



RECTIFIER TECHNOLOGIES LTD

**ABN: 82 058 010 692**

# **ANNUAL REPORT**

## **2017**

## COMPANY PARTICULARS

### **BOARD OF DIRECTORS**

Mr. Ying Ming Wang  
Mr. Yanbin Wang  
Mr. Valentino Vescovi  
Mr. Nigel Machin (appointed on 3 April 2017)

### **SECRETARY**

Mr. Justyn Stedwell

### **REGISTERED AND BUSINESS OFFICE**

Rectifier Technologies Ltd  
24 Harker Street  
BURWOOD, VIC 3125  
Telephone: + 61 3 9896 7550  
Facsimile: + 61 3 9896 7566

### **MANUFACTURING FACILITY- MALAYSIA**

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

### **SHARE REGISTRY**

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

### **BANKERS**

ANZ Banking Group Limited  
10 Main Street, Box hill  
MELBOURNE, VIC 3128

### **FINANCIERS**

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

### **AUDITORS**

Grant Thornton Audit Pty Ltd  
525 Collins Street  
MELBOURNE, VIC 3000

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## CHAIRMAN'S REPORT

### Financial Results

The overall revenue in the 2017 financial year decreased to 6.9 Million compared to 8.5 Million during the 2016 financial year. The lower overall revenue in the year to 30 June 2017 was due to the slowing down in sales of some of our key products used in the industrial market, however, the company expects sales from these products to improve in the 2018 financial year.

Despite the decrease in sales in the 2017 financial year, gross margin increased to 59% compared to 54% in 2016 financial year. The improvement in gross margin was due to the contribution of sales from higher margin products and cost saving on the manufacturing.

The company has reported a lower profit of \$428K in year end of 2017 compared a profit of \$1.7 million in year end of 2016. The decrease in profit after tax was mainly impacted by a decrease in sales and dilution of profit from a once off expense of \$720,000 (Note19) arising from the issue of 30 million shares at a price below market value as approved by shareholders on 28 November 2016. However, funds from the share issue has provided the company with funding to invest in future growth.

Although the year 2017 was very challenging to the company, the company continues to look for future growth of market share on the existing and emerging electric vehicle charging market and renewable energy technologies industry. We have secured a new manufacturing facility in Malaysia; the new manufacturing facility enable us to increase our production capacity for both new and existing customers in coming financial year.

|   | (\$'000') |       |
|---|-----------|-------|
|   | 2017      | 2016  |
| <b>Revenue from continuing operations (refer to note 3)</b> | 6,881     | 8,459 |
| <b>Gross Profit</b>   | 3,688     | 4,063 |
| <b>Gross Margin %</b>                                       | 59%       | 54%   |
| <b>Profit/(loss) from continuing operations before tax</b>  | 258       | 1,334 |
| <b>Income Tax Benefit/ (Expense)</b>                        | 170       | 351   |
| <b>Profit/(loss) from continuing operations after tax</b>   | 428       | 1,685 |
| <b>Net Profit/(Loss)</b>                                    | 428       | 1,685 |

### Funding

The subsidiary of Rectifier Technologies in Malaysia has a loan from a current director of the group for totalling of \$81,721 at the end of reporting period of 2017. The loan is non-interest bearing and the term of the loan is 12 months from 26 April 2017.

On 6 February 2017, the subsidiary of Rectifier Technologies Malaysia obtained a loan of MYR\$5,460,000 from Public Bank Berhad to acquire a new manufacturing facility, the new manufacturing facility purchase agreement was signed prior to settlement on 23 November 2016. The loan interest is variable and term of loan is 20 years. After monthly repayment, the balance of loan was MYR\$5,454,213 at end of reporting period of 2017.

## Outlook

We have continued our solid commitment to R&D and are decisively investing in projects primarily targeted at emerging markets. We have released new products including the RT7e into our legacy markets which has provided a technology platform for the development of the EV DC Home Charger and OEM products which have been released into our emerging markets. We believe that as we establish ourselves in these emerging markets with the promotion of these products and as the markets themselves mature the volume of the sales for these products will increase in the coming year. We also have worked to improve the performance of our existing products to recover declining sales in our legacy markets.

On behalf of the Board,



Dated this 28<sup>th</sup> day of September 2017

## DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2017.

### 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. Except Mr. Nigel Machin was appointed as Directors on 3 April 2017. He was a founding director of Rectifier Technologies Pacific Pty Ltd (RTP) in 1992, and has been involved in all product development since the company was founded. Currently he holds the position of Chief Power Engineer of RTP. Mr. Nigel Machin holds a Bachelor of Engineering degree from Melbourne University.

### 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 \$427,903 (2016: \$1,684,565).

### 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

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

## 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

|                                |   |   |
|--------------------------------|---|---|
| <b>Mr. Ying Ming Wang</b>      | - | 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                         |
| <b>Mr. Yanbin Wang</b>         | - | Director and CEO  |
| Qualifications                 | - | Master of Law and Ph. D in International Relations                                |
| Experience                     | - | Board Member since August 2010  |
| Interest in Shares and Options | - | 70,000,000 Ordinary Shares of Rectifier Technologies Ltd                          |
| <b>Mr. Valentino Vescovi</b>   | - | 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 |
| <b>Mr. Nigel Machin</b>        | - | Director and Chief Power Engineer   |
| 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 Chief Power Engineer    |

### 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. Wang Yanbin and Mr Nigel Machin were executives of the parent entity in 2017.

## DIRECTORS' REPORT

## Key Management Personnel Compensation Consolidated Entity

| 2017                                  | 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                                  | \$                           | \$         | \$                    | \$                          | \$                       | \$                  | \$                  | \$        |
| <b>Parent Entity Directors</b>        |                              |            |                       |                             |                          |                     |                     |           |
| Mr. Ying Ming Wang                    | -                            | -          | -                     | -                           | -                        | -                   | -                   | -         |
| Mr. Yanbin Wang (CEO)                 | 269,073                      | 23,054     | 30,290                | -                           | -                        | -                   | 720,000             | 1,042,417 |
| Mr. Valentino Vescovi                 | 3,500                        | -          | -                     | -                           | -                        | -                   | -                   | 3,500     |
| Mr. Nigel Machin                      | 32,564                       | 2,774      | -                     | 1,103                       | 8,804                    | -                   | -                   | 45,245    |
| <b>Other Key Management Personnel</b> |                              |            |                       |                             |                          |                     |                     |           |
| <b>Subsidiary Entities</b>            |                              |            |                       |                             |                          |                     |                     |           |
| Mr. Paul Davis                        | 121,440                      | 15,900     | -                     | 4,154                       | 26,779                   | -                   | -                   | 168,273   |
| Mr. Seong Bow Lee                     | 65,314                       | 4,903      | 703                   | -                           | 8,098                    | -                   | -                   | 79,018    |
| Total                                 | 491,891                      | 46,631     | 30,993                | 5,257                       | 43,681                   | -                   | 720,000             | 1,338,453 |

30 million shares were issued to the current director/CEO Mr. Yanbin Wang at shares price of \$0.004 which was \$0.024 below to market price of \$0.028 as approved by shareholders at AGM on 28 November 2016. The total discount expense of \$720,000 was recorded as shares issue expense presented in the remuneration of Mr. Yanbin Wang in 2017 financial year period. In 2017, 7.89% of Mr. Yanbin Wang's remuneration, 7.85% of Mr. Nigel Machine's remuneration, 6.98% of Mr. Seong Bow Lee's remuneration and 11.85% of Mr. Paul Davis' remuneration were performance based. Mr. Nigel Machin was appointed as a director on 3 April 2017 and his remuneration after this appointment is presented above.

| 2016                                  | 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                                  | \$                           | \$         | \$                    | \$                          | \$                       | \$                  | \$                  | \$      |
| <b>Parent Entity Directors</b>        |                              |            |                       |                             |                          |                     |                     |         |
| Mr. Ying Ming Wang                    | (87,409)                     | -          | -                     | -                           | -                        | -                   | 100,918             | 13,509  |
| Mr. Yanbin Wang (CEO)                 | 272,936                      | 37,060     | 28,524                | -                           | -                        | -                   | -                   | 338,520 |
| Mr. Valentino Vescovi                 | (55,583)                     | -          | -                     | -                           | -                        | -                   | 58,218              | 2,635   |
| <b>Other Key Management Personnel</b> |                              |            |                       |                             |                          |                     |                     |         |
| <b>Subsidiary Entities</b>            |                              |            |                       |                             |                          |                     |                     |         |
| Mr. Paul Davis                        | 136,691                      | 17,600     | -                     | 4,306                       | 26,289                   | -                   | 20,000              | 204,886 |
| Mr. Seong Bow Lee                     | 65,612                       | 7,445      | 731                   | -                           | 8,076                    | -                   | -                   | 81,864  |
| Total                                 | 332,247                      | 62,105     | 29,255                | 4,306                       | 34,365                   | -                   | 179,136             | 641,414 |

In February 2016, the current and former directors agreed to accept payment of 15% of fee outstanding (\$54,527) and have agreed to forgive the remaining 85% (\$308,983). The total outstanding fee of \$54,527 was settled on 18 March 2016 and there was no outstanding fee owing to the current and former directors on 30 June 2016. As the director fees were previously included in cash and fees, the amount forgiven in the current year has been shown as a negative in 2016 financial year. In November 2015, 20,183,732 (\$100,918) shares and 11,643,616 (\$58,218) shares issued respectively at \$0.005 discounted \$0.002 below market price to director Mr. Valentino Vescovi and Pudu Investments (Australia) Pty Ltd, a company associated with director Mr. Ying Ming Wang as consideration for director loan repayment as approved by shareholders at the 2015 AGM. Mr. Paul Davis has been issued 5,000,000 (\$20,000) shares at \$0.004 which was \$0.003 below to market price as part of the total 90,000,000 shares offered to the company's senior management in February 2016.

