RECTIFIER TECHNOLOGIES LTD

ABN: 82 058 010 692

ANNUAL REPORT 2020

COMPANY PARTICULARS

BOARD OF DIRECTORS
Mr. Ying Ming Wang
Mr. Yanbin Wang
Mr. Valentino Vescovi
Mr. Nigel Machin

SECRETARY
Mr. Justyn Stedwell

REGISTERED AND BUSINESS OFFICE
Rectifier Technologies Ltd
97 Highbury Road
BURWOOD, VIC 3125
Telephone: + 61 3 9896 7550
Facsimile: + 61 3 9896 7566

MANUFACTURING FACILITY- MALAYSIA
Rectifier Technologies (M) Sdn Bhd
No. 5, 7 & 9, Jalan Laman Setia 7/8
Taman Laman Setia
81550 GELANG PATAH, JOHOR
MALAYSIA
Telephone: + 60 7 522 6006
Facsimile: + 60 7 522 6060

SHARE REGISTRY
Computershare Investor Services Pty Ltd
452 Johnston Street
ABBOTSFORD, VIC 3067
Telephone: 1300 137 328

BANKERS
ANZ Banking Group Limited
10 Main Street
BOX HILL, VIC 3128

FINANCIERS
Scottish Pacific Benchmark Group
Level 2, 441 St Kilda Rd
MELBOURNE, VIC 3004

AUDITORS
Grant Thornton Audit Pty Ltd
Collins Square, Tower 5
727 Collins Street
MELBOURNE, VIC 3008

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CHAIRMAN'S REPORT

Financial Results

The total revenues decreased by approximately 11.33% to $16.7 million from $18.9 million in the previous reporting period.

The decrease in total revenues during the year to 30 June 2020 was due to the impact from the COVID-19 pandemic. To protect the safety and health of the public, the Government has imposed restrictions on movement, including in each jurisdiction that the Company has been operating. The Company's factory in Malaysia was required by local authorities to shut down in the middle of March and was reopened under a limited capacity in April. This factory has resumed full operation since May 2020.

The Company reported a profit before tax of $3.1 million compared to a profit of approximate $3.3 million in the previous reporting period, a slight decline in the profit before income tax despite the global economics negatively impacted by COVID-19. However, the Company was still able to report a profit with support from the Governments in each operating jurisdiction, financial institutions, key stakeholders and our own reserves. The effective plan enables us to mitigate risk exposure.

The results for the 12 months to June 2020 compared with those of the previous corresponding period are shown in the following table.

	($'000')	
	2020	**2019**
Revenue from continuing operations (refer to note 3)	16,735	18,874
Gross Profit	8,565	7,962
Gross Margin %	54%	45%
Profit from continuing operations before tax	3,085	3,339
Income Tax Expense	(1,263)	(1,212)
Profit from continuing operations after tax	1,822	2,127
Net Profit	1,822	2,127

Funding

On 6 February 2017, Rectifier Technologies Malaysia obtained a loan amounting to MYR$5,460,000 from Public Bank Berhad to acquire a new manufacturing facility. After monthly repayments, the carrying amount of the loan was MYR$5,006,564 at the end of reporting period of 2020. On 7 October 2019, Rectifier Technologies Malaysia obtained another loan amounting to MYR$2,730,000 from the same bank to acquire an additional new block factory. After monthly repayments, the carrying amount of the loan was MYR$2,718,938 at end of reporting period of 2020. The total balance of the loans was MYR$7,725,502 at the end of the current reporting period.

Options Granted as Employee Benefits

As per the ASX announcement made on 9 August 2019, the Company granted 42,000,000 share options of its common stock to employees under its Employee Share Option Plan (ESOP) at an exercise price of $0.07 on 22 July 2019. Options under this plan vest immediately allowing the holder to purchase one ordinary share per option, exercisable in multiples of 100,000. The maximum term of the options granted under the ESOP ends on 13 September 2022. The weighted average fair value of options granted has been calculated as $0.015 per option. All granted employee options were immediately recognised as an expense in the statement of profit or loss with a corresponding credit to share option reserve for the value of $630,000 according to AASB 2.

Review of Operations

During the current reporting period, we moved into a new office premises with upgraded R&D facilities (Melbourne, Australia) and an additional new block factory (Johor Bahru, Malaysia). Our new Melbourne office premises has doubled our total floor space and enables us to continue investing effectively in the development of new products for both traditional industrial power and new energy markets. The additional block factory acquired in Malaysia is expected to increase our total production capacity as needed in the future.

The Company has adapted the effective plan like many others during this COVID-19 period and supported by good business fundamentals and a strong reserve built up from profits accumulated over the past several years, impacts to our business were mitigated.

There were no retrenchments in any of our 3 main offices during the current reporting period, in fact additional engineers were added to R&D team at our Melbourne office. Our engineering team in Melbourne has continued to work remotely with the exception of a restricted number of technician staff on-site, in compliance with Victorian Government regulations.

Outlook

Despite the challenges of 2020, the Company has continued to expand its R&D capability to enable the delivery of new products to increase our market share in New Energy applications including E-Mobility. In addition to the major developments of our ‘Highbury DC Bi-Directional Charger’ and ‘RT22 50KW EV Charger Module’, we are also developing a high voltage input rectifier for the defense industry. We are now anticipating these products to be released in 2021.

On behalf of the Board

Ying Ming Wang

Chairman

Dated this 30th day of September 2020

DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2020.

Directors

The names of directors in office at any time during or since the end of the year are:
Mr. Ying Ming Wang
Mr. Yanbin Wang
Mr. Valentino Vescovi
Mr. Nigel Machin

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

Mr. Justyn Stedwell was appointed as Company Secretary on 31 July 2014. He is a professional Company Secretary with over 10 years' experience as a Company Secretary of ASX listed companies. Mr Stedwell holds Bachelor of Commerce from Monash University and a Graduate Diploma in Accounting from Deakin University.

Principal Activities

The principal activities of the consolidated entity during the financial year were the design and manufacture of high efficiency power rectifiers, and the production of electronic and specialised magnetic components.

Operating Results

The consolidated profit of the Group after providing for income tax amounted to a profit of $1,821,638 compared to a profit of $2,127,038 in 2019.

Review of Operations, Financial Position and Business Strategies

Specific information on the review of operations, financial position and business strategies is stated in the Chairman's Report.

Likely Developments

Information on likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years is stated in the Chairman's Report.

Dividends Paid or Recommended

No dividend was paid or recommended during the financial year.

Significant Changes in State of Affairs

There are no other significant changes in the state of affairs of the consolidated Group other than these referred to under the heading "Likely Developments".

Matters subsequent to the end of the financial year

Subsequent to 30 June 2020, on 11 August 2020, the company has announced a less than marketable parcel sale facility for holders of less than marketable parcels of the Company's shares.

On 31 August 2020. The company declared to pay a 0.1 cent ($0.001) per share fully franked dividend

The key proposed dates in relation to the financial year 2020 dividend are as follows:

Ex Date - 29 October 2020

Record Date - 30 October 2020

Payment Date - 8 December 2020

DIRECTORS'REPORT

Environmental Issues

The consolidated entity's operations are not subject to significant environmental regulation under the law of the Commonwealth or of a State.

Information on Directors

Mr. Ying Ming Wang	**-**	Director (Non-executive)
Qualification	-	Ph. D in Science
Experience	-	Board Member since June 2006
Interest in Shares and Options	-	224,643,616 Ordinary Shares of Rectifier Technologies Ltd
Mr. Yanbin Wang	**-**	Director and CEO
Qualifications	-	Master of Law, Bachelor of Philosophy
Experience	-	Board Member since August 2010
Interest in Shares and Options	-	70,000,000 Ordinary Shares of Rectifier Technologies Ltd
Mr. Valentino Vescovi	**-**	Director (Non-executive)
Qualifications	-	Master of Science, Bachelor of Science
Experience	-	Board member 2003-2010 and from 30 October 2012
Interest in Shares and Options	-	30,600,000 Ordinary Shares, and 7,040,000 unlisted options exercisable at 2c each
Mr. Nigel Machin	**-**	Director and Head of Power Engineering
Qualification	-	Bachelor of Engineering
Experience	-	Board member since 3 April 2017
Interest in Shares and Options	-	22,010,000 Ordinary Shares, and 1,800,000 unlisted options exercisable at 2c each

Audited Remuneration Report

This report details the nature and amount of remuneration for each director of Rectifier Technologies Ltd and other key management personnel. The Remuneration Report is audited.

Remuneration Policy

The remuneration policy of Rectifier Technologies Ltd has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated entity's financial results. The Board of Rectifier Technologies Ltd believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the consolidated entity, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the consolidated entity is as follows:

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the consolidated entity's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board has discretion in relation to approving incentives, bonuses and options. Any changes must be justified by reference to measurable performance criteria.

The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives and Key management personnel are also entitled to participate in the share option arrangements.

The executive directors and key management personnel receive a superannuation guarantee contribution required by the local Government and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

DIRECTORS'REPORT

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Should shares be given to directors or executives, they would be valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using an appropriate methodology.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the consolidated entity.

Performance Based Remuneration

As part of each executive director and executive's remuneration package there may be a performance-based component, consisting of key performance indicators (KPI's). The intention of this program is to facilitate goal congruence between directors/executives with that of the business and shareholders. Where applicable, the KPI's are set annually, with a certain level of consultation with directors/executives to ensure buy-in. The measures are specifically tailored to the areas each director/executive is involved in and has a level of control over. The KPI's target areas the Board believes hold greater potential for Group expansion and profit, covering financial and non-financial as well as short-term and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

Performance in relation to the KPI's is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPI's achieved. Following the assessment, the KPI's are reviewed by the Board in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPI's are set for the following year.

In determining whether or not a KPI has been achieved, Rectifier Technologies Ltd bases the assessment on audited figures, however, where the KPI involves comparison of individual performance within the Group, management reports which form the foundation for the Group audited results are used.

Names and positions held of Directors and Key Management Personnel of the Group in office at any time during the financial year are:

Directors

Mr. Ying Ming Wang	Chairman – Non-Executive
Mr. Yanbin Wang	Director – Executive and Chief Executive Officer
Mr. Valentino Vescovi	Director – Non-Executive
Mr. Nigel Machin	Director – Executive and Head of Power Engineering

Other Key Management Personnel

Mr. Paul Davis	Operations Manager – Rectifier Technologies Pacific Pty Ltd
Mr. Seong Bow Lee	General Manager – Rectifier Technologies (M) Sdn Bhd
Mr. Nicholas Yeoh	Director of Sales & Marketing – Rectifier Technologies Singapore Pte Ltd

Mr. Wang Yanbin and Mr Nigel Machin were executives of the parent entity in 2020.

Mr. Nicholas Yeoh has been appointed as the director of Rectifier Technologies Singapore Pte Ltd on 3rd July 2019.

