Redflow Limited

ABN 49 130 227 271

Appendix 4D and Interim Financial Report

For the half-year ended 31 December 2019

Contents

Appendix 4D

Name of Entity :	Redflow Limited
ABN :	49 130 227 271
Reporting Period :	Half-year Ended 31 December 2019
Previous Corresponding Period :	Half-year Ended 31 December 2018

Results for announcement to the market

Results		**%**		**$**
Revenue from ordinary activities	up	**281.9%**	to	**1,436,544**
Loss from ordinary activities after tax attributable to members	down	**20.6%**	to	(3,899,156)
Net loss for the half-year attributable to members	down	**21.0%**	to	(3,895,328)
Dividends		-		-

The Directors do not recommend the payment of a dividend for the reporting period.

Brief explanation of the figures reported above

Please refer to the review of operations on page 4.

Net tangible assets per security

	31 December 2019	**31 December 2018**
Net tangible assets per security	$0.014	$0.021

Other information

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' Report and the consolidated financial report for the half-year ended 31 December 2019. The information should be read in conjunction with Redflow Limited's 2019 Annual Report and the attached Interim Financial Report. This report is based on the consolidated financial statements for the half-year ended 31 December 2019 which have been reviewed by PricewaterhouseCoopers.

Audit report or review with modified opinion, emphasis of matter or other matter paragraph.

The Group's independent review report for the half-year ended 31 December 2019 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 review report is included with the accompanying financial statements for the half-year ended 31 December 2019.

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 for the half-year ended 31 December 2019.

Directors

The following persons were Directors of Redflow Limited during the half-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	

Principle Activities

The principle activities of the Group consist of the development, manufacture and sale of its zinc-bromine flowing electrolyte battery module (ZBM).

Review of operations

The first half of FY2020 was an important period for Redflow as the Group continued to execute on its growth strategy. The strategy is based on four key pillars:

1. A customer focused sales strategy that leverages the battery's unique features and allows for rapid growth in sales in our target markets;
2. A stable manufacturing facility producing high quality batteries that can scale to commercial quantities;
3. Ongoing global technology and product leadership in zinc bromine flow battery technologies;
4. Management and personnel who can implement our strategic plan.

A number of achievements and milestones were achieved over the half-year period. These include:

- Initial first orders from key customers (notably Vodacom in South Africa and Rural Connectivity Group (RCG) in New Zealand) who are capable of ordering batteries at material volumes;
- A growing sales pipeline of opportunities with large telco customers in our target markets;
- A growing number of sites in Australia for remote power solutions and a reference deployment in Qinghai Province, China;
- Continued cost saving activities including: control of discretionary spend, headcount management and capital spend management; and
- Continued investment in key engineering projects, innovations in our target markets and R&D to drive cost down and ensure long term market leadership.

As we have consistently noted, the relaunch of any major product takes time and there are no shortcuts to being a global technology leader in flow batteries. Overall we are pleased with the progress over the first half of the financial year.

The loss of the Group after income tax on a consolidated basis for the half-year ended 31 December 2019 was $3,899,156 (2018: $4,912,239).

The Group's independent auditor's report for the half-year ended 31 December 2019, 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 half-year ended 31 December 2019.

Other developments

As we continue to execute on Redflow's long term growth strategy, we are developing our sales pipeline, maintaining production and executing on our projects to reduce the cost of our batteries. This will see the business continue to be cash-flow negative for some time. While we forecast that with continued prudent cost management and increase in sales, our cash burn will reduce, the business will need additional working capital this year. As noted in the 2019 AGM Chairman's address, Management and the Board have been evaluating potential sources of working capital to support Redflow's long term growth strategy.

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 6.

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

Brett Johnson
Chairman
Brisbane
27 February 2020

Auditor’s independence declaration

For the half-year ended 31 December 2019

Auditor’s Independence Declaration

As lead auditor for the review of Redflow Limited for the half-year ended 31 December 2019, 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 review; and