## 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:

| 2017   | Balance<br>1.7.16 | Options<br>Exercised | Net Change<br>Other | Balance<br>30.6.17 | Total Vested<br>30.6.17 | Total Vested &<br>Exercisable | Total Vested &<br>Unexercisable |
|--|-------------------|----------------------|---------------------|--------------------|-------------------------|-------------------------------|---------------------------------|
| <b>Parent Entity Directors</b>                         |                   |                      |                     |                    |                         |                               |                                 |
| 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                     | -                               |
| <b>Other Key Management<br/>Personnel of the Group</b> |                   |                      |                     |                    |                         |                               |                                 |
| <b>Subsidiary Entities</b>                             |                   |                      |                     |                    |                         |                               |                                 |
| Mr. Paul Davis   | -                 | -                    | -                   | -                  | -                       | -                             | -                               |
| Mr. Seong Bow Lee                                      | -                 | -                    | -                   | -                  | -                       | -                             | -                               |
| Total  | 7,040,000         | -                    | 1,800,000           | 8,840,000          | 8,840,000               | 8,840,000                     | -                               |

Mr. Nigel Machin was appointed a director on 3 April 2017.

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

| 2016   | Balance<br>1.7.15 | Options<br>Exercised | Net Change<br>Other | Balance<br>30.6.16 | Total Vested<br>30.6.16 | Total Vested &<br>Exercisable | Total Vested &<br>Unexercisable |
|--|-------------------|----------------------|---------------------|--------------------|-------------------------|-------------------------------|---------------------------------|
| <b>Parent Entity Directors</b>                         |                   |                      |                     |                    |                         |                               |                                 |
| Mr. Ying Ming Wang                                     | -                 | -                    | -                   | -                  | -                       | -                             | -                               |
| Mr. Yanbin Wang  | -                 | -                    | -                   | -                  | -                       | -                             | -                               |
| Mr. Valentino Vescovi                                  | 7,040,000         | -                    | -                   | 7,040,000          | 7,040,000               | 7,040,000                     | -                               |
| <b>Other Key Management<br/>Personnel of the Group</b> |                   |                      |                     |                    |                         |                               |                                 |
| <b>Subsidiary Entities</b>                             |                   |                      |                     |                    |                         |                               |                                 |
| Mr. Paul Davis   | -                 | -                    | -                   | -                  | -                       | -                             | -                               |
| Mr. Seong Bow Lee                                      | -                 | -                    | -                   | -                  | -                       | -                             | -                               |
| Total  | 7,040,000         | -                    | -                   | 7,040,000          | 7,040,000               | 7,040,000                     | -                               |

**DIRECTORS' REPORT****Key Management Personnel Compensation Consolidated Entity****Shareholdings****2017**

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

|  | Balance<br>1.7.16 | Received as<br>Director Loan<br>Repayment | Received as<br>Remuneration<br>Employee Share<br>Scheme | Net Change<br>Other | Balance<br>30.6.17 |
|--|-------------------|---|---|---------------------|--------------------|
| <b>Parent Entity Directors</b>                         |                   |   |   |                     |                    |
| Mr. Ying Ming Wang                                     | 224,643,616       | -   | -   | -                   | 224,643,616        |
| Mr. Yanbin Wang  | 40,000,000        | -   | 30,000,000  | -                   | 70,000,000         |
| Mr. Valentino Vescovi                                  | 37,821,196        | -   | -   | -                   | 37,821,196         |
| Mr. Nigel Machin                                       | -                 | -   | -   | 22,010,000          | 22,010,000         |
| <b>Other Key Management<br/>Personnel of the Group</b> |                   |   |   |                     |                    |
| <b>Subsidiary Entities</b>                             |                   |   |   |                     |                    |
| Mr. Paul Davis   | 5,000,000         | -   | -   | -                   | 5,000,000          |
| Mr. Seong Bow Lee                                      | 2,767,550         | -   | -   | -                   | 2,767,550          |
| Total  | 310,232,362       | -   | 30,000,000  | 22,010,000          | 362,242,362        |

Mr. Nigel Machin was appointed a director on 3 April 2017.

**2016**

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

|                                       | Balance<br>1.7.15 | Received as<br>Director Loan<br>Repayment | Received as<br>Remuneration<br>Employee<br>Share Scheme | Net Change<br>Other | Balance<br>30.6.16 |
|---------------------------------------|-------------------|---|---|---------------------|--------------------|
| <b>Parent Entity Directors</b>        |                   |   |   |                     |                    |
| Mr. Ying Ming Wang                    | 213,000,000       | 11,643,616                                | -   | -                   | 224,643,616        |
| Mr. Yanbin Wang                       | 40,000,000        | -   | -   | -                   | 40,000,000         |
| Mr. Valentino Vescovi                 | 17,837,464        | 20,183,732                                | -   | (200,000)           | 37,821,196         |
| <b>Other Key Management Personnel</b> |                   |   |   |                     |                    |
| <b>Personnel of the Group</b>         |                   |   |   |                     |                    |
| <b>Subsidiary Entities</b>            |                   |   |   |                     |                    |
| Mr. Paul Davis                        | -                 | -   | 5,000,000   | -                   | 5,000,000          |
| Mr. Seong Bow Lee                     | 2,767,550         | -   | -   | -                   | 2,767,550          |
| Total                                 | 273,605,014       | 31,827,348                                | 5,000,000   | (200,000)           | 310,232,362        |

## DIRECTORS' REPORT

### Shares granted as remuneration

30 million shares were issued to the current director/CEO Mr. Yanbin Wang at shares price of \$0.004 which was \$0.024 below to market price of \$0.028 as approved by shareholders at AGM on 28 November 2016. The total discount expense of \$720,000 was recorded as shares issue expense in 2017 financial year period.

### 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 month 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 loss in 2013 resulted from lower sales and cost of restructuring the Australian business. The significant improvement in net profit in 2014 was due to the increase in sales, the lower cost of production offshore, and R&D tax rebate. The lower profit in 2015 as result of a once off warranty expense claim which diluted profit, and 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, however, the company expects sales from these products to improve in the 2018 financial year. The decrease in net profit was mainly impacted by a decrease in sales and dilution of profit from a once off expense of \$720,000 arising from the issue of 30 million shares at a price below market value as approved by shareholders on 28 November 2016.

|   | 2013  | 2014  | 2015  | 2016  | 2017  |
|---|-------|-------|-------|-------|-------|
| Revenue (\$'000) (Including discontinued operation) | 6,860 | 8,039 | 6,602 | 8,459 | 6,881 |
| Net Profit/(Loss) (\$'000)                          | (760) | 576   | 128   | 1,685 | 428   |
| Share Price at Year-end (cents)                     | 0.1   | 0.3   | 0.7   | 2.9   | 1.7   |
| Change in Share Price (cents)                       | -     | 0.2   | 0.5   | 2.2   | 1.2   |
| 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                         | 4               | 2                         | 2               |
| Mr. Yanbin Wang       | 4                         | 4               | 2                         | 2               |
| Mr. Valentino Vescovi | 4                         | 4               | 2                         | 2               |
| Mr. Nigel Machin      | 2                         | 2               | 1                         | 1               |

### 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 \$7,751 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           |
|               |                |                | <u>21,640,000</u>   |

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 28th day of September 2017

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525 Collins St  
Melbourne Victoria 3000

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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 2017, 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 AUDIT PTY LTD  
Chartered Accountants



A R J Nathanielsz  
Partner - Audit & Assurance

Melbourne, 28 September 2017

Grant Thornton Audit Pty Ltd ACN 130 913 594  
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

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## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

|   | Note | Consolidated Entity |                  |
|---|------|---------------------|------------------|
|   |      | 2017<br>\$          | 2016<br>\$       |
| Revenue   | 3    | 6,345,249           | 7,628,331        |
| Other income  | 3    | 535,199             | 830,655          |
| Changes in inventories of finished goods and work in progress                               |      | 81,183              | 4,666            |
| Raw materials and consumables used  |      | (1,886,654)         | (2,609,475)      |
| Employee benefits expense   |      | (3,754,089)         | (3,246,361)      |
| Depreciation expense  | 4    | (59,028)            | (45,933)         |
| Finance costs   | 4    | (18,745)            | (1,663)          |
| Other expenses  |      | (985,575)           | (1,226,665)      |
| Profit before income tax expense  |      | 257,540             | 1,333,555        |
| Income tax benefit  | 5    | 170,363             | 351,010          |
| <b>Profit from continuing operations after income tax</b>                                   |      | <b>427,903</b>      | <b>1,684,565</b> |
| <b>Net profit after income tax attributable to owners of Rectifier Technologies Limited</b> |      | <b>427,903</b>      | <b>1,684,565</b> |
| <b>Other comprehensive income</b>   |      |                     |                  |
| Items that may be reclassified subsequently to profit or loss                               |      |                     |                  |
| Foreign currency translation differences  |      | (31,064)            | (104,343)        |
| <b>Total other comprehensive income for the year</b>  |      | <b>(31,064)</b>     | <b>(104,343)</b> |
| <b>Total comprehensive income for the year</b>  |      | <b>396,839</b>      | <b>1,580,222</b> |
| Basic earnings per share (cents per share):   | 9    | 0.03                | 0.13             |
| Diluted earnings per share (cents per share):   |      | 0.03                | 0.12             |

