



VOLTAGE IP

Suite 3 / Level 2
470 Collins Street Melbourne,
Victoria 3000 Australia
Tel: +61 3 9867 7199 Fax: +61 3 9867 8587
Email: enquiries@voltageip.com.au
Website: <http://www.voltageip.com.au>

Voltage IP Limited

ABN 83 057 884 876

Appendix 4E Preliminary Final Report

For the year ended 30 June 2017

Lodged with the ASX under Listing Rule 4.3A

Voltage IP Limited

30 June 2017

Results for announcement to the market

	Notes	2017 \$	2016 \$	Inc/(Dec) %
*(All amounts are denoted in AUD\$)				
Revenue from continuing operations (Appendix 4E item 2.1)	1	9,032,903	7,964,580	13%
Profit/(Loss) from ordinary activities after tax attributable to members (Appendix 4E item 2.2)	2	(3,445,065)	(50,226)	(6,759%)
Net Profit/(Loss) for the period attributable to members (Appendix 4E item 2.3)	3	(3,451,506)	(142,690)	(2,4149%)
Basic Earnings per share (Appendix 4E Item 14.1)		(1.07)	(0.03)	(3,566%)
Diluted Earnings per share (Appendix 4E Item 4.1)		(1.07)	(0.03)	(3,566%)
Net Tangible Assets per share (Appendix E Item 9)		1.65	(0.04)	4,217%

Dividends (Appendix 4E item 2.4 & 25)

No dividends have been paid by Voltage IP Limited (**Company**) during the year ended 30 June 2017 (**FY17**), and the Company does not propose to pay any final dividends in respect of that year.

Audit status (Appendix 4E item 15)

This report is based on accounts which are in the process of being audited. The audited annual accounts will be released by 30 September 2017.

Commentary on Results (Appendix 4E Item 14) & Significant Features of Operating Performance (Appendix 4E Item 14.3)

1. Revenue from continuing operations (Appendix 4E item 2.6 & 14)

In comparison to the previous reporting period, there was an increase in revenue for FY17 following the commencement of the VIP Glove operations in August 2016 with first orders received in September 2016 and first sales recorded in December 2016. From the 2 new glove lines commissioned, the glove operations have manufactured in excess of 130 million pieces of gloves for the period ending 30 June 2017 and holding stock of approximately 40 million pieces as at 30 June 2017, which have now all been sold. The directors believe this trend will continue as the glove lines are now operating close to capacity in the new financial year. Revenue for KLE Products was down compared to the previous year and this trend is in line with the directors' view on the market and the decision for the Company to focus on rubber glove manufacturing as a new and more profitable direction for the Company,

Voltage IP Limited

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2. Profit/(loss) from ordinary activities after tax attributable to members (Appendix 4E item 2.6 & 14)

In comparison to the previous reporting period, profit from ordinary activities decreased substantially for FY17 due to the initial delays in commissioning and substantial additional cost of implementing the 2 new glove lines commencing August 2016. The Company experienced higher than budgeted gas provision costs following delays implementing the natural gas line required for manufacturing rubber gloves whereby, in the first few months of glove manufacturing, the Company had to rely on portable gas lines to run the glove lines at a substantial increased cost. This problem was resolved by March 2017 with the installation and connection of new natural gas lines directly to the factory and the negotiation of cheaper gas provision which substantially reduced the manufacturing cost per unit. The cost of Latex in the early months since commissioning was also higher compared to budget and the full efficiencies expected from the change in manufacturing process were not realised until May 2017.

The Company initially experienced quality issues from first samples of gloves manufactured when costs were higher than budgeted. This resulted in delays in booking sales and stock considered of low grade was sold at below cost to recover some of the costs of manufacture. This problem has now been successfully resolved. The Company awaits the granting of its own export licence to meet the demand from Europe for glove products which is expected to result in more favourable pricing than that obtained in the local market.

The costs averaged a negative 11% gross margin representing a 44% decrease over the previous reporting period.

3. Net profit/(loss) for the period attributable to members (Appendix 4E item 2.6 & 14)

As in (2) above.

