RECTIFIER TECHNOLOGIES LTD

ABN: 82 058 010 692

ANNUAL REPORT
2019

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
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MANUFACTURING FACILITY- MALAYSIA
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No. 5 & 7, Jalan Laman Setia 7/8
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81550 GELANG PATAH, JOHOR
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Telephone: + 60 7 522 6006
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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,
MELBOURNE, 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 increased by approximately 140.90% to $18.9 million from $7.8 million in the previous reporting period.

The increase in total revenues during the year to 30 June 2019 was due to a significant growth in sale from electric vehicle (EV) charging market; meanwhile sales in other market segments remained steady compared to previous reporting period. The EV market has contributed $12.3 million to revenue in the current reporting period compared to $1.5 million to revenue in the previous reporting period (Note 22). The company expects revenue from these products to continue improving in the 2020 financial year.

The company reported a higher profit before income tax amounting to $3.3 million compared to a profit before income tax of $463K in the previous reporting period. The significant increase in profit before income tax is primarily due to the increase in sales during the year. We have contributed significant capital investment to upgrade current manufacturing facility in Malaysia. The upgraded manufacturing facility increased our production capacity in 2019 financial year. In addition, we are expecting to increase our production capacity further in 2020 following the acquisition of a new factory this year. Our continued expansion and investment in R&D give us a leading position in the industrial power industry.

The company reported a net profit of $2.1 million compared to a net profit of $62K from the previous financial reporting period.

	($'000')	
	2019	**2018**
Revenue from continuing operations (refer to note 3)	18,874	7,835
Gross Profit	7,962	4,064
Gross Margin %	45%	57%
Profit from continuing operations before tax	3,339	463
Income Tax Expense	(1,212)	(401)
Profit from continuing operations after tax	2,127	62
Net Profit	2,127	62

Funding

On 6 Feburary 2018, Rectifier Technologies Malaysia obtained a loan amounting to MYR$5,460,000 from Public Bank Berhad to acquire a new manufacturing facility. After monthly repayment, the carrying amount of the loan was MYR$5,130,645 at end of reporting period of 2019.

Outlook

The Company continues to expand its R&D, Sales and Manufacturing capabilities to capture new opportunities in both the traditional industrial power industries and new energy markets. Another factory acquired in Malaysia recently with the expectation of increase in manufacturing capacity from 2020. A new premises was also leased in September (2019) in Australia for the expansion of head office including an upgrade of our R&D facility.

As the global electric vehicles (EV) market continue to grow strongly, so has charging networks. Therefore, the key focus of the Company remains on the development of products for EV charging. In fact, we started to deliver pre-production units of our 11KW EV DC Chargers after receiving welcoming feedback from the market. The calendar year of 2020 will be a year to look forward to as we expect both our bi-directional 11KW EV Charger and 50KW EV Charger Module to be ready for the market, positioning us to offer product to a wide spectrum of DC Charging applications.

On behalf of the Board

Ying Ming Wang

Chairman

Dated this 30th day of September 2019

DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2019.

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 $2,127,038 compared to a profit of $62,442 in 2018.

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 2019, the Company has issued 42,000,000 unlisted options issued with an exercise price of $0.07 per option and expiring 13 September 2022 pursuant to its employee share option plan.

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	-	37,821,196 Ordinary Shares, and 7,040,000 unlisted options exercisable at 2c each
Mr. Nigel Machin	**-**	Director and Head of Power Engineering
Qualifications	-	Bachelor of Engineering Electrical
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 Government, which is currently 9.5%, 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 & Marking – Rectifier Technologies Singapore Pte Ltd

Mr. Wang Yanbin and Mr Nigel Machin were executives of the parent entity in 2019.

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

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 Machine'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.

2018	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	-	-	-	-	-	-	-	-
Mr. Yanbin Wang (CEO)	297,137	24,455	32,636	-	-	-	-	354,228
Mr. Valentino Vescovi	6,000	-	-	-	-	-	-	6,000
Mr. Nigel Machin	156,975	13,398	-	6,649	27,683	-	-	204,705
Other Key Management Personnel								
Subsidiary Entities								
Mr. Paul Davis	130,878	18,550	-	4,692	27,927	-	-	182,047
Mr. Seong Bow Lee	71,198	4,181	721	-	8,832	-	-	84,932
Total	662,188	60,584	33,357	11,341	64,442	-	-	831,912

In 2018, 6.90% of Mr. Yanbin Wang's remuneration, 6.55% of Mr. Nigel Machine's remuneration, 4.92% of Mr. Seong Bow Lee's remuneration and 10.19% of Mr. Paul Davis' remuneration were performance based. The cash bonus were approved upon payment on 28/02/2018.