The accompanying notes form part of these financial statements

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

|                                      | Note | Consolidated Entity |                  |
|--------------------------------------|------|---------------------|------------------|
|                                      |      | 2017<br>\$          | 2016<br>\$       |
| <b>CURRENT ASSETS</b>                |      |                     |                  |
| Cash and cash equivalents            | 10   | 2,628,269           | 1,635,415        |
| Trade and other receivables          | 11   | 1,464,129           | 1,795,588        |
| Inventories                          | 12   | 2,068,876           | 1,980,049        |
| Current tax assets                   |      | 513,555             | -                |
| <b>TOTAL CURRENT ASSETS</b>          |      | <b>6,674,829</b>    | <b>5,411,052</b> |
| <b>NON-CURRENT ASSETS</b>            |      |                     |                  |
| Property, plant and equipment        | 14   | 2,153,731           | 209,945          |
| Deferred tax assets                  | 5    | 260,772             | 456,892          |
| <b>TOTAL NON-CURRENT ASSETS</b>      |      | <b>2,414,503</b>    | <b>666,837</b>   |
| <b>TOTAL ASSETS</b>                  |      | <b>9,089,332</b>    | <b>6,077,889</b> |
| <b>CURRENT LIABILITIES</b>           |      |                     |                  |
| Trade and other payables             | 15   | 1,471,762           | 1,471,369        |
| Interest bearing liabilities         | 16   | 64,919              | 10,482           |
| Provisions                           | 18   | 392,170             | 322,743          |
| Current tax liability                |      | 50,715              | 102,179          |
| <b>TOTAL CURRENT LIABILITIES</b>     |      | <b>1,979,566</b>    | <b>1,906,773</b> |
| <b>NON-CURRENT LIABILITIES</b>       |      |                     |                  |
| Interest bearing liabilities         | 16   | 1,673,026           | 18,326           |
| Provisions                           | 18   | 57,018              | 45,107           |
| <b>TOTAL NON-CURRENT LIABILITIES</b> |      | <b>1,730,044</b>    | <b>63,433</b>    |
| <b>TOTAL LIABILITIES</b>             |      | <b>3,709,610</b>    | <b>1,970,206</b> |
| <b>NET ASSETS</b>                    |      | <b>5,379,722</b>    | <b>4,107,683</b> |
| <b>EQUITY</b>                        |      |                     |                  |
| Contributed equity                   | 19   | 39,816,575          | 38,941,375       |
| Reserves                             |      | 39,227              | 70,291           |
| Accumulated losses                   |      | (34,476,080)        | (34,903,983)     |
| <b>TOTAL EQUITY</b>                  |      | <b>5,379,722</b>    | <b>4,107,683</b> |

The accompanying notes form part of these financial statements

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

|   | Note | Consolidated Entity |             |
|---|------|---------------------|-------------|
|   |      | 2017                | 2016        |
|   |      | \$                  | \$          |
| CASH FLOWS FROM OPERATING ACTIVITIES                            |      |                     |             |
| Receipts from customers   |      | 6,934,554           | 7,740,892   |
| Payments to suppliers and employees                             |      | (5,617,961)         | (6,990,023) |
| Interest received   |      | 1,439               | 1,088       |
| Finance costs   |      | (17,487)            | (1,730)     |
| Income taxes paid   |      | (83,228)            | (26,926)    |
| Net cash provided by operating activities                       | 23   | 1,217,317           | 723,301     |
| CASH FLOWS FROM INVESTING ACTIVITIES                            |      |                     |             |
| Purchase of property, plant and equipment                       |      | (1,861,025)         | (67,241)    |
| Payment for registration of new company                         |      | (177)               | -           |
| Net cash used in investing activities                           |      | (1,861,202)         | (67,241)    |
| CASH FLOWS FROM FINANCING ACTIVITIES                            |      |                     |             |
| Proceeds from issue of shares                                   |      | 155,200             | 360,000     |
| Repayment of borrowings   |      | (9,199)             | (457,050)   |
| Proceeds from borrowings  |      | 1,603,822           | -           |
| Net cash provided by/(used in) financing activities             |      | 1,749,823           | (97,050)    |
| Net increase in cash held                                       |      | 1,105,938           | 559,010     |
| Cash and cash equivalents at beginning of the year              |      | 1,635,415           | 958,252     |
| Effect of exchange rates on cash holdings in foreign currencies |      | (113,084)           | 118,153     |
| Cash and cash equivalents at end of the year                    | 10   | 2,628,269           | 1,635,415   |

The accompanying notes form part of these financial statements

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

| Consolidated Entity                                   | \$            | \$                 | \$                                   | \$        |
|---|---------------|--------------------|--------------------------------------|-----------|
|   | Share Capital | Accumulated Losses | Foreign Currency Translation Reserve | Total     |
| <b>Balance at 1.7.2015</b>                            | 38,088,583    | (36,588,548)       | 174,634                              | 1,674,669 |
| <b>Total comprehensive income for the year</b>        | -             | 1,684,565          | (104,343)                            | 1,580,222 |
| Transactions with owners in their capacity as owners: |               |                    |                                      |           |
| Shares issued (Note 19)                               | 852,792       | -                  | -                                    | 852,792   |
| <b>Balance at 30.06.2016</b>                          | 38,941,375    | (34,903,983)       | 70,291                               | 4,107,683 |
| <b>Balance at 1.7.2016</b>                            | 38,941,375    | (34,903,983)       | 70,291                               | 4,107,683 |
| <b>Total comprehensive income for the year</b>        | -             | 427,903            | (31,064)                             | 396,839   |
| Transactions with owners in their capacity as owners: |               |                    |                                      |           |
| Shares issued (Note 19)                               | 875,200       | -                  | -                                    | 875,200   |
| <b>Balance at 30.06.2017</b>                          | 39,816,575    | (34,476,080)       | 39,227                               | 5,379,722 |

The accompanying notes form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### NOTE 1: Corporate information

The financial statements of Rectifier Technologies Limited for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the directors on 27 September 2017 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 24 Harker Street, 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 IFRS as adopted in Australia 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 available-for-sale financial assets 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 2017. 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 27.

#### 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 2017****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 25).

**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.

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

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.

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

| <b>Class of Fixed Asset</b> | <b>Depreciation Rate</b> |
|-----------------------------|--------------------------|
| Leasehold improvements      | 10%                      |
| 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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****NOTE 2: Summary of significant accounting policies (Cont'd)****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. Intangibles****Research and development**

Under AASB 138 Intangible Assets, costs associated with the research phase of the development of an asset must be expensed in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Expenditure capitalised comprises cost of materials, services, direct labour and an appropriate portion of overheads. Other development costs are expensed when they are incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and any impairment losses and amortised over the period of expected future sales from the related projects. The carrying value of development costs is reviewed annually when the asset is not yet available for use, or when events or circumstances indicate that the carrying value may be impaired.

**h. 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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****NOTE 2: Summary of significant accounting policies (Cont'd)****i. Investments and Other Financial Assets**

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.

**Available-for-sale financial assets**

Available-for-sale financial assets comprise investments in listed and unlisted entities and any non-derivatives that are not classified as any other category of financial assets, and are classified as non-current assets (unless management intends to dispose of the investment within 12 months of the end of the reporting period). After initial recognition, these investments are measured at fair value with gains or losses recognised in other comprehensive income (available-for-sale investments revaluation reserve). Where there is a significant or prolonged decline in the fair value of an available for sale financial asset (which constitutes objective evidence of impairment) the full amount including any amount previously charged to other comprehensive income, is recognised in profit or loss. Purchases and sales of available for sale financial assets are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in other comprehensive income. On sale the amount held in available for sale reserves associated with that asset is recognised in profit or loss.

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 are 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 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.

**j. 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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****NOTE 2: Summary of significant accounting policies (Cont'd)****j. Foreign Currency Transactions and Balances (Cont'd)**

The functional currency of the overseas subsidiaries is the Malaysian ringgit and the US 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 is recognised in profit or loss.

**k. 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.

**l. 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.

**m. 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.

**n. Trade receivables**

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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****NOTE 2: Summary of significant accounting policies (Cont'd)****o. Revenue Recognition**

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.

**p. 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.

**q. 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.

**r. 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.

**s. 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.

**t. New accounting standards and interpretations**

The following new accounting standards, amendments to standards and interpretations have been issued, but are not mandatory as at 30 June 2017. They may impact the Group in the period of initial application. They are available for early adoption, but have not been applied in preparing these financial statements:

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****NOTE 2: Summary of significant accounting policies (Cont'd)****t. New accounting standards and interpretations (Cont'd)**AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace AASB139 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 January 2018. The company has made a preliminary assessment of the changes and does not expect any material impact on implementation other than a reclassification of AFS financial assets to fair value through OCI. There are no AFS financial assets to the Company on 30 June 2017.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs).

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****NOTE 2: Summary of significant accounting policies (Cont'd)****t. New accounting standards and interpretations (Cont'd)**

In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the consolidated.

**u. Fair values**

Fair values may be used for financial asset and liability measurement and as well as for sundry disclosures.

Fair values for financial instruments traded in active markets are based on quoted market prices at the end of reporting period. The quoted market price for financial assets is the current bid price.

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. Assumptions used are based on observable market prices and rates at the end of reporting period. The fair value of long-term debt instruments is determined using quoted market prices for similar instruments. Estimated discounted cash flows are used to determine fair value of the remaining financial instruments.

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.

**v. 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.

**w. 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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

#### x. 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 2017 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 past history of successful claims.