Supplementary Information

Trends in performance (Appendix 4E Item 14.5)

The increase in revenue reflects the establishment of the rubber glove manufacturing business which, despite delays in manufacture, is now in line with the director's strategy for the continued future of the Company. An increase in revenue from glove operations is expected to continue into FY18 as the Company improves quality and efficiencies from the current 2 glove line operations and continues to further invest with the proposed construction and commissioning of up to a further 8 glove lines, subject to funding, within the next 9 months to meet global market demand. Directors expect the Company to achieve its own export licence and FDA approval i to export gloves not only to Europe and Asia but also North America.

Other factors that affected results in the period or which are likely to affect results in the future (Appendix 4E item 14.6)

The establishment of new rubber glove manufacturing lines under VIP Glove provided an additional line of revenue for the Company and its subsidiaries for the year ending 30 June 2017, which is expected to increase in FY18.

Reverse acquisition transaction and comparative reporting period

During the prior year (FY16) the Company's acquisition of KLE Products has been accounted for as a reverse acquisition, with the consolidated financial statements of the Company being prepared as a continuation of KLE Products.

KLE Products as the accounting acquirer has consolidated the Company from the accounting acquisition date of 29 January 2016.

The consolidated financial statements represent a continuation of the financial statements of KLE Products and reflect a full year of KLE Products and VIP Glove operations, plus the Company's results.

Other Significant Information (Appendix 4E Item 12)

On 4 May 2017, the company raised \$600,000 by issuing 4 million convertible notes at an issue price of \$0.15 per note, an interest rate of 12% per annum, expiring 3 November 2017.

On 22 February 2017, the company announced the purchase of land adjoining the Company's existing conveyor chain and glove line operations in Selangor, Malaysia, for RM 7,674,260 to allow VIP to expand the existing glove line operations by extending the factory and commissioning new glove manufacturing lines that are additional to the existing two lines currently in operation. The land is vacant with a leasehold expiring 9 October 2099 measuring approximately 13,203m² in area

VIP plans to build and commission a state of the art manufacturing facility with capacity for a further 12 new glove manufacturing lines with the objective to produce in excess of 3.4 billion pieces per annum once all lines are fully commissioned and operational.

In reviewing the Company's liquidity and cash flow position, the directors note that the Company expects a material improvement in sales revenue anticipated to be generated over the next 12 months and, furthermore, the directors are assessing alternatives for a capital raising in the near term.

Voltage IP Limited**30 June 2017****Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2017**

		Consolidated	
	Note	2017	2016
		\$	\$
Revenue from continuing operations	4	9,032,903	7,964,580
Cost of Goods Sold		(10,047,907)	(5,581,047)
Gross Margin		(1,015,004)	2,383,533
Other income	5	550,590	159,935
Expenses			
General and Administration fees	6	(1,820,409)	(1,302,322)
Legal and Professional fees		(325,810)	(65,902)
Secretarial and Share Registry fees		(50,595)	(20,038)
Share based payments expense on acquisition		-	(428,924)
Other expenses	6	(323,476)	(116,913)
Finance costs		(483,296)	(343,338)
		(3,003,586)	(2,277,437)
Profit before income tax from continuing operations		(3,468,000)	266,031
Income tax benefit / (expense)		22,935	(316,257)
Profit/(loss) after income tax from continuing operations		(3,445,065)	(50,226)
Other comprehensive income for the year, net of tax			
Foreign exchange differences		(6,441)	(92,464)
Total comprehensive profit/(loss) for the year		(3,451,506)	(142,690)
Earnings per share from continuing operations attributable to owners of Voltage IP Limited			
Basic earnings per share (cents)	16	(1.07)	(0.03)
Diluted earnings per share (cents)	16	(1.07)	(0.03)

The above preliminary statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

Voltage IP Limited**30 June 2017****Statement of Financial Position****As at 30 June 2017**