DIRECTORS' REPORT

Key Management Personnel Compensation Consolidated Entity

2020	Short-term employee benefits			Long-term employee benefits	Post-employment benefits		Share-based payment	
	Cash salary and fees	Cash bonus	Non-monetary benefits	Long Service Leave	Super-annuation	Retirement benefits	Shares	Total
Name	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Parent Entity Directors								
Mr. Ying Ming Wang	15,750	-	-	-	-	-	-	15,750
Mr. Yanbin Wang (CEO)	353,160	44,884	21,075	-	6,912	-	-	426,031
Mr. Valentino Vescovi	10,500	-	-	-	-	-	-	10,500
Mr. Nigel Machin	179,045	22,836	-	6,256	29,691	-	-	237,828
Other Key Management Personnel								
Subsidiary Entities								
Mr. Paul Davis	150,546	26,022	-	5,515	25,151	-	-	207,234
Mr. Seong Bow Lee	92,752	10,690	1,054	-	12,715	-	-	117,211
Mr. Nicholas Yeoh	296,864	35,267	1,940	-	-	-	-	334,071
Total	1,098,617	139,699	24,069	11,771	74,469	-	-	1,348,625

In 2020, 10.54% of Mr. Yanbin Wang's remuneration, 9.60% of Mr. Nigel Machin's remuneration, 9.12% of Mr. Seong Bow Lee's remuneration, 10.56% of Mr. Nicholas Yeoh and 12.56% of Mr. Paul Davis' remuneration were performance based. The cash bonus were approved upon payment on 31/01/2020.

2019	Short-term employee benefits			Long-term employee benefits	Post-employment benefits		Share-based payment	
	Cash salary and fees	Cash bonus	Non-monetary benefits	Long Service Leave	Super-annuation	Retirement benefits	Shares	Total
Name	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Parent Entity Directors								
Mr. Ying Ming Wang	8,750	-	-	-	-	-	-	8,750
Mr. Yanbin Wang (CEO)	304,288	31,465	31,654	-	-	-	-	367,407
Mr. Valentino Vescovi	8,333	-	-	-	-	-	-	8,333
Mr. Nigel Machin	169,685	14,738	-	3,135	28,032	-	-	215,590
Other Key Management Personnel								
Subsidiary Entities								
Mr. Paul Davis	139,852	19,663	-	2,641	26,654	-	-	188,810
Mr. Seong Bow Lee	81,524	8,238	841	-	10,092	-	-	100,695
Mr. Nicholas Yeoh	264,283	22,030	998	-	-	-	-	287,311
Total	976,715	96,134	33,493	5,776	64,778	-	-	1,176,896

In 2019, 8.56% of Mr. Yanbin Wang's remuneration, 6.84% of Mr. Nigel Machin's remuneration, 8.18% of Mr. Seong Bow Lee's remuneration, 7.67% of Mr. Nicholas Yeoh and 10.41% of Mr. Paul Davis' remuneration were performance based. The cash bonus were approved upon payment on 28/02/2019.

DIRECTORS' REPORT

Key Management Personnel Compensation Consolidated Entity

Options and Rights Holdings

Number of share options of Rectifier Technologies Ltd held by Key Management Personnel in the parent and consolidated entity are as follows:

2020	Balance 1.7.19	Options Exercised	Net Change Other	Balance 30.6.20	Total Vested 30.6.20	Total Vested & Exercisable	Total Vested & Unexercisable
Parent Entity Directors							
Mr. Ying Ming Wang	-	-	-	-	-	-	-
Mr. Yanbin Wang	-	-	-	-	-	-	-
Mr. Valentino Vescovi	7,040,000	-	-	7,040,000	7,040,000	7,040,000	-
Mr. Nigel Machin	1,800,000	-	-	1,800,000	1,800,000	1,800,000	-
Other Key Management Personnel of the Group							
Subsidiary Entities							
Mr. Paul Davis	-	-	3,000,000	3,000,000	3,000,000	3,000,000	-
Mr. Seong Bow Lee	-	-	3,000,000	3,000,000	3,000,000	3,000,000	-
Mr. Nicholas Yeoh	-	-	3,000,000	3,000,000	3,000,000	3,000,000	-
Total	8,840,000	-	9,000,000	17,840,000	17,840,000	17,840,000	-

Number of share options of Rectifier Technologies Ltd held by Key Management Personnel in the parent and consolidated entity are as follows:

2019	Balance 1.7.18	Options Exercised	Net Change Other	Balance 30.6.19	Total Vested 30.6.19	Total Vested & Exercisable	Total Vested & Unexercisable
Parent Entity Directors							
Mr. Ying Ming Wang	-	-	-	-	-	-	-
Mr. Yanbin Wang	-	-	-	-	-	-	-
Mr. Valentino Vescovi	7,040,000	-	-	7,040,000	7,040,000	7,040,000	-
Mr. Nigel Machin	1,800,000	-	-	1,800,000	1,800,000	1,800,000	-
Other Key Management Personnel of the Group							
Subsidiary Entities							
Mr. Paul Davis	-	-	-	-	-	-	-
Mr. Seong Bow Lee	-	-	-	-	-	-	-
Mr. Nicholas Yeoh	-	-	-	-	-	-	-
Total	8,840,000	-	-	8,840,000	8,840,000	8,840,000	-

DIRECTORS' REPORT

Key Management Personnel Compensation Consolidated Entity

Shareholdings

2020

Number of Shares held by Parent Entity Directors and Other Key Management Personnel in Rectifier Technologies Ltd.

	Balance 1.7.19	Received as Director Loan Repayment	Received as Remuneration Employee Share Scheme	Net Change Other	Balance 30.6.20
Parent Entity Directors					
Mr. Ying Ming Wang	224,643,616	-	-	-	224,643,616
Mr. Yanbin Wang	70,000,000	-	-	-	70,000,000
Mr. Valentino Vescovi	37,821,196	-	-	(7,221,196)	30,600,000
Mr. Nigel Machin	22,010,000	-	-	-	22,010,000
Other Key Management Personnel of the Group					
Subsidiary Entities					
Mr. Paul Davis	5,000,000	-	-	-	5,000,000
Mr. Seong Bow Lee	2,767,550	-	-	-	2,767,550
Mr. Nicholas Yeoh	20,500,000	-	-	-	20,500,000
Total	382,742,362	-	-	(7,221,196)	375,521,166

2019

Number of Shares held by Parent Entity Directors and Other Key Management Personnel in Rectifier Technologies Ltd.

	Balance 1.7.18	Received as Director Loan Repayment	Received as Remuneration Employee Share Scheme	Net Change Other	Balance 30.6.19
Parent Entity Directors					
Mr. Ying Ming Wang	224,643,616	-	-	-	224,643,616
Mr. Yanbin Wang	70,000,000	-	-	-	70,000,000
Mr. Valentino Vescovi	37,821,196	-	-	-	37,821,196
Mr. Nigel Machin	22,010,000	-	-	-	22,010,000
Other Key Management Personnel of the Group					
Subsidiary Entities					
Mr. Paul Davis	5,000,000	-	-	-	5,000,000
Mr. Seong Bow Lee	2,767,550	-	-	-	2,767,550
Mr. Nicholas Yeoh	21,000,000	-	-	(500,000)	20,500,000
Total	383,242,362	-	-	(500,000)	382,742,362

DIRECTORS' REPORT

Shares granted as remuneration

There were no shares granted as remuneration in 2020.

Remuneration Practices

The company's policy for determining the nature and amount of emoluments of board members and senior executives of the company is as follows:

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company or Group. The contracts for service between the company and specified directors and executives are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement specified directors and executives are paid employee benefit entitlements accrued to date of retirement. Any options issued as remuneration under the Company's Share Option Plan not exercised before or on the date of termination lapse.

The service contracts stipulate a range of one to three months resignation periods. The company may terminate an employment contract without cause by providing up to 3 months' written notice or making payment in lieu of notice, based on the individual's annual salary component together with an appropriate redundancy payment, depending on the individual contract terms. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct, the company can terminate employment at any time. Any options not exercised before or on the date of termination will lapse.

The commentary above should be read in conjunction with the information provided in the Directors' Report under Remuneration Policy.

Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. There have been two methods applied in achieving this aim, the first being a performance-based bonus which is based on key performance indicators, and the second being the issue of options to the majority of directors and executives to encourage the alignment of personal and shareholder interests. The company believes this policy to be the most effective manner to increase shareholder wealth.

The following table shows the gross revenue, profits and dividends for the last five years for the listed entity, as well as the share price at the end of the respective financial years. The full year results for 2016 represented a significant improvement of the company's operational performance and resulted from the increase in sales and product margin compared to previous financial year. The lower overall sales in the year to 30 June 2017 were due to the slowing down in sales of some of our key products used in the industrial market. The increase in revenue during the year to 30 June 2018 was due to the improving sales of some of our key products used in the industrial power supplies, particularly in the electric vehicle (EV) charging market. The significant increase in revenue during the year to June 2019 was due to the significant sales increase in EV charging market. The decline in total revenues during 30 June 2020 was due to the impact from COVID-19 pandemic. We expect the continued improvement of revenue from the EV charging market with new products expected to be released in 2021.

	2016	2017	2018	2019	2020
Revenue ($'000) (Including discontinued operation)	8,459	6,881	7,835	18,874	16,735
Net Profit/(Loss) ($'000)	1,685	(35)	62	2,127	1,822
Share Price at Year-end (cents)	2.9	1.7	2.6	4.6	3.8
Change in Share Price (cents)	2.2	1.2	0.9	2.0	0.8
Dividends Paid	-	-	-	-	-

DIRECTORS' REPORT

Options Issued as Part of Remuneration

Options may be issued to executives as part of their remuneration. Such options are generally not issued based on performance criteria, but are issued to increase goal congruence between executives, directors and shareholders through the linkage between remuneration and increasing shareholder value.

Employment Contracts of Directors and Senior Executives

The employment conditions of the CEO and specified executives are formalised in contracts of employment and all contracts require 4 weeks' notice, with no termination payments specified other than employee entitlements.

END OF AUDITED REMUNERATION REPORT

DIRECTORS' REPORT

Meetings of Directors

During the financial year, 4 meetings of directors and 2 audit committee meetings were held. Attendances were:

	DIRECTORS' MEETINGS		AUDIT COMMITTEE	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Mr. Ying Ming Wang	4	2	2	2
Mr. Yanbin Wang	4	4	2	2
Mr. Valentino Vescovi	4	4	2	2
Mr. Nigel Machin	4	4	2	2

Indemnifying Officers or Auditor

During the financial year the Company has paid premiums to insure each of the directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Company and of any related body corporate, other than conduct involving a wilful breach of duty in relation to the Company. The amount of the premium was $21,500 for all directors and officers.

The company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or an auditor.

