RECTIFIER TECHNOLOGIES LTD

ABN: 82 058 010 692

ANNUAL REPORT
2018

COMPANY PARTICULARS

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

SECRETARY
Mr. Justyn Stedwell

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

MANUFACTURING FACILITY- MALAYSIA
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No. 5 & 7, Jalan Laman Setia 7/8
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81550 GELANG PATAH, JOHOR
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Telephone: + 60 7 522 6006
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SHARE REGISTRY
Computershare Investor Services Pty Ltd
452 Johnston Street
ABBOTSFORD, VIC 3067
Telephone: 1300 137 328

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

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

AUDITORS
Grant Thornton Audit Pty Ltd
Collins Square, Tower 1
727 Collins Street
MELBOURNE, VIC 3008

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CHAIRMAN'S REPORT

Financial Results

The total revenues increased by approximately 13% to $7.8 million from $6.9 million in the previous reporting period.

The increase in revenues during the year to 30 June 2018 was due to the significant improvement in sales of some of our key products used in the industrial power supplies, particularly in the electric vehicle (EV) market; meanwhile sales in other market segments remained steady compared to previous reporting period. The EV market has contributed $1.5 million to sales in the current reporting period compared to $167K to sales in the previous reporting period (Note 22). The company expects sales from these products to continue improving in the 2019 financial year.

The company reported a higher net profit before income tax amounting to $463K compared to a net profit before income tax of $258K in the previous reporting period. This was due to an increase in sales during the year. In the meantime, gross margins have remained similar to last year, despite our significant capital investment to upgrade our manufacturing facility in Malaysia and a better research and development team. The upgraded manufacturing facility increased our production capacity in 2019 financial year. Our continued expansion and investment in R&D give us a leading position in the industrial power industry.

The company reported a net profit of $62K compared to a net loss of $35K as result of the adjustment for tax expense of $463K from the previous financial reporting period being restated (Note 1).

	($'000')	
	2018	**2017**
Revenue from continuing operations (refer to note 3)	7,835	6,881
Gross Profit	4,064	3,688
Gross Margin %	57%	59%
Profit/(loss) from continuing operations before tax	463	258
Income Tax Benefit/(Expense)	(401)	170
Income Tax Benefit/(Expense) adjustment	-	(463)
Profit/(loss) from continuing operations after tax	62	(35)
Net Profit/(Loss)	62	(35)

Funding

Our subsidiary in Malaysia obtained a loan from a director of the group amounting to $81,721 in the previous reporting period. The loan was repaid in full during the current financial period.

On 6 Feburary 2017, Rectifier Technologies Malaysia obtained a loan amounting to MYR$5,460,000 from Public Bank Berhad to acquire a new manufacturing facility. The interest on the loan is variable and term of loan is 20 years. After monthly repayment, the carrying amount of the loan was MYR$5,288,987 at end of reporting period of 2018.

Outlook

We continue to focus on R&D and in developing technology platforms for the evolving energy market, particularly the electric vehicle space. In the previous financial year, we released OEM power modules for EV charger market as well as our own EV DC Home Charger and OEM RT15 EV Start Kit products. Our fast and flexible approach to R&D has allowed us to exploit opportunities available in this sector, leading to significant commercial success. We currently work with various partners to deliver the best solutions to the market. We are currently developing technology platforms that will provide solutions to support the growth of EV products in Europe and in the USA which is expected to increase rapidly in the next 5 years. The group will continue to focus on R&D in order to overcome the technical challenges of developing new products. This investment is expected to improve quality and capacity across a number of our markets.

On behalf of the Board

Ying Ming Wang

Chairman

Dated this 28th day of September 2018

DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2018.

Directors

The names of directors in office at any time during or since the end of the year are:

Mr. Ying Ming Wang

Mr. Yanbin Wang

Mr. Valentino Vescovi

Mr. Nigel Machin

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

Company Secretary

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

Principal Activities

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

Operating Results

The consolidated profit/(loss) of the Group after providing for income tax amounted to a profit of $62,442 compared to a loss of $34,900 in 2017.

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

Rectifier Technologies Limited has received additional product purchase orders from Tritium Pty Ltd totalling 3.4 million USD for the supply of 35kW high-voltage and high-efficiency modular power supply units for DC electric vehicle charging. The orders are scheduled to be delivered before the end of March 2019 and are binding purchase orders.

DIRECTORS'REPORT

Environmental Issues

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

Information on Directors

Mr. Ying Ming Wang	**-**	Director (Non-executive)
Qualification	-	Ph. D in Science
Experience	-	Board Member since June 2006
Interest in Shares and Options	-	224,643,616 Ordinary Shares of Rectifier Technologies Ltd
Mr. Yanbin Wang	**-**	Director and CEO
Qualifications	-	Master of Law 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
Mr. Valentino Vescovi	**-**	Director (Non-executive)
Qualifications	-	Master of Science, Bachelor of Science
Experience	-	Board member 2003-2010 and from 30 October 2012
Interest in Shares and Options	-	37,821,196 Ordinary Shares, and 7,040,000 unlisted options exercisable at 2c each
Mr. Nigel Machin	**-**	Director and 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 2018.

DIRECTORS' REPORT

Key Management Personnel Compensation Consolidated Entity

2018	**Short-term employee benefits**			**Long-term employee benefits**	**Post-employment benefits**		**Share-based payment**	
	Cash salary and fees	**Cash bonus**	**Non-monetary benefits**	**Long Service Leave**	**Super-annuation**	**Retirement benefits**	**Shares**	**Total**
Name	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Parent Entity Directors								
Mr. Ying Ming Wang	-	-	-	-	-	-	-	-
Mr. Yanbin Wang (CEO)	297,137	24,455	32,636	-	-	-	-	354,228
Mr. Valentino Vescovi	6,000	-	-	-	-	-	-	6,000
Mr. Nigel Machin	156,975	13,398	-	6,649	27,683	-	-	204,705
Other Key Management Personnel								
Subsidiary Entities								
Mr. Paul Davis	130,878	18,550	-	4,692	27,927	-	-	182,047
Mr. Seong Bow Lee	71,198	4,181	721	-	8,832	-	-	84,932
Total	662,188	60,584	33,357	11,341	64,442	-	-	831,912

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

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	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Parent Entity Directors								
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
Other Key Management Personnel								
Subsidiary Entities								
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 a 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.

