

# **Ultimate Power & Energy Limited and Controlled Entities**

ACN 159 476 892

**Financial Statements**

For the Period Ended 30 June 2013

# Ultimate Power & Energy Limited and Controlled Entities

ACN 159 476 892

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30 June 2013

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# Ultimate Power & Energy Limited and Controlled Entities

ACN 159 476 892

## Corporate directory

30 June 2013

Directors:	Zeming (Michael) Yang (Chairman) Bin Jin (Non-Executive Director)
Company Secretary:	Zeming (Michael) Yang
Registered Office:	45 Callaghan Avenue Glen Waverley VIC 3150
Share Register:	Boardroom Pty Limited Level 7 207 Kent Street SYDNEY NSW 2000
Auditor:	Nexia Court & Co Level 16 1 Market Street SYDNEY NSW 2000
Solicitors:	Herbert Geer Lawyers Level 12 77 King Street SYDNEY NSW 2000 Telephone: +61 2 9239 4500 Facsimile: +61 2 9239 4555
Stock exchange listing:	Ultimate Power & Energy Limited and Controlled Entities are listed on the National Stock Exchange of Australia (NSX Code: UPE)
Website:	<a href="http://www.wupenergy.com">www.wupenergy.com</a>

# Ultimate Power & Energy Limited and Controlled Entities

ACN 159 476 892

## Directors' Report

30 June 2013

The directors present their report, together with the financial statements of the Company, being Ultimate Power & Energy Limited and controlled entities, for the financial period ended 30 June 2013.

### Directors

The directors of the company at any time during or since the end of the year are:

Z M Yang	Executive Chairman - appointed 13th July 2012
B Jin	Non-Executive Director - appointed 13th July 2012
K Y Wong	Non-Executive Director and company secretary - appointed 13th July 2012, resigned 30 June 2013

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

### Principal activities and significant changes in nature of activities

The principal activities of the Company during the financial period were:

- Completing an initial capital raising and listing on SIM VSE;
- Started the assembly of prototype and testing components of 1st UPE System (UPE1); and
- Developed the concept and tested the initial prototype of 2nd UPE System (UPE2).

There were no significant changes in the nature of the Company's principal activities during the financial period.

### Operating results

The consolidated loss of the Company amounted to \$ (342,924), after providing for income tax.

### Review of operations

A review of the operations of the Company during the financial period and the results of those operations show that the loss incurred by the Company was mainly due to listing costs and development activities as discussed in principal activities above.

### Significant changes in state of affairs

Other than the activities noted in principal activities above, there have been no significant changes in the state of affairs of the company during the period.

### Dividends paid or declared

No dividends were paid or declared.

### Events after the reporting date

No matters or circumstances have arisen since the end of the financial period which significantly affected or could significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

## **Directors' Report**

**30 June 2013**

### **Future developments and results**

It has been a full six months since the listing of UPE Company on the stock exchange. During this time, the company has been working tirelessly on its common goals. Upon completion of the work on UPE-1, they have developed the UPE-2 system, and have expanded the UPE-2 technology to a wider area including wind power, hydropower and thermal power. Rigorous tests conducted by experts from Shanghai Quality Supervision and Inspection Institute of Technology, Shanghai Dianji University and Australia Plane Innovation Pty Ltd show, the UPE-2 technology in field tests under the prescribed conditions can increase the efficiency of the 1000W, 2000W and 6000W power generation system by 85%-220%. It has achieved the development goals and testing criteria of the UPE-2 system.

UPE-2 is a technological revolution on power generation efficiency and energy consumption reduction on wind, hydro, thermal power generation.

UPE Company, by virtue of this technology, has also changed its original innovation route, business strategy and the global marketing arrangement.

The successful development of the UPE-2 technology will also bring greater benefits for investors.

UPE Company's next step is to look for business partners to jointly establish business mode and the international commercialization of the UPE-2 technology.

To this end, we are convinced more than ever that UPE Company will become the industry leader in the near future on innovations on the efficiency of power generation systems as well as in energy consumption reduction.