Options

At the date of this report, the unissued ordinary shares of Rectifier Technologies Ltd under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number Under Option
June 2003	No expiry date	2.0¢ per share	11,520,000
November 2003	No expiry date	2.0¢ per share	8,360,000
July 2019	13 September 2022	7.0¢ per share	42,000,000
			61,880,000

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of another body corporate.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervened in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Non-audit Services

The board of directors, in accordance with advice from the audit committee, review the provision of non-audit services during the year to ensure that they are compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors satisfy themselves that the services do not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Code of Conduct APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional & Ethical Standards Board.

Details of the amounts paid to the auditors of the Company, Grant Thornton Audit Pty Ltd, and its related practices for audit and non-audit services provided during the year are set out in Note 8 to the financial statements.

DIRECTORS' REPORT

Auditors Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on the following page.

Signed in accordance with a resolution of the Board of Directors.

……………………………………..

Mr. Yanbin Wang
Director

Melbourne

Dated this 30th day of September 2020

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Auditor's Independence Declaration

To the Directors of Rectifier Technologies Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Rectifier Technologies 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.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Simon Trivett

S C Trivett
Partner – Audit & Assurance

Melbourne, 30 September 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Note	Consolidated Entity	
		2020 $	2019 $
Revenue	3	16,128,925	18,262,098
Other income	3	605,834	612,395
Changes in inventories of finished goods and work in progress		(1,089,437)	943,987
Raw materials and consumables used		(4,715,006)	(8,836,781)
Employee benefits expense		(5,099,663)	(5,401,786)
Share options expense	4	(630,000)	-
Depreciation expense	4	(502,523)	(257,361)
Finance costs	4	(187,852)	(151,310)
Other expenses		(1,424,667)	(1,832,403)
Profit before income tax expense		3,085,611	3,338,839
Income tax expense	5	(1,263,973)	(1,211,801)
Profit from continuing operations after income tax		1,821,638	2,127,038
Net profit after income tax attributable to owners of Rectifier Technologies Limited		1,821,638	2,127,038
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences		(135,906)	52,484
Total other comprehensive income for the year		(135,906)	52,484
Total comprehensive income for the year		1,685,732	2,179,522
Basic earnings per share (cents per share):	9	0.13	0.16
Diluted earnings per share (cents per share):	9	0.13	0.15

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	Consolidated Entity 2020 $	2019 $
CURRENT ASSETS			
Cash and cash equivalents	10	6,873,680	2,834,440
Trade and other receivables	11	1,676,228	1,432,197
Inventories	12	2,555,080	5,577,926
Current tax assets		726,598	493,784
TOTAL CURRENT ASSETS		11,831,586	10,338,347
NON-CURRENT ASSETS			
Property, plant and equipment	14	5,651,766	3,671,240
Deferred tax assets	5	452,501	215,839
TOTAL NON-CURRENT ASSETS		6,104,267	3,887,079
TOTAL ASSETS		17,935,853	14,225,426
CURRENT LIABILITIES			
Trade and other payables	15	2,251,184	2,570,406
Interest bearing liabilities	16	461,891	543,286
Provisions	18	608,773	446,069
Current tax liabilities		1,143,210	1,228,943
TOTAL CURRENT LIABILITIES		4,465,058	4,788,704
NON-CURRENT LIABILITIES			
Interest bearing liabilities	16	3,429,810	2,088,630
Deferred tax liabilities	5	375,160	42,613
Provisions	18	69,987	60,573
TOTAL NON-CURRENT LIABILITIES		3,874,957	2,191,816
TOTAL LIABILITIES		8,340,015	6,980,520
NET ASSETS		9,595,838	7,244,906
EQUITY			
Contributed equity	19	39,851,775	39,816,575
Reserves	19	671,828	177,734
Accumulated losses		(30,927,765)	(32,749,403)
TOTAL EQUITY		9,595,838	7,244,906

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	Consolidated Entity	
		2020	2019
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		22,789,570	15,533,821
Payments to suppliers and employees		(15,625,852)	(14,562,460)
Interest received		12,311	14,992
Finance costs		(1,113)	(147,033)
Income taxes paid		(995,477)	(187,860)
Net cash provided by operating activities	23	6,179,439	651,460
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2,001,238)	(459,808)
Net cash used in investing activities		(2,001,238)	(459,808)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue		35,200	-
Proceeds from borrowings		1,564,321	311,869
Repayment of lease liability		(374,601)	(110,335)
Repayment of borrowings		(884,979)	(57,992)
Net cash provided by financing activities		339,941	143,542
Net increase in cash held		4,518,142	335,194
Cash and cash equivalents at beginning of the year		2,834,440	2,183,902
Effect of exchange rates on cash holdings in foreign currencies		(478,902)	315,344
Cash and cash equivalents at end of the year	10	6,873,680	2,834,440

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

Consolidated Entity	$	$	$	$
	Share Capital	**Accumulated Losses**	**Reserve**	**Total**
Balance at 1.7.2018	39,816,575	(34,876,441)	125,250	5,065,384
Total comprehensive income for the year	-	2,127,038	52,484	2,179,522
Transactions with owners in their capacity as owners:				
Shares issued **(**Note 19)	-	-	-	-
Balance at 30.06.2019	39,816,575	(32,749,403)	177,734	7,244,906
Balance at 1.7.2019	39,816,575	(32,749,403)	177,734	7,244,906
Total comprehensive income for the year	-	1,821,638	(135,906)	1,685,732
Transactions with owners in their capacity as owners:				
Shares issued (Note 19)	35,200	-	-	35,200
Options reserve – share based payment (Note 19)	-	-	630,000	630,000
Balance at 30.06.2020	39,851,775	(30,927,765)	671,828	9,595,838

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: Corporate information

The financial statements of Rectifier Technologies Limited for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 30 September 2020 and covers the consolidated entity consisting of Rectifier Technologies Limited and its subsidiaries as required by the Corporations Act 2001.

The financial report is presented in Australian dollars, unless otherwise noted.

Rectifier Technologies Limited is a company limited by shares and incorporated in Australia; whose shares are publicly traded on the Australian Stock Exchange.

The address of the registered office and principal place of business is 97 Highbury Road, Burwood, Vic 3125, Australia.

NOTE 2: Summary of significant accounting policies

a. Basis of preparation

The consolidated financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. Rectifier Technologies Limited is a for-profit entity for the purpose of preparing the financial statements.

Compliance with Australian Accounting Standards ensures that the financial statements and notes of the consolidated entity comply with International Financial Reporting Standards (IFRS).

Historical cost convention

These financial statements have been prepared under the historical cost basis, except for investments that have been measured at fair value.

b. Basis of Consolidation

Subsidiaries

The Group financial statements consolidate those of the Rectifier Technologies Limited and all of its subsidiaries as of 30 June 2020. Rectifier Technologies Limited controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June. All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-Group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Subsidiaries are accounted for at cost by the parent entity and are included in the balances disclosed in note 26.

c. Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

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

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and interests in joint ventures where the parent entity 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 2: Summary of significant accounting policies (Cont'd)

c. Income Tax (Cont'd)

Current and deferred tax balances relating to amounts recognised directly in other comprehensive income or directly in equity are also recognised in other comprehensive income or directly in equity, respectively.

Tax Consolidation

Rectifier Technologies Limited and its Australian wholly owned subsidiaries have implemented the tax consolidation legislation for the whole of the financial year. Rectifier Technologies Limited is the head entity in the tax consolidated Group. The separate taxpayer within a Group approach has been used to allocate current income tax expense and deferred tax expense to wholly owned subsidiaries that form part of the tax consolidated Group. Rectifier Technologies Limited has assumed all the current tax liabilities and the deferred tax assets arising from unused tax losses for the tax consolidated Group via intercompany receivables and payables because a tax funding arrangement has been in place for the whole financial year. The amounts receivable/payable under tax funding arrangements are due upon notification by the head entity, which is issued soon after the end of each financial year. Interim funding notices may also be issued by the head entity to its wholly owned subsidiaries in order for the head entity to be able to pay tax instalments. These amounts are recognised as current intercompany receivables or payables (refer to note 24).

d. Inventories

Raw materials, Work in Progress and Finished goods

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling cost of completion and selling expenses.

e. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Land and Buildings

Freehold land is not depreciated but is subject to impairment testing if there is any indication of impairment.

Building are measured on the cost basis less depreciation and impairment losses. Historical costs include costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses. Historical costs include costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including capitalised leased assets is depreciated on a straight-line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 2: Summary of significant accounting policies (Cont'd)

e. Property, Plant and Equipment (Cont'd)

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Building	2%
Leasehold improvements	10%
Motor vehicles	20%
Plant and equipment	20-40%
Leased plant and equipment	20-33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the 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. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

f. Lease

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

For any new contracts entered into on or after 1 July 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

• the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;

• the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

• the Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 2: Summary of significant accounting policies (Cont'd)

f. Lease (Cont'd)

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down

Accounting Policy applicable to comparative period (30 June 2019)

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases and capitalised at inception of the lease at the fair value of the leased property, or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to 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.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership of the net asset are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Capital work-in-progress consists of property, plant and equipment for intended use as production facilities. The amount is stated at cost and includes capitalisation of interest incurred on borrowings related to property, plant and equipment under construction/installation until the property, plant and equipment are ready for their intended use.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 2: Summary of significant accounting policies (Cont'd)

g. Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that individual assets have been impaired.

Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

h. Investments and Other Financial Assets

Financial Instruments Accounting Policy

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Trade and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in Companies, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment estimate is then based on the expected credit loss.

Classification and measurement of financial liabilities

The Company's financial liabilities include trade and other payables, borrowings and related party loans. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 2: Summary of significant accounting policies (Cont'd)

i. Foreign Currency Transactions and Balances

The functional and presentation currency of Rectifier Technologies Limited and its Australian subsidiaries is Australian dollars ($AUD).

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of reporting period. Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in profit or loss, except when they are deferred in other comprehensive income as qualifying cash flow hedges or where they relate to differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

The functional currency of the overseas subsidiaries is the Malaysian ringgit, the US dollars and Singapore dollars. At the end of the reporting period, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Rectifier Technologies Limited at the closing rate at the end of the reporting period and income and expenses are translated at the weighted average exchange rates for the year. All resulting exchange differences are recognised in other comprehensive income as a separate component of equity (foreign currency translation reserve). On disposal of a foreign entity, the cumulative exchange differences recognised in foreign currency translation reserves relating to that particular foreign operation are recognised in profit or loss.

j. Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave are recognised when it is probable that settlement will be required, and the liability is capable of being measured reliably. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Long Service Leave

Liabilities for long service leave are recognised as part of 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 to the end of reporting period using the projected unit credit method. Consideration is given to expect future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using high quality corporate bonds rates at the end of the reporting period with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

k. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

l. Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and deposits held at call, net of any bank overdrafts. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash, which are not subject to insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 2: Summary of significant accounting policies (Cont'd)

m. Revenue Recognition

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer

2. Identifying the performance obligations

3. Determining the transaction price

4. Allocating the transaction price to the performance obligations

5. Recognising revenue when/as performance obligation(s) are satisfied.

The Group often enters into transactions involving a range of the Group's products and services, for example for the delivery of rectifiers and related after-sales services. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised at a point in time, when the Group satisfies performance obligations by transferring the promised services and the ownership of the products to the customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due. Interest income is reported on an accrual's basis. Revenue arises mainly from the sale of rectifiers. This is recognized at a point in time when the performance obligation is satisfied and the ownership of the products have been transferred to the customers.

n. Trade and other Payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and have 30-60 day payment terms.

o. Interest-bearing liabilities

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the loans and borrowings using the effective interest method.