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:

2018	Balance 1.7.17	Options Exercised	Net Change Other	Balance 30.6.18	Total Vested 30.6.18	Total Vested & Exercisable	Total Vested & Unexercisable
Parent Entity Directors							
Mr. Ying Ming Wang	-	-	-	-	-	-	-
Mr. Yanbin Wang	-	-	-	-	-	-	-
Mr. Valentino Vescovi	7,040,000	-	-	7,040,000	7,040,000	7,040,000	-
Mr. Nigel Machin	1,800,000	-	-	1,800,000	1,800,000	1,800,000	-
Other Key Management Personnel of the Group							
Subsidiary Entities							
Mr. Paul Davis	-	-	-	-	-	-	-
Mr. Seong Bow Lee	-	-	-	-	-	-	-
Total	8,840,000	-	-	8,840,000	8,840,000	8,840,000	-

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

2017	Balance 1.7.16	Options Exercised	Net Change Other	Balance 30.6.17	Total Vested 30.6.17	Total Vested & Exercisable	Total Vested & Unexercisable
Parent Entity Directors							
Mr. Ying Ming Wang	-	-	-	-	-	-	-
Mr. Yanbin Wang	-	-	-	-	-	-	-
Mr. Valentino Vescovi	7,040,000	-	-	7,040,000	7,040,000	7,040,000	-
Mr. Nigel Machin	-	-	1,800,000	1,800,000	1,800,000	1,800,000	-
Other Key Management Personnel of the Group							
Subsidiary Entities							
Mr. Paul Davis	-	-	-	-	-	-	-
Mr. Seong Bow Lee	-	-	-	-	-	-	-
Total	7,040,000	-	1,800,000	8,840,000	8,840,000	8,840,000	-

DIRECTORS' REPORT

Key Management Personnel Compensation Consolidated Entity

Shareholdings

2018

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

	Balance 1.7.17	Received as Director Loan Repayment	Received as Remuneration Employee Share Scheme	Net Change Other	Balance 30.6.18
Parent Entity Directors					
Mr. Ying Ming Wang	224,643,616	-	-	-	224,643,616
Mr. Yanbin Wang	70,000,000	-	-	-	70,000,000
Mr. Valentino Vescovi	37,821,196	-	-	-	37,821,196
Mr. Nigel Machin	22,010,000	-	-	-	22,010,000
Other Key Management Personnel of the Group					
Subsidiary Entities					
Mr. Paul Davis	5,000,000	-	-	-	5,000,000
Mr. Seong Bow Lee	2,767,550	-	-	-	2,767,550
Total	362,242,362	-	-	-	362,242,362

2017

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

	Balance 1.7.16	Received as Director Loan Repayment	Received as Remuneration Employee Share Scheme	Net Change Other	Balance 30.6.17
Parent Entity Directors					
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
Other Key Management Personnel of the Group					
Subsidiary Entities					
Mr. Paul Davis	5,000,000	-	-	-	5,000,000
Mr. Seong Bow Lee	2,767,550	-	-	-	2,767,550
Total	310,232,362	-	30,000,000	22,010,000	362,242,362

DIRECTORS' REPORT

Shares granted as remuneration

There were no shares granted as remuneration in 2018.

Remuneration Practices

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

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

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

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

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

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

The following table shows the gross revenue, profits and dividends for the last five years for the listed entity, as well as the share price at the end of the respective financial years. The lower profit in 2015 was as result of a once off warranty expense claim which diluted profit, and also that discontinued RTUK no longer contributed profit to the Group in 2015 as it had in 2014. The full year results for 2016 represented a significant improvement of the company's operational performance and resulted from the increase in sales and product margin. The lower overall sales in the year to 30 June 2017 were due to the slowing down in sales of some of our key products used in the industrial market. Revenue increased to 7.8 million by approximately 13% in 2018 compared to 2017. The increase in revenue during the year to 30 June 2018 was due to the improving sales of some of our key products used in the industrial power supplies, particularly in the electric vehicle (EV) market. A net loss of $35K was due to the adjustment of tax expense from 2017 being recorded. The company has a profit of $62K in the 2018 and we expects the increase in sales to continue with new products expected to be released to the market which are expected to strengthen the company's financial position and improve financial performance in the 2019.

	2014	2015	2016	2017	2018
Revenue ($'000) (Including discontinued operation)	8,039	6,602	8,459	6,881	7,835
Net Profit/(Loss) ($'000)	576	128	1,685	(35)	62
Share Price at Year-end (cents)	0.3	0.7	2.9	1.7	2.6
Change in Share Price (cents)	0.2	0.5	2.2	1.2	0.9
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	4	4	2	2

Indemnifying Officers or Auditor

During the financial year the Company has paid premiums to insure each of the directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Company and of any related body corporate, other than conduct involving a wilful breach of duty in relation to the Company. The amount of the premium was $7,700 for all directors and officers.

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

Options

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

Grant Date	Date of Expiry	Exercise Price	Number Under Option
June 2003	No expiry date	2.0¢ per share	13,280,000
November 2003	No expiry date	2.0¢ per share	8,360,000
			21,640,000

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

Proceedings on Behalf of the Company

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

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

Non-audit Services

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

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

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

DIRECTORS' REPORT

Auditors Independence Declaration

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

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

………………………………………..