### **Environmental issues**

The Company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

### **Information on directors**

The names, qualifications, experience and special responsibilities of each person who has been a director during the period and to the date of this report are:

Name: Z M Yang  
Title: Executive Chairman

Experience and expertise: Emigrated to Australia under the Distinguished Talent Migration Scheme in 2010;  
Was a pilot in the Chinese Air Force before commencing his business career;  
Has a Master of Business Administration from the BI Norwegian School of Management Fundon University in Shanghai;  
Business career in China included television advertising, establishing a profitable brand of liquor and establishing a chain of Taekondo training schools; and  
Has been a boxing promoter, manager and trainer.

Special responsibilities: Zeming (Michael) Yang is the Executive Chairman of the Company and be responsible for the overall business operations.

Interests in shares: 9,000,000  
Interests in options: Nil

# Ultimate Power & Energy Limited and Controlled Entities

ACN 159 476 892

## Directors' Report

30 June 2013

Name: B Jin  
Title: Non-Executive Director  
Experience and expertise: Mr Jin is an electrical engineer specialising in automation and control systems; Has an engineering degree from Harbin University; and A Masters of Business Administration from the University of Honolulu (Malaysian campus) and a Masters of Business Administration from BI Norwegian School of Management Fundon University in Shanghai.  
Special responsibilities: Bin Jin is the supervisor and operator in China where the prototypes are developed and tested.  
Interests in shares: Nil  
Interests in options: Nil

Name: K Y Wong  
Title: Non-Executive Director  
Experience and expertise: Ms Wong has had a number of business development roles in the financial services industry including most recently as a Senior Business Development Manager for the Commonwealth Bank of Australia; Has a Bachelor of Commerce degree from Monash University; and Has a Masters of Finance from RMIT University and a Master of Business Systems from Monash University.  
Special responsibilities: Khing Yean Wong (now resigned) has been responsible for business development and marketing as well as acting as company administration and secretary.  
Interests in shares: Nil  
Interests in options: Nil

The company is currently in the process of appointing another Australian resident director to replace Ms Wong.

### Company secretary

K Y Wong was the company secretary from 13th July 2012 to 30 June 2013. From 30 June 2013 to the date of this report Z M Yang is the company secretary.

### Meetings of directors

The number of meetings of the company's board of Directors ('the Board') and of each board committee held during the period ended 30 June 2013, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit Committee	
	Attended	Held	Attended	Held	Attended	Held
Z M Yang	6	6	1	1	1	1
B Jin	6	6	1	1	1	1
K Y Wong	6	6	1	1	1	1

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

### Indemnification and insurance of officers and auditors

No indemnities have been given or insurance premiums paid, during or since the end of the financial period, for any person who is or has been an officer or auditor of Ultimate Power & Energy Limited and Controlled Entities.

### Options

At the date of this report, there are no unissued shares of the Company under options.

## **Directors' Report**

**30 June 2013**

### **Proceedings on behalf of the company**

No person has applied to Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the propose of talking responsibility on behalf of the company for all or part of those proceedings.

### **Non-audit services**

The board of directors, in accordance with advice given from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did 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 does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics and Professional Accountants set by the Accounting Professional and Ethics Standard Board.

The following fees were paid or payable to Nexia Court & Co for non-audit services provided during the year ended 30 June 2013

Investigating Accountants Report	<u>23,000</u>
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### **Auditor's independence declaration**

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the period ended 30 June 2013 has been received and can be found on page 5 of the financial report.

### **Remuneration report - audited**

#### **Remuneration policy**

The remuneration policy of Ultimate Power & Energy Limited and Controlled Entities has been designed to align key management personnel (KMP) objectives with shareholder and business objectives by providing a fixed remuneration component. The Board of Ultimate Power & Energy Limited and Controlled Entities believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Company, as well as create goal congruence between directors and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the Company is as follows:

- All key management personnel receive a base salary (which is based on factors such as length of service and experience) and superannuation.

The performance of key management personnel is measured against criteria agreed bi-annually with each executive and is based predominantly on the forecast growth of the Company's profits and shareholders' value. Any changes in remuneration 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.

Key management personnel receive a superannuation guarantee contribution required by the law, which is currently 9%, and do not receive any other retirement benefits.

All remuneration paid to key management personnel is valued at the cost to the Company and expensed.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities.

## Directors' Report

30 June 2013

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.

### Service Agreements

On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of director.

In cases of resignation, no separation payment is made to the executive, except for amounts due and payable up to the date of ceasing employment, including accrued leave entitlements.