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

p. Borrowing Costs

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

q. Goods and Services Tax (GST)

Revenues, expenses are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 2: Summary of significant accounting policies (Cont'd)

r. New accounting standards and interpretations

The following standards and interpretations have been recently issued and have been adopted by the Group for the year ended 30 June 2020.

AASB 16 Leases

AASB 16 replaces AASB 117 Leases and some lease-related Interpretations. AASB 16

- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases
- provides new guidance on the application of the definition of lease and on sale and lease back accounting
- largely retains the existing lessor accounting requirements in AASB 117
- requires new and different disclosures about leases

The new Standard has been applied using the modified retrospective approach for the current period. Prior periods have not been restated.

On transition, for leases previously accounted for as operating lease with a remaining lease term of less than 12 months or for leases of low-value assets the group has applied the option exemptions to not recognise right-of-use assets but to account for the leases expenses on a straight-line basis over the remaining lease term.

On transition to AASB16, the weighted average borrowing rate applied to lease liabilities recognised under AASB 16 was 5.88% for both of Rectifier Technologies Pacific Pty Ltd and Rectifier Technologies Singapore Pte Ltd, 5.19% for Rectifier Technologies Malaysia Sdn Bhd. The total value of the right-of-use asset at 1 July 2019 was $1,479,707 , of which $929,552 [Note 14] was recognised according to AASB 16 and $550,155 was the value of existing finance lease. The total carrying amount of the right-of-use asset was $1,162,921 at 30 June 2020 after amortisation expense of $283,193 and foreign exchange difference/adjustments of $33,593.

The following is a reconciliation of total operating lease commitments at 30 June 2019 to the lease liabilities recognised at 1 July 2019:

Total operating lease commitments disclosed at 30 June 2019	**1,484,806**
Discounted using the incremental borrowing rate of at the date of the initial application	(187,136)
Finance Lease Liabilities [Note 20]	550,154
Recognition exemption – short term	(30,774)
Recognition exemption – low value	(2,957)
Extension options reasonably certain to be exercised	40,822
Change in variable payments	(431,893)
Total lease liabilities recognised under AASB 16 at 1 July 2019	**1,423,022**

AASB Interpretation 23 Uncertainty over Income Tax Treatments

The adoption of this amending Standard has not impacted on the disclosure or the amounts recognised in the Group's consolidated financial statements at the current reporting period to 30 June 2020.

s. New accounting standards that are not yet effective and have not been adopted by the Group

There were no new accounting standards that are not yet effective as at 30 June 2020.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 2: Summary of significant accounting policies (Cont'd)

t. Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The company's ordinary shares are classified as equity instruments. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

u. Share-based payments

Share-based compensation benefits are provided to employees via the Rectifier Technologies Limited Employee Option Plan and an employee share scheme.

The fair value of options granted under the Rectifier Technologies Limited Employee Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to the original estimates, if any, is recognised in profit or loss with a corresponding adjustment to equity.

Under the employee share scheme, shares issued to employees for no cash consideration vest immediately on grant date. On this date, the market value of the shares issued is recognised as an employee benefits expense with a corresponding increase in equity.

All goods and services received in exchange for the grant of any share-based payment are measure at their fair values. Where employees are rewarded using share-based payments, the fair values of the employees' services are determined indirectly by reference of the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in the statement of profit or loss with a corresponding credit to share option reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are allocated to share capital up to a nominal (or par) value of the shares issued with any excess being recorded as share premium.

v. Critical accounting judgements and key sources of estimation uncertainty

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 the Group's accounting policies. The consolidated entity makes certain judgements and assumptions concerning the future. These estimates and assumptions have an inherent risk in respect of estimates based on future events which could have a material impact on the assets and liabilities in the next financial year are outlined below:

1. Provision for stock obsolescence

The Group calculates the provision for stock obsolescence based on slow-moving inventory on hand for more than 12 months.

2. R & D tax rebate

The Group has recognised the R&D rebate relating to the 2020 year on an accrual basis. As the return has not yet been submitted, the Group has made an estimate of the likely refund amount based on the preliminary number provided by external tax consultant.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 2: Summary of significant accounting policies (Cont'd)

3. Taxation

The Group has significant transactions between the Australian and Malaysian subsidiary and significant judgment involved in determining the transfer price of goods and services exchanged. Management believe the prices exchange are determined on a fair and reasonable basis and reflect an appropriate basis under the tax legislation of Australia and Malaysia.

4. Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

w. Earnings per Share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to members of Rectifier Technologies Limited, adjusted for the after-tax effect of preference dividends on preference shares classified as equity, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares during the year. The weighted average number of issued shares outstanding during the financial year does not include shares issued as part of the Employee Share Loan Plan that are treated as in-substance options.

Diluted earnings per share

Earnings used to calculate diluted earnings per share are calculated by adjusting the basic earnings by the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

x. Going Concern

The financial report has been prepared on the basis of the Group continuing as a going concern, which assumes continuity of normal business activities and realisation of assets and the settlement of liabilities in the ordinary course of business.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 3: REVENUE AND OTHER INCOME

	Consolidated Entity 2020 $	Consolidated Entity 2019 $
Revenue		
– sale of goods	15,860,046	17,725,540
– interest received	11,940	15,002
– sundry income	256,939	521,556
	16,128,925	18,262,098
Other income		
– R&D tax rebate	605,834	612,395
	605,834	612,395

NOTE 4: PROFIT FROM CONTINUING ACTIVITIES

	Consolidated Entity 2020 $	Consolidated Entity 2019 $
Profit before income tax has been determined after the following expenses:		
Cost of sales	7,294,912	9,763,706
Finance costs	187,852	151,310
Depreciation of non-current assets:		
– land and building	148,009	29,114
– plant and equipment	305,545	207,860
– leasehold improvements	32,649	12
– motor vehicle	16,320	20,375
Total depreciation	502,523	257,361
Rental expense on leases - minimum lease payments	-	120,240
Personnel Expenses - defined contributions superannuation	447,689	405,600
Share Option Expenses	630,000	-
Research and development costs expensed	1,392,722	1,392,646
Loss on disposal of property, plant and equipment	66,463	11

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 5: INCOME TAX EXPENSE

	Consolidated Entity	
	2020	**2019**
	$	**$**
Current tax	1,198,056	1,244,314
Deferred tax - temporary differences	65,917	(32,513)
Deferred tax – tax losses	-	-
	1,263,973	1,211,801
Reconciliation of the effective tax rate		
The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:		
Profit before income tax	3,085,611	3,338,839
Prima facie tax payable on profit/ (loss) before income tax at 27.5% (2019: 27.5%)		
– consolidated entity	848,543	918,181
Add: Tax effect of:		
– R&D expenditures	184,233	382,978
– Controlled foreign company attributed income	138,651	165,888
– Other non-allowable items	173,250	118,084
– Effect of lower rates of tax on overseas income	-	91,348
	1,344,677	1,676,479
Less Tax effect of:		
– Other non-assessable items	(17,187)	(168,409)
– Foreign income tax offset	38,289	(296,269)
– Effect of lower rates of tax on overseas income	(101,806)	-
	1,263,973	1,211,801
Tax effect of carry-forward tax losses not previously bought to account	-	-
Income tax attributable to entity	1,263,973	1,211,801
Reconciliation to continuing / discontinued operations		
Consolidated profit before income tax	3,085,611	3,338,839
Profit before income tax from continuing operations	3,085,611	3,338,839
Consolidated income tax expense	1,263,973	1,211,801
Income tax expense from continuing operations	1,263,973	1,211,801

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 5: INCOME TAX EXPENSE (Cont'd)

	Consolidated Entity	
	2020	**2019**
	$	**$**
Unrecognised deferred tax assets		
Unused capital losses for which no deferred tax asset recognised relating to the Australian entities in the tax consolidated group	18,409,594	18,409,594
	18,409,594	18,409,594
Potential tax benefit at applicable tax rates	5,062,638	5,062,638

Deferred tax assets have not been recognised in the statement of financial position for the following items:

Unused capital losses	18,409,594	18,409,594
	18,409,594	18,409,594
Potential tax benefit at applicable tax rates	5,062,638	5,062,638

The capital losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of this item because it is not probable that future taxable profits will be available against which the group can utilise the benefits from these capital losses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 5: INCOME TAX EXPENSE (Cont'd)

The following table regarding DTA during the current reporting period:

Deferred Tax Assets	1 July 2019 $	Recognised in Profit & Loss $	30 Jun 2020 $
Provision for stock obsolescence	49,489	3,298	52,787
Accrued	86,526	(74,164)	12,362
Unrealised FX Loss	(36,424)	(4,036)	(40,460)
Employee entitlements	129,100	19,965	149,065
Blackhole expenditure	203	(3,373)	(3,170)
Property, plant and equipment	(55,668)	(37,575)	(93,243)
Deferred tax movement	173,226	(95,885)	77,341

The Group has unused capital losses of $18,409,592. All previously unrecognised tax losses have been brought to account by the Group in prior years.

NOTE 6: DIVIDENDS

No dividends declared or paid during the year ended 30 June 2020. The amounts of franking credits available for subsequent reporting periods are:

	Consolidated Entity	
	2020 $	2019 $
Opening balance of franking account	308,296	481,000
Closing balance of franking account	789,296	308,296

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 7: KEY MANAGEMENT PERSONNEL

a. Names and positions held of Parent Entity Directors and other Key Management Personnel in office at any time during the financial year are:

Parent Entity Directors

Mr. Ying Ming Wang	Chairman – Non-Executive
Mr. Yanbin Wang	Executive Director & Chief Executive Officer
Mr. Valentino Vescovi	Director – Non-Executive
Mr. Nigel Machin	Executive Director & Head of Power Engineering
Other Key Management Personnel	
Mr. Paul Davis	Operations Manager – Rectifier Technologies Pacific Pty Ltd
Mr. Seong Bow Lee	General Manager – Rectifier Technologies (M) Sdn Bhd
Mr. Nicholas Yeoh	Director of Sales & Marketing – Rectifier Technologies Singapore Pte Ltd

	Consolidated Entity	
	2020 $	**2019 $**
b. Key Management Personnel Compensation		
Short-term employee benefits	1,262,385	1,106,342
Long-term employee benefits	11,771	5,776
Post-employment benefits	74,469	64,778
	1,348,625	1,176,896

Transactions with Parent Entity Directors and other Key Management Personnel:

Disclosures relating to other transactions and balances between the consolidated entity and parent entity directors and other key management personnel are set out in Note 24.