Mr. Yanbin Wang

Director

Melbourne

Dated this 30th day of September 2018

Collins Square, Tower 1
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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 2018, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

S C Trivett
Partner – Audit & Assurance

Melbourne, 30 September 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated Entity	
		2018 $ -	2017 $ (Restated)
Revenue	3	7,342,107	6,345,249
Other income	3	492,603	535,199
Changes in inventories of finished goods and work in progress		(380,935)	81,183
Raw materials and consumables used		(1,774,514)	(1,886,654)
Employee benefits expense		(3,790,588)	(3,754,089)
Depreciation expense	4	(129,925)	(59,028)
Finance costs	4	(79,610)	(18,745)
Other expenses		(1,215,842)	(985,575)
Profit before income tax expense		463,296	257,540
Income tax benefit (expense)	5	(400,853)	170,363
Profit from continuing operations after income tax		62,442	427,903
Income tax expenses adjustment in prior year	1	-	(462,803)
Net profit/(loss) after income tax attributable to owners of Rectifier Technologies Limlited		62,442	(34,900)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences		86,023	(31,064)
Total other comprehensive income for the year		86,023	(31,064)
Total comprehensive income for the year		148,465	(65,964)
Basic earnings per share (cents per share):	9	0.01	0.00
Diluted earnings per share (cents per share):		0.00	0.00

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	Consolidated Entity 2018 $	2017 $
		-	(Restated)
CURRENT ASSETS			
Cash and cash equivalents	10	2,183,902	2,628,269
Trade and other receivables	11	1,450,155	1,464,129
Inventories	12	2,738,970	2,068,876
Current tax assets		327,464	50,752
TOTAL CURRENT ASSETS		6,700,491	6,212,026
NON-CURRENT ASSETS			
Property, plant and equipment	14	2,745,679	2,153,731
Deferred tax assets	5	140,713	260,772
TOTAL NON-CURRENT ASSETS		2,886,392	2,414,503
TOTAL ASSETS		9,586,883	8,626,529
CURRENT LIABILITIES			
Trade and other payables	15	1,843,158	1,471,762
Interest bearing liabilities	16	74,320	64,919
Provisions	18	354,822	392,170
Current tax liability		474,637	50,715
TOTAL CURRENT LIABILITIES		2,746,937	1,979,566
NON-CURRENT LIABILITIES			
Interest bearing liabilities	16	1,719,010	1,673,026
Provisions	18	55,552	57,018
TOTAL NON-CURRENT LIABILITIES		1,774,562	1,730,044
TOTAL LIABILITIES		4,521,499	3,709,610
NET ASSETS		5,065,384	4,916,919
EQUITY			
Contributed equity	19	39,816,575	39,816,575
Reserves		125,250	39,227
Accumulated losses		(34,876,441)	(34,938,883)
TOTAL EQUITY		5,065,384	4,916,919

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated Entity	
		2018	**2017**
		$	**$**
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		6,921,457	6,934,554
Payments to suppliers and employees		(6,889,527)	(5,617,961)
Interest received		10,986	1,439
Finance costs		(61,561)	(17,487)
Income taxes paid		(104,315)	(83,228)
Net cash provided by operating activities	23	(122,960)	1,217,317
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(480,869)	(1,861,025)
Proceed from sale of property, plant and equipment		90	-
Payment for registration of new company		-	(177)
Net cash used in investing activities		(480,779)	(1,861,202)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	155,200
Repayment of borrowings		(31,632)	(9,199)
Proceeds from borrowings		1,212	1,603,822
Net cash provided by/(used in) financing activities		(30,420)	1,749,823
Net increase in cash held		(634,159)	1,105,938
Cash and cash equivalents at beginning of the year		2,628,269	1,635,415
Effect of exchange rates on cash holdings in foreign currencies		189,792	(113,084)
Cash and cash equivalents at end of the year	10	2,183,902	2,628,269

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

Consolidated Entity	$	$	$	$
	Share Capital	**Accumulated Losses**	**Foreign Currency Translation Reserve**	**Total**
Balance at 1.7.2016	38,941,375	(34,903,983)	70,291	4,107,683
Total comprehensive income for the year	-	(34,900)	(31,064)	(65,964)
Transactions with owners in their capacity as owners:				
Shares issued (Note 19)	875,200	-	-	875,200
Balance at 30.06.2017	39,816,575	(34,938,883)	39,227	4,916,919
Balance at 1.7.2017	39,816,575	(34,938,883)	39,227	4,916,919
Total comprehensive income for the year	-	62,442	86,023	148,465
Transactions with owners in their capacity as owners:				
Shares issued (Note 19)	-	-	-	-
Balance at 30.06.2018	39,816,575	(34,876,441)	125,250	5,065,384

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: Corporate information

The financial statements of Rectifier Technologies Limited for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of the directors on 28 September 2018 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.

Correction of Prior Period Error

In accounting for the receipt of the R&D receivable during the 2018 year it was noted that some adjustments in the current year have prior year effects. A restatement has been made to the affected accounts for the financial year ended 30 June 2017 as follows:

	30 June 2017		
	$	$	$
Consolidated Statement of Financial Position (Extract)	**Previous Amount**	**Adjustment**	**Restated Amount**
Current tax assets	513,555	(462,803)	50,752
Net Assets	**5,379,722**	**(462,803)**	**4,916,919**

	30 June 2017		
	$	$	$
Consolidated Statement of Profit and Loss and Other Comprehensive Income (Extract)	**Previous Amount**	**Adjustment**	**Restated Amount**
Income tax benefit (expense)	170,363	(462,803)	(292,440)
Profit from continuing operations after income tax	**427,903**	**(462,803)**	**(34,900)**
Net profit after income tax attributable to owners of Rectifier	**427,903**	**(462,803)**	**(34,900)**

NOTE 2: Summary of significant accounting policies

a. Basis of preparation

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

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

Historical cost convention

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

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 2018. Rectifier Technologies Limited controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June. All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-Group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

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

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

c. Income Tax

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

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

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

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and interests in joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

c. Income Tax (Cont'd)

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

Tax Consolidation

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

d. Inventories

Raw materials, Work in Progress and Finished goods

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

e. Property, Plant and Equipment

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

Land and Buildings

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

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

Plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation

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

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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 2018

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

Loans and receivables

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

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

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 2018

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

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 2018

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

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 2018. 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:

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 group has made a preliminary assessment of the changes and does not expect any material impact on the transactions and balances recognised in the financial statements when AASB 9 is first adopted for the year ending 30 June 2019.

