost.
Completeness and accuracy of warranty provision *(Refer to note 20, note 2 and note 4) $1.03m* The Group carries a warranty provision of $1.03m at 30 June 2020 which covers the expected costs to repair or replace a battery unit or components of a battery unit with defects or functional errors. The Group has	We performed the following procedures, amongst others: • We assessed the assumptions underlying the accuracy and valuation of the provision by checking and corroborating the average cost of a battery used to calculate the warranty

Key audit matter	*How our audit addressed the key audit matter*
historically granted warranties over a ten-year period from sale of the battery to the customer. The provision is based on the Group's best estimate of the expected performance of the product, number of customers who may be entitled to claim the warranty, how often, and the costs of fulfilling the performance of the warranty. The completeness and accuracy of the warranty provision was a key audit matter due to: • The high degree of judgement required to estimate the total number of battery units that will require rework over the warranty period and the use of estimates giving rise to inherent uncertainty in the amounts recorded in the financial statements.	provision. • We considered the level of historical warranty claims to assess whether the total warranty provision held at year end was sufficient to cover expected costs in light of known and expected cases over the standard warranty period. • For a sample of batteries replaced during the year, we performed a "look-back" test to assess the ability of the Group to accurately forecast its warranty provision estimate against actual batteries replaced under warranty during the year. To assess the completeness of the Group's warranty provision, we performed the following procedures: • Performed a walkthrough to develop an understanding of how the Group assesses the completeness and valuation of the warranty provision. • Traced all battery sales made during the year to the warranty calculation to vouch that they were included in the provision.

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 2020, 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 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 on the other information that we obtained prior to the date of this auditor's report, 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.

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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 21 of the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of Redflow Limited for the year ended 30 June 2020 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
27 August 2020

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 24 August 2020.

(a) **Distribution of equity securities**

(i) Ordinary share capital

1,135,456,666 fully paid ordinary shares are held by 7,118 individual shareholders.
All issued ordinary shares carry one vote per share and carry the rights to dividends.

(ii) Options

5,000,100 options are held by 3 individual option holders

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

	Fully paid ordinary shares	Options
1 - 1,000	212	0
1,001 - 5,000	1,048	0
5,001 - 10,000	873	0
10,001 – 100,000	3,493	0
100,001 and over	1,492	3

	Parcel size	Shareholders
Holding less than a marketable parcel of shares at $0.024 per share	20,833	3,406

(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***
HACKETT CP NOMINEES PTY LTD	119,991,990	10.57%

(c) **Twenty largest holders of quoted equity securities**

	Ordinary shareholders	*Full Paid* *Number*	*Percentage*
1	HACKETT CP NOMINEES PTY LTD	119,991,990	10.57%
2	MFS FUND PTY LTD	25,200,000	2.22%
3	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD	17,786,048	1.57%
4	PLATE IMPRESSIONS PTY LTD	16,222,824	1.43%
5	MR JOHN RICHARD SERISIER & MRS SHELLEY ANN SERISIER	15,000,000	1.32%
6	LEH SOON YONG	14,728,032	1.30%
7	MR WERNER JOSEF GALLAUTZ	14,000,000	1.23%
8	CITICORP NOMINEES PTY LIMITED	13,592,862	1.20%
9	MR JUSTIN ERIC SCHAFFER	11,000,000	0.97%
9	KIDSKLUBS KARIONG PTY LTD	11,000,000	0.97%
10	DOWLING PROPERTIES PTY LTD	9,780,000	0.86%
11	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,578,619	0.84%
12	MR CHRISTOPHER LISTER LAWRANCE & MRS COLLEEN ALLISON LAWRANCE	8,569,999	0.75%
13	MR DAVID FREDERICK OAKLEY	8,450,000	0.74%
14	HAPPINESS INVESTMENTS PTY LTD	7,998,000	0.70%
15	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	7,154,561	0.63%
16	LHO LA PTY LTD	6,700,000	0.59%
17	666 PTY LTD	6,666,666	0.59%
18	MR IAIN CHANEY & MRS ANTONIA CHANEY	6,415,067	0.56%
19	MR JOHN RICHARD HOLDEN & MRS CHRISTINE ANN HOLDEN	6,000,000	0.53%
20	MR CHRISTOPHER JOHN FRANCIS	5,348,721	0.47%
		341,183,389	30.05%

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