NOTE 8: AUDITOR’S REMUNERATION

	Consolidated Entity	
	2020 $	**2019 $**
Audit and review services		
Grant Thornton - Audit and review of financial reports	73,992	68,374
Total remuneration for audit services	73,992	68,374

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 9: EARNINGS PER SHARE

	Consolidated Entity	
	2020	**2019**
	$	**$**
a. Reconciliation of earnings used to calculate earnings per share		
Profit/(Loss) from continuing operation attributable to the ordinary equity holders used in the calculation of basic and dilutive earnings per share	1,821,638	2,127,038
b. Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	1,368,660,602	1,366,900,602
Adjustments for calculations of diluted earnings per share:		
Options	61,880,000	21,640,000
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	1,430,540,602	1,388,540,602

NOTE 10: CASH AND CASH EQUIVALENTS

	Consolidated Entity	
	2020	**2019**
	$	**$**
Cash at bank	6,873,680	2,834,440
	6,873,680	2,834,440

NOTE 11: TRADE AND OTHER RECEIVABLES

	Consolidated Entity	
	2020	**2019**
	$	**$**
CURRENT		
Trade debtors (a)	530,576	430,407
	530,576	430,407
Other debtors	401,311	275,714
R&D tax incentives	605,834	605,801
Prepayments	138,507	120,275
	1,676,228	1,432,197

a. Included in debtors of $530,576 (2019: $430,407) are debts which have been assigned to financing companies in Australia. The company had received advances of $165 (2019: $1,932) against these debts which are included within the debtor financing facility disclosed in note 15 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 11: TRADE AND OTHER RECEIVABLES (Cont'd)

	Consolidated entity			
	Gross 2020 $	Gross 2019 $	Carrying Amount 2020 $	Carrying Amount 2019 $
Not past due	396,973	61,817	396,973	61,817
Past due 0-30 days	4,899	169,146	4,899	169,146
Past due 31+ days	128,704	199,444	128,704	199,444
	530,576	430,407	530,576	430,407

1. Ageing and impairment losses

Payment terms on receivables past due but not considered impaired have not been re-negotiated. The Group has been in direct contact with the relevant customers and are reasonably satisfied that payment will be received in full. The Group estimate of impairment losses is based on the expected credit loss.

2. The maximum exposure to credit risk for trade receivables at the end of reporting period by geographic region is as follows:

	2020 $	2019 $
Australia	247,774	24,233
Asia	118,388	38,785
Europe	75,594	117,297
USA	81,414	150,160
Others	7,406	99,932
Total	530,576	430,407

3. Past due analysis of trade receivables by geographic region is as follows:

	Not past due		Past due 30 days		Past due 60 days		Total	
Consolidated Entity	2020 $	2019 $	2020 $	2019 $	2020 $	2019 $	2020 $	2019 $
Australia	241,124	14,776	4,763	9,436	1,887	21	247,774	24,233
Asia	115,996	36,138	3	-	2,389	2,647	118,388	38,785
Europe	-	214	131	116,585	75,463	498	75,594	117,297
USA	39,481	6,402	2	32,228	41,931	111,530	81,414	150,160
Others	372	4,287	-	10,897	7,034	84,748	7,406	99,932
Total	396,973	61,817	4,899	169,146	128,704	199,444	530,576	430,407

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 12: INVENTORIES

	Consolidated Entity	
	2020	2019
	$	$
Raw materials	1,925,260	3,858,668
Work in progress	591,041	912,229
Finished goods at cost	38,779	807,029
	2,555,080	5,577,926

Inventories are recognised net of a provision for obsolescence of $620,619 (2019: $568,480).

Inventory expense

Change in inventories recognised as expense during the year ended 30 June 2020 amounted to $1,089,437 (2019: $968,578). The expense/ income has been included in ‘changes in inventories of finished goods and work in progress’ in the profit and loss.

NOTE 13: SUBSIDIARIES

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

Name	Country of Incorporation	Class of Share	Percentage Owned 2020 (%)	Percentage Owned 2019 (%)
Ultimate Parent Entity:				
Rectifier Technologies Ltd	Australia	Ordinary	-	-
Subsidiaries of Rectifier Technologies Ltd:				
Protran Technologies Pty Ltd	Australia	Ordinary	100	100
Rectifier Technologies Pacific Pty Ltd	Australia	Ordinary	100	100
Rectifier Technologies Singapore Pte Ltd.	Singapore	Ordinary	100	100
ICERT Inc.	USA	Ordinary	100	100
Rectifier Technologies (M) Sdn Bhd	Malaysia	Ordinary	100	100
ICERT (HK) Co. Ltd	Hong Kong	Ordinary	100	100

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 14: PROPERTY, PLANT AND EQUIPMENT

	Consolidated Entity 2020 $	2019 $
Land		
At cost	2,280,963	1,549,587
	2,280,963	1,549,587
Building		
At cost	1,523,344	329,637
Accumulated depreciation	(148,009)	(29,113)
	1,375,335	300,524
Plant and equipment		
At cost	2,075,254	1,970,625
Accumulated depreciation	(305,545)	(207,860)
	1,769,709	1,762,765
Leasehold improvements		
At cost	216,441	120
Accumulated depreciation	(32,649)	(12)
	183,792	108
Motor Vehicle		
At Cost	58,287	78,631
Accumulated depreciation	(16,320)	(20,375)
	41,967	58,256
Total Property, Plant and Equipment	5,651,766	3,671,240

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 14: PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

2020	Land $	Building $	Plant and Equipment $	Leasehold Improvements $	Motor Vehicle $	Total $
Consolidated Entity:						
Balance at the beginning of year	1,549,587	300,524	1,762,765	108	58,256	3,671,240
Right-of-use assets	-	929,552	-	-	-	929,552
Additions	777,310	332,747	192,934	216,333	-	1,519,324
Disposals	-	-	(6,960)	-	-	(6,960)
Adjustments	-	(26,987)	-	-	-	(26,987)
Depreciation/amortisation expense	-	(148,009)	(305,545)	(32,649)	(16,320)	(502,523)
Net exchange differences on translation of foreign subsidiaries	(45,934)	(12,492)	126,515	-	31	68,120
Carrying amount at the end of year	2,280,963	1,375,335	1,769,709	183,792	41,967	5,651,766

Included in the above line items are right-of-use asset balances as follows:

Right-of-use assets	Balance at the Beginning of Financial Year $	Assets Recognised on Adoption of AASB 16 $	Additions $	Depreciation $	Exchange Difference/ Adjustments $	Net Carrying Amount $
Consolidated Entity:						
Buildings	-	929,552	-	(139,713)	(28,995)	760,844
Plant and Equipment	550,155	-	-	(143,480)	(4,598)	402,077
Total	550,155	929,552	-	(283,193)	(33,593)	1,162,921

2019	Land $	Building $	Plant and Equipment $	Leasehold Improvements $	Motor Vehicle $	Total $
Consolidated Entity:						
Balance at the beginning of year	1,500,052	296,957	909,552	120	38,998	2,745,679
Additions – Motor vehicle	-	-	-	-	37,762	37,762
Additions - Other plant and equipment	-	75,244	962,191	-	-	1,037,435
Disposals	-	-	(347)	-	-	(347)
Depreciation/amortisation expense	-	(29,114)	(207,860)	(12)	(20,375)	(257,361)
Net exchange differences on translation of foreign subsidiaries	49,535	(42,563)	99,229	-	1,871	108,072
Carrying amount at the end of year	1,549,587	300,524	1,762,765	108	58,256	3,671,240

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 15: TRADE AND OTHER PAYABLES

	Consolidated Entity	
	2020	2019
	$	$
CURRENT		
Unsecured liabilities:		
Trade creditors	1,393,459	1,691,765
Sundry creditors and accrued expenses	857,560	876,709
	2,251,019	2,568,474
Secured liabilities:		
Debtor financing facility	165	1,932
	165	1,932
	2,251,184	2,570,406

NOTE 16: INTEREST-BEARING LIABILITIES

	Consolidated Entity	
	2020	2019
	$	$
CURRENT		
Lease liability (secured)	328,075	163,690
Borrowings - Rectifier Technologies (M) Sdn Bhd (secured)	133,816	379,596
	461,891	543,286
NON-CURRENT		
Lease liability (secured)	862,767	386,464
Borrowings - Rectifier Technologies (M) Sdn Bhd (secured)	2,567,043	1,702,166
	3,429,810	2,088,630
	3,891,701	2,631,916

Lease liabilities and borrowings are secured over the assets to which they relate.

Lease liabilities as at 30 June 2019 represents finance lease liability under AASB 117.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 16: INTEREST-BEARING LIABILITIES (Cont'd)

On 6 Feb 2017, Rectifier Technologies (M) Sdn Bhd obtained a loan of MYR$5,460,000(AUD$1,629,851) from Public Bank Berhad to acquire two blocks of a semi-detached factory. The monthly repayment includes the payment of loan principal and interest. The first monthly instalment commenced on 1 May 2017, subsequent instalments are to be paid on or before the 1st of each calendar month and total repayments are 240 instalments in 240 months. The term of the loan is 20 years and loan interest is calculated using the Base Lending Rate (Variable Rate) less a discount of 2.20% at bank's discretion from time to time.

On 7 Oct 2019, Rectifier Technologies (M) Sdn Bhd obtained another loan of MYR$2,730,000 (AUD$929,393) from Public Bank Berhad to acquire an additional block of a semi-detached factory. The monthly repayment includes the payment of loan principal and interest. The first monthly instalment commenced on 1 Dec 2019, subsequent instalments are to be paid on or before the 1st of each calendar month and total repayments are 240 instalments in 240 months. The term of the loan is 20 years and loan interest is calculated using the Base Lending Rate (Variable Rate) less a discount of 2.20% at bank's discretion from time to time.

The terms and condition of loans are secured against the following:
(a) Fixed charge over a freehold land and factory buildings of the company; and
(b) Jointly and severally guaranteed by a Director of the Company.

On 17 December 2019, Rectifier Technologies (M) Sdn Bhd obtained a trade facility of MYR$20,000(AUD$6,809) from Public Bank Berhad. Subsequently Rectifier Technologies (M) Sdn Bhd has obtained 2 trade facilities of MYR$138,000(AUD$46,980) and MYR$50,000(AUD$17,022)) from the same bank on 12 May 2020 and 18 May 2020, respectively. The total balance of the trade facility was MYR$208,000(AUD$70,811) at the end of the current reporting period. The terms of the facility are 623 days with bank commission 1.75%, 119 days with interest rate 2.85% and 116 days with interest rate 2.93% respectively.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 17: MATURITY ANALYSIS

2020	Contractual Amount	< 6 mths	6 – 12 mths	1 – 3 years	> 3 years
Financial Liabilities					
Consolidated Entity:					
Trade creditors	1,393,459	1,393,459	-	-	-
Other creditors	857,560	857,560	-	-	-
Borrowings - Rectifier Technologies (M) Sdn Bhd	3,874,901	106,169	106,074	424,294	3,238,364
Debtor financing facility	165	165	-	-	-
Lease liability	1,370,429	202,968	192,343	523,871	451,247
Total	7,496,514	2,560,321	298,417	948,165	3,689,611

Rectifier Technologies (M) Sdn Bhd 's term loan and lease repayment include principal and interest.