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 group is yet to undertake a detailed assessment of AASB 15. However, based on the entity's preliminary assessment, the standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when its first adopted for the year ending 30 June 2019.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

t. New accounting standards and interpretations (Cont'd)

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).

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 entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the likely impact on the first time adoption of the Standard for the year ending 30 June 2020 includes:

- There will be a significant increase in lease assets and financial liabilities recognised on the balance sheet
- The reported equity will reduce as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities
- EBIT in the statement of profit or loss and other comprehensive income will be higher as the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in operating expenses
- Operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

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.

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 2018 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

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 2018

NOTE 3: REVENUE AND OTHER INCOME

	Consolidated Entity	
	2018 $	2017 $
Revenue		
– sale of goods	7,155,895	6,245,098
– interest received	11,291	1,513
– sundry income	174,921	98,638
	7,342,107	6,345,249
Other income		
– R&D tax rebate	492,603	458,535
– R&D development	-	76,664
	492,603	535,199

NOTE 4: PROFIT FROM CONTINUING ACTIVITIES

	Consolidated Entity	
	2018 $	2017 $
Profit before income tax has been determined after the following expenses:		
Cost of sales	3,092,165	2,556,862
Finance costs:		
– other persons	79,610	18,745
Total finance costs	79,610	18,745
Depreciation of non-current assets:		
– plant and equipment	112,581	48,255
– leasehold improvements	13	15
– motor vehicle	17,331	10,758
Total depreciation	129,925	59,028
Rental expense on operating leases - minimum lease payments	120,834	162,900
Personnel Expenses - defined contributions superannuation	343,732	318,441
Research and development costs expensed	1,217,927	1,153,936
Profit/ (loss) on disposal of property, plant and equipment	(834)	(304)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 5: INCOME TAX EXPENSE

	Consolidated Entity	
	2018 $	2017 $
Current tax	334,749	(47,973)
Deferred tax - temporary differences	52,748	83,431
Deferred tax – tax losses	67,311	112,689
Tax losses carried forward previously not brought to account	(53,955)	(318,510)
	400,853	(170,363)
Reconciliation of the effective tax rate		
The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:		
Profit before income tax	463,296	257,540
Prima facie tax payable on profit/ (loss) before income tax at 27.5% (2017: 27.5%)		
– consolidated entity	127,406	70,823
Add: Tax effect of:		
– R&D expenditures	334,930	437,351
– Controlled foreign company attributed income	32,957	71,871
– Discount on shares	-	198,000
– Other non-allowable items	151,030	56,109
– Effect of change in tax rate	-	23,074
	646,323	857,228
Less Tax effect of:		
– Other non-assessable items	(145,694)	(126,097)
– Foreign income tax offset	(7,735)	(59,308)
– R&D tax offset	-	(513,556)
– Effect of lower rates of tax on overseas income	(38,086)	(10,120)
	454,808	148,147
Tax effect of carry-forward tax losses not previously bought to account	(53,955)	(318,510)
Income tax attributable to entity	400,853	(170,363)
Reconciliation to continuing / discontinued operations		
Consolidated profit before income tax	463,296	257,540
Less profit before tax relating to discontinued operations	-	-
Profit before income tax from continuing operations	463,296	257,540
Consolidated income tax expense	400,853	(170,363)
Less income tax expense relating to discontinued operations	-	-
Income tax expense from continuing operations	400,853	(170,363)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 5: INCOME TAX EXPENSE (Cont'd)

	Consolidated Entity	
	2018 $	2017 $
Unrecognised deferred tax assets		
Unused capital losses for which no deferred tax asset recognised relating to the Australian entities in the tax consolidated group	18,409,594	18,409,594
Unused capital losses for which no deferred tax asset recognised relating to the overseas subsidiaries	-	-
	18,409,594	18,409,594
Potential tax benefit at applicable tax rates	5,062,638	5,062,638

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

	2018 $	2017 $
Unused capital losses	18,409,594	18,409,594
Unused tax losses	-	-
Deductible temporary differences	-	-
	18,409,594	18,409,594
Potential tax benefit at applicable tax rates	5,062,638	5,062,638

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 5: INCOME TAX EXPENSE (Cont'd)

The following table regarding DTA during the current reporting period:

Deferred Tax Assets	1 July 2017 $	Recognised in Profit & Loss $	30 Jun 2018 $
Provision for stock obsolescence	24,290	(290)	24,000
Accrued superannuation	5,606	(251)	5,355
Accruals - Other	26,292	2,786	29,078
Unrealised FX Loss	13,339	(30,759)	(17,420)
Employee entitlements	123,527	(10,674)	112,853
Blackhole expenditure	407	(102)	305
Tax losses	67,311	(67,311)	0
Property, plant and equipment	-	(13,458)	(13,458)
Deferred tax movement	260,772	(120,059)	140,713

The Group has unused capital losses of $18,409,592. During the period, previously unrecognised tax losses of $196,201 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 FY18 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 2018. The amounts of franking credits available for subsequent reporting periods are:

	Consolidated Entity	
	2018 $	2017 $
Opening balance of franking account	(1,773,194)	(1,257,659)
Deferred debit that will arise from the receipt of the R&D tax offset	(529,798)	(515,535)
Refund of prior year tax return	(462,805)	-
Deferred debit balance of franking account at the end of the reporting period	(2,765,797)	(1,773,194)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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	
	2018 **$**	**2017** **$**
b. Key Management Personnel Compensation		
Short-term employee benefits	756,129	569,515
Long-term employee benefits	11,341	5,257
Post-employment benefits	64,442	43,681
Share-based payments	-	720,000
	831,912	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 a share based payment expense in the 2017 financial year period. There were no shares-based payments in 2018 financial year.