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:

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	-

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

2018	Balance 1.7.17	Options Exercised	Net Change Other	Balance 30.6.18	Total Vested 30.6.18	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	-	-	-	-	-	-	-
Total	8,840,000	-	-	8,840,000	8,840,000	8,840,000	-

DIRECTORS' REPORT

Key Management Personnel Compensation Consolidated Entity

Shareholdings

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

2018

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

	Balance 1.7.17	Received as Director Loan Repayment	Received as Remuneration Employee Share Scheme	Net Change Other	Balance 30.6.18
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
Total	362,242,362	-	-	-	362,242,362

DIRECTORS' REPORT

Shares granted as remuneration

There were no shares granted as remuneration in 2019.

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 lower profit in 2015 was as result of a once off warranty expense claim which diluted profit, and also that discontinued RTUK no longer contributed profit to the Group in 2015 as it had in 2014. 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. 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. Total revenue was significantly increased to 18.90 million by approximately 140.90% in 2019 compared to 2018 due to the significantly sales increase in EV charging market. We expect the continued improvement of revenue from the EV charging market with new products expected to be released in 2020.

	2015	2016	2017	2018	2019
Revenue ($'000) (Including discontinued operation)	6,602	8,459	6,881	7,835	18,874
Net Profit/(Loss) ($'000)	128	1,685	(35)	62	2,127
Share Price at Year-end (cents)	0.7	2.9	1.7	2.6	4.6
Change in Share Price (cents)	0.5	2.2	1.2	0.9	2.0
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	3	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 $7,700 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	13,280,000
November 2003	No expiry date	2.0¢ per share	8,360,000
			21,640,000

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 2019

Grant Thornton

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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 2019, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the 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 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated Entity 2019 $	Consolidated Entity 2018 $
Revenue	3	18,262,098	7,342,107
Other income	3	612,395	492,603
Changes in inventories of finished goods and work in progress		943,987	(380,935)
Raw materials and consumables used		(8,836,781)	(1,774,514)
Employee benefits expense		(5,401,786)	(3,790,588)
Depreciation expense	4	(257,361)	(129,925)
Finance costs	4	(151,310)	(79,610)
Other expenses		(1,832,403)	(1,215,842)
Profit before income tax expense		3,338,839	463,296
Income tax expense	5	(1,211,801)	(400,853)
Profit from continuing operations after income tax		2,127,038	62,442
Net profit after income tax attributable to owners of Rectifier Technologies Limlited		2,127,038	62,442
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences		52,484	86,023
Total other comprehensive income for the year		52,484	86,023
Total comprehensive income for the year		2,179,522	148,465
Basic earnings per share (cents per share):	9	0.16	0.01
Diluted earnings per share (cents per share):		0.15	0.00

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	Consolidated Entity	
		2019 $	2018 $
CURRENT ASSETS			
Cash and cash equivalents	10	2,834,440	2,183,902
Trade and other receivables	11	1,432,197	1,450,155
Inventories	12	5,577,926	2,738,970
Current tax assets		493,784	327,464
TOTAL CURRENT ASSETS		10,338,347	6,700,491
NON-CURRENT ASSETS			
Property, plant and equipment	14	3,671,240	2,745,679
Deferred tax assets	5	215,839	140,713
TOTAL NON-CURRENT ASSETS		3,887,079	2,886,392
TOTAL ASSETS		14,225,426	9,586,883
CURRENT LIABILITIES			
Trade and other payables	15	2,570,406	1,843,158
Interest bearing liabilities	16	543,286	74,320
Provisions	18	446,069	354,822
Current tax liabilities		1,228,943	474,637
TOTAL CURRENT LIABILITIES		4,788,704	2,746,937
NON-CURRENT LIABILITIES			
Interest bearing liabilities	16	2,088,630	1,719,010
Deferred tax liabilities	5	42,613	-
Provisions	18	60,573	55,552
TOTAL NON-CURRENT LIABILITIES		2,191,816	1,774,562
TOTAL LIABILITIES		6,980,520	4,521,499
NET ASSETS		7,244,906	5,065,384
EQUITY			
Contributed equity	19	39,816,575	39,816,575
Reserves		177,734	125,250
Accumulated losses		(32,749,403)	(34,876,441)
TOTAL EQUITY		7,244,906	5,065,384

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated Entity 2019 $	Consolidated Entity 2018 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		15,533,821	6,921,457
Payments to suppliers and employees		(14,562,460)	(6,889,527)
Interest received		14,992	10,986
Finance costs		(147,033)	(61,561)
Income taxes paid		(187,860)	(104,315)
Net cash provided/(used in) by operating activities	23	651,460	(122,960)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(459,808)	(480,869)
Proceed from sale of property, plant and equipment		-	90
Net cash used in investing activities		(459,808)	(480,779)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(168,327)	(31,632)
Proceeds from borrowings		311,869	1,212
Net cash provided by/(used in) financing activities		143,542	(30,420)
Net increase in cash held		335,194	(634,159)
Cash and cash equivalents at beginning of the year		2,183,902	2,628,269
Effect of exchange rates on cash holdings in foreign currencies		315,344	189,792
Cash and cash equivalents at end of the year	10	2,834,440	2,183,902