##### 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.

#### y. 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 2017

## NOTE 3: REVENUE AND OTHER INCOME

|                     | Consolidated Entity |            |
|---------------------|---------------------|------------|
|                     | 2017<br>\$          | 2016<br>\$ |
| Revenue             |                     |            |
| - sale of goods     | 6,245,098           | 7,481,796  |
| - interest received | 1,513               | 1,051      |
| - sundry income     | 98,638              | 145,484    |
|                     | 6,345,249           | 7,628,331  |
| Other income        |                     |            |
| - R&D tax rebate    | 458,535             | 521,671    |
| - debt forgiveness  | -                   | 308,984    |
| - R&D development   | 76,664              | -          |
|                     | 535,199             | 830,655    |

## NOTE 4: PROFIT FROM CONTINUING ACTIVITIES

|  | Consolidated Entity |            |
|--|---------------------|------------|
|  | 2017<br>\$          | 2016<br>\$ |
| Profit before income tax has been determined after the following expenses: |                     |            |
| Cost of sales  | 2,556,862           | 3,418,385  |
| Finance costs:   |                     |            |
| - directors and director-related entities                                  | -                   | -          |
| - other persons  | 18,745              | 1,663      |
| Total finance costs  | 18,745              | 1,663      |
| Depreciation of non-current assets:  |                     |            |
| - plant and equipment  | 48,255              | 34,369     |
| - leasehold improvements   | 15                  | 17         |
| - motor vehicle  | 10,758              | 11,547     |
| Total depreciation   | 59,028              | 45,933     |
| Rental expense on operating leases - minimum lease payments                | 162,900             | 133,387    |
| Personnel Expenses - defined contributions superannuation                  | 318,441             | 293,183    |
| Research and development costs expensed                                    | 1,153,936           | 1,241,251  |
| Profit/ (loss) on disposal of property, plant and equipment                | (304)               | -          |
| Impairment of inventory  | -                   | 103,061    |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 5: INCOME TAX EXPENSE

|   | Consolidated Entity |            |
|---|---------------------|------------|
|   | 2017<br>\$          | 2016<br>\$ |
| Current tax   | (47,973)            | 782,076    |
| Deferred tax - temporary differences  | 83,431              | 50,062     |
| Deferred tax – tax losses   | 112,689             | -          |
| Tax losses carried forward previously not brought to account  | (318,510)           | (860,162)  |
| Deferred tax assets in relation to temporary differences previously not brought to account          | -                   | (322,986)  |
|   | (170,363)           | (351,010)  |
| <b>Reconciliation of the effective tax rate</b>   |                     |            |
| The prima facie tax on profit before income tax is reconciled to the income tax expense as follows: |                     |            |
| Profit before income tax  | 257,540             | 1,333,555  |
| Prima facie tax payable on profit/ (loss) before income tax at 27.5% (2016: 30%)                    |                     |            |
| - consolidated entity   | 70,823              | 400,068    |
| Add: Tax effect of:   |                     |            |
| - R&D expenditures  | 437,351             | -          |
| - Controlled foreign company attributed income  | 71,871              | -          |
| - Discount on shares  | 198,000             | -          |
| - Other non-allowable items   | 56,109              | 448,881    |
| - Effect of change in tax rate  | 23,074              | -          |
|   | 857,228             | 848,949    |
| Less Tax effect of:   |                     |            |
| - Other non-assessable items  | (126,097)           | -          |
| - Foreign income tax offset   | (59,308)            | -          |
| - R&D tax offset  | (513,556)           | -          |
| - Effect of lower rates of tax on overseas income   | (10,120)            | (16,811)   |
|   | 148,147             | 832,138    |
| Tax effect of carry-forward tax losses not previously brought to account                            | (318,510)           | (860,162)  |
| Tax effect of temporary differences not previously brought to account                               | -                   | (322,986)  |
| Income tax attributable to entity   | (170,363)           | (351,010)  |
| <b>Reconciliation to continuing / discontinued operations</b>                                       |                     |            |
| Consolidated profit before income tax   | 257,540             | 1,333,555  |
| Less profit before tax relating to discontinued operations  | -                   | -          |
| Profit before income tax from continuing operations   | 257,540             | 1,333,555  |
| Consolidated income tax expense   | (170,363)           | (351,010)  |
| Less income tax expense relating to discontinued operations   | -                   | -          |
| Income tax expense from continuing operations   | (170,363)           | (351,010)  |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 5: INCOME TAX EXPENSE (Cont'd)

|   | Consolidated Entity |            |
|---|---------------------|------------|
|   | 2017<br>\$          | 2016<br>\$ |
| <b>Unrecognised deferred tax assets</b>   |                     |            |
| 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 |
| Unused capital losses for which no deferred tax asset recognised relating to the overseas subsidiaries                              | -                   | -          |
|   | 18,409,594          | 18,409,594 |
| Unused revenue losses for which no deferred tax asset recognised relating to the Australian entities in the tax consolidation group | -                   | 980,371    |
| Unused revenue losses for which no deferred tax asset recognised relating to the overseas subsidiaries                              | -                   | -          |
|   | -                   | 980,371    |
| Potential tax benefit at applicable tax rates   | 5,062,638           | 5,816,989  |
| 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 |
| Unused tax losses   | -                   | 980,371    |
| Deductible temporary differences  | -                   | -          |
|   | 18,409,594          | 19,389,965 |
| Potential tax benefit at applicable tax rates   | 5,062,638           | 5,816,989  |

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 2016

## NOTE 5: INCOME TAX EXPENSE (Cont'd)

The following table regarding DTA during the current reporting period:

|                                  | 1 July 2016 | Recognised in Profit & Loss | 30 Jun 2017 |
|----------------------------------|-------------|-----------------------------|-------------|
| Deferred Tax Assets              | \$          | \$                          | \$          |
| Provision for stock obsolescence | 38,114      | (13,824)                    | 24,290      |
| Accrued superannuation           | 4,930       | 675                         | 5,606       |
| Accruals - Other                 | 31,010      | (4,718)                     | 26,292      |
| Unrealised FX Loss               | 9,346       | 3,994                       | 13,339      |
| Employee entitlements            | 110,355     | 13,172                      | 123,527     |
| Provision for staff bonuses      | 83,137      | (83,137)                    | -           |
| Blackhole expenditure            | -           | 407                         | 407         |
| Tax losses                       | 180,000     | (112,689)                   | 67,311      |
| Deferred tax movement            | 456,892     | (196,120)                   | 260,772     |

The Group has unused capital losses of \$18,409,592 and unused tax losses of \$244,767 which provide a potential tax benefit of \$67,311. During the period, previously unrecognised tax losses of \$1,158,219 have been brought to account by the Group. These represent amounts used to offset the current year taxable profit of the Group, as well as the budgeted Research and Development expenditure in FY17 which offsets against tax losses when claimed under the research and development tax incentive.

## NOTE 6: DIVIDENDS

No dividends declared or paid during the year ended 30 June 2017. The amounts of franking credits available for subsequent reporting periods are:

|   | Consolidated Entity |             |
|---|---------------------|-------------|
|   | 2017                | 2016        |
|   | \$                  | \$          |
| Opening balance of franking account   | (1,257,659)         | (735,998)   |
| Deferred debit that will arise from the receipt of the R&D tax offset from prior year | (515,535)           | (521,671)   |
| Balance of franking account at year end   | -                   | -           |
| Deferred debit balance of franking account at the end of the reporting period         | (1,773,194)         | (1,257,659) |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

## 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 & Chief Power Engineer    |

**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        |

|   | Consolidated Entity |            |
|---|---------------------|------------|
|   | 2017<br>\$          | 2016<br>\$ |
| <b>b. Key Management Personnel Compensation</b> |                     |            |
| Short-term employee benefits                    | 569,515             | 423,607    |
| Long-term employee benefits                     | 5,257               | 4,306      |
| Post-employment benefits                        | 43,681              | 34,365     |
| Share-based payments                            | 720,000             | 179,136    |
|   | 1,338,453           | 641,414    |

There were 20,183,732 (\$100,918) ordinary shares and 11,643,616 (\$58,218) ordinary shares issued respectively to director Mr. Valentino Vescovi and Pudu Investments (Australia) Pty Ltd, a company associated with director Mr. Ying Ming Wang as consideration for director loan repayment approved by shareholders at the 2015 AGM. 5,000,000 (\$20,000) ordinary shares was issued to Mr. Paul Davis as part of the total 90,000,000 ordinary shares offered to the company's senior management in February 2016.

30 million shares were issued to the current director/CEO Mr. Yanbin Wang at shares price of \$0.004 which was \$0.024 below to market price of \$0.028 as approved by shareholders at AGM on 28 November 2016. The total discount expense of \$720,000 was recorded as shares issue expense in 2017 financial year period.

**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 25.

## NOTE 8: AUDITOR'S REMUNERATION

|  | Consolidated Entity |            |
|--|---------------------|------------|
|  | 2017<br>\$          | 2016<br>\$ |
| <b>Audit and review services</b>   |                     |            |
| Grant Thornton Audit Pty Ltd - Audit and review of financial reports                     | 54,609              | 48,319     |
| Other audit firms (non Grant Thornton) – Audit and review of other entities in the Group | -                   | 5,534      |
| Total remuneration for audit services  | 54,609              | 53,853     |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 9: EARNINGS PER SHARE

|  | Consolidated Entity |               |
|--|---------------------|---------------|
|  | 2017<br>\$          | 2016<br>\$    |
| 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 | 427,903             | 1,684,565     |
| b. Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share                            | 1,366,900,602       | 1,335,140,602 |
| Adjustments for calculations of diluted earnings per share:  |                     |               |
| Options  | 21,881,096          | 21,640,000    |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share           | 1,388,781,698       | 1,356,780,602 |

## NOTE 10: CASH AND CASH EQUIVALENTS

|  | Consolidated Entity |            |
|--|---------------------|------------|
|  | 2017<br>\$          | 2016<br>\$ |
| Cash at bank   | 2,628,269           | 1,635,415  |
|  | 2,628,269           | 1,635,415  |
| Reconciliation of Cash   |                     |            |
| Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows: |                     |            |
| Cash   | 2,628,269           | 1,635,415  |

## NOTE 11: TRADE AND OTHER RECEIVABLES

|                    | Consolidated Entity |            |
|--------------------|---------------------|------------|
|                    | 2017<br>\$          | 2016<br>\$ |
| <b>CURRENT</b>     |                     |            |
| Trade debtors (a)  | 734,248             | 1,117,167  |
|                    | 734,248             | 1,117,167  |
| Other debtors      | 50,127              | 35,287     |
| R&D tax incentives | 500,000             | 557,000    |
| Prepayments        | 179,754             | 86,134     |
|                    | 1,464,129           | 1,795,588  |

a. Included in debtors of \$734,248 (2016: \$1,117,167) are debts which have been assigned to financing companies in Australia. The company had received advances of \$2,358 (2016: \$15,936) 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 2017

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

|                    | Consolidated entity |                     |                               |                               |
|--------------------|---------------------|---------------------|-------------------------------|-------------------------------|
|                    | Gross<br>2017<br>\$ | Gross<br>2016<br>\$ | Carrying Amount<br>2017<br>\$ | Carrying Amount<br>2016<br>\$ |
| Not past due       | 396,155             | 582,743             | 396,155                       | 582,743                       |
| Past due 0-30 days | 102,802             | 252,846             | 102,802                       | 252,846                       |
| Past due 31+ days  | 235,291             | 281,578             | 235,291                       | 281,578                       |
|                    | 734,248             | 1,117,167           | 734,248                       | 1,117,167                     |

## 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. Based on past experience the Group believes that no impairment of receivables is required for balances which are past due.