Transactions with Parent Entity Directors and other Key Management Personnel:

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

NOTE 8: AUDITOR'S REMUNERATION

	Consolidated Entity	
	2018 **$**	**2017** **$**
Audit and review services		
Grant Thornton - Audit and review of financial reports	66,100	54,609
Other audit firms (non Grant Thornton) – Audit and review of other entities in the Group	-	-
Total remuneration for audit services	66,100	54,609

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 9: EARNINGS PER SHARE

	Consolidated Entity	
	2018	2017
	$	$
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	62,442	(34,900)
b. Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	1,366,900,602	1,366,900,602
Adjustments for calculations of diluted earnings per share:		
Options	21,640,000	21,881,096
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	1,388,540, 602	1,388,781,698

NOTE 10: CASH AND CASH EQUIVALENTS

	Consolidated Entity	
	2018	2017
	$	$
Cash at bank	2,183,902	2,628,269
	2,183,902	2,628,269
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	2,183,902	2,628,269

NOTE 11: TRADE AND OTHER RECEIVABLES

	Consolidated Entity	
	2018	2017
	$	$
CURRENT		
Trade debtors (a)	539,909	734,248
	539,909	734,248
Other debtors	33,417	50,127
R&D tax incentives	529,798	500,000
Prepayments	347,031	179,754
	1,450,155	1,464,129

a. Included in debtors of $539,909 (2017: $734,248) are debts which have been assigned to financing companies in Australia. The company had received advances of $1,146 (2017: $2,358) 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 2018

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

	Consolidated entity			
	Gross 2018 $	Gross 2017 $	Carrying Amount 2018 $	Carrying Amount 2017 $
Not past due	372,346	396,155	372,346	396,155
Past due 0-30 days	156,830	102,802	156,830	102,802
Past due 31+ days	10,733	235,291	10,733	235,291
	539,909	734,248	539,909	734,248

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:

	2018 $	2017 $
Australia	175,670	158,832
USA	45,219	409,276
Malaysia	10,320	6,918
Others	308,700	159,222
Total	539,909	734,248

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

	Not past due		Past due 30 days		Past due 60 days		Total	
Consolidated Entity	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $
Australia	81,703	124,225	92,651	31,817	1,316	2,790	175,670	158,832
USA	30,464	245,166	14,754	-	-	164,110	45,219	409,276
Malaysia	8,670	3,155	1,651	1,681	-	2,082	10,320	6,918
Others	251,509	23,609	47,774	69,304	9,418	66,309	308,700	159,222
Total	372,346	396,155	156,830	102,802	10,734	235,291	539,909	734,248

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 12: INVENTORIES

	Consolidated Entity	
	2018	2017
	$	$
Raw materials	1,963,700	912,671
Work in progress	389,376	828,797
Finished goods at cost	385,894	327,408
	2,738,970	2,068,876

Inventories are recognised net of a provision for obsolescence of $181,382 (2017: $177,386).

Inventory expense

Change in inventories recognised as expense during the year ended 30 June 2018 amounted to $380,935 (2017: $81,183). 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 2018 (%)	Percentage Owned 2017 (%)
Ultimate Parent Entity:				
Rectifier Technologies Ltd	Australia	Ordinary	-	-
Subsidiaries of Rectifier Technologies Ltd:				
Protran Technologies Pty Ltd	Australia	Ordinary	100	100
Rectifier Technologies Pacific Pty Ltd	Australia	Ordinary	100	100
Rectifier Technologies Singapore Pte Ltd.	Singapore	Ordinary	100	-
ICERT Inc.	USA	Ordinary	100	100
Rectifier Technologies (M) Sdn Bhd	Malaysia	Ordinary	100	100
ICERT (HK) Co. Ltd	Hong Kong	Ordinary	100	100

Rectifier Technologies Singapore Pte Ltd. was incorporated on 25 October 2017.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 14: PROPERTY, PLANT AND EQUIPMENT

	Consolidated Entity	
	2018	2017
	$	$
Land		
At cost	1,500,052	1,384,663
	1,500,052	1,384,663
Building		
At cost	301,990	529,175
Accumulated depreciation	(5,033)	-
	296,957	529,175
Plant and equipment		
At cost	1,017,100	270,787
Accumulated depreciation	(107,548)	(48,255)
	909,552	222,532
Leasehold improvements		
At cost	133	148
Accumulated depreciation	(13)	(15)
	120	133
Motor Vehicle		
At Cost	56,329	27,986
Accumulated depreciation	(17,331)	(10,758)
	38,998	17,228
Total Property, Plant and Equipment	2,745,679	2,153,731

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

Movements in Carrying Amounts

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

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

2017	Land $	Building $	Plant and Equipment $	Leasehold Improvements $	Motor Vehicle $	Total $
Consolidated Entity:						
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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 15: TRADE AND OTHER PAYABLES

	Consolidated Entity	
	2018	2017
	$	$
CURRENT		
Unsecured liabilities:		
Trade creditors	1,586,698	1,101,895
Sundry creditors and accrued expenses	255,314	285,788
Loans – director related (current and former directors) (a)	-	81,721
	1,842,012	1,469,404
Secured liabilities:		
Debtor financing facility	1,146	2,358
	1,146	2,358
	1,843,158	1,471,762

a. At the end of financial year 2017, The Director Loan from current director of Rectifier Technologies Ltd, Mr. Yanbin Wang to Rectifier Technologies (M) Sdn Bhd. with closing balance as MYR$259,054(AUD$81,721). During financial year 2018, this loan was repaid in full.