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

Consolidated Entity	$	$	$	$
	Share Capital	**Accumulated Losses**	**Foreign Currency Translation Reserve**	**Total**
Balance at 1.7.2017	39,816,575	(34,938,883)	39,227	4,916,919
Total comprehensive income for the year	-	62,442	86,023	148,465
Transactions with owners in their capacity as owners:				
Shares issued **(**Note 19)	-	-	-	-
Balance at 30.06.2018	39,816,575	(34,876,441)	125,250	5,065,384
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

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: Corporate information

The financial statements of Rectifier Technologies Limited for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the directors on 26 September 2019 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 2019. 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 2019

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 2019

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. Leases

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

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.

Accounting Policy applicable to comparative period (30 June 2018)

All investments and other financial assets are initially stated at cost, being the fair value of consideration given plus acquisition costs. Purchases and sales of investments are recognised on trade date which is the date on which the Group commits to purchase or sell the asset.

Investments in subsidiaries, associates and joint venture entities are accounted for in the consolidated financial statements as described in note 1(b) and in the parent entity financial information at cost in accordance with the cost alternative permitted in separate financial statements under AASB 127 *Consolidated and Separate Financial Statements*.

Reversals of impairment losses on equity instruments classified as available-for-sale cannot be reversed through profit or loss. Reversals of impairment losses on debt instruments classified as available-for-sale can be reversed through profit or loss where the reversal relates to an increase in the fair value of the debt instrument occurring after the impairment loss was recognised in profit or loss.

The fair value of quoted investments is determined by reference to Stock Exchange quoted market bid prices at the close of business at the end of the reporting period. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Loans and receivables

Non-current loans and receivables include loans due from related parties repayable within 365 days of the end of reporting period. As these are non-interest bearing, fair value at initial recognition requires an adjustment to discount these loans using a market-rate of interest for a similar instrument with a similar credit rating. The discount is debited on initial recognition to the investment account.

Impairment losses are measured as the difference between the investment's carrying amount and the present value of the estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the investment's original effective interest rate. Impairment losses are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

Trade receivables are recognised at original invoice amounts less an allowance for uncollectible amounts and have repayment terms between 30 and 90 days. Collectability of trade receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance is made for doubtful debts where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. Objective evidence of impairment includes financial difficulties of the debtor, default payments or debts more than 90 days overdue. On confirmation that the trade receivable will not be collectible the gross carrying value of the asset is written off against the associated provision. From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and are not, in the view of the directors, sufficient to require the derecognition of the original instrument.

Trade receivable are recognised gross of any debtor financing facility used.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

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.

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 accruals 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.

Accounting Policy applicable to comparative period (30 June 2018)

Revenue is recognised at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer and can be reliably measured. Risks and rewards are considered passed to buyer when goods have been delivered to the customer.

Revenue from product licensing is recognised on the transfer of intellectual property in accordance with contractual obligations.

Royalties are recognised on an accrual basis in accordance with the substance of the agreement.

Dividends are recognised when the right to receive payment is established.

Interest revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset. All revenue is stated net of the amount of goods and services tax (GST).

R&D rebates are recognised on an accrual basis as other income once the amount can be reliably estimated.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

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 are classified as operating cash flows.

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

r. New accounting standards and interpretations

The following standards and interpretations have been recently issued and have been early adopted by the Group for the year ended 30 June 2019.

<u>AASB 9 Financial Instruments</u>

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

a) Financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows.

b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
- the remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities.

There has been no material impact on the transactions and balances recognised in the financial statements.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations: AASB 15

- establishes a new revenue recognition model
- changes the basis for deciding whether revenue is to be recognised over time or at a point in time
- provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- expands and improves disclosures about revenue

There is been no material impact on the transactions and balances recognised in the financial statements.

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

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

Based on a detailed assessment, it is expected that the first-time adoption of AASB 16 for the year ending 30 June 2020 will have a material impact on the transactions and balances recognised in the financial statements for leases greater than 12 months, in particular:

- lease assets and financial liabilities on the balance sheet will increase to 1.05 million and 1.15 million respectively (based on the facts at the date of the assessment)
- there will be a reduction in the reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities
- the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in operating expenses
- operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

s. New accounting standards that are not yet effective and have not been adopted by the Group (Cont'd)

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

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 Monte-Carlo Simulation 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.