		Consolidated	
	Note	2017	2016
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	7	456,957	414,527
Financial assets	8	260,837	112,401
Trade and other receivables	9	3,027,714	4,829,197
Inventories	10	3,860,627	2,576,587
Other Assets	11	561,812	91,693
Total current assets		8,167,947	8,024,406
Non-current assets			
Property, plant and equipment	12	7,809,856	8,459,744
Total non-current assets		7,809,856	8,459,744
Total assets		15,977,803	16,484,149
Liabilities			
Current liabilities			
Trade and other payables	13	4,183,998	4,069,584
Financial liabilities	14	4,309,882	3,788,461
Tax payable		356,963	579,158
Total current liabilities		8,850,843	8,437,203
Non-current liabilities			
Financial liabilities	14	1,413,247	1,377,380
Deferred tax liabilities		-	80,923
Total non-current liabilities		1,413,247	1,458,303
Total liabilities		10,264,090	9,895,506
Net assets/(liabilities)		5,713,713	6,588,643
Equity			
Issued capital	15	6,850,513	4,273,937
Foreign currency translation reserve		(71,333)	(64,892)
Retained profits		(1,065,467)	2,379,598
Total equity		5,713,713	6,588,643

The above preliminary statement of financial position is to be read in conjunction with the accompanying notes.

Voltage IP Limited**30 June 2017****Statement of Cash Flows****For the year ended 30 June 2017**

		Consolidated	
	Note	2017	2016
		\$	\$
Cash flows from operating activities			
Receipts from customers		10,489,559	8,658,050
Payments to suppliers and employees		(12,065,102)	(8,021,880)
Interest received		10,627	-
Interest paid		(483,295)	(206,467)
Tax refund/(paid)		(280,184)	(229,305)
Net cash used in operating activities	17	(2,328,395)	200,398
Cash flows from investing activities			
Payment for property, plant and equipment		(798,670)	(4,619,548)
Proceeds from sale/(purchase) of financial assets		(148,436)	8,904
Acquisition of subsidiary, net cash acquired		-	(3,353)
Net cash used in investing activities		(947,106)	(4,613,997)
Cash flows from financing activities			
Proceeds from issue of shares		3,214,344	3,526,600
Proceeds from issue of convertible notes		611,411	-
Proceeds from trust receipts		571,502	955,615
Net (repayment) of banker acceptance		(892,365)	980,772
Proceeds of term loan		35,867	297,078
Net proceeds/(repayment) of hire purchase creditors		112,126	(55,919)
Net (repayment) of borrowings from related parties		146,456	(816,424)
Share issue transaction costs		(637,768)	(471,083)
Dividends paid		-	-
Net cash provided by / (used in) financing activities		3,161,573	4,416,639
Net increase/(decrease) in cash and cash equivalents held		(113,928)	3,040
Cash and cash equivalents at beginning of financial year		(528,302)	(485,961)
Exchange rate movement		37,641	(45,381)
Cash and cash equivalents at end of financial year	7	(604,589)	(528,302)

The above preliminary statement of cash flows is to be read in conjunction with the accompanying notes.

Voltage IP Limited**30 June 2017****Statement of Changes in Equity****For the year ended 30 June 2017**

Consolidated	Issued Capital \$	Foreign Currency Translation \$	Accumulated Losses \$	Total \$
Balance at 1 July 2015	847,429	27,572	2,429,824	3,304,825
Profit after tax	-	-	(50,226)	(50,226)
Other comprehensive income for the year, net of tax	-	(92,464)	-	(92,464)
Total comprehensive profit for the year	-	(92,464)	(50,226)	(142,690)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of IPO shares	3,526,600	-	-	3,526,600
Share issue costs	(471,083)	-	-	(471,083)
Issue to KLE vendors	370,991	-	-	370,991
	<u>3,426,508</u>	<u>-</u>	<u>-</u>	<u>3,426,508</u>
Balance at 30 June 2016	<u>4,273,937</u>	<u>(64,892)</u>	<u>2,379,598</u>	<u>6,588,643</u>
Consolidated				
Balance at 1 July 2016	4,273,937	(64,892)	2,379,598	6,588,643
Profit/(loss) after tax	-	-	(3,445,065)	(3,445,065)
Other comprehensive income for the year, net of tax	-	(6,441)	-	(6,441)
Total comprehensive Profit for the year	-	(6,441)	(3,445,065)	(3,451,506)
<i>Transactions with owners in their capacity as owners:</i>				
Conversion of convertible notes	3,214,344	-	-	3,214,344
Share issue costs	(637,768)	-	-	(637,768)
	<u>2,576,576</u>	<u>-</u>	<u>-</u>	<u>2,576,576</u>
Balance at 30 June 2017	<u>6,850,513</u>	<u>(71,333)</u>	<u>(1,065,467)</u>	<u>5,713,713</u>

The preliminary statement of changes in equity is to be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. Statement of Significant Accounting Policies

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E. This report is to be read in conjunction with any public announcements made by the Company during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and Listing Rules.