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

|           | 2017<br>\$ | 2016<br>\$ |
|-----------|------------|------------|
| Australia | 158,832    | 325,922    |
| USA       | 409,276    | 267,681    |
| Malaysia  | 6,918      | 15,799     |
| Others    | 159,222    | 507,765    |
| Total     | 734,248    | 1,117,167  |

## 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      |            |
|----------------------------|--------------|------------|------------------|------------|------------------|------------|------------|------------|
|                            | 2017<br>\$   | 2016<br>\$ | 2017<br>\$       | 2016<br>\$ | 2017<br>\$       | 2016<br>\$ | 2017<br>\$ | 2016<br>\$ |
| <b>Consolidated Entity</b> |              |            |                  |            |                  |            |            |            |
| Australia                  | 124,225      | 270,527    | 31,817           | 54,099     | 2,790            | 1,296      | 158,832    | 325,922    |
| USA                        | 245,166      | 126,860    | -                | 132,200    | 164,110          | 8,621      | 409,276    | 267,681    |
| Malaysia                   | 3,155        | 7,396      | 1,681            | 6,210      | 2,082            | 2,193      | 6,918      | 15,799     |
| Others                     | 23,609       | 177,959    | 69,304           | 60,337     | 66,309           | 269,469    | 159,222    | 507,765    |
| Total                      | 396,155      | 582,742    | 102,802          | 252,846    | 235,291          | 281,579    | 734,248    | 1,117,167  |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 12: INVENTORIES

|                        | Consolidated Entity |           |
|------------------------|---------------------|-----------|
|                        | 2017                | 2016      |
|                        | \$                  | \$        |
| Raw materials          | 912,671             | 905,027   |
| Work in progress       | 828,797             | 819,829   |
| Finished goods at cost | 327,408             | 255,193   |
|                        | 2,068,876           | 1,980,049 |

Inventories are recognised net of a provision for obsolescence of \$177,386 (2016: \$280,887).

**Inventory expense**

Change in inventories recognised as expense during the year ended 30 June 2017 amounted to \$81,183 (2016: \$4,666). 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 |      |
|--|--------------------------|----------------|------------------|------|
|  |                          |                | 2017             | 2016 |
|  |                          |                | (%)              | (%)  |
| <b>Ultimate Parent Entity:</b>                     |                          |                |                  |      |
| Rectifier Technologies Ltd                         | Australia                | Ordinary       | -                | -    |
| <b>Subsidiaries of Rectifier Technologies Ltd:</b> |                          |                |                  |      |
| Protran Technologies Pty Ltd                       | Australia                | Ordinary       | 100              | 100  |
| Rectifier Technologies Pacific Pty Ltd             | Australia                | 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              | -    |

ICERT (HK) Co. Ltd was incorporated on 24 February 2017.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 14: PROPERTY, PLANT AND EQUIPMENT

|  | Consolidated Entity |                |
|--|---------------------|----------------|
|  | 2017<br>\$          | 2016<br>\$     |
| <b>Land</b>                                |                     |                |
| At cost                                    | 1,384,663           | -              |
|  | 1,384,663           | -              |
| <b>Building</b>                            |                     |                |
| At cost - Capital work-in-progress         | 529,175             | -              |
|  | 529,175             | -              |
| <b>Plant and equipment</b>                 |                     |                |
| At cost                                    | 270,787             | 214,553        |
| Accumulated depreciation                   | (48,255)            | (34,369)       |
|  | 222,532             | 180,184        |
| <b>Leasehold improvements</b>              |                     |                |
| At cost                                    | 148                 | 165            |
| Accumulated depreciation                   | (15)                | (17)           |
|  | 133                 | 148            |
| <b>Motor Vehicle</b>                       |                     |                |
| At Cost                                    | 27,986              | 41,160         |
| Accumulated depreciation                   | (10,758)            | (11,547)       |
|  | 17,228              | 29,613         |
| <b>Total Property, Plant and Equipment</b> | <b>2,153,731</b>    | <b>209,945</b> |

## 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.

|   | Land<br>\$ | Building<br>\$ | Plant and<br>Equipment<br>\$ | Leasehold<br>Improvements<br>\$ | Motor Vehicle<br>\$ | Total<br>\$ |
|---|------------|----------------|------------------------------|---------------------------------|---------------------|-------------|
| <b>2017</b>   |            |                |                              |                                 |                     |             |
| <b>Consolidated Entity:</b>                                     |            |                |                              |                                 |                     |             |
| Balance at the beginning of year                                | -          | -              | 180,184                      | 148                             | 29,613              | 209,945     |
| Additions - Land  | 1,384,663  | -              | -                            | -                               | -                   | 1,384,663   |
| Additions - Capital work-in-progress                            | -          | 529,175        | -                            | -                               | -                   | 529,175     |
| Additions - Other plant and equipment                           | -          | -              | 49,160                       | -                               | -                   | 49,160      |
| Disposals   | -          | -              | (304)                        | -                               | -                   | (304)       |
| Depreciation/amortisation expense                               | -          | -              | (48,255)                     | (15)                            | (10,758)            | (59,028)    |
| Net exchange differences on translation of foreign subsidiaries | -          | -              | 41,747                       | -                               | (1,627)             | 40,120      |
| Carrying amount at the end of year                              | 1,384,663  | 529,175        | 222,532                      | 133                             | 17,228              | 2,153,731   |

|   | Land<br>\$ | Building<br>\$ | Plant and<br>Equipment<br>\$ | Leasehold<br>Improvements<br>\$ | Motor Vehicle<br>\$ | Total<br>\$ |
|---|------------|----------------|------------------------------|---------------------------------|---------------------|-------------|
| <b>2016</b>   |            |                |                              |                                 |                     |             |
| <b>Consolidated Entity:</b>                                     |            |                |                              |                                 |                     |             |
| Balance at the beginning of year                                | -          | -              | 155,850                      | 165                             | 44,006              | 200,021     |
| Additions   | -          | -              | 66,299                       | -                               | -                   | 66,299      |
| Disposals   | -          | -              | -                            | -                               | -                   | -           |
| Depreciation/amortisation expense                               | -          | -              | (34,369)                     | (17)                            | (11,547)            | (45,933)    |
| Net exchange differences on translation of foreign subsidiaries | -          | -              | (7,596)                      | -                               | (2,846)             | (10,442)    |
| Carrying amount at the end of year                              | -          | -              | 180,184                      | 148                             | 29,613              | 209,945     |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 15: TRADE AND OTHER PAYABLES

|   | Consolidated Entity |           |
|---|---------------------|-----------|
|   | 2017                | 2016      |
|   | \$                  | \$        |
| <b>CURRENT</b>  |                     |           |
| Unsecured liabilities:                                      |                     |           |
| Trade creditors   | 1,101,895           | 995,943   |
| Sundry creditors and accrued expenses                       | 285,788             | 459,490   |
| Loans – director related (current and former directors) (a) | 81,721              | -         |
|   | 1,469,404           | 1,455,433 |
| Secured liabilities:  |                     |           |
| Debtor financing facility                                   | 2,358               | 15,936    |
|   | 2,358               | 15,936    |
|   | 1,471,762           | 1,471,369 |

a. On 26 April 2017, the current director of Rectifier Technologies Ltd, Mr. Yanbin Wang has lent MYR\$300,000(AUD\$89,286) to Rectifier Technologies (M) Sdn Bhd for working capital. The first repayment to the loan was MYR\$40,946(AUD\$12,917) conducted on 15 June 2017. The remaining balance of loan was MYR\$259,054(AUD\$81,721) at the end of the current reporting period. The loan is non-interest bearing.