2019	Contractual Amount	< 6 mths	6 – 12 mths	1 – 3 years	> 3 years
Financial Liabilities					
Consolidated Entity:					
Trade creditors	1,691,766	1,691,766	-	-	-
Other creditors	876,709	876,709	-	-	-
Borrowings - Rectifier Technologies (M) Sdn Bhd	2,882,495	386,598	71,526	286,106	2,138,265
Debtor financing facility	1,932	1,932	-	-	-
Lease liability	615,053	98,829	98,829	366,815	50,580
Total	6,067,955	3,055,834	170,355	652,921	2,188,845

NOTE 18: PROVISIONS

	Consolidated Entity	
	2020	2019
	$	$
CURRENT		
Employee entitlements	608,773	446,069
NON-CURRENT		
Employee entitlements	69,987	60,573

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 19: CONTRIBUTED EQUITY AND RESERVES

	Consolidated Entity 2020 $	Consolidated Entity 2019 $
a. Ordinary shares		
At the beginning of the reporting period	39,816,575	39,816,575
Options exercised	35,200	-
At reporting date	39,851,775	39,816,575

	Number	Number
At the beginning of reporting period	1,366,900,602	1,366,900,602
Options exercised	1,760,000	-
At reporting date	1,368,660,602	1,366,900,602

There were new shares issued upon option exercised during 2020 financial year period.

All shares issued at reporting date have been fully paid.

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

b. Nature and purpose of reserves

The foreign currency translation reserve is used to record exchange differences on translation of foreign controlled subsidiaries. The reserve is recognised in profit or loss when the investment is disposed of. The share-based payment options reserve of $630,000 is used to record the fair value of options granted under Employee Share Option Plan (ESOP) on 22 July 2019 (note 19d).

	Consolidated Entity 2020 $	Consolidated Entity 2019 $
Foreign currency transaction reserve		
At the beginning of the reporting period	177,734	125,250
Transactions during the year	(135,906)	52,484
At reporting date	41,828	177,734
Share-based payment options reserve		
At the beginning of the reporting period	-	-
Transactions during the year	630,000	-
At reporting date	630,000	-
Total	671,828	177,734

c. Options

At 30 June 2020, there were 61,880,000 (2019: 21,640,000) options outstanding.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 19: CONTRIBUTED EQUITY AND RESERVES (Cont'd)

d. Share-based employee remuneration

On 22 July 2019, the Company granted 42,000,000 share options of its common stock to employees under its Employee Share Option Plan (ESOP) at an exercise price of $0.07. Options under this plan vest immediately allowing the holder to purchase one ordinary share per option, exercisable in multiples of 100,000. The maximum term of the option granted under the ESOP ends on 13 September 2022.

The weighted average fair value of options granted during the year has been calculated as $0.015 per option. This value was calculated by using the Black-Scholes pricing model applying the following inputs:

Weighted average fair value:	0.015
Weighted average life of the options:	1.57 years
Expected share price volatility	62%
Risk-free interest rate:	0.75%

The underlying expected volatility was determined by reference to historical data of the Company's share over a period of time in conjunction with comparable market data within the industry.

	Options
Outstanding at 1 July 2019	-
Granted	42,000,000
Forfeited	-
Exercised	-
Expired	-
Outstanding at 30 June 2020	42,000,000

e. Capital risk management

The Group's and the Parent Entity'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.

Consistently with others in the industry, the Group and the parent entity monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 19: CONTRIBUTED EQUITY AND RESERVES (Cont'd)

The gearing ratios at 30 June 2020 were as follows:

		Consolidated	
		2020	**2019**
	Notes	**$**	**$**
Total borrowings	15 & 16	3,891,866	2,633,848
Less: cash and cash equivalents	10	(6,873,680)	(2,834,440)
Net cash		(2,981,814)	(200,592)
Total Equity		9,595,838	7,244,906
Total Capital		6,614,024	7,044,314
Gearing Ratio		-45%	-3%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 20: CAPITAL AND LEASING COMMITMENTS

Lease liabilities are presented in the statement of financial position within interest bearing liabilities are as follows:

	30 June 2020	30 Jun 2019
Lease Liabilities		
Consolidated Entity:		
Lease Liabilities (current)	328,075	163,690
Lease Liabilities (non-current)	862,767	386,464
Total	**1,190,842**	**550,154**

The Group has leases for the offices, staff accommodations, equipments and motor vehicles in Australia, Singapore and Malaysia. Future minimum lease payments at 30 June 2020 were as follows:

30 June 2020	0 – 12 mths	1 – 5 years	> 5 years	Total
Lease Liabilities				
Consolidated Entity:				
Lease Payments	395,311	809,404	165,713	1,370,429
Finance Charges	(67,236)	(106,416)	(5,934)	(179,587)
Net present Value	**328,075**	**702,988**	**159,779**	**1,190,842**

30 Jun 2019	0 – 12 mths	1 – 5 years	> 5 years	Total
Lease Liabilities				
Consolidated Entity:				
Lease Payments	197,658	417,394	-	615,052
Finance Charges	(33,968)	(30,930)	-	(64,898)
Net present Value	**163,690**	**386,464**	-	**550,154**

Capital Commitments

Rectifier Technologies Pacific Pty Ltd has signed a contract to purchase CHAdeMO EV Stimulator and Controller at a cost of USD$22,000 (AUD$32,056) payable in the 2020 financial year.

Rectifier Technologies (M) Sdn Bhd has signed a contract to purchase the new electronical load at a cost of USD$31,000 (AUD$45,150) payable in the 2020 financial year.

NOTE 21: CONTINGENT LIABILITIES

There are no contingent liabilities or contingent assets as at 30 June 2020.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 22: SEGMENT INFORMATION

Description of segments

Operating segments have been determined on the basis of reports reviewed by the executive management committee. The executive management committee ("committee") is considered to be the chief operating decision maker of the Group. The committee considers the business from both a product and geographic perspective and assesses performance and allocates resources on this basis. The reportable segments are as follows:

Electronic Components

Under this segment, Rectifier Technologies Pacific Pty Ltd and Rectifier Technologies Malaysia Sdn Bhd which is based in Malaysia (operations transferred from Protran Technologies Pty Ltd during the year of 2014/2015) manufacture electronic components for a number of industries.

Industrial Power Supplies (Electricity generation/distribution and Defence)

Under this segment, Rectifier Technologies Pacific Pty Ltd and Rectifier Technologies Malaysia Sdn Bhd manufacture and distribute rectifiers, controllers, accessories and complete systems for the power generation, distribution industries and defence. Rectifier Technologies Singapore Pte Ltd only focuses on distribution.

Industrial Power Supplies (Transport and Telecommunication)

Under this segment, Rectifier Technologies Pacific Pty Ltd and Rectifier Technologies Malaysia Sdn Bhd manufacture and distribute power supplies for the transport industries and telecommunications. Rectifier Technologies Singapore Pte Ltd only focuses on distribution.

Industrial Power Supplies (Electric vehicles)

Under this segment, Rectifier Technologies Pacific Pty Ltd, Rectifier Technologies Singapore Pte Ltd and Rectifier Technologies Malaysia Sdn Bhd manufacture and distribute electric vehicle charges, battery charges and power supplies for a number of industries. Rectifier Technologies Singapore Pte Ltd only focuses on distribution.

Information provided to the executive management committee

Segment information provided to the executive management committee for the year ended 30 June 2020 is as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 22: SEGMENT INFORMATION (Cont'd)

2020	Electronic Components	Industrial Power Supplies (E&D)	Industrial Power Supplies (T&T)	Industrial Power Supplies (EV)	Total
	$	$	$	$	$
Total segment revenue	328,773	6,212,311	2,288,167	17,373,987	26,203,238
Inter-segment revenue	-	(1,570,986)	(857,693)	(7,040,990)	(9,469,669)
Segment revenue from external customers	328,773	4,641,325	1,430,474	10,332,997	16,733,569
EBITDA	105,200	1,485,122	457,720	3,306,333	5,354,375
Interest revenue	1,115	4,823	487	4,324	10,749
Interest expense	(90,834)	(47,157)	(26,915)	(22,946)	(187,852)
Depreciation and amortisation	(166,430)	(159,869)	(54,018)	(122,206)	(502,523)
Income tax expense	(117,723)	(253,995)	(87,185)	(445,222)	(904,125)
Segment Assets and Liabilities					
Segment assets	411,085	5,803,328	1,788,607	12,919,968	20,922,988
Segment liabilities	232,620	3,283,921	1,012,117	7,311,004	11,839,662

Inter-segment revenue comprises sales between segments which are on arm's length terms. Segment revenues from external customers are measured in accordance with accounting policy 2(m).

Management monitors segment performance based on EBITDA. This measure excludes non-recurring expenditure such as restructuring costs, impairments and share-based payments as well as interest revenue and interest expense and other items which are considered part of the corporate treasury function.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 22: SEGMENT INFORMATION (Cont'd)

	2020 $
Segment revenue reconciles to total revenue:	
Revenue from external customers	16,733,569
Corporate head office sundry revenue	-
Corporate head office interest received	1,190
Total revenue from operations	16,734,759
Reconciliation of EBITDA to profit before income tax from continuing operations:	
Total segment EBITDA	5,354,375
- interest revenue	11,940
- interest expense	(187,852)
- depreciation and amortisation	(502,523)
- corporate head office costs	(1,590,329)
Profit before income tax from continuing operations	3,085,611
Segment assets reconcile to total assets as follows:	
Segment assets	20,922,988
Inter-segment eliminations	(6,463,488)
Corporate head office - Cash	2,522,921
Corporate head office - PPE	-
Corporate head office - other receivables	941,057
Corporate head office – deferred tax assets	12,375
Total assets per statement of financial position	17,935,853
Segment liabilities reconcile to total liabilities as follows:	
Segment liabilities	11,839,662
Inter-segment eliminations	(3,961,113)
Corporate head office - trade & other creditors	114,429
Corporate head office - provisions	347,037
Corporate head office - borrowings	-
Total liabilities per statement of financial position	8,340,015

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 22: SEGMENT INFORMATION (Cont'd)