NOTE 16: INTEREST-BEARING LIABILITIES

	Consolidated Entity	
	2018	2017
	$	$
CURRENT		
Lease liability (secured)	14,294	10,528
Borrowings - Rectifier Technologies (M) Sdn Bhd (secured)	60,026	54,391
	74,320	64,919
NON-CURRENT		
Lease liability (secured)	16,040	6,874
Borrowings - Rectifier Technologies (M) Sdn Bhd (secured)	1,702,970	1,666,152
	1,719,010	1,673,026
	1,793,330	1,737,945

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

On 6 Feb 2017, Rectifier Technologies (M) Sdn Bhd obtained a loan of MYR$5,460,000(AUD$1,629,851) from Public Bank Berhad to acquire two blocks of a semi-detached factory. The monthly repayment includes the payment of loan principle and interest. The first monthly instalment commenced on 1 May 2017, subsequent instalments are to be paid on or before the 1st of each calendar month and total repayments are 240 instalments in 240 months. The term of the loan is 20 years and loan interest is calculated using the Base Lending Rate (Variable Rate) less a discount of 2.20% at 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 2018

NOTE 17: MATURITY ANALYSIS

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

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

2017	Contractual Amount	< 6 mths	6 – 12 mths	1 – 3 years	> 3 years
Financial Liabilities					
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

NOTE 18: PROVISIONS

	Consolidated Entity	
	2018 $	2017 $
CURRENT		
Employee entitlements	354,822	392,170
NON-CURRENT		
Employee entitlements	55,552	57,018

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 19: CONTRIBUTED EQUITY AND RESERVES

	Consolidated Entity	
	2018 $	2017 $
a. Ordinary shares		
At the beginning of the reporting period	39,816,575	38,941,375
Share based payment	-	875,200
At reporting date	39,816,575	39,816,575

	Number	Number
At the beginning of reporting period	1,366,900,602	1,335,140,602
Issue of shares	-	31,760,000
At reporting date	1,366,900,602	1,366,900,602

There were no new shares issued during 2018 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 2018, there were 21,640,000 (2017: 21,640,000) options outstanding.

d. Capital risk management

The Group's and the Parent Entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

The gearing ratios at 30 June 2018 were as follows:

		Consolidated	
	Notes	2018 $	2017 $
Total borrowings	15 & 16	1,794,476	1,822,024
Less: cash and cash equivalents	10	(2,183,902)	(2,628,269)
Net cash		(389,426)	(806,245)
Total Equity		5,065,384	4,916,919
Total Capital		4,675,958	4,110,674
Gearing Ratio		-8%	-20%

NOTE 20: CAPITAL AND LEASING COMMITMENTS

Operating Lease Commitments

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

	2018	2017
Payable		
– not later than 1 year	107,714	125,009
– later than 1 year but not later than 5 years	80,958	98,190
– over 5 years	-	-
	188,672	223,199

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 2018 the following are the rental charges:

2019 $78,554
2020 $80,911

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 2018

NOTE 22: SEGMENT INFORMATION

Description of segments

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

Electronic Components

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

Industrial Power Supplies (Electricity generation/distribution and Defence)

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

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, Rectifier Technologies Singarpore Pte Ltd and Rectifier Technologies Malaysia Sdn Bhd manufacture and distribute electric vehicle charges, battery charges and power supplies for a number of industries.

Information provided to the executive management committee

Segment information provided to the executive management committee for the year ended 30 June 2018 is as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 22: SEGMENT INFORMATION (Cont'd)

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

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 2018

NOTE 22: SEGMENT INFORMATION (Cont'd)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 22: SEGMENT INFORMATION (Cont'd)

2017	Electronic Components	Industrial Power Supplies (E&D)	Industrial Power Supplies (T&T)	Industrial Power 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)
Segment revenue from external customers	288,087	4,291,520	2,159,157	166,741	6,905,505
EBITDA	71,185	1,060,414	533,518	41,201	1,706,318
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 refund (expense)	(11,283)	(567,795)	(42,256)	(11,592)	(632,926)
Segment Assets and Liabilities					
Segment assets	424,806	6,150,278	3,756,074	120,568	10,451,725
Segment liabilities	265,022	4,082,741	2,206,156	77,845	6,631,764

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 22: SEGMENT INFORMATION (Cont'd)

	2017 $
Segment revenue reconciles to total revenue:	
Revenue from external customers	6,905,505
Corporate head office sundry revenue	(25,057)
Total revenue from operations	6,880,448
Reconciliation of EBITDA to profit before income tax from continuing operations:	
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	257,540
Segment assets reconcile to total assets as follows:	
Segment assets	10,451,725
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	8,626,529
Segment liabilities reconcile to total liabilities as follows:	
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	3,709,610

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 22: SEGMENT INFORMATION (Cont'd)

Geographical Information

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

	Revenues from external customers of continuing operations		Non-current assets*	
	2018	2017	2018	2017
Geographic location	$	$	$	$
Australia	3,938,091	2,459,726	108,459	84,635
Asia	1,744,965	1,577,832	2,637,220	2,069,096
North America	858,690	2,002,355	-	-
South America	60,244	144,490	-	-
Europe	530,283	53,326	-	-
Oceania	23,623	7,369	-	-
	7,155,896	6,245,098	2,745,679	2,153,731

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

Major customers - Revenue of $1,831,798 (2017: $1,719,707) was derived from a single Australia customer and revenue of $1,286,991 (2017: $1,107,536) was derived from a single Singapore customer, both of which are allocated to the "RTP - Industrial Power Supplies (E&D)" segment. These revenues each amount to more than 15% of the Group's revenues from external customers.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 23: CASH FLOW INFORMATION