### Remuneration details for the period ended 30 June 2013

The following table of benefits and payment details, in respect to the financial period, the components of remuneration for each member of the key management personnel of the Company.

#### Table of benefits and payments


	Short term cash salary fees	Post employment pension and superannuation	
2013	\$	\$	\$
<b>Directors</b>			
Z M YANG	66,005	-	66,005
B JIN	10,333	-	10,333
K Y WONG	13,048	-	13,048
	<u>89,386</u>	<u>-</u>	<u>89,386</u>

### Securities received that are not performance related

No members of key management personnel are entitled to receive securities which are not performance-based as part of their remuneration package.

### End of remuneration report

This director's report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

Director: .....  
  
Z M YANG

Dated 13<sup>th</sup> September, 2013

The Board of Directors  
Ultimate Power & Energy  
45 CALLAGHAN AVENUE  
GLEN WAVERLEY VIC 3150

13 September 2013

Dear Board Members

**Auditor's Independence Declaration under section 307C of the *Corporations Act 2001***

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Ultimate Power & Energy Limited and Controlled Entities.

As lead audit partner for the audit of the financial statements of Ultimate Power & Energy Limited and Controlled Entities for the financial year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

Yours sincerely



Andrew Hoffmann  
Partner

*Nexia Court & Co*

Nexia Court & Co  
Chartered Accountants

**Sydney Office**

Level 16, 1 Market Street, Sydney NSW 2000  
PO Box H195, Australia Square NSW 1215  
p +61 2 9251 4600, f +61 2 9251 7138  
info@nexiacourt.com.au, www.nexia.com.au

Independent member of Nexia International



## Ultimate Power & Energy Limited and Controlled Entities

### Corporate Governance Statement

30 June 2013

The Board is committed to achieving and demonstrating the highest standards of corporate governance, whilst also keeping in mind the cost/benefit of this for its shareholders. The Board continues to refine and improve the governance framework and practices in place to ensure they meet the interests of shareholders. The Company complies with the Australian Securities Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations (the Principles).

#### Principle 1: Lay solid foundations for management and oversight

##### Role of the Board and Management

The Board of Directors is responsible for the corporate governance of the Company. The Board provides strategic guidance for the Company, and effective oversight of management. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

Your Board has delegated responsibility for day-to-day management of the Company to the CEO and there is a formal delegations structure in place which sets out the powers delegated to the CEO and those specifically retained by the Board, these delegations are reviewed on a regular basis.

##### Responsibilities of the Board

The Board is responsible for:

- Overseeing the company, including its control and accountability systems;
- Appointing and removing the CEO;
- Where appropriate, ratifying the appointment and removal of senior executives;
- Providing input into and final approval of management's development of corporate strategy and performance objectives;
- Reviewing, ratifying and monitoring systems of risk management and internal controls, codes of conduct and legal compliance;
- Monitoring senior executives performance and implementation of strategy;
- Ensuring appropriate resources are available to senior executives;
- Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestures; and
- Approving and monitoring financial and other reporting.

##### Allocation of individual responsibilities

Formal letters of appointment are provided to all new Directors setting out key terms and conditions of their appointment.

##### Induction

All new Directors participate in a formal induction process co-ordinated by the Company Secretary. This induction process includes briefings on the Company's financial, strategic, operational and risk management position, the Company's governance framework and key developments in the Company and the industry and environment in which it operates.

## Ultimate Power & Energy Limited and Controlled Entities

### Corporate Governance Statement

30 June 2013

#### Evaluation of Directors

A performance evaluation for Directors and Senior Executives takes place at least annually, in compliance with the established evaluation process.

#### Principle 2: Structure the Board to add Value

The Board's policy is that the Board needs to have an appropriate mix of skills, experience, expertise and diversity to be well equipped to help the Company navigate the range of challenges faced by the company.

#### Composition of the Board

The Board's composition is determined based on criteria set out in the Company's constitution and the Board Charter.

The Board seeks to ensure that:

- At any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the Company and directors with an external or fresh perspective;
- There is a sufficient number of directors to serve on Board committees without overburdening the directors or making it difficult for them to fully discharge their responsibilities; and
- The size of the Board is appropriate to facilitate effective discussion and efficient decision making.

In accordance with the NSX Listing Rules, the Company must hold an election of Directors each year.