## NOTE 16: INTEREST-BEARING LIABILITIES

|   | Consolidated Entity |        |
|---|---------------------|--------|
|   | 2017                | 2016   |
|   | \$                  | \$     |
| <b>CURRENT</b>  |                     |        |
| Lease liability (secured)                                 | 10,528              | 10,482 |
| Borrowings - Rectifier Technologies (M) Sdn Bhd (secured) | 54,391              | -      |
|   | 64,919              | 10,482 |
| <b>NON-CURRENT</b>  |                     |        |
| Lease liability (secured)                                 | 6,874               | 18,326 |
| Borrowings - Rectifier Technologies (M) Sdn Bhd (secured) | 1,666,152           | -      |
|   | 1,673,026           | 18,326 |
|   | 1,737,945           | 28,808 |

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 loan is 20 years and loan interest is Base Lending Rate (Variable Rate) less a discount of 2.20% at banks' 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 17: MATURITY ANALYSIS

| 2017                                    | Contractual<br>Amount | < 6 mths  | 6 – 12 mths | 1 – 3 years | > 3 years |
|---|-----------------------|-----------|-------------|-------------|-----------|
| <b>Financial Liabilities</b>            |                       |           |             |             |           |
| Consolidated Entity:                    |                       |           |             |             |           |
| Trade creditors                         | 1,101,895             | 1,101,895 | -           | -           | -         |
| Other creditors                         | 285,788               | 285,788   | -           | -           | -         |
| Loans - directors                       | 81,721                | -         | 81,721      | -           | -         |
| Borrowings - Rectifier Technologies (M) |                       |           |             |             |           |
| Sdn Bhd                                 | 2,596,976             | 65,527    | 65,527      | 262,107     | 2,203,815 |
| Debtor financing facility               | 2,358                 | 2,358     | -           | -           | -         |
| Lease liability                         | 17,401                | 4,976     | 4,976       | 7,449       | -         |
| Total                                   | 4,086,139             | 1,460,544 | 152,224     | 269,556     | 2,203,815 |

| 2016                         | Contractual<br>Amount | < 6 mths  | 6 – 12 mths | 1 – 3 years | > 3 years |
|------------------------------|-----------------------|-----------|-------------|-------------|-----------|
| <b>Financial Liabilities</b> |                       |           |             |             |           |
| Consolidated Entity:         |                       |           |             |             |           |
| Trade creditors              | 995,943               | 995,943   | -           | -           | -         |
| Other creditors              | 459,490               | 459,490   | -           | -           | -         |
| Loans - directors            | -                     | -         | -           | -           | -         |
| Debtor financing facility    | 15,936                | 15,936    | -           | -           | -         |
| Lease liability              | 28,808                | 5,241     | 5,241       | 18,326      | -         |
| Total                        | 1,500,177             | 1,476,610 | 5,241       | 18,326      | -         |

## NOTE 18: PROVISIONS

|                       | Consolidated Entity |            |
|-----------------------|---------------------|------------|
|                       | 2017<br>\$          | 2016<br>\$ |
| <b>CURRENT</b>        |                     |            |
| Employee entitlements | 392,170             | 322,743    |
| <b>NON-CURRENT</b>    |                     |            |
| Employee entitlements | 57,018              | 45,107     |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 19: CONTRIBUTED EQUITY AND RESERVES

|  | Consolidated Entity |               |
|--|---------------------|---------------|
|  | 2017<br>\$          | 2016<br>\$    |
| <b>a. Ordinary shares</b>                |                     |               |
| At the beginning of the reporting period | 38,941,375          | 38,088,583    |
| Share based payment                      | 875,200             | 852,792       |
| At reporting date                        | 39,816,575          | 38,941,375    |
|  |                     |               |
|  | Number              | Number        |
| At the beginning of reporting period     | 1,335,140,602       | 1,213,313,254 |
| Issue of shares                          | 31,760,000          | 121,827,348   |
| At reporting date                        | 1,366,900,602       | 1,335,140,602 |

There were total of 31,760,000 (\$875,200) shares issued during 2016/2017, which was included 1,760,000 (\$35,200) shares option exercised at \$0.02 and 30,000,000 (\$120,000) shares issued to the current director/CEO Mr. Yanbin Wang at shares price of \$0.004 which was \$0.024 below to market price of \$0.028 as approved by shareholders at AGM on 28 November 2016. The total discount expense of \$720,000 was recorded as shares issue expense in 2017 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 2017, there were 21,640,000 (2016: 23,400,000) 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 2017

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

The gearing ratios at 30 June 2017 were as follows:

|                                 | Notes   | Consolidated |             |
|---------------------------------|---------|--------------|-------------|
|                                 |         | 2017<br>\$   | 2016<br>\$  |
| Total borrowings                | 15 & 16 | 1,822,024    | 44,744      |
| Less: cash and cash equivalents | 10      | (2,628,269)  | (1,635,415) |
| Net debt                        |         | (806,245)    | (1,590,671) |
| Total Equity                    |         | 5,379,723    | 4,107,683   |
| Total Capital                   |         | 4,573,478    | 2,517,012   |
| <b>Gearing Ratio</b>            |         | -18%         | -63%        |

**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                        |  | 125,009 | 166,733 |
| - later than 1 year but not later than 5 years |  | 98,190  | 110,067 |
| - over 5 years                                 |  | -       | -       |
|  |  | 223,199 | 276,800 |

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 Burwood expires on 4 March 2019. There is an option at the end of lease for extension from one to four years. For the years commencing after 30 June 2017 the following are the rental charges:

|      |          |
|------|----------|
| 2018 | \$95,300 |
| 2019 | \$98,190 |

**NOTE 21: CONTINGENT LIABILITIES**

There are no contingent liabilities at the end of the year.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****NOTE 22: SEGMENT INFORMATION****Description of segments**

The Group has adopted AASB 8 Operating Segments from 1 July 2009 whereby segment information is presented using a 'management approach', i.e. segment information is provided on the same basis as information used for internal reporting purposes by the chief operating decision maker (executive management committee that makes strategic decisions).

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.

**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.

**Industrial Power Supplies (Electric vehicles)**

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

**Information provided to the executive management committee**

Segment information provided to the executive management committee for the year ended 30 June 2017 is as follows:

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 22: SEGMENT INFORMATION (Cont'd)

| 2017   | Electronic<br>Components | Industrial<br>Power Supplies<br>(E&D) | Industrial<br>Power Supplies<br>(T&T) | Industrial<br>Power<br>Supplies (EV) | Total            |
|--|--------------------------|---------------------------------------|---------------------------------------|--------------------------------------|------------------|
|  | \$                       | \$                                    | \$                                    | \$                                   | \$               |
| Total segment revenue                          | 349,241                  | 6,003,275                             | 2,354,215                             | 217,761                              | 8,924,492        |
| Inter-segment revenue                          | (61,154)                 | (1,711,755)                           | (195,058)                             | (51,020)                             | (2,018,987)      |
| <b>Segment revenue from external customers</b> | <b>288,087</b>           | <b>4,291,520</b>                      | <b>2,159,157</b>                      | <b>166,741</b>                       | <b>6,905,505</b> |
| <b>EBITDA</b>                                  | <b>71,185</b>            | <b>1,060,414</b>                      | <b>533,518</b>                        | <b>41,201</b>                        | <b>1,706,318</b> |
| Interest revenue                               | 92                       | 1,265                                 | 94                                    | 7                                    | 1,458            |
| Interest expense                               | (1,489)                  | (16,071)                              | (1,185)                               | -                                    | (18,745)         |
| Depreciation and amortisation                  | (2,935)                  | (51,705)                              | (3,830)                               | (521)                                | (58,991)         |
| Income tax expense                             | (12,099)                 | (146,766)                             | (10,836)                              | (422)                                | (170,123)        |
| <b>Segment Assets and Liabilities</b>          |                          |                                       |                                       |                                      |                  |
| Segment assets                                 | 455,338                  | 6,782,981                             | 3,412,666                             | 263,543                              | 10,914,528       |
| Segment liabilities                            | 276,667                  | 4,121,400                             | 2,073,566                             | 160,131                              | 6,631,764        |

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(o).

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 2017

## NOTE 22: SEGMENT INFORMATION (Cont'd)

|   | 2017             |
|---|------------------|
|   | \$               |
| <hr/>   |                  |
| <b>Segment revenue reconciles to total revenue:</b>   |                  |
| Revenue from external customers   | 6,905,505        |
| Corporate head office sundry revenue  | (25,057)         |
| Total revenue from operations   | <u>6,880,448</u> |
| <br><b>Reconciliation of EBITDA to profit before income tax from continuing operations:</b> |                  |
| Total segment EBITDA  | 1,706,318        |
| - interest expense  | (17,232)         |
| - depreciation and amortisation   | (59,028)         |
| - corporate head office costs   | (1,372,518)      |
| Profit before income tax from continuing operations   | <u>257,540</u>   |
| <br><b>Segment assets reconcile to total assets as follows:</b>                             |                  |
| Segment assets  | 10,914,528       |
| Inter-segment eliminations  | (4,136,854)      |
| Corporate head office - Cash  | 1,688,617        |
| Corporate head office - PPE   | -                |
| Corporate head office - other receivables   | 623,041          |
| Corporate head office – deferred tax assets   | -                |
| Total assets per statement of financial position  | <u>9,089,332</u> |
| <br><b>Segment liabilities reconcile to total liabilities as follows:</b>                   |                  |
| Segment liabilities   | 6,631,764        |
| Inter-segment eliminations  | (2,989,339)      |
| Corporate head office - trade & other creditors   | 67,185           |
| Corporate head office - provisions  | -                |
| Corporate head office - borrowings  | -                |
| Total liabilities per statement of financial position                                       | <u>3,709,610</u> |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 22: SEGMENT INFORMATION (Cont'd)

| 2016   | Electronic<br>Components | Industrial<br>Power Supplies<br>(E&D) | Industrial Power<br>Supplies (T&T) | Industrial<br>Power Supplies<br>(EV) | Total       |
|--|--------------------------|---------------------------------------|------------------------------------|--------------------------------------|-------------|
|  | \$                       | \$                                    | \$                                 | \$                                   | \$          |
| Total segment revenue                          | 728,751                  | 5,944,069                             | 4,611,509                          | 272,178                              | 11,556,507  |
| Inter-segment revenue                          | (123,527)                | (409,529)                             | (2,896,210)                        | (10,165)                             | (3,439,431) |
| <b>Segment revenue from external customers</b> | 605,224                  | 5,534,540                             | 1,715,299                          | 262,013                              | 8,117,076   |
| <b>EBITDA</b>                                  | 142,063                  | 1,299,109                             | 402,628                            | 61,502                               | 1,905,302   |
| Interest revenue                               | 98                       | 117                                   | 328                                | 3                                    | 546         |
| Interest expense                               | (286)                    | (409)                                 | (955)                              | (13)                                 | (1,663)     |
| Depreciation and amortisation                  | (7,335)                  | (13,753)                              | (24,271)                           | (441)                                | (45,800)    |
| Income tax expense                             | (23,307)                 | (2,820)                               | (79,755)                           | -                                    | (105,882)   |
| <b>Segment Assets and Liabilities</b>          |                          |                                       |                                    |                                      |             |
| Segment assets                                 | 637,088                  | 5,825,923                             | 1,805,606                          | 275,807                              | 8,544,424   |
| Segment liabilities                            | 389,845                  | 3,564,987                             | 1,104,883                          | 168,771                              | 5,228,486   |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 22: SEGMENT INFORMATION (Cont'd)