	Consolidated Entity	
	2018	2017
	$	$
a. Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit after income tax	62,442	(34,900)
Non-cash flows in loss from ordinary activities		
Depreciation	129,925	59,028
Provision for stock obsolescence	(1,051)	(91,418)
Share based payment expense	-	720,000
Unrealised currency (gain)/loss	(90,177)	49,566
Net loss/(gain) on sale/acquisition of assets	18,509	304
Changes in assets & liabilities:		
Decrease/(increase) in trade debtors	(190,872)	132,391
Decrease/(increase) in other debtors & prepayments	101,283	(524,945)
Decrease/(increase) in inventories	(563,715)	13,009
Increase/(decrease) in trade creditors/accruals	155,477	614,869
Increase/(decrease) in income taxes payable	294,033	198,074
Increase/(decrease) in provisions	(38,814)	81,339
Cash flows from operations	(122,960)	1,217,317

b. Credit Standby Arrangements

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

NOTE 24: RELATED PARTY TRANSACTIONS

a. Subsidiaries

Interests in subsidiaries are set out in Note 13.

b. Key management personnel

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

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 loan is non-interest bearing and the term of the loan is 12 months. The first repayment was MYR$40,946 conducted on 15 June 2017 and balance of loan has been paid off in January 2018.

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 2018

NOTE 25: FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT

	Consolidated Entity	
	2018	2017
	$	$
Categories of Financial Instruments		
Financial assets		
Cash and cash equivalents	2,183,902	2,628,269
Trade and other receivables	573,326	784,375
	2,757,228	3,412,644
Financial liabilities		
Amortised cost	3,636,488	3,209,706
	3,636,488	3,209,706

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

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

a. Principal financial instruments

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

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

b. General objectives, policies and processes

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

i. Credit risk

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

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

The nature of the Group and the parent entity's operations means that approximately 76% (2017: 88%) of its sales are made to 5 (2017:9) 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:

	Floating Interest Rate $		Fixed Interest Rate Maturing: Within Year $		1 to 5 Years $		Over 5 Years $		Non-interest-Bearing $		Total $	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Financial Assets:												
Cash	2,183,902	2,628,269	-	-	-	-	-	-	-	-	2,183,902	2,628,269
Receivables	-	-	-	-	-	-	-	-	573,326	784,375	573,326	784,375
Total Financial Assets	2,183,902	2,628,269	-	-	-	-	-	-	573,326	784,375	2,757,228	3,412,644
Financial Liabilities:												
Other current loans	-	-	-	-	-	-	-	-	-	-	-	-
Trade and sundry creditors	-	-	-	-	-	-	-	-	1,842,012	1,387,683	1,842,012	1,387,683
Director related loan	-	-	-	-	-	-	-	-	-	81,721	-	81,721
--Borrowings	1,762,996	1,720,543	-	-	-	-	-	-	-	-	1,762,996	1,720,543
Debtor Financing Facility	1,146	2,358	-	-	-	-	-	-	-	-	1,146	2,358
Lease liabilities	-	-	14,294	9,952	16,040	7,449	-	-	-	-	30,334	17,401
Total Financial Liabilities	1,764,142	1,722,901	14,294	9,952	16,040	7,449	-	-	1,842,012	1,469,404	3,636,488	3,209,706

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

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

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

	Amounts	+1%	-1%
Cash	$2,183,902	$21,839	($21,839)
Debtor finance	($1,146)	($12)	$12

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 2018 was as follows: Receivables in USD totalled USD$327,494 and payables totalled USD$279,514.

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:

	2018					
	USD	**USD/AUD**	**USD/AUD**	**GBP**	**GBP/AUD**	**GBP/AUD**
Consolidated		**+10%**	**-10%**		**+10%**	**-10%**
Trade Receivables	327,494	40,233	(49,173)	-	-	-
Trade Payables	279,514	34,338	(41,969)	-	-	-
Loans	-	-	-	-	-	-

	2017					
	USD	**USD/AUD**	**USD/AUD**	**GBP**	**GBP/AUD**	**GBP/AUD**
Consolidated		**+10%**	**-10%**		**+10%**	**-10%**
Trade Receivables	435,045	51,363	(62,777)	-	-	-
Trade Payables	84,821	10,014	(12,240)	-	-	-
Loans	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

vi. Fair Values

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

	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	$	$	$	$
Financial assets				
Cash	2,183,902	2,183,902	2,628,269	2,628,269
Receivables	573,326	573,326	784,375	784,375
	2,757,228	2,757,228	3,412,644	3,412,644
Financial Liabilities				
Other loans	-	-	81,721	81,721
Trade and sundry creditors	1,842,012	1,842,012	1,387,683	1,387,683
Borrowings - Rectifier Technologies (M) Sdn Bhd	1,762,996	1,762,996	1,720,543	1,720,543
Debtor financing facility	1,146	1,146	2,358	2,358
Lease liabilities	30,334	30,334	17,401	17,401
	3,636,488	3,636,488	3,209,706	3,209,706

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

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

NOTE 26: PARENT ENTITY FINANCIAL INFORMATION

a. Summary Financial Information

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

	2018	2017
	$	$
Statement of Financial Position		
Current Assets	1,577,397	2,204,782
Total Assets	1,669,876	2,294,173
Current Liabilities	71,047	55,227
Total Liabilities	71,047	762,585
Net Assets	1,598,829	1,531,588
Shareholders' Equity	39,816,575	39,816,575
Accumulated Losses	(38,216,746)	(38,284,987)
Total Equity	1,598,829	1,531,588
Profit/(Loss) for the year	67,241	(236,761)
Total Comprehensive Income/(Loss)	67,241	(236,761)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

b. Guarantees entered into by the parent entity

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

c. Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2018.

d. Contractual commitments

There were not contractual commitments for the parent entity as at 30 June 2018.