#### Independent decision making

The Board recognises the important contribution independent Directors make to good corporate governance. All Directors, whether independent or not, are required to act in the best interests of the Company and to exercise unfettered and independent judgment.

The Board has adopted specific principles in relation to directors' independence and considers the following, at least annually, when determining if a Director is independent:

Whether the Director:

- Is a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company.
- Is employed, or has previously been employed in an executive capacity by the company or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board.
- Has within the last three years been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided.
- Is a material supplier or customer of the company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer.
- Has a material contractual relationship with the company or another group member other than as a director.

## **Corporate Governance Statement**

**30 June 2013**

### **Principle 3: Promote ethical and responsible decision-making**

#### **Code of conduct**

The Board acknowledges and emphasises the importance of all directors and employees maintaining the highest standards of corporate governance practice and ethical conduct.

A code of conduct has been established requiring directors and employees to:

- Act honestly and in good faith;
- Exercise due care and diligence in fulfilling the functions of office;
- Avoid conflicts and make full disclosure of any possible conflicts of interest;
- Comply with the law;
- Encourage the reporting and investigating of unlawful and unethical behaviour; and
- Comply with the share trading policy outlined in the Code of Conduct.

#### **Diversity policy**

In respect of diversity, the Board considers that diversity includes differences that relate to gender, age, ethnicity and cultural background. It also includes differences in background and life experience, communication styles, interpersonal skills, education and problem solving skills.

The Company seeks to develop a culture of diversity within the Company whereby a mix of skills and diverse backgrounds are employed by the Company at all levels.

The Company strives to:

1. develop and maintain a diverse and skilled workforce through transparent recruitment processes.
2. promote an inclusive workplace culture that values and utilises the contributions of all employees backgrounds, experiences and perspective through improved awareness of the benefits of workforce diversity.
3. facilitate diversity in the workplace by developing programs that promote growth for all employees, so each employee may reach their full potential, and providing maximum benefit for the Company.
4. set measurable objectives to encourage diversity within the Company.

Ultimate Power & Energy Limited and Controlled Entities considers the key management personnel, excluding Directors, to be the senior executives of the company.

## **Corporate Governance Statement**

**30 June 2013**

### **Principle 4: Safeguard integrity in financial reporting**

#### **Audit Committee**

A separate audit committee has not been setup due to the size of the Company. All functions of the Audit Committee are currently carried out by the Board of Directors.

#### **External auditor**

The Board of Directors oversees the relationship with the external auditor. In accordance with the Corporations Act 2001, the lead Audit Partner on the audit is required to rotate at the completion of a 5 year term.

The external auditor attends the AGM and is available to answer your shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

### **Principle 5: Make timely and balanced disclosure**

Ultimate Power & Energy Limited and Controlled Entities has established policies and procedures to ensure timely and balanced disclosures of all material matters concerning the Company, and to ensure that all investors have access to information on the Company's financial performance.

These policies and procedures include a comprehensive disclosure policy that includes identification of matters that may have a material effect on the price on the Company's securities, notifying them to the NSX, posting relevant information on the Company's website and issuing media releases.

The Annual Report includes relevant information about the operations of the company during the period, key financial information, changes in the state of affairs and indications of future developments. The Annual Reports for the current period are available under the Investor Relations section of the company website.

### **Principle 6: Respect the rights of shareholders**

The Company Secretary has been nominated as the person responsible for communications with the National Stock Exchange of Australia (NSX).

All Executive Management have an ongoing obligation to advise the Company Secretary of any material non-public information which may need to be communicated to the market.

The Company has a Shareholder Communications Policy which promotes effective communication with shareholders and encourages participation at general meetings.

The company makes all NSX announcements available via its website. In addition, shareholders who are registered receive email notification of announcements.

The Notice of Annual General Meeting (AGM) will be provided to all shareholders and posted on the company's website. Notices for general meetings and other communications with shareholders are drafted to ensure that they are honest, accurate and not misleading and that the nature of the business of the meeting is clearly stated and explained where necessary.

The Board encourages full participation by shareholders at the Annual General Meeting to ensure a high level of Director accountability to shareholders and shareholder identification with the Company's strategy and goals.

For shareholders unable to attend, an AGM question form will accompany the Notice of Meeting, giving shareholders the opportunity to forward questions and comments to the company or the external auditor prior to the AGM.