|   | 2016<br>\$       |
|---|------------------|
| <b>Segment revenue reconciles to total revenue:</b>                                     |                  |
| Revenue from external customers   | 8,117,076        |
| Corporate head office sundry revenue  | 341,910          |
| Total revenue from operations   | <u>8,458,986</u> |
| <b>Reconciliation of EBITDA to profit before income tax from continuing operations:</b> |                  |
| Total segment EBITDA  | 1,905,302        |
| - interest expense  | (612)            |
| - depreciation and amortisation   | (45,934)         |
| - corporate head office expenses  | (525,201)        |
| Profit before income tax from continuing operations                                     | <u>1,333,555</u> |
| <b>Segment assets reconcile to total assets as follows:</b>                             |                  |
| Segment assets  | 8,544,424        |
| Inter-segment eliminations  | (3,467,647)      |
| Corporate head office - Cash  | 525,978          |
| Corporate head office - PPE   | 342              |
| Corporate head office - other receivables   | 17,900           |
| Corporate head office – deferred tax assets   | 456,892          |
| Total assets per statement of financial position  | <u>6,077,889</u> |
| <b>Segment liabilities reconcile to total liabilities as follows:</b>                   |                  |
| Segment liabilities   | 5,228,486        |
| Inter-segment eliminations  | (3,369,384)      |
| Corporate head office - trade & other creditors   | 111,104          |
| Corporate head office - provisions  | -                |
| Corporate head office - borrowings  | -                |
| Total liabilities per statement of financial position                                   | <u>1,970,206</u> |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 22: SEGMENT INFORMATION (Cont'd)

## Geographical Information

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

| Geographic location | Revenues from external customers of continuing operations |                  | Non-current assets* |                |
|---------------------|---|------------------|---------------------|----------------|
|                     | 2017  | 2016             | 2017                | 2016           |
|                     | \$  | \$               | \$                  | \$             |
| Australia           | 2,661,613   | 2,975,864        | 84,635              | 76,297         |
| Asia                | 1,855,163   | 2,190,958        | 2,069,096           | 133,648        |
| North America       | 2,166,703   | 2,218,347        | -                   | -              |
| South America       | 156,349   | 438,796          | -                   | -              |
| Middle East         | -   | 4,495            | -                   | -              |
| Europe              | 57,702  | 288,616          | -                   | -              |
| Oceania             | 7,975   | -                | -                   | -              |
|                     | <u>6,905,505</u>  | <u>8,117,076</u> | <u>2,153,731</u>    | <u>209,945</u> |

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

Major customers - Revenue of \$1,719,707 (2016: \$1,785,584) was derived from a single Australia customer and revenue of \$1,107,536 (2016: \$1,260,409) was derived from a single Singapore customer, both of which are allocated to the "RTP & RTM - Industrial Power Supplies (E&D)" segment. These revenues each amount to more than 10% of the Group's revenues from external customers.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 23: CASH FLOW INFORMATION

|  | Consolidated Entity |           |
|--|---------------------|-----------|
|  | 2017                | 2016      |
|  | \$                  | \$        |
| <b>a. Reconciliation of Cash Flow from Operations with Profit after Income Tax</b> |                     |           |
| Profit after income tax  | 427,903             | 1,684,565 |
| Non-cash flows in loss from ordinary activities                                    |                     |           |
| Depreciation   | 59,028              | 45,933    |
| Provision for stock obsolescence   | (91,418)            | 113,027   |
| Capitalised interest   | -                   | -         |
| Tax benefit  | -                   | (456,892) |
| Share based payment expense  | 720,000             | 270,000   |
| Fair Value loss on extinguishment of debt  | -                   | 63,655    |
| License cancellation fee   | -                   | -         |
| Unrealised currency (gain)/loss  | 49,566              | 41,438    |
| Net loss/(gain) on sale/acquisition of assets                                      | 304                 | -         |
| Changes in assets & liabilities:   |                     |           |
| Decrease/(increase) in trade debtors   | 132,391             | (640,853) |
| Decrease/(increase) in other debtors & prepayments                                 | (524,945)           | 56,733    |
| Decrease/(increase) in inventories   | 13,009              | (199,565) |
| Increase/(decrease) in trade creditors/accruals                                    | 614,869             | (322,596) |
| Increase/(decrease) in income taxes payable  | (264,729)           | (22,995)  |
| Increase/(decrease) in provisions  | 81,339              | 90,851    |
| Cash flows from operations   | 1,217,317           | 723,301   |

## b. Credit Standby Arrangements

The Group has no credit standby arrangements with banks other than debtor finance facility.

## NOTE 24: FAIR VALUE LOSS ON EXTINGUISHMENT OF DEBT

In the prior year, total expenses of \$63,655 arose from total of 31,827,348 shares issued to director Mr Valentino Vescovi and Pudu Investments (Australia) Pty Ltd, a company associated with Mr Ying Ming Wang at discount of 0.2 cents below market value as consideration for director loan repayment as approved by shareholders at AGM on 30 November 2015.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****NOTE 25: 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.

On 26 April 2017, the current director of Rectifier Technologies Ltd, Mr. Yanbin Wang has lent MYR\$300,000 to Rectifier Technologies (M) Sdn Bhd for the purpose of working capital. The first repayment was MYR\$40,946 conducted on 15 June 2017. The remaining balance of loan was MYR\$259,054, which was AUD\$81,721 equivalent at the end of the current reporting period. The loan is non-interest bearing and the term of the loan is 12 months.

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 2017

## NOTE 26: FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT

|  | Consolidated Entity |                  |
|--|---------------------|------------------|
|  | 2017<br>\$          | 2016<br>\$       |
| <b>Categories of Financial Instruments</b> |                     |                  |
| <b>Financial assets</b>                    |                     |                  |
| Cash and cash equivalents                  | 2,628,269           | 1,635,415        |
| Trade and other receivables                | 784,375             | 1,152,454        |
|  | <b>3,412,644</b>    | <b>2,787,869</b> |
| <b>Financial liabilities</b>               |                     |                  |
| Amortised cost                             | 3,209,706           | 1,500,177        |
|  | <b>3,209,706</b>    | <b>1,500,177</b> |

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
- loans 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 policies 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 2017

**NOTE 26: 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% (2016: 85%) of its sales are made to 9 (2016: 11) 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     |           |
|                             | \$                           |           | \$          |        | \$           |        | \$           |      | \$                   |           | \$        |           |
|                             | 2017                         | 2016      | 2017        | 2016   | 2017         | 2016   | 2017         | 2016 | 2017                 | 2016      | 2017      | 2016      |
| Financial Assets:           |                              |           |             |        |              |        |              |      |                      |           |           |           |
| Cash                        | 2,628,269                    | 1,635,415 | -           | -      | -            | -      | -            | -    | -                    | -         | 2,628,269 | 1,635,415 |
| Receivables                 | -                            | -         | -           | -      | -            | -      | -            | -    | 784,375              | 1,152,454 | 784,375   | 1,152,454 |
| Total Financial Assets      | 2,628,269                    | 1,635,415 | -           | -      | -            | -      | -            | -    | 784,375              | 1,152,454 | 3,412,644 | 2,787,869 |
| Financial Liabilities:      |                              |           |             |        |              |        |              |      |                      |           |           |           |
| Other current loans         | -                            | -         | -           | -      | -            | -      | -            | -    | -                    | -         | -         | -         |
| Trade and sundry creditors  | -                            | -         | -           | -      | -            | -      | -            | -    | 1,387,683            | 1,455,433 | 1,387,683 | 1,455,433 |
| Director related loan       | -                            | -         | -           | -      | -            | -      | -            | -    | 81,721               | -         | 81,721    | -         |
| --Borrowings - RTM          | 1,720,543                    | -         | -           | -      | -            | -      | -            | -    | -                    | -         | 1,720,543 | -         |
| Debtor Financing Facility   | 2,358                        | 15,936    | -           | -      | -            | -      | -            | -    | -                    | -         | 2,358     | 15,936    |
| Lease liabilities           | -                            | -         | 9,952       | 10,482 | 7,449        | 18,326 | -            | -    | -                    | -         | 17,401    | 28,808    |
| Total Financial Liabilities | 1,722,901                    | 15,936    | 9,952       | 10,482 | 7,449        | 18,326 | -            | -    | 1,469,404            | 1,455,433 | 3,209,706 | 1,500,177 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

**NOTE 26: 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           | \$2,628,269 | \$26,283 | (\$26,283) |
| Debtor finance | (\$2358)    | (\$24)   | \$24       |

**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 2017 was as follows: Receivables in USD totalled USD\$435,045 and payables totalled USD\$84,821.