2019	Electronic Components	Industrial Power Supplies (E&D)	Industrial Power Supplies (T&T)	Industrial Power Supplies (EV)	Total
	$	$	$	$	$
Total segment revenue	307,537	6,569,227	2,353,172	21,002,303	30,232,239
Inter-segment revenue	-	(2,112,088)	(678,546)	(8,700,045)	(11,490,679)
Segment revenue from external customers	307,537	4,457,139	1,674,626	12,302,258	18,741,560
EBITDA	78,530	1,138,139	427,619	3,141,404	4,785,692
Interest revenue	221	2,499	420	9,945	13,085
Interest expense	(62,670)	(11,270)	(58,712)	(300)	(132,952)
Depreciation and amortisation	(103,420)	(25,344)	(96,719)	(31,878)	(257,361)
Income tax refund (expense)	(149,737)	(190,701)	(157,880)	(644,159)	(1,142,477)
Segment Assets and Liabilities					
Segment assets	312,601	4,530,527	1,702,199	12,504,815	19,050,142
Segment liabilities	197,776	2,866,369	1,076,945	7,911,533	12,052,623

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 22: SEGMENT INFORMATION (Cont'd)

	2019 $
Segment revenue reconciles to total revenue:	
Revenue from external customers	18,741,560
Corporate head office sundry revenue	131,017
Corporate head office interest received	1,916
Total revenue from operations	18,874,493
Reconciliation of EBITDA to profit before income tax from continuing operations:	
Total segment EBITDA	4,785,692
- interest revenue	15,002
- interest expense	(151,310)
- depreciation and amortisation	(257,361)
- corporate head office costs	(1,053,184)
Profit before income tax from continuing operations	3,338,839
Segment assets reconcile to total assets as follows:	
Segment assets	19,050,142
Inter-segment eliminations	(5,006,893)
Corporate head office - Cash	148,002
Corporate head office - PPE	-
Corporate head office - other receivables	34,175
Corporate head office – deferred tax assets	-
Total assets per statement of financial position	14,225,426
Segment liabilities reconcile to total liabilities as follows:	
Segment liabilities	12,052,623
Inter-segment eliminations	(5,177,844)
Corporate head office - trade & other creditors	105,741
Corporate head office - provisions	-
Corporate head office - borrowings	-
Total liabilities per statement of financial position	6,980,520

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 22: SEGMENT INFORMATION (Cont'd)

Geographical Information

Revenues and non-current assets by geographical location is as follows:

	Revenues from external customers of continuing operations		Non-current assets*	
	2020	2019	2020	2019
Geographic location	$	$	$	$
Australia	4,834,309	13,339,748	1,123,444	173,057
Asia	1,813,185	1,591,216	4,528,322	3,498,184
North America	1,446,203	1,636,902	-	-
South America	36,709	232,432	-	-
Europe	7,725,996	923,475	-	-
Oceania	3,644	1,766	-	-
	15,860,046	17,725,539	5,651,766	3,671,241

* Excludes financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

Major customers - Revenue of $9,797,329 (2019: $11,131,096) and $1,846,270 (2019: $1,670,239) were derived from two Australia customers, which are allocated to the Industrial Power Supplies (EV) and Industrial Power Supplies (E&D) respectively. Revenue of $1,323,290 (2019: $1,250,677) was derived from a single customer in Singapore under Industrial Power Supplies (E&D) segment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 23: CASH FLOW INFORMATION

	Consolidated Entity	
	2020	2019
	$	$
a. Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit after income tax	1,821,638	2,127,038
Non-cash flows adjustments:		
Depreciation	502,523	257,361
Provision for stock obsolescence	52,139	387,098
Options expense	630,000	-
Unrealised currency (gain)/loss	231,028	(204,918)
Net loss/(gain) on sale/acquisition of assets	66,463	(11)
Changes in assets & liabilities:		
Decrease/(increase) in trade debtors	(184,714)	202,959
Decrease/(increase) in other debtors & prepayments	(1,685,228)	499,612
Decrease/(increase) in inventories	3,484,845	(3,304,946)
Increase/(decrease) in trade creditors/accruals	762,027	375,314
Increase/(decrease) in income taxes payable	406,731	165,434
Deferred tax liability/asset	(104,993)	50,577
Increase/(decrease) in provisions	196,980	95,942
Cash flows from operations	6,179,439	651,460

b. Credit Standby Arrangements

The Group has 2.6 million overdraft facility with ANZ bank, which has not been utilised at the end of 2020 financial year. Other than this is the debtor finance facility.

NOTE 24: RELATED PARTY TRANSACTIONS

a. Subsidiaries

Interests in subsidiaries are set out in Note 13.

b. Key management personnel

Disclosures relating to key management personnel are set out in Note 7.

Transactions between related parties are on normal commercial terms and conditions no more favourable to other parties unless otherwise stated. There is no requirement for transactions and balances between the entities within the consolidated Group to be disclosed.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 25: FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT

	Consolidated Entity 2020 $	2019 $
Categories of Financial Instruments		
Financial assets		
Cash and cash equivalents	6,873,680	2,834,440
Trade and other receivables	577,261	706,121
	7,450,941	3,540,561
Financial liabilities		
Amortised cost	6,142,885	5,202,322
	6,142,885	5,202,322

In common with all other businesses, the Group and the Parent Entity are exposed to risks that arise from its use of financial instruments. This note describes the Group and the parent entity's objectives, policies and processes from managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group and the Parent Entity's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

a. Principal financial instruments

The principal financial instruments used by the Group and the parent entity, from which financial instrument risk arises, are as follows:

- trade and other receivables
- cash and cash equivalents
- lease liabilities
- trade and other payables
- bank loans
- loan from related parties

b. General objectives, policies and processes

The Board has overall responsibility for the determination of the Group and the parent entity's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group and the parent entity's finance function. The Board receives monthly reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the Group and the parent entity's competitiveness and flexibility. Further details regarding these policies are set out below:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 25: FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT (Cont'd)

i. Credit risk

Credit risk arises principally from the Group and the Parent Entity's trade receivables. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument.

Prior to accepting new customers, a credit check is obtained from a reputable external source. Based on this information, credit limits and payment terms are established. Customers who subsequently fail to meet their credit terms are required to make purchases on a prepayments basis until creditworthiness can be re-established.

The nature of the Group and the parent entity's operations means that approximately 90% (2019: 88%) of its sales are made to 5 (2019:5) key customers in Australia, Singapore and America. Whilst credit risk is mainly influenced by factors specific to these individual customers, the concentration of sales geographically is a contributory factor. Refer to note 11 for further information regarding the Group's credit risk.

ii. Liquidity risk

Liquidity risk arises from the Group and the Parent Entity's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group and the parent entity will encounter difficulty in meeting its financial obligations as they fall due. The Group and the parent entity aim to have sufficient cash to allow it to meet its liabilities when they become due. The Group and the parent entity do not have any undrawn standby credit arrangements available. Refer to note 23(b).

The Board receives cash flow projections monthly as well as information regarding cash balances. Refer to maturity analysis in note 17.

iii. Market risk

Market risk arises from the Group and the parent entity's use of interest bearing and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

iv. Interest rate risk

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

			Fixed Interest Rate Maturing									
	Floating Interest Rate $		Within Year $		1 to 5 Years $		Over 5 Years $		Non-interest-Bearing $		Total $	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Financial Assets:												
Cash	6,873,680	2,834,440	-	-	-	-	-	-	-	-	6,873,680	2,834,440
Receivables	-	-	-	-	-	-	-	-	577,261	706,121	577,261	706,121
Total Financial Assets	6,873,680	2,834,440	-	-	-	-	-	-	577,261	706,121	7,450,941	3,540,561
Financial Liabilities:												
Trade and sundry creditors	-	-	-	-	-	-	-	-	2,251,019	2,568,474	2,251,019	2,568,474
Borrowings	2,700,859	2,081,762	-	-	-	-	-	-	-	-	2,700,859	2,081,762
Debtor Financing Facility	165	1,932	-	-	-	-	-	-	-	-	165	1,932
Lease liabilities	-	-	328,075	163,690	862,767	386,464	-	-	-	-	1,190,842	550,154
Total Financial Liabilities	2,701,024	2,083,694	328,075	163,690	862,767	386,464	-	-	2,251,019	2,568,474	6,142,885	5,202,322

NOTE 25: FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT (Cont'd)

The Group and the parent entity's exposure to interest rate risk is limited to cash balances and the debtor financing facility, as these are at a floating rate. Interest rates on loan and lease liabilities are fixed.

The Group's profit and loss sensitivity and movement in the interest rates are as follows:

	Amounts	+1%	-1%
Cash	$6,873,680	$68,737	($68,737)
Debtor finance	($165)	($2)	$2

v. Foreign currency risk

The only currency where receivables are not denominated in their functional currency is US dollars (USD). Cash balances in USD are kept at levels only sufficient to pay the amounts owing. Since the local sales in Malaysia are made by foreign operations in their individual functional currencies, there is no direct foreign currency risk exposure involved. The Group and the parent entity's exposure to foreign currency risk is primarily its exposure to trade receivables denominated in USD. The total exposure to foreign currency risk at 30 June 2020 was as follows: Receivables in USD totalled USD$189,530 and payables totalled USD$44,263.

The Group and the parent entity's profit and loss sensitivity and movement in the USD: AUD exchange rates are as follows:

	2020			2019		
	USD	**USD/AUD**	**USD/AUD**	**USD**	**USD/AUD**	**USD/AUD**
Consolidated		**+10%**	**-10%**		**+10%**	**-10%**
Trade Receivables	189,530	25,106	(30,685)	220,118	28,523	(34,858)
Trade Payables	44,263	5,863	(7,166)	430,623	55,799	(68,194)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 25: FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT (Cont'd)

vi. Fair Values

An analysis of financial assets and financial liabilities for the consolidated entity is shown below:

	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	$	$	$	$
Financial assets				
Cash	6,873,680	6,873,680	2,834,440	2,834,440
Receivables	577,261	577,261	706,121	706,121
	7,450,941	7,450,941	3,540,561	3,540,561
Financial Liabilities				
Other loans	-	-	-	-
Trade and sundry creditors	2,251,019	2,251,019	2,568,474	2,568,474
Borrowings - Rectifier Technologies (M) Sdn Bhd	2,700,859	2,700,859	2,081,762	2,081,762
Debtor financing facility	165	165	1,932	1,932
Lease liabilities	1,190,842	1,190,842	550,154	550,154
	6,142,885	6,142,885	5,202,322	5,202,322

The fair value of the other loans has been calculated by adding the accrued interest to the original principal adjusted for relevant exchange rate movements where applicable.

The fair value for the remaining financial liabilities and financial assets approximates their carrying value as they are short-term.