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

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

Simon Neill
Partner
PricewaterhouseCoopers

Brisbane
27 February 2020

Consolidated statement of comprehensive income

For the half-year ended 31 December 2019

	Note	***31 December 2019 $***	*31 December 2018 $*
Revenue from continuing operations			
Sale of goods	4	**1,436,544**	376,144
		1,436,544	376,144
Other income	5	**2,104,797**	1,878,173
Expenses			
Raw materials and consumables used		**(2,694,850)**	(1,484,444)
Other expenses from ordinary activities:			
Payroll expenses		**(2,979,715)**	(3,955,358)
Administrative expenses		**(283,407)**	(286,617)
Depreciation and amortisation	6	**(441,203)**	(305,866)
Professional fees		**(358,225)**	(305,732)
Business development		**(177,805)**	(156,841)
Travel and accommodation expense		**(207,100)**	(246,536)
Rent, storage and utilities expense		**(130,171)**	(231,061)
Interest and finance expense		**(4,223)**	(12,588)
Other expenses		**(119,513)**	(181,513)
Loss before income tax		**(3,854,871)**	(4,912,239)
Income tax expense		**(44,285)**	-
Loss for the half-year		**(3,899,156)**	(4,912,239)
Other comprehensive income/(loss) for the half-year		**3,828**	(18,362)
Total comprehensive loss for the half-year		**(3,895,328)**	(4,930,601)
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Group:		***Cents***	*Cents*
Basic earnings per share	16	**(0.43)**	(0.69)
Diluted earnings per share	16	**(0.43)**	(0.69)

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

Consolidated balance sheet

As at 31 December 2019

	Note	***31 December 2019 $***	*30 June 2019 $*
ASSETS			
Current assets			
Cash and cash equivalents	8	**5,023,071**	10,902,466
Trade and other receivables		**138,363**	61,314
Inventories	9	**7,341,935**	7,866,933
Other current assets		**2,341,990**	316,030
Total current assets		**14,845,359**	19,146,743
Non-current assets			
Property, plant and equipment	10	**1,004,406**	1,089,681
Intangible assets	11	**620,532**	606,609
Right of use assets	2	**170,106**	-
Total non-current assets		**1,795,044**	1,696,290
TOTAL ASSETS		**16,640,403**	20,843,033
LIABILITIES			
Current liabilities			
Trade and other payables		**494,052**	1,054,647
Lease liabilities	2	**92,673**	-
Other current liabilities		**440,184**	759,404
Provisions	12	**1,582,512**	1,313,359
Total current liabilities		**2,609,421**	3,127,410
Non-current liabilities			
Lease liabilities	2	**77,547**	-
Provisions	12	**152,287**	118,083
Total non-current liabilities		**229,834**	118,083
TOTAL LIABILITIES		**2,839,255**	3,245,493
NET ASSETS		**13,801,148**	17,597,540
EQUITY			
Contributed equity	13	**119,624,137**	119,586,245
Reserves		**3,474,874**	3,410,002
Accumulated losses		**(109,297,863)**	(105,398,707)
TOTAL EQUITY		**13,801,148**	17,597,540

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

Consolidated statement of changes in equity

For the half-year ended 31 December 2019

	Note	Contributed equity	Reserves	Accumulated losses	Total
		Attributable to owners of Redflow Limited			
		$	$	$	$
Balance at 1 July 2019		**119,586,245**	**3,410,002**	**(105,398,707)**	**17,597,540**
Loss for the half-year		**-**	**-**	**(3,899,156)**	**(3,899,156)**
Other comprehensive income		**-**	**3,828**	**-**	**3,828**
Total comprehensive loss for the half-year		**-**	**3,828**	**(3,899,156)**	**(3,895,328)**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs		**37,892**	**-**	**-**	**37,892**
Employee share options - value of employee services		**-**	**61,044**	**-**	**61,044**
		37,892	**61,044**	**-**	**98,936**
Balance at 31 December 2019	13	**119,624,137**	**3,474,874**	**(109,297,863)**	**13,801,148**
Balance at 1 July 2018		111,300,911	3,314,848	(93,828,711)	20,787,048
Loss for the half-year		-	-	(4,912,239)	(4,912,239)
Other comprehensive income/(loss)		-	(18,362)	-	(18,362)
Total comprehensive loss for the half-year		-	(18,362)	(4,912,239)	(4,930,601)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs		4,632	-	-	4,632
Employee share options - value of employee services		-	57,867	-	57,867
		4,632	57,867	-	62,499
Balance at 31 December 2018		111,305,543	3,354,353	(98,740,950)	15,918,946