The financial report, comprising the financial statements and notes of the Company and its controlled entities, complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

2. Material factors affecting the economic entity for the current period

The acquisition of KLE Products is recognised as a reverse takeover transaction in the prior period. Other than the above, there has not been in the interval between the end of the financial period and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Company, to significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

The functional and presentation currency of the Company is Australian Dollars.

3. Segment Information (Appendix 4E Item 14.4)

The Company operated in Australia and Malaysia and operated as one reporting segment as determined by the Chief Operating Decision Maker.

Voltage IP Limited**30 June 2017**+
Notes to the Financial Statements (continued)**4. Revenue**

	2017	2016
	\$	\$
Total Revenue	9,032,903	7,964,580

5. Other Revenue

	2017	2016
	\$	\$
Other revenue	69,826	70,774
Interest revenue	10,627	-
Rental income	470,137	79,740
Discount received	-	9,421
	<u>550,590</u>	<u>159,935</u>

6. Expenses

	2017	2016
	\$	\$
General and Administration expenses:		
Employee wages and related costs	393,628	229,916
Directors fees	461,841	259,812
Doubtful debts	54,872	212,169
Bad debts	1,401	40,945
Rental expense relating to operating lease	-	6,108
Depreciation ¹	79,803	12,437
Other Administration expenses	828,864	540,935
	<u>1,820,409</u>	<u>1,302,322</u>

¹ Depreciation (included in General and Administrative expenses):

Leasehold Land	13,624	(40,420)
Leasehold buildings	-	17,818
Motor Vehicles	16,688	22,403
Office equipment	5,084	1,321
Capital works in progress	44,407	11,315
	<u>79,803</u>	<u>12,437</u>

Depreciation (included in cost of goods sold):

Plant and equipment	477,586	107,325
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Other expenses:

Listing expenses	-	71,070
Foreign exchange losses	323,476	45,843
	<u>323,476</u>	<u>116,913</u>

Voltage IP Limited**30 June 2017****Notes to the Financial Statements (continued)****7. Cash and Cash Equivalents**

Cash 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:

	2017	2016
	\$	\$
Cash at bank	456,957	414,527

Reconciliation to cash and cash equivalents at the end of the financial year

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	456,957	414,527
Bank overdraft	(1,061,546)	(942,829)
Balance as per statement of cash flows	(604,589)	(528,302)

8. Financial Assets

	2017	2016
	\$	\$
Deposits	260,837	112,401

9. Trade and Other Receivables

	2017	2016
	\$	\$
Trade Debtors	2,751,396	4,646,921
Less Provision for Doubtful Debts	(53,712)	(179,519)
	2,697,684	4,467,402
Other receivables	219,696	361,795
Receivable from related parties	110,334	-
	3,027,714	4,829,197

10. Inventories

	2017	2016
	\$	\$
Raw materials	1,025,830	367,697
Work in Progress	617,673	692,887
Finished Goods	2,217,124	1,516,003
	3,860,627	2,576,587

11. Other Assets

	2017	2016
	\$	\$
Deposits	544,230	87,087
Prepayments	17,582	4,606
	561,812	91,693

Voltage IP Limited**30 June 2017****Notes to the Financial Statements (continued)****12. Property, Plant and Equipment**

	2017	2016
	\$	\$
Leasehold Land	1,876,304	1,986,788
Leasehold Buildings	1,509,320	1,244,171
Plant and equipment	4,333,667	3,462,793
Office equipment	58,657	19,480
Motor vehicles	8,572	27,593
Capital works in progress	23,336	1,718,919
	<u>7,809,856</u>	<u>8,459,744</u>

13. Trade and Other Payables

	2017	2016
	\$	\$
Trade payables	3,523,775	3,248,757
Payable to a Director	-	204
GST payable	-	20,099
Other payables and accruals	660,223	800,524
	<u>4,183,998</u>	<u>4,069,584</u>