## **Corporate Governance Statement**

**30 June 2013**

### **Principle 7: Recognise and manage risk**

The Board considers identification and management of key risks associated with the business as vital to maximise shareholder wealth. A yearly assessment of the business's risk profile is undertaken and reviewed by the Board, covering all aspects of the business from the operational level through to strategic level risks.

The CEO has been delegated the task of implementing internal controls to identify and manage risks for which the Board provides oversight. The effectiveness of these controls is monitored and reviewed regularly. The recent economic environment has emphasised the importance of managing and reassessing its key business risks.

The Board is responsible for reviewing the company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

The Board requires management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively.

The Board has received a report from management as to the effectiveness of the company's management of its material business risks.

#### **Internal control**

The Board is responsible for reviewing the company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

### **Principle 8: Remunerate fairly and responsibly**

The company's remuneration policy is designed in such as way that it:

- motivates senior executives to pursue the long-term growth and success of the company
- demonstrates a clear relationship between senior executives' performance and remuneration.

The remuneration policy, which sets the terms and conditions for the key management personnel (KMP) was developed by the remuneration committee after seeking professional advice from independent consultants and was approved by the Board.

All executives receive a base salary, superannuation, fringe benefits, performance incentives and retirement benefits. The remuneration committee reviews executive packages annually by reference to company performance, executive performance, comparable information from industry sectors and other listed corporations and independent advice. The performance of executives is measured against criteria agreed half yearly which are based on the forecast growth of the company's profits and shareholder value. The policy is designed to attract the highest calibre executives and reward them for performance which results in long-term growth in shareholder value.

The Board expects that the remuneration structure implemented will result in the company being able to attract and retain the best executives. It will also provide executives with the necessary incentives to work to grow long-term growth in shareholder value.

The payment of bonuses, options and other incentive payments are reviewed by the remuneration committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. All bonuses, options and incentives must be linked to predetermined performance criteria. The Board can exercise its discretion in relation to

**Corporate Governance Statement**

**30 June 2013**

**Principle 8: Remunerate fairly and responsibly (continued)**

approving incentives, bonuses and options and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria.

Further information about the company's remuneration strategy and policies and their relationship to company performance can be found in the Remuneration Report which forms part of the directors' report, together with details of the remuneration paid to key management personnel.

# Ultimate Power & Energy Limited and Controlled Entities

ACN 159 476 892

## Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Period Ended 30 June 2013

	Note	2013 \$
Finance Income	2	8,671
Administrative expenses		(255,692)
Personnel expenses		(6,517)
Directors' remuneration		(89,386)
<b>Loss before income tax</b>		<b>(342,924)</b>
Income tax expense	4	-
<b>Net loss for the period attributable to members of the parent entity</b>		<b>(342,924)</b>
<b>Total comprehensive loss for the period attributable to members of the parent entity</b>		<b>(342,924)</b>
		<b>Cents</b>
Basic earnings per share	9	(0.0308)
Diluted earnings per share	9	(0.0308)

The accompanying notes form part of these financial statements.

# Ultimate Power & Energy Limited and Controlled Entities

ACN 159 476 892

## Consolidated Statement of Financial Position

As at 30 June 2013

	Note	2013 \$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	5	316,710
Trade and other receivables	6	62,868
<b>TOTAL CURRENT ASSETS</b>		<u>379,578</u>
<b>NON-CURRENT ASSETS</b>		
<b>TOTAL ASSETS</b>		<u>379,578</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables	7	179,136
Provision for annual leave		5,192
<b>TOTAL CURRENT LIABILITIES</b>		<u>184,328</u>
<b>NON-CURRENT LIABILITIES</b>		
<b>TOTAL LIABILITIES</b>		<u>184,328</u>
<b>NET ASSETS</b>		<u>195,250</u>
<b>EQUITY</b>		
Issued capital	8	538,174
Accumulated losses		(342,924)
<b>TOTAL EQUITY</b>		<u>195,250</u>

The accompanying notes form part of these financial statements.

# Ultimate Power & Energy Limited and Controlled Entities

ACN 159 476 892

## Statement of Changes in Equity

For the Period Ending 30 June 2013

Consolidated  
2013

	Note	Issued Capital \$	Accumulated Losses \$	Total \$
<b>Balance at 1 July 2012</b>		-	-	-
Loss for the period attributable to members of the parent entity		-	(342,924)	(342,924)
Contribution of equity, net of transaction costs	8	538,174	-	538,174
<b>Balance at 30 June 2013</b>		<b>538,174</b>	<b>(342,924)</b>	<b>195,250</b>

The accompanying notes form part of these financial statements.