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 2019 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 2019

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 Monte Carlo Simulation 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 3: REVENUE AND OTHER INCOME

	Consolidated Entity	
	2019 **$**	**2018** **$**
Revenue		
– sale of goods	17,725,540	7,155,895
– interest received	15,002	11,291
– sundry income	521,556	174,921
	18,262,098	7,342,107
Other income		
– R&D tax rebate	612,395	492,603
	612,395	492,603

NOTE 4: PROFIT FROM CONTINUING ACTIVITIES

	Consolidated Entity	
	2019 **$**	**2018** **$**
Profit before income tax has been determined after the following expenses:		
Cost of sales	9,763,706	3,092,165
Finance costs:		
– other persons	151,310	79,610
Total finance costs	151,310	79,610
Depreciation of non-current assets:		
– plant and equipment	236,974	112,581
– leasehold improvements	12	13
– motor vehicle	20,375	17,331
Total depreciation	257,361	129,925
Rental expense on operating leases - minimum lease payments	120,240	120,834
Personnel Expenses - defined contributions superannuation	405,600	343,732
Research and development costs expensed	1,392,646	1,217,927
Profit/(loss) on disposal of property, plant and equipment	11	(834)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 5: INCOME TAX EXPENSE

	Consolidated Entity	
	2019 $	2018 $
Current tax	1,244,314	334,749
Deferred tax - temporary differences	(32,513)	52,748
Deferred tax – tax losses	-	67,311
	1,211,801	400,853
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	3,338,839	463,296
Prima facie tax payable on profit/ (loss) before income tax at 27.5% (2018: 27.5%)		
– consolidated entity	918,181	127,406
Add: Tax effect of:		
– R&D expenditures	382,978	334,930
– Controlled foreign company attributed income	165,888	32,957
– Other non-allowable items	118,084	151,030
– Effect of lower rates of tax on overseas income	91,348	-
	1,676,479	646,323
Less Tax effect of:		
– Other non-assessable items	(168,409)	(145,694)
– Foreign income tax offset	(296,269)	(7,735)
– Effect of lower rates of tax on overseas income	-	(38,086)
	1,211,801	454,808
Tax effect of carry-forward tax losses not previously bought to account	-	(53,955)
Income tax attributable to entity	1,211,801	400,853
Reconciliation to continuing / discontinued operations		
Consolidated profit before income tax	3,338,839	463,296
Profit before income tax from continuing operations	3,338,839	463,296
Consolidated income tax expense	1,211,801	400,853
Income tax expense from continuing operations	1,211,801	400,853

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 5: INCOME TAX EXPENSE (Cont'd)

	Consolidated Entity	
	2019	2018
	$	$
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 2019

NOTE 5: INCOME TAX EXPENSE (Cont'd)

The following table regarding DTA during the current reporting period:

Deferred Tax Assets	1 July 2018 $	Recognised in Profit & Loss $	30 Jun 2019 $
Provision for stock obsolescence	24,000	25,489	49,489
Accrued superannuation	5,355	5,298	10,653
Accruals - Other	29,078	46,795	75,873
Unrealised FX Loss	(17,420)	(19,004)	(36,424)
Employee entitlements	112,853	16,247	129,100
Blackhole expenditure	305	(102)	203
Property, plant and equipment	(13,458)	(42,210)	(55,668)
Deferred tax movement	140,713	32,513	173,226

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 2019. The amounts of franking credits available for subsequent reporting periods are:

	Consolidated Entity	
	2019 $	2018 $
Opening balance of franking account	481,000	481,000
Deferred debit balance of franking account at the end of the reporting period	308,296	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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	
	2019 **$**	**2018** **$**
b. Key Management Personnel Compensation		
Short-term employee benefits	1,106,342	756,129
Long-term employee benefits	5,776	11,341
Post-employment benefits	64,778	64,442
	1,176,896	831,912

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	
	2019 **$**	**2018** **$**
Audit and review services		
Grant Thornton - Audit and review of financial reports	68,374	66,100
Total remuneration for audit services	68,374	66,100

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 9: EARNINGS PER SHARE

	Consolidated Entity	
	2019	2018
	$	$
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	2,127,038	62,442
b. Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	1,366,900,602	1,366,900,602
Adjustments for calculations of diluted earnings per share:		
Options	21,640,000	21,640,000
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	1,388,540, 602	1,388,540, 602

NOTE 10: CASH AND CASH EQUIVALENTS

	Consolidated Entity	
	2019	2018
	$	$
Cash at bank	2,834,440	2,183,902
	2,834,440	2,183,902

NOTE 11: TRADE AND OTHER RECEIVABLES

	Consolidated Entity	
	2019	2018
	$	$
CURRENT		
Trade debtors (a)	430,407	539,909
	430,407	539,909
Other debtors	275,714	33,417
R&D tax incentives	605,801	529,798
Prepayments	120,275	347,031
	1,432,197	1,450,155

a. Included in debtors of $430,407 (2018: $539,909) are debts which have been assigned to financing companies in Australia. The company had received advances of $1,932 (2018: $1,146) 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 2019

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

	Consolidated entity			
	Gross 2019 $	Gross 2018 $	Carrying Amount 2019 $	Carrying Amount 2018 $
Not past due	61,817	372,346	61,817	372,346
Past due 0-30 days	169,146	156,830	169,146	156,830
Past due 31+ days	199,444	10,733	199,444	10,733
	430,407	539,909	430,407	539,909