14. Financial Liabilities

	2017	2016
	\$	\$
Current		
Trust receipts	2,368,459	1,796,957
Bankers Acceptances	88,407	980,772
Hire purchase loans	180,029	67,903
Convertible notes	611,441	-
Overdraft ⁴	1,061,546	942,829
	<u>4,309,882</u>	<u>3,788,461</u>
Non- Current		
Term Loans ¹	<u>1,413,247</u>	<u>1,377,380</u>

1. Term Loans represent loans from financial institutions on normal commercial terms.

Voltage IP Limited

30 June 2017

Notes to the Financial Statements (continued)

15. Issued Capital (Appendix 4E Item 14.6)

	2017 Shares	2016 Shares	2017 \$	2016 \$
Ordinary shares fully paid	346,933,715	321,391,596	6,850,513	4,273,937
	346,933,715	321,391,596	6,850,513	4,273,937

	2017 Number of shares	2017 \$	2016 Number of shares	2016 \$
Movement in ordinary shares				
Opening balance at beginning of period	321,391,596	4,273,937	81,475,757	847,429
Consolidation (1)	-	-	(78,216,909)	-
Cancellation of shares (2)	-	-	(2,291,101)	-
Issue of shares on debt conversion (3)	-	-	15,000,000	-
Issue of shares on debt conversion (4)	-	-	24,365,549	-
Issue of shares on acquisition (5)	-	-	210,526,300	370,991
IPO Capital raising (6)	-	-	70,532,000	3,526,600
Conversion of convertible notes (7)	25,542,119	3,214,344	-	-
Capital raising costs (8)	-	(637,768)	-	(471,083)
Closing balance at end of period	346,933,715	6,850,513	321,391,596	4,273,937

1. On 18 December 2015, shareholders approved a consolidation of share capital on the basis of 1 share for every 25 held;
2. On 18 December 2015, shareholders approved the cancellation of 2,291,101 ordinary shares from the capital of the Company.
3. Convertible Notes were converted to ordinary shares at \$0.03 per share on successful completion of the capital raising under the Replacement Prospectus.
4. Certain debts of the Company were converted to ordinary shares at \$0.03 per share on successful completion of the capital raising under the Replacement Prospectus.
5. Ordinary shares were issued to vendor shareholders of KLE Products on successful completion of the capital raising under the Replacement Prospectus.
6. Ordinary shares were issued to applicant shareholders at \$0.05 per share under the public offer in the Replacement Prospectus.
7. Convertible notes were converted to 25,542,119 shares at \$0.10 per share.
8. Capital raising costs were incurred in respect of the preparation and completion of the issue of convertible notes.

Voltage IP Limited**30 June 2017****Notes to the Financial Statements (continued)****16. Earnings per Share (Appendix 4E Item 14.1)**

	2017	2016
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share	323,331,504	174,060,803
Weighted average number of ordinary shares outstanding during the year used in calculating diluted earnings per share	323,331,504	174,060,803

17. Reconciliation of Net Profit After Tax to Cash Flows from Operating Activities

	2017	2016
	\$	\$
Net profit/(loss) after tax expense for the year	(3,445,065)	(50,226)
Add back/(deduct)		
Non-cash items:		
Doubtful debts expense	54,872	212,169
Depreciation	557,389	119,983
Disposal of fixed assets – (Gain)/Loss	-	-
Foreign exchange differences	361,117	45,686
Listing costs	-	499,994
Bad debts written off	1,401	-
Change in operating assets & liabilities:		
(increase)/decrease in trade receivables	1,456,936	403,966
(increase)/decrease in other receivables	141,820	-
(Increase)/decrease in inventories	(1,284,040)	(405,770)
(Increase)/decrease in other assets	(470,119)	(45,008)
(decrease)/increase in trade and other payables	114,414	(580,396)
(decrease)/increase in taxation payable	182,880	-
Cash (outflow)/inflow from operations	(2,328,395)	200,398

18. Controlled Entities Acquired (Appendix 4E Item 10)

During the year the controlled entities acquired by the Company were:

	Country of Incorporation	Principal place of business	Date acquired	Ownership %
Parent entity				
Voltage IP Limited	Australia	Australia	-	parent
Name of Controlled Entity				
KLE Products SDN. BHD.	Malaysia	Malaysia	28 January 2016	100%
VIP Glove SDN. BHD.	Malaysia	Malaysia	4 April 2016	100%