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

Consolidated statement of cash flows

For the half-year ended 31 December 2019

	31 December 2019 $	*31 December 2018 $*
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	**1,390,390**	613,102
Payments to suppliers and employees (inclusive of goods and services tax)	**(6,898,404)**	(10,200,339)
Grants/R&D tax incentive received	**40,000**	-
Interest received	**48,951**	125,447
Interest and finance charges paid	**(4,223)**	(9,310)
Income tax paid	**(36,370)**	-
Net cash (outflow) from operating activities	**(5,459,656)**	(9,471,100)
Cash flows from investing activities		
Payment for property, plant and equipment	**(111,023)**	(351,903)
Purchase of intangible assets	**(123,867)**	(73,264)
Net cash (outflow) from investing activities	**(234,890)**	(425,167)
Cash flows from financing activities		
Transaction costs from capital raising	**(66,154)**	-
Principal elements of lease payments	**(93,414)**	-
Net cash (outflow) from financing activities	**(159,568)**	-
Net increase / (decrease) in cash and cash equivalents	**(5,854,114)**	(9,896,267)
Effects of currency translation on cash and cash equivalents	**(25,281)**	20,219
Cash and cash equivalents at beginning of half-year	**10,902,466**	17,732,832
Cash and cash equivalents at end of half-year	**5,023,071**	7,856,784

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") and its controlled entities (the "Group") for the half-year ended 31 December 2019 was authorised for issue in accordance with a resolution of the Directors on 27 February 2020.

Redflow Limited is a company limited by shares incorporated and domiciled in Australia.

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

2 BASIS OF PREPARATION

This general purpose condensed consolidated financial report for the half-year ended 31 December 2019 has been prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001.*

The half-year financial report does not include all notes of the type normally included within the annual financial report.

Accordingly, this financial report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Redflow Limited during the interim reporting period in accordance with the continuous disclosure obligations of the ASX listing rules.

The accounting policies adopted are consistent with those of the previous financial year ended 30 June 2019 and corresponding interim financial reporting period with the exception of the following accounting standards which the Group has applied for the first time for their half-year reporting period commencing 1 July 2019:

- AASB 16 Leases

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.

Changes in accounting policies

The Group has adopted AASB 16 retrospectively from 1 July 2019 but has not restated comparatives for the 2018 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
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

2 BASIS OF PREPARATION (continued)

For lease contracts in place at 1 July 2019, the Group has continued to apply its existing definition of leases under current accounting standards ("grandfathering"), instead of reassessing whether existing contracts are or contain a lease at the date of application of the new standard.

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

- right of use assets – increase by $255,163
- lease liabilities – increase by $255,163.

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

	2019
	$
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	(3,304)
Lease liability recognised as at 1 July 2019	255,163
Payments allocated to lease liability	(93,414)
Foreign exchange movement	8,471
Lease liability closing balance as at 31 December 2019	170,220
Of which are:	
Current lease liabilities	92,673
Non-current lease liabilities	77,547
	170,220
Associated right of use asset recognised as at 1 July 2019	255,163
Less depreciation	(93,528)
Foreign exchange movement	8,471
Carrying amount - closing as at 31 December 2019	170,106

The adoption of AASB 16 resulted in the following changes to accounting policies.

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.

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.

2 BASIS OF PREPARATION (continued)

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 recognised on a straight-line basis as an expense in profit or loss. In the cash flow statements, the total amount of cash paid is presented within operating activities.

(a) Going concern

The Group made an operating loss after income tax of $3,899,156 (2018: $4,912,239) and an operating cash outflow of $5,459,656 (2018: $9,471,100) for the half-year ended 31 December 2019. Cash held at bank as at 31 December 2019 was $5,023,071 (30 June 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.

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:

- Subsequent to the balance date, on 9 January 2020, the Group received $2,014,854 for the 30 June 2019 Research and Development tax refund;
- Announced sale of batteries in target markets and industries with key end customers (notably Vodacom in South Africa and RCG in New Zealand) with expectations of follow-on orders from these customers and other sales opportunities in these markets;
- Undertaking activities to source additional funding including:
    - CEO and CFO recently undertook a national roadshow presenting to Brokers and shareholders in Sydney, Melbourne and Perth;
    - Continuing discussions with EFIC to obtain working capital funding for export orders;
    - Engagement with individuals, suppliers and other sources of potential investment;
- Continuing cost saving activities including: management of discretionary spend, headcount management and, where prudent, delaying capital spend.

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 raise additional equity or export finance and, accordingly, have prepared this interim 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 interim financial report as at 31 December 2019.

Accordingly, no adjustments have been made to the interim 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.

3 SEGMENT REPORTING

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

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

Given the conditions stated above, management has determined that there are no separately reportable operating segments. The Group operates as one reportable segment and the segment results are the same as those reported in the financial statements. The Group is not reliant on one single customer, however sales to one customer for the half-year period amounted to just over 50% of the total sales revenue with the balance split amongst five main customers.