NOTE 26: PARENT ENTITY FINANCIAL INFORMATION

a. Summary Financial Information

The individual financial statements for the parent entity show as follow:

	2020	2019
	$	$
Statement of Financial Position		
Current Assets	3,401,345	147,440
Total Assets	3,466,259	1,797,947
Current Liabilities	461,467	82,819
Total Liabilities	1,041,909	96,163
Net Assets	2,424,350	1,701,784
Shareholders' Equity	39,851,775	39,816,575
Reserve	680,647	50,647
Accumulated Losses	(38,108,072)	(38,165,438)
Total Equity	2,424,350	1,701,784
Profit/(Loss) for the year	57,366	102,955
Total Comprehensive Income/(Loss)	57,366	102,955

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 26: PARENT ENTITY FINANCIAL INFORMATION (Cont'd)

b. Guarantees entered into by the parent entity

The parent entity has not provided any financial guarantees except as disclosed in the notes to the financial statements.

c. Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2020.

d. Contractual commitments

There were not contractual commitments for the parent entity as at 30 June 2020.

NOTE 27: EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to 30 June 2020, on 11 August 2020, the company has announced a less than marketable parcel sale facility for holders of less than marketable parcels of the Company's shares.

On 31 August 2020. The company declared to pay a 0.1 cent ($0.001) per share fully franked dividend

The key proposed dates in relation to the financial year 2020 dividend are as follows:

Ex Date - 29 October 2020

Record Date - 30 October 2020

Payment date - 8 December 2020

NOTE 28: COMMITMENTS

Rectifier Technologies Malaysia Sdn Bhd has non-cancellable purchase commitments of approx.1.3 million and estimated delivery in the next few month.

NOTE 29: COMPANY DETAILS

The registered office is:
Rectifier Technologies Ltd
97 Highbury Road, Burwood, VIC 3125

The principal places of business are:
Rectifier Technologies Ltd
97 Highbury Road, Burwood, VIC 3125

Rectifier Technologies (M) SDN. BHD
No. 5, 7 & 9, Jalan Laman Setia 7/8
Taman Laman Setia
81550 GELANG PATAH, JOHOR
MALAYSIA

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5 Tampines Central 6
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SINGAPORE

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Web: www.rectifiertechnologies.com

DECLARATION OF BY DIRECTORS

The directors of the company declare that:

1. The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes, are in accordance with the *Corporations Act 2001* and:

   a) Comply with Accounting Standards and the *Corporations Regulations 2001*; and

   b) Give a true and fair view of the financial position as at 30 June 2020 and of the performance for the year ended on that date of the consolidated entity.

2. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

3. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

4. The remuneration disclosures included on pages 4 to 10 of the directors' report (as part of the audited Remuneration Report) for the year ended 30 June 2020, comply with Section 300 A of the *Corporations Act 2001*.

5. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Mr. Yanbin Wang
Director

Rectifier Technologies Ltd
97 Highbury Road
Burwood
VIC 3125

Dated the 30th day of September 2020

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Independent Auditor's Report

To the Members of Rectifier Technologies Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Rectifier Technologies Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of 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 performance for the year ended on that date; and

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

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

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

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 of the current period. These 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.

Grant Thornton

Key audit matter	How our audit addressed the key audit matter
Recognition of R&D tax incentive (Note 3 and 11)	
The Group receives a 43.5% refundable tax offset of eligible expenditure under the research and development ("R&D") scheme if its turnover is less than $20 million per annum, provided it is not controlled by income tax exempt entities. A registration of R&D activities is filed with AusIndustry in the following financial year, and based on this filing; the group receives the incentive in cash. The Group engaged an R&D expert to perform a detailed review of the Group's total R&D expenditure to determine the potential claim under the R&D tax incentive legislation. As at 30 June 2020, a receivable totalling to $605,834 has been recorded. This represents the estimated claim for the period 1 July 2019 to 30 June 2020. This is a key audit matter due to the size of the receivable and the degree of judgement and interpretation of the R&D tax legislation required by management to assess the eligibility of the R&D expenditure under the scheme.	Our procedures included, amongst others: • Obtaining and documenting through discussions with management, an understanding of the process to estimate the claim; • Evaluating the competence, capabilities and objectivity of management's expert; • Reviewing and testing the R&D estimate by: - reviewing the methodology used by management's expert for consistency with the R&D tax offset rules: - performing testing on a sample of R&D expenses to supporting documents to assess eligibility and accuracy of the amounts recorded in the general ledger; and - considering the nature of expenses against the eligibility criteria of the R&D tax incentive scheme to assess whether the expense included in the estimate were likely to meet the eligibility criteria. • Comparing the nature of the R&D expenditure included in the current year to the prior year claim; • Comparing the eligible expenditure used in the receivable calculation to expenditure recorded in the general ledger; • Considering the entity's history of successful claims; • Inspecting copies of relevant correspondence with AusIndustry and the Australian Taxation Office related to the claims; and • Assessing the adequacy of the relevant disclosures in the financial statements.
Inventory valuation (Note 12)	
As at 30 June 2020, the Group holds inventory with a carrying amount totalling $2,555,080 and is required to carry its inventory at the lower of cost or net realisable value, in accordance with AASB 102: *Inventories*. The determination of the valuation of inventory requires significant judgement. The following factors add complexity that could increase the likelihood of errors in the determination of the lower of cost or net realisable value: 1) large inventory holdings of electronic components and slow inventory turnover on certain lines indicate that there may be obsolete stock on hand; and 2) the methodology of estimating inventory provisions involve significant management judgment, including predictions about market conditions and future sales of certain lines.	Our procedures included, amongst others: • Understanding and documenting management's process of calculating the inventory provision and evaluating the Group's compliance with the requirements of AASB 102; • Performing testing on a sample of inventory items to assess the cost basis and net realisable value of inventories and: - for inventory sold in the last 12 months or post year end, tracing to sales invoice and agreeing that the selling price exceeded the item's cost; - for items not sold in the last 12 months, considering whether the value of these items were adjusted for in inventory obsolescence provision;

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Inventory valuation (Note 12) (continued)	
This is a key audit matter due to the materiality of the inventory balance and the level of management judgement required in determining the value of inventory.	• Analysing any inventory items with no movement in the last 12 months and considering whether they should be included in the inventory obsolescence provision and assessing their saleability in the future; • Considering whether any other factors might indicate the inventory items would require a provision to write down to net realisable value, such as any discontinued lines; and • Assessing the adequacy of the related disclosures in the financial statements.
Revenue recognition (Note 3)	
Revenue recorded from sale of products and services to customers amounted to $16,128,925 for the year ended 30 June 2020. The Group enters into transactions that involve a range of products and services. The total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies the performance obligations. The allocation of the transaction price and the determination of the timing of revenue recognition requires management judgement. This is a key audit matter given the management judgement applied in determining the appropriate recognition of revenue and material nature of revenue to Group's overall performance.	Our procedures included, amongst others: • Reviewing revenue recognition policies for appropriateness in accordance with AASB 15 *Revenue from Contracts with Customers*; • Documenting the design and testing the operating effectiveness of the internal controls in respect to revenue from the sales of goods; • Performing detailed testing of a sample of revenue transactions during the year and assessing whether revenue has been recognised in accordance with AASB 15, which included; - Reviewing the relevant contracts with customers; - Assessing management's determination of performance obligations within contracts and the allocation of the transaction price to those obligations; • Evaluating sales transactions around reporting date to assess whether revenue is recognised in the correct periods; • Performing analytical procedures to assess revenue recognised against known business factors, and investigating variances to our expectation; and • Assessing the adequacy of related disclosures in the financial statements.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's 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 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, 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.

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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 Group's ability 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 this 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/auditors_responsibilites/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 4-10 of the Directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Rectifier Technologies 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.

Grant Thornton Audit Pty Ltd
Chartered Accountants

S C Trivett
Partner – Audit & Assurance

Melbourne, 30 September 2020

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following additional information is required by the Australian Stock Exchange Ltd in respect of listed public companies only.

1. Shareholding

a. Distribution of Shareholders Number

Category (size of Holding)	Ordinary
1 – 1,000	288
1,001 – 5,000	317
5,001 – 10,000	215
10,001 – 100,000	1,030
100,001 – 9,999,999,999	460
	2,310

b. The number of shareholdings held in less than marketable parcels is 940.

c. The names of the substantial shareholders listed in the holding company's register as at 30th of June 2020 are:

Shareholder	**Number Ordinary**
Pudu Investments (Aust) Pty Ltd	224,643,616
Yung Shing	150,000,000
Winter Storms Ltd	125,068,336

d. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

e. 20 Largest Shareholders - Ordinary Shares

Name	**Number of Ordinary Fully Paid Shares Held**	**% Held of Issued Ordinary Capital**
1.PUDU INVESTMENT (AUSTRALIA) PTY LTD	224,643,616	16.41
2.YUNG SHING	150,000,000	10.96
3.WINTER STORMS LTD	125,068,336	9.14
4.MR SONGWU LU	89,508,408	6.54
5.YANBIN WANG	70,000,000	5.11
6.MR LEI LI	68,460,000	5.00
7.MS ZHU FURONG	64,000,000	4.68
8.MR WEIGUO XIE	45,314,823	3.31
9.MR MAKRAM HANNA + MRS RITA HANNA <HANNA & CO P/L SUPER A/C>	37,797,542	2.76
10.MR VALENTINO FRANCESCO VESCOVI + MRS GLENDA JILL VESCOVI <VESCOVI SUPER FUND A/C>	30,600,000	2.24
11.BOND STREET CUSTODIANS LIMITED <MTJL - I53966 A/C>	25,999,605	1.90
12.JP MORGAN NOMINEES AUSTRALIA PTY LIMITED	24,430,852	1.79
13.MR NICHOLAS SENG TET YEOH	20,500,000	1.50
14.MR NIGEL MACHIN	20,000,000	1.46
15.MR PETER HIONG HUO HII	17,383,975	1.27
16.TOPAZ INVESTMENTS PTE LTD	13,837,650	1.01
17.GENISTA COURT PTY LTD	11,848,272	0.87
18.MR MAKRAM HANNA	10,934,134	0.80
19.AUSTRALIAN EXPORTS & INDUSTRIALISATION SUPER PTY LTD <BUCK FAMILY SUPER FUND A/C>	10,000,000	0.73
20.MR RAYMOND ROCKMAN + MR ANTHONY ROCKMAN <RAYMOND ROCKMAN S/F A/C>	9,677,106	0.71
Totals: Top 20 holders of ORDINARY SHARES	**1,070,004,319**	**78.18**

The following additional information is required by the Australian Stock Exchange Ltd in respect of listed public companies only.

2. The name of the Company Secretary is Justyn Stedwell.

3. The address of the principal registered office in Australia is 97 Highbury Road, Burwood, Victoria.

Telephone 03 9896 7550

4. Registers of securities are held at the following address:

Computershare Investor Services Pty Ltd
452 Johnston Street, Abbotsford, VIC 3067

5. Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Stock Exchange Limited and the Home Exchange is Melbourne.

Unquoted Securities

A total of 61,880,000 (2019: 21,640,000) options over unissued shares are on issue.

7. Restricted Securities

Nil

8. On market buy-back

There is no current on market buy back.