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:

	2019 $	2018 $
Australia	24,233	175,670
Asia	38,785	124,679
Europe	117,297	23,766
USA	150,160	186,292
Others	99,932	29,502
Total	430,407	539,909

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	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $
Australia	14,776	81,703	9,436	92,651	21	1,316	24,233	175,670
Asia	36,138	120,618	-	1,651	2,647	2,410	38,785	124,679
Europe	214	16,552	116,585	7,000	498	214	117,297	23,766
USA	6,402	120,597	32,228	50,638	111,530	5,278	150,160	186,292
Others	4,287	32,876	10,897	4,890	84,748	1,516	99,932	29,502
Total	61,817	372,346	169,146	156,830	199,444	10,734	430,407	539,909

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 12: INVENTORIES

	Consolidated Entity	
	2019	2018
	$	$
Raw materials	3,858,668	1,963,700
Work in progress	912,229	389,376
Finished goods at cost	807,029	385,894
	5,577,926	2,738,970

Inventories are recognised net of a provision for obsolescence of $568,480 (2018: $181,382).

Inventory expense

Change in inventories recognised as expense during the year ended 30 June 2019 amounted to $968,578 (2018: $380,935). 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 2019	Percentage Owned 2018
			(%)	(%)
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 2019

NOTE 14: PROPERTY, PLANT AND EQUIPMENT

	Consolidated Entity	
	2019	2018
	$	$
Land		
At cost	1,549,587	1,500,052
	1,549,587	1,500,052
Building		
At cost	329,637	301,990
Accumulated depreciation	(29,113)	(5,033)
	300,524	296,957
Plant and equipment		
At cost	1,970,625	1,017,100
Accumulated depreciation	(207,860)	(107,548)
	1,762,765	909,552
Leasehold improvements		
At cost	120	133
Accumulated depreciation	(12)	(13)
	108	120
Motor Vehicle		
At Cost	78,631	56,329
Accumulated depreciation	(20,375)	(17,331)
	58,256	38,998
Total Property, Plant and Equipment	3,671,240	2,745,679

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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.

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
Transferred to property, plant & equipment	-	-	-	-	-	-
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

2018	Land $	Building $	Plant and Equipment $	Leasehold Improvements $	Motor Vehicle $	Total $
Consolidated Entity:						
Balance at the beginning of year	1,384,663	529,175	222,532	133	17,228	2,153,731
Additions - Land	-	-	-	-	34,388	34,388
Additions - Capital work-in-progress	-	(238,660)	238,660	-	-	-
Additions - Other plant and equipment	-	-	556,857	-	-	556,857
Disposals	-	-	(925)	-	-	(925)
Depreciation/amortisation expense	-	(5,033)	(107,548)	(13)	(17,331)	(129,925)
Net exchange differences on translation of foreign subsidiaries	115,389	11,475	(24)	-	4,713	131,554
Carrying amount at the end of year	1,500,052	296,957	909,552	120	38,998	2,745,679

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 15: TRADE AND OTHER PAYABLES

	Consolidated Entity	
	2019	2018
	$	$
CURRENT		
Unsecured liabilities:		
Trade creditors	1,691,765	1,586,698
Sundry creditors and accrued expenses	876,709	255,314
	2,568,474	1,842,012
Secured liabilities:		
Debtor financing facility	1,932	1,146
	1,932	1,146
	2,570,406	1,843,158

NOTE 16: INTEREST-BEARING LIABILITIES

	Consolidated Entity	
	2019	2018
	$	$
CURRENT		
Lease liability (secured)	163,690	14,294
Borrowings - Rectifier Technologies (M) Sdn Bhd (secured)	379,596	60,026
	543,286	74,320
NON-CURRENT		
Lease liability (secured)	386,464	16,040
Borrowings - Rectifier Technologies (M) Sdn Bhd (secured)	1,702,166	1,702,970
	2,088,630	1,719,010
	2,631,916	1,793,330

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

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 principle 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.

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 27 Mar 2019, Rectifier Technologies (M) Sdn Bhd has obtained a trade facility of MYR$313,000(AUD$107,778) from Public Bank Berhad. On 12 Apr 2019, Rectifier Technologies (M) Sdn Bhd has obtained another trade facility of MYR$602,000(AUD$207,293) from the same bank. The total balance of the trade facility was MYR$915,000(AUD$315,071) at the end of the current reporting period. The terms of the facility are 118 days with interest rate 4.09% and 91 days with interest rate 4.06% respectively.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 17: MATURITY ANALYSIS

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

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

2018	Contractual Amount	< 6 mths	6 – 12 mths	1 – 3 years	> 3 years
Financial Liabilities					
Consolidated Entity:					
Trade creditors	1,586,698	1,586,698	-	-	-
Other creditors	255,314	255,314	-	-	-
Borrowings - Rectifier Technologies (M) Sdn Bhd	2,623,832	69,240	69,240	276,960	2,208,392
Debtor financing facility	1,146	1,146	-	-	-
Lease liability	34,297	9,796	6,841	7,840	9,820
Total	4,501,287	1,922,194	76,081	284,800	2,218,212