4 REVENUE FROM CONTRACTS WITH CUSTOMERS

	31 December 2019 $	*31 December 2018 $*
From continuing operations		
Sales revenue		
Sale of goods	**1,436,544**	376,144
	1,436,544	376,144

5 OTHER INCOME

	31 December 2019 $	*31 December 2018 $*
Other Income		
Interest	**49,943**	126,606
Other revenue (R&D Tax Claim)	**2,014,854**	1,751,567
Grant revenue (Export Market Development Grant)	**40,000**	-
Total other income	**2,104,797**	1,878,173

6 DEPRECIATION AND AMORTISATION

	31 December 2019 $	*31 December 2018 $*
Loss before income tax includes the following specific expenses:		
Depreciation and amortisation		
Depreciation	**351,409**	219,826
Amortisation	**89,794**	86,040
Total depreciation and amortisation	**441,203**	305,866

7 FINANCIAL ASSETS AND LIABILITIES

	Note	***31 December 2019 $***	*30 June 2019 $*
Financial assets at amortised cost			
Trade receivables		**138,363**	61,314
Other receivables		**2,341,990**	316,030
Cash and cash equivalents	8	**5,023,071**	10,902,466
		7,503,424	11,279,810
Financial liabilities at amortised cost			
Trade and other payables		**494,052**	1,054,647
		494,052	1,054,647

8 CASH AND CASH EQUIVALENTS

	31 December 2019 $	*30 June 2019 $*
Cash at bank and in hand	**5,023,071**	10,902,466
	5,023,071	10,902,466

9 INVENTORIES

	31 December 2019 $	*30 June 2019 $*
At cost		
Raw Materials	**4,509,024**	4,576,920
Finished goods	**3,656,538**	4,103,054
Provision for diminution in value	**(823,627)**	(813,041)
	7,341,935	7,866,933

The increase in the provision for diminution in value amounted to $10,586. This was recognised as an expense during the half-year ended 31 December 2019 and included in ‘raw materials and consumables used’.

10 PROPERTY, PLANT AND EQUIPMENT

	31 December 2019 $	*30 June 2019 $*
Plant and equipment		
At cost	**4,776,259**	4,593,653
Accumulated depreciation	**(3,802,223)**	(3,537,628)
Net carrying amount	**974,036**	1,056,025
Leasehold improvements		
At cost	**611,685**	611,685
Accumulated depreciation	**(581,315)**	(578,029)
Net carrying amount	**30,370**	33,656
Total property, plant and equipment		
At cost	**5,387,944**	5,205,338
Accumulated depreciation	**(4,383,538)**	(4,115,657)
Net carrying amount	**1,004,406**	1,089,681

(a) Reconciliation of carrying amount at beginning and end of the period

	31 December 2019 $	*30 June 2019 $*
Plant and equipment		
Carrying amount - opening	**1,056,025**	975,667
Additions	**159,619**	568,030
Disposal	**-**	(12,076)
Depreciation charge	**(254,596)**	(504,850)
Foreign exchange movement	**12,988**	29,254
Carrying amount - closing	**974,036**	1,056,025
Leasehold improvements		
Carrying amount - opening	**33,656**	48,573
Depreciation charge	**(3,286)**	(14,917)
Carrying amount - closing	**30,370**	33,656
Total Property, plant and equipment		
Carrying amount - opening	**1,089,681**	1,024,240
Additions	**159,619**	568,030
Disposal	**-**	(12,076)
Depreciation charge	**(257,882)**	(519,767)
Foreign exchange movement	**12,988**	29,254
Carrying amount - closing	**1,004,406**	1,089,681

11 INTANGIBLE ASSETS

	31 December 2019 $	30 June 2019 $
Patents, trademarks and designs		
Cost (gross carrying amount)	**1,499,441**	1,395,724
Accumulated amortisation	**(885,242)**	(801,781)
Net carrying amount	**614,199**	593,943
Capitalised lease surrender		
Cost (gross carrying amount)	**163,350**	163,350
Accumulated amortisation and impairment	**(163,350)**	(163,350)
Net carrying amount	**-**	-
Software		
Cost (gross carrying amount)	**161,786**	161,786
Accumulated amortisation	**(155,453)**	(149,120)
Net carrying amount	**6,333**	12,666
Total intangible assets		
Cost (gross carrying amount)	**1,824,577**	1,720,860
Accumulated amortisation and impairment	**(1,204,045)**	(1,114,251)
Net carrying amount	**620,532**	606,609