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

**2017**

|                     | USD     | USD/AUD<br>+10% | USD/AUD<br>-10% | GBP | GBP/AUD<br>+10% | GBP/AUD<br>-10% |
|---------------------|---------|-----------------|-----------------|-----|-----------------|-----------------|
| <b>Consolidated</b> |         |                 |                 |     |                 |                 |
| Trade Receivables   | 435,045 | 51,363          | (62,777)        | -   | -               | -               |
| Trade Payables      | 84,821  | 10,014          | (12,240)        | -   | -               | -               |
| Loans               | -       | -               | -               | -   | -               | -               |

**2016**

|                     | USD     | USD/AUD<br>+10% | USD/AUD<br>-10% | GBP | GBP/AUD<br>+10% | GBP/AUD<br>-10% |
|---------------------|---------|-----------------|-----------------|-----|-----------------|-----------------|
| <b>Consolidated</b> |         |                 |                 |     |                 |                 |
| Trade Receivables   | 579,451 | 71,186          | (87,005)        | -   | -               | -               |
| Trade Payables      | 56,219  | 6,907           | (8,441)         | -   | -               | -               |
| Loans               | -       | -               | -               | -   | -               | -               |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

## NOTE 26: 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:

|   | 2017            |            | 2016            |            |
|---|-----------------|------------|-----------------|------------|
|   | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
|   | \$              | \$         | \$              | \$         |
| Financial assets                                |                 |            |                 |            |
| Cash  | 2,628,269       | 2,628,269  | 1,635,415       | 1,635,415  |
| Receivables                                     | 784,375         | 784,375    | 1,152,454       | 1,152,454  |
|   | 3,412,644       | 3,412,644  | 2,787,869       | 2,787,869  |
| Financial Liabilities                           |                 |            |                 |            |
| Other loans                                     | 81,721          | 81,721     | -               | -          |
| Trade and sundry creditors                      | 1,387,683       | 1,387,683  | 1,455,433       | 1,455,433  |
| Borrowings - Rectifier Technologies (M) Sdn Bhd | 1,720,543       | 1,720,543  | -               | -          |
| Debtor financing facility                       | 2,358           | 2,358      | 15,936          | 15,936     |
| Lease liabilities                               | 17,401          | 17,401     | 28,808          | 28,808     |
|   | 3,209,706       | 3,209,706  | 1,500,177       | 1,500,177  |

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 27: PARENT ENTITY FINANCIAL INFORMATION

## a. Summary Financial Information

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

|  | 2017         | 2016         |
|--|--------------|--------------|
|  | \$           | \$           |
| <b>Statement of Financial Position</b> |              |              |
| <b>Current Assets</b>                  | 2,204,782    | 486,241      |
| <b>Total Assets</b>                    | 2,294,173    | 1,000,556    |
| <b>Current Liabilities</b>             | 55,227       | 107,407      |
| <b>Total Liabilities</b>               | 762,585      | 107,407      |
| <b>Net Assets</b>                      | 1,531,588    | 893,149      |
| <b>Shareholders' Equity</b>            | 39,816,575   | 38,941,375   |
| <b>Accumulated Losses</b>              | (38,284,987) | (38,048,226) |
| <b>Total Equity</b>                    | 1,531,588    | 893,149      |
| <b>Profit/(Loss) for the year</b>      | (236,761)    | 272,937      |
| <b>Total Comprehensive Income</b>      | (236,761)    | 272,937      |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017****NOTE 27: 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 2017.

**d. Contractual commitments**

There were not contractual commitments for the parent entity as at 30 June 2017.

**NOTE 28: EVENTS SUBSEQUENT TO REPORTING DATE**

There have been no events subsequent to the end of reporting period that require additional disclosure.

**NOTE 29: COMPANY DETAILS**

The registered office is:

Rectifier Technologies Ltd  
24 Harker Street, Burwood, VIC 3125

The principal places of business are:

Rectifier Technologies Ltd  
24 Harker Street,  
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

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Internet: [www.rectifiertechnologies.com](http://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 2017 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 2017, 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:

Wang, Yanbin

**Director**

Rectifier Technologies Ltd  
24 Harker Street  
Burwood  
VIC 3130

Dated the 28<sup>th</sup> day of September 2017

The Rialto, Level 30  
525 Collins St  
Melbourne Victoria 3000

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RECTIFIER TECHNOLOGIES LIMITED**

### **Report on the audit of the financial report**

#### **Opinion**

We have audited the financial report of Rectifier Technologies Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, 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 period 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 2017 and of its performance for the period 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 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.

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## 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   |
|---|--|
| <p><b>Recognition of R&amp;D tax incentive (Note 3 and 11)</b></p> <p>Under the research and development (R&amp;D) Tax incentive scheme, the Group receives a 43.5% refundable tax offset of eligible expenditure if its turnover is less than \$20 million per annum provided it is not controlled by income tax exempt entities.</p> <p>An R&amp;D plan is filed with AusIndustry in the following financial year, and based on this filing; the Group receives the incentive in cash. Management engaged an expert to perform a detailed review of the Group's total research and development expenditure to determine the potential claim under the R&amp;D tax incentive legislation.</p> <p>The estimated amount receivable at year end for the incentive was \$500,000 which has been recognised in other debtors.</p> <p>We determined the R&amp;D tax incentive to be a Key Audit Matter due to the size of the receivable and the degree of judgement and interpretation of the R&amp;D tax legislation required by management to assess the eligibility of the R&amp;D expenditure under the scheme.</p> | <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>obtaining the completed R&amp;D tax estimate from management's experts;</li> <li>assessing the competence, capabilities and objectivity of experts used by management to assist in determining the quantum of the R&amp;D receivable at 30 June 2017;</li> <li>comparing the estimates made in the previous year to the amount of cash actually received after lodgement of the R&amp;D tax claim;</li> <li>comparing the methodology and nature of the R&amp;D expenditure included in the current year estimate to the prior year estimate;</li> <li>comparing the eligible expenditure used in the estimate to the expenditure recorded in the general ledger;</li> <li>inspecting copies of relevant correspondence with AusIndustry and the ATO related to the claims history; and</li> <li>reviewing relevant disclosures in the financial statements.</li> </ul>   |
| <p><b>Inventory Valuation (Note 12)</b></p> <p>Due to the nature of the electronic componentry required for manufacture and parts, the Group has a number of slow moving inventory lines. There is a risk that some inventory lines are obsolete and therefore that the Company may not value inventory at the lower of cost or net realisable value in accordance with AASB 102 <i>Inventories</i>.</p> <p>This area is a key audit matter due to the level of management judgement required in determining the provision for inventory obsolescence.</p>  | <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>Discussing with management to obtain an understanding of their process for calculating the inventory provision and considering for compliance with AASB 102 requirements;</li> <li>Selecting a sample of inventory items and: <ol style="list-style-type: none"> <li>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;</li> <li>for items not sold in the last 12 months, considering whether these were included in the provision for inventory obsolescence;</li> </ol> </li> <li>Analysing any inventory items with no movement in the last 12 months and considering whether they should be included in the inventory provision;</li> <li>Considering whether any other factors might indicate that inventory items would require a provision to write down to net realisable value, such as any discontinued lines; and</li> <li>Reviewing related financial statement disclosures.</li> </ul> |

### **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 period ended 30 June 2017, 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 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](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 period ended 30 June 2017.

In our opinion, the Remuneration Report of Rectifier Technologies Limited, for the period ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

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



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



A R J Nathanielsz  
Partner - Audit & Assurance

Melbourne, 28 September 2017

**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                  | 268          |
| 1,001 – 5,000              | 325          |
| 5,001 – 10,000             | 149          |
| 10,001 – 100,000           | 466          |
| 100,001 – 9,999,999,999    | 330          |
|                            | <b>1,538</b> |

**b. The number of shareholdings held in less than marketable parcels is 957.****c. The names of the substantial shareholders listed in the holding company's register as at 30<sup>th</sup> of June 2017 are:**

| Shareholder  | Number Ordinary |
|--|-----------------|
| Pudu Investments (Aust) Pty Ltd                    | 224,643,616     |
| Sichuan Yimikang Environmental Technologies Co Ltd | 189,975,136     |
| Yung Shing   | 150,000,000     |

**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<br>Fully Paid Shares<br>Held | % Held of Issued<br>Ordinary Capital |
|---|---|--------------------------------------|
| 1.PUDU INVESTMENT (AUSTRALIA) PTY LTD                               | 224,643,616                                     | 16.43                                |
| 2.SICHUAN YIMIKANG ENVIRONMENTAL TECHNOLOGIES CO LTD                | 189,975,136                                     | 13.90                                |
| 3.YUNG SHING  | 150,000,000                                     | 10.97                                |
| 4.WINTER STORMS LTD   | 125,068,336                                     | 9.15                                 |
| 5.MR LEI LI   | 68,460,000                                      | 5.01                                 |
| 6.JIAN XU < PARAMOUNT INT INVESTMENT A/C>                           | 44,000,000                                      | 3.22                                 |
| 7.FINLINK LLC   | 40,000,000                                      | 2.93                                 |
| 8.MR MAKRAM HANNA + MRS RITA HANNA <HANNA & CO P/L SUPER A/C>       | 37,614,373                                      | 2.75                                 |
| 9.VALENTINO FRANCESCO VESCOVI + GLENDA JILL VESCOV                  | 36,021,196                                      | 2.64                                 |
| 10.J P MORGAN NOMINEES AUSTRALIA LIMITED                            | 30,417,545                                      | 2.23                                 |
| 11.YANBIN WANG  | 30,000,000                                      | 2.19                                 |
| 12.BOND STREET CUSTODIANS MT< JL-I53966 A/C>                        | 25,999,605                                      | 1.90                                 |
| 13.GENISTA COURT PTY LTD  | 23,225,000                                      | 1.70                                 |
| 14.NICHOLAS YEOH  | 21,000,000                                      | 1.54                                 |
| 15.MR NIGEL MACHIN  | 20,000,000                                      | 1.46                                 |
| 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  | 11,550,279                                      | 0.84                                 |
| 19.MR RAYMOND ROCKMAN + MR ANTHONY ROCKMAN<RAYMOND ROCKMAN S/F A/C> | 9,677,106                                       | 0.71                                 |
| 20.KANGSAV PTY LIMITED  | 8,296,198                                       | 0.61                                 |
| <b>Totals: Top 20 holders of ORDINARY SHARES</b>                    | <b>1,127,170,015</b>                            | <b>82.46</b>                         |

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 24 Harker Street, 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 (2016: 23,400,000) options over unissued shares are on issue.

**7. Restricted Securities**

Nil

**8. On market buy-back**

There is no current on market buy back.