NOTE 18: PROVISIONS

	Consolidated Entity	
	2019 $	2018 $
CURRENT		
Employee entitlements	446,069	354,822
NON-CURRENT		
Employee entitlements	60,573	55,552

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 19: CONTRIBUTED EQUITY AND RESERVES

	Consolidated Entity	
	2019 $	2018 $
a. Ordinary shares		
At the beginning of the reporting period	39,816,575	39,816,575
At reporting date	39,816,575	39,816,575
	Number	**Number**
At the beginning of reporting period	1,366,900,602	1,366,900,602
At reporting date	1,366,900,602	1,366,900,602

There were no new shares issued during 2019 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.

c. Options

At 30 June 2019, there were 21,640,000 (2018: 21,640,000) options outstanding.

d. 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 2019

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

The gearing ratios at 30 June 2019 were as follows:

		Consolidated	
	Notes	2019 $	2018 $
Total borrowings	15 & 16	2,633,848	1,794,476
Less: cash and cash equivalents	10	(2,834,440)	(2,183,902)
Net cash		(200,592)	(389,426)
Total Equity		7,244,906	5,065,384
Total Capital		7,044,314	4,675,958
Gearing Ratio		-3%	-8%

NOTE 20: CAPITAL AND LEASING COMMITMENTS

Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable		
– not later than 1 year	183,150	107,714
– later than 1 year but not later than 5 years	817,568	80,958
– over 5 years	484,088	-
	1,484,806	188,672

Operating leases relate to business and manufacturing facilities in Australia and Malaysia, with negotiable options to extend. The consolidated entity does not have options to purchase the leased assets at the expiry of the lease agreements.

The lease on the Australian premises at 24 Harker Street Burwood expires on 22 September 2019. New Australian premises at 97 Highbury Road, Burwood, Victoria, 3125 will commencing on 23 September 2019 and the rental charges:

2019 $84,141

2020 $165,569

Capital Commitments

Rectifier Technologies (M) Sdn Bhd has signed a contract for a new manufacturing facility at a cost of MYR$3,640,000(AUD$1,253,400) payable in the 2020 financial year.

NOTE 21: CONTINGENT LIABILITIES

Rectifier Technologies (M) Sdn Bhd has non-cancellable purchase orders of approx. 2.6 million and estimated delivery in the next few month.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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 Singarpore 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 2019 is as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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 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

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 2019

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 2019

NOTE 22: SEGMENT INFORMATION (Cont'd)

2018	**Electronic Components**	**Industrial Power Supplies (E&D)**	**Industrial Power Supplies (T&T)**	**Industrial Power Supplies (EV)**	**Total**
	$	**$**	**$**	**$**	**$**
Total segment revenue	268,977	6,604,402	1,223,719	2,626,854	10,723,952
Inter-segment revenue	(361)	(1,819,033)	(16,315)	(1,096,283)	(2,931,992)
Segment revenue from external customers	268,616	4,785,369	1,207,404	1,530,571	7,791,960
EBITDA	54,474	970,447	244,855	310,392	1,580,168
Interest revenue	244	1,634	901	206	2,985
Interest expense	(16,451)	(9,569)	(53,590)	-	(79,610)
Depreciation and amortisation	(19,693)	(40,069)	(66,209)	(3,955)	(129,926)
Income tax refund (expense)	(1,695)	(269,530)	(24,802)	(48,951)	(344,978)
Segment Assets and Liabilities					
Segment assets	430,126	7,662,648	1,933,375	2,450,852	12,477,001
Segment liabilities	280,423	4,995,702	1,260,473	1,597,845	8,134,443

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 22: SEGMENT INFORMATION (Cont'd)

	2018 $
Segment revenue reconciles to total revenue:	
Revenue from external customers	7,791,960
Corporate head office sundry revenue	34,444
Corporate head office interest received	8,306
Total revenue from operations	7,834,710
Reconciliation of EBITDA to profit before income tax from continuing operations:	
Total segment EBITDA	1,580,168
- interest revenue	11,291
- interest expense	(79,610)
- depreciation and amortisation	(129,926)
- corporate head office costs	(918,627)
Profit before income tax from continuing operations	463,296
Segment assets reconcile to total assets as follows:	
Segment assets	12,477,001
Inter-segment eliminations	(4,525,761)
Corporate head office - Cash	1,194,341
Corporate head office - PPE	-
Corporate head office - other receivables	179,880
Corporate head office – deferred tax assets	261,422
Total assets per statement of financial position	9,586,883
Segment liabilities reconcile to total liabilities as follows:	
Segment liabilities	8,134,443
Inter-segment eliminations	(3,689,170)
Corporate head office - trade & other creditors	76,226
Corporate head office - provisions	-
Corporate head office - borrowings	-
Total liabilities per statement of financial position	4,521,499