NOTE 27: EVENTS SUBSEQUENT TO REPORTING DATE

There has a subsequent event to the end of reporting period. Rectifier Technologies Limited has received additional product purchase orders from Tritium Pty Ltd totaling 3.4 million USD for the supply of 35kW high-voltage and high-efficiency modular power supply units for DC electric vehicle charging. The orders are scheduled to be delivered before the end of March 2019 and are binding purchase orders.

NOTE 28: 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

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Internet: 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 2018 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 2018, comply with Section 300 A of the *Corporations Act 2001.*

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

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

Mr. Yanbin Wang
Director

Rectifier Technologies Ltd
24 Harker Street
Burwood
VIC 3130

Dated the 30th day of September 2018

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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 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date; and

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

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Recognition of R&D tax incentive (Note 3 and 11)	
The Group receives a 43.5% refundable tax offset of eligible expenditure under the research and development ("R&D") scheme if its turnover is less than $20 million per annum, provided it is not controlled by income tax exempt entities. A registration of R&D activities application is filed with AusIndustry in the following financial year, and based on this filing; the Group receives the incentive in cash. The Group engaged an R&D expert to perform a detailed review of the Group's total R&D expenditure to determine the potential claim under the R&D tax incentive legislation. As at 30 June 2018, a receivable of $529,798 has been recorded. This represents the estimated claim for the period 1 July 2017 to 30 June 2018. This is a key audit matter due to the size of the receivable and the degree of judgement and interpretation of the R&D tax legislation required by management to assess the eligibility of the R&D expenditure under the scheme.	Our procedures included, amongst others: • obtaining and documenting, through discussions with management, an understanding of the process to estimate the claim; • evaluating the competence, capabilities and objectivity of management's expert; • reviewing and testing the R&D estimate by: - evaluating the methodology used by management's expert for consistency with the R&D tax offset rules; - performing testing on a sample of R&D expenses to supporting documents to assess eligibility and accuracy of amounts recorded in the general ledger; and - considering the nature of expenses against the eligibility criteria of the R&D tax incentive scheme to assess whether the expense included in the estimate were likely to meet the eligibility criteria. • comparing the nature of the R&D expenditure included in the current year to the prior year claim; • comparing the eligible expenditure used in the receivable calculation to expenditure recorded in the general ledger; • considering the entity's history of successful claims; • inspecting copies of relevant correspondence with AusIndustry and the Australian Taxation Office related to the claims; and • assessing the adequacy of the relevant disclosures in the financial statements.
Inventory Valuation (Note 12)	
As at 30 June 2018, the Group holds inventory with a carrying amount totalling $2,738,970 and is required to carry its inventory, at the lower of cost or net realisable value in accordance with Australian Accounting Standard AASB 102 *Inventories*. The determination of the valuation of inventory, requires significant judgement. The following factors add complexity or increase the likelihood of errors in the determination of the write down to lower of cost or net realisable value: 1. large inventory holdings of electronic components and slow inventory turnover on certain lines indicate that there may be obsolete stock on hand; and 2. the methodology of estimating inventory to be considered for write-down involves significant management judgment, including predictions about market conditions and future sales of certain lines. This is a key audit matter due to the materiality of inventory balance and the level of management judgement required in determining the value of inventory.	Our procedures included, amongst others: • understanding and documenting management's process of calculating the inventory value and evaluating the group's compliance with the requirements of AASB 102 *Inventories*; • performing testing on a sample of inventory items to assess the cost basis and net realisable value of inventories and: - for inventory sold in the last 12 months or post year end, tracing to sales invoice and agreeing that the selling price exceeded the item's cost; - for items not sold in the last 12 months, considering whether the value of these items were adjusted for inventory obsolescence; • analysing any inventory items with no movement in the last 12 months and considering whether they should be considered for write-down and assessing their saleability in future; • considering whether any other factors might indicate the inventory items would require a write-down to net realisable value, such as any discontinued lines; and • assessing the adequacy of the related disclosures in the financial statements.

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

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 4 to 10 of the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Rectifier Technologies Limited, for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Simon Trivett

S C Trivett
Partner – Audit & Assurance

Melbourne, 30 September 2018

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	274
1,001 – 5,000	321
5,001 – 10,000	146
10,001 – 100,000	505
100,001 – 9,999,999,999	334
	1,580

b. The number of shareholdings held in less than marketable parcels is 847.

c. The names of the substantial shareholders listed in the holding company's register as at 30th of June 2018 are:

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

d. Voting Rights

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

Ordinary shares

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

e. 20 Largest Shareholders - Ordinary Shares

Name	**Number of Ordinary Fully Paid Shares Held**	**% Held of Issued Ordinary Capital**
1.PUDU INVESTMENT (AUSTRALIA) PTY LTD	224,643,616	16.43
2.YUNG SHING	150,000,000	10.97
3.WINTER STORMS LTD	125,068,336	9.15
4.ATLANTICA INVESTMENTS PTY LTD	90,000,000	6.58
5.MR LEI LI	68,460,000	5.01
6.MS ZHU FURONG	65,349,662	4.78
7.MR WEIGUO XIE	53,122,867	3.89
8.MR MAKRAM HANNA + MRS RITA HANNA <HANNA & CO P/L SUPER A/C>	40,001,292	2.93
9.FINLINK LLC	40,000,000	2.93
10.VALENTINO FRANCESCO VESCOVI + GLENDA JILL VESCOV	37,821,196	2.77
11.J P MORGAN NOMINEES AUSTRALIA LIMITED	30,262,545	2.21
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	12,000,279	0.88
19.MR RAYMOND ROCKMAN + MR ANTHONY ROCKMAN<RAYMOND ROCKMAN S/F A/C>	9,677,106	0.71
Totals: Top 20 holders of ORDINARY SHARES	**1,097,853,129**	**80.31**

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 (2017: 21,640,000) options over unissued shares are on issue.

7. Restricted Securities

Nil

8. On market buy-back

There is no current on market buy back.