(a) Reconciliation of carrying amount at beginning and end of the period

	31 December 2019 $	30 June 2019 $
Patents, trademarks and designs		
Carrying amount - opening	**593,943**	594,813
Additions	**103,716**	155,827
Amortisation charge	**(83,460)**	(156,697)
Carrying amount - closing	**614,199**	593,943
Software		
Carrying amount - opening	**12,666**	34,278
Additions	**-**	-
Amortisation charge	**(6,333)**	(21,612)
Carrying amount - closing	**6,333**	12,666
Total intangible assets		
Carrying amount - opening	**606,609**	629,091
Additions	**103,716**	155,827
Amortisation charge	**(89,793)**	(178,309)
Carrying amount - closing	**620,532**	606,609

12 PROVISIONS

	31 December 2019 $	30 June 2019 $
Current		
Annual leave	**292,343**	276,860
Warranty claims	**1,215,865**	953,234
Long service leave	**74,304**	83,265
	1,582,512	1,313,359
Non-current		
Long service leave	**152,287**	118,083
	152,287	118,083

13 CONTRIBUTED EQUITY

	31 December 2019 Shares	30 June 2019 Shares	31 December 2019 $	30 June 2019 $
(a) Share capital				
Ordinary shares				
Fully paid	**915,215,292**	913,772,004	**119,624,137**	119,586,245
	915,215,292	913,772,004	**119,624,137**	119,586,245

(b) Movements in ordinary share capital:

Date	*Details*	*No. of shares*	*Issue price*	*$*
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
	Less: transaction costs arising on share issue (iii)			(19,743)
31-Dec-19	Balance	915,215,292		119,624,137

(i) On October 1 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, 143,714 to Mr David Brant, 122,865 to Mr John Lindsay, 144,642 to Ms Jenny Macdonald and 122,865 to Mr David Knox.
(ii) On October 1 2019, Redflow Limited issued 685,807 ordinary shares to Executives of the Group in lieu of cash bonuses.
(iii) Transaction costs were associated with the capital raising in May 2019.

(c) 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.

13 CONTRIBUTED EQUITY (continued)

(d) Capital 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.

14 CONTINGENCIES

The Group had no contingent liabilities at 31 December 2019 (2018: $nil).

15 COMMITMENTS

The Group had no additional commitments at 31 December 2019 (2018 : $21,204) in committed capital for Plant & Equipment purchases.

16 EARNINGS PER SHARE

	31 December 2019 Cents	*31 December 2018 Cents*
(a) Basic and dilutive earnings per share		
Total basic and dilutive earnings per share attributable to the ordinary equity holders of the Group		
From continuing operations	**(0.43)**	(0.69)

(b) Reconciliation of earnings used in calculating earnings per share

	31 December 2019 $	*31 December 2018 $*
Basic and dilutive earnings per share		
Loss attributable to the ordinary equity holders of the Group used in calculating earnings per share:-		
From continuing operations	**(3,899,156)**	(4,912,239)

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

	31 December 2019 Number	*31 December 2018 Number*
Basic and dilutive earnings per share		
Weighted average number of ordinary shares used as the denominator in calculating earnings per share	**914,489,705**	712,505,697

For half-year ended 31 December 2019, options granted to employees and external parties 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. Options issued have not been included in the determination of basic earnings per share.

17 EVENTS AFTER BALANCE DATE

Subsequent to balance date on 9 January 2020 the Group has received the R&D tax refund of $2,014,854 which is included in Other current assets at 31 December 2019.

Except for the event listed above, there has been no other matter or circumstance after balance date not otherwise dealt with in the interim financial report that has significantly affected the Group.

18 RELATED PARTY TRANSACTIONS

The following transactions occurred with related parties.

	31 December 2019 $	*31 December 2018 $*
Payroll expenses paid to related party employees	**28,000**	-

The closing balance in Provision for warranty specifically relating to entities controlled by key management personnel was $nil (2018: $112,046).

Directors' declaration
For the half-year ended 31 December 2019

In the Directors' opinion:

(a) the financial statements and notes set out on pages 7 to 20 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 consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

(b) there are reasonable grounds to believe that Redflow Limited will be able to pay its debts as and when they become due and payable.

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

Brett Johnson
Chairman

Brisbane
Date 27 February 2020

Independent auditor's review report to the members of Redflow Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Redflow Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated balance sheet as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Redflow Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Redflow Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty related to going concern

We draw attention to Note 2(a) in the half-year financial report, which indicates that the Group incurred an operating loss after income tax of $3,899,156 during the half-year ended 31 December 2019 and an operating cash outflow from operating activities of $5,459,656 and highlights that the ability to fund development, production and marketing of the Group's products is dependent on its ability to generate positive cash flow 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 about the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

PricewaterhouseCoopers

Simon Neill
Partner

Brisbane
27 February 2020