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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*	
	2019	2018	2019	2018
Geographic location	$	$	$	$
Australia	13,339,748	3,938,091	173,057	108,459
Asia	1,591,216	1,744,965	3,498,184	2,637,220
North America	1,636,902	858,690	-	-
South America	232,432	60,244	-	-
Europe	923,475	530,283	-	-
Oceania	1,766	23,623	-	-
	17,725,539	7,155,896	3,671,241	2,745,679

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

Major customers - Revenue of $11,131,096 (2018: $1,831,798) was derived from a single Australia customer and revenue of $971,120 (2018: $1,286,991) was derived from a single Singapore customer, which are allocated to the "RTP - Industrial Power Supplies (EV)" segment, and "RTS - Industrial Power Supplies (T&T)".

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 23: CASH FLOW INFORMATION

	Consolidated Entity	
	2019	2018
	$	$
a. Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit after income tax	2,127,038	62,442
Non-cash flows in loss from ordinary activities		
Depreciation	257,361	129,925
Provision for stock obsolescence	387,098	(1,051)
Unrealised currency (gain)/loss	(204,918)	(90,177)
Net loss/(gain) on sale/acquisition of assets	(11)	18,509
Changes in assets & liabilities:		
Decrease/(increase) in trade debtors	202,959	(190,872)
Decrease/(increase) in other debtors & prepayments	499,612	101,283
Decrease/(increase) in inventories	(3,304,946)	(563,715)
Increase/(decrease) in trade creditors/accruals	375,314	155,477
Increase/(decrease) in income taxes payable	165,434	294,033
Deferred tax liability/asset	50,577	-
Increase/(decrease) in provisions	95,942	(38,814)
Cash flows from operations	651,460	(122,960)

b. Credit Standby Arrangements

The Group has 1.5 million overdraft facility with ANZ bank, which has not been utilised at the end of 2019 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 2019

NOTE 25: FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT

	Consolidated Entity	
	2019	2018
	$	$
Categories of Financial Instruments		
Financial assets		
Cash and cash equivalents	2,834,440	2,183,902
Trade and other receivables	706,121	573,326
	3,540,561	2,757,228
Financial liabilities		
Amortised cost	5,202,322	3,636,488
	5,202,322	3,636,488

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 2019

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 88% (2018: 76%) of its sales are made to 5 (2018:5) key customers in Australia, Malaysia 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 $	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Financial Assets:												
Cash	2,834,440	2,183,902	-	-	-	-	-	-	-	-	2,834,440	2,183,902
Receivables	-	-	-	-	-	-	-	-	706,121	573,326	706,121	573,326
Total Financial Assets	2,834,440	2,183,902	-	-	-	-	-	-	706,121	573,326	3,540,561	2,757,228
Financial Liabilities:												
Trade and sundry creditors	-	-	-	-	-	-	-	-	2,568,474	1,842,012	2,568,474	1,842,012
Borrowings	2,081,762	1,762,996	-	-	-	-	-	-	-	-	2,081,762	1,762,996
Debtor Financing Facility	1,932	1,146	-	-	-	-	-	-	-	-	1,932	1,146
Lease liabilities	550,154	-	163,690	14,294	386,464	16,040	-	-	-	-	550,154	30,334
Total Financial Liabilities	2,633,848	1,764,142	163,690	14,294	386,464	16,040	-	-	2,568,474	1,842,012	5,202,322	3,636,488

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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	$2,834,440	$28,344	($28,344)
Debtor finance	($1,932)	($19)	$19

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 2019 was as follows: Receivables in USD totalled USD$220,118 and payables totalled USD$430,623.

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

	2019			2018		
	USD	USD/AUD	USD/AUD	USD	USD/AUD	USD/AUD
Consolidated		+10%	-10%		+10%	-10%
Trade Receivables	220,118	28,523	(34,858)	327,494	40,233	(49,173)
Trade Payables	430,623	55,799	(68,194)	279,514	34,338	(41,969)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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:

	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	$	$	$	$
Financial assets				
Cash	2,834,440	2,834,440	2,183,902	2,183,902
Receivables	706,121	706,121	573,326	573,326
	3,540,561	3,540,561	2,757,228	2,757,228
Financial Liabilities				
Other loans	-	-	-	-
Trade and sundry creditors	2,568,474	2,568,474	1,842,012	1,842,012
Borrowings - Rectifier Technologies (M) Sdn Bhd	2,081,762	2,081,762	1,762,996	1,762,996
Debtor financing facility	1,932	1,932	1,146	1,146
Lease liabilities	550,154	550,154	30,334	30,334
	5,202,322	5,202,322	3,636,488	3,636,488

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:

	2019	2018
	$	$
Statement of Financial Position		
Current Assets	147,440	1,577,397
Total Assets	1,797,947	1,669,876
Current Liabilities	82,819	71,047
Total Liabilities	96,163	71,047
Net Assets	1,701,784	1,598,829
Shareholders' Equity	39,816,575	39,816,575
Accumulated Losses	(38,114,791)	(38,216,746)
Total Equity	1,701,784	1,598,829
Profit/(Loss) for the year	102,955	67,241
Total Comprehensive Income/(Loss)	102,955	67,241

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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 2019.

d. Contractual commitments

There were not contractual commitments for the parent entity as at 30 June 2019.

NOTE 27: EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to 30 June 2019, the Company has issued 42,000,000 unlisted options issued with an exercise price of $0.07 per option and expiring 13 September 2022 pursuant to its employee share option plan.

NOTE 28: 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, Jalan Laman Setia 7/8
Taman Laman Setia
81550 GELANG PATAH, JOHOR
MALAYSIA

Rectifier Technologies Singapore Pte.Ltd
5 Tampines Central 6
TELEPARK #03-38, 529482
SINGAPORE

RECTIFIER TECHNOLOGIES LTD
(ABN 82 058 010 692)
97 Highbury Road, Burwood
Vic, 3125, AUSTRALIA

Tel: +61 3 9896 7588
Fax: +61 3 9896 7566
Email: mail@rtl-corp.com
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 2019 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 2019, 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 3130

Dated the 30th day of September 2019

Collins Square, Tower 5
727 Collins Street
Melbourne VIC 3008

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W www.grantthornton.com.au

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 2019, 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 2019 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 Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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.

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 application 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 2019, a receivable of $605,801 has been recorded. This represents the estimated claim for the period 1 July 2018 to 30 June 2019. 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: - evaluating 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 amounts 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 2019, the Group holds inventory with a carrying amount totalling $5,577,926 and is required to carry its inventory, at the lower of cost or net realisable value in accordance with Australian Accounting Standard AASB 102 *Inventories*. The determination of the valuation of inventory, requires significant judgement. The following factors add complexity or increase the likelihood of errors in the determination of the write down to 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 to be considered for write-down involves significant management judgment, including predictions about market conditions and future sales of certain lines. This is a key audit matter due to the materiality of inventory balance and the level of management judgement required in determining the value of inventory.	Our procedures included, amongst others: • Understanding and documenting management's process of calculating the inventory value and evaluating the group's compliance with the requirements of AASB 102 *Inventories*; • 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 was adjusted for inventory obsolescence; • Analysing any inventory items with no movement in the last 12 months and considering whether they should be considered for write-down and assessing their saleability in future; • Considering whether any other factors might indicate the inventory items would require a 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 the sale of products and services to customers amounted to $18,262,098 for the year ended 30 June 2019. The Group enters into transactions that involve 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 including the initial adoption of 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 the correct periods; • Performing analytical procedures to assess revenue recognised against known business factors, and investigate variances; 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 2019, 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.

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: http://www.auasb.gov.au/auditors_responsibilities/ar1.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 to 10 of the Directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Rectifier Technologies Limited, for the year ended 30 June 2019 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

Grant Thornton Audit Pty Ltd
Chartered Accountants

Simon Trivett

S C Trivett
Partner – Audit & Assurance

Melbourne, 30 September 2019

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	281
1,001 – 5,000	322
5,001 – 10,000	167
10,001 – 100,000	888
100,001 – 9,999,999,999	406
	2,064

b. The number of shareholdings held in less than marketable parcels is 790.

c. The names of the substantial shareholders listed in the holding company's register as at 30th of June 2019 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	16.43
2.YUNG SHING	150,000,000	10.97
3.WINTER STORMS LTD	125,068,336	9.15
4.MR SONGWU LU	90,000,000	6.58
5.YANBIN WANG	70,000,000	5.12
6.MR LEI LI	68,460,000	5.01
7.MS ZHU FURONG	64,000,000	4.68
8.MR WEIGUO XIE	50,122,867	3.67
9.MR MAKRAM HANNA + MRS RITA HANNA <HANNA & CO P/L SUPER A/C>	38,102,542	2.79
10.MR VALENTINO FRANCESCO VESCOVI + MRS GLENDA JILL VESCOVI <VESCOVI SUPER FUND A/C>	37,821,196	2.77
11.J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	27,020,552	1.98
12.BOND STREET CUSTODIANS LIMITED <MTJL - I53966 A/C>	25,999,605	1.90
13.MR NICHOLAS SENG TET YEOH	20,500,000	1.50
14.MR NIGEL MACHIN	20,000,000	1.46
15.GENISTA COURT PTY LTD	18,225,000	1.33
16.MR PETER HIONG HUO HII	17,383,975	1.27
17.TOPAZ INVESTMENTS PTE LTD	13,837,650	1.01
18.MR MAKRAM HANNA	12,080,279	0.88
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	**1,092,942,724**	**79.96**

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 21,640,000 (2018: 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.