# Ultimate Power & Energy Limited and Controlled Entities

ACN 159 476 892

## Statement of Cash Flows

For the Period Ended 30 June 2013

	2013
Note	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Payments to suppliers and employees	(251,721)
Interest received	8,671
Other receipts	21,586
Net cash from operating activities	18 <u>(221,464)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Proceeds from issue of shares	667,403
Payment of transaction costs	<u>(129,229)</u>
Net cash from financing activities	<u>538,174</u>
Net increase in cash and cash equivalents	316,710
Cash and cash equivalents at the beginning of the period	<u>-</u>
Cash and cash equivalents at end of the period	5 <u>316,710</u>

The accompanying notes form part of these financial statements.

## **Notes to the Financial Statements**

### **For the Period Ended 30 June 2013**

This financial report covers the consolidated financial statements and notes of Ultimate Power & Energy Limited and Controlled Entities. Ultimate Power & Energy Limited and Controlled Entities is a for profit Company domiciled in Australia. The financial statements were authorised for issue by the Board of Directors on 13<sup>th</sup> September 2013.

Each of the entities within the Company prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

The separate financial statements and notes of the parent entity, Ultimate Power & Energy Limited and controlled entities, have not been presented within this financial report as the financial statements would be the same as the consolidated financial statements. The subsidiaries in the group did not trade during the period.

#### **1 Summary of Significant Accounting Policies**

##### **(a) Basis of Preparation**

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

##### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also required management to exercise its judgement in the process of applying the consolidated entity's accounting policies.

##### **(b) Principles of Consolidation**

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities of the group have been eliminated in full for the purpose of these consolidated financial statements.

Appropriate adjustments have been made to a controlled entity's financial statements where the accounting policies used by that entities were different from those adopted in the consolidated financial statements.

##### **(c) Impairment of assets**

At the end of each reporting period, the Company determines whether there is an evidence of an impairment indicator for non-financial assets.

Where this indicator exists an impairment test is carried out on the asset by the company; the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

## **Notes to the Financial Statements**

### **For the Period Ended 30 June 2013**

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

**(d) Cash and cash equivalents**

Cash and cash equivalents comprises cash on hand and deposits available on demand with bank.

**(e) Trade and other payables**

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised costs and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

**(f) Other receivables**

Receivables predominately consists of amounts due from directors and are expected to be recovered within 12 months.

**(g) Employee benefits**

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. 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.

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. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

**(h) Functional and presentation currency**

The functional currency of each group entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional and presentation currency.

**(i) Earnings per share**

The Company presents basic and diluted earnings per share information for its ordinary shares.

Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share adjusts the basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

## **Notes to the Financial Statements**

**For the Period Ended 30 June 2013**

**(j) Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options which vest immediately are recognised as a deduction from equity, net of any tax effects.

**(k) Income Tax**

The tax expense recognised in the statement of profit or loss and other comprehensive income relates to current income tax expense plus deferred tax expense (being the movement in deferred tax assets and liabilities and unused tax losses during the period).

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the period and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax consequences relating to a non-monetary asset carried at fair value are determined using the assumption that the carrying amount of the asset will be recovered through sale.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current tax assets and liabilities are offset where there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset where there is a legal right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

## **Notes to the Financial Statements**

**For the Period Ended 30 June 2013**

**(l) Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Company, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**(m) Revenue and other income**

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

All revenue is stated net of the amount of goods and services tax (GST).

**Interest revenue**

Interest is recognised using the effective interest method.

**(n) Goods and Services Tax (GST)**

Revenue, expenses are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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

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

**(o) Going concern**

The consolidated financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

During the period the Company incurred a loss of \$324,232 and operating cash outflow of \$221,463. The Company is in a stage of research and development on its UPE Systems and as a result is currently not generating revenue.

## **Notes to the Financial Statements**

### **For the Period Ended 30 June 2013**

While the above factors indicate uncertainty, there are reasonable grounds to believe that the Company will be able to continue as a going concern, after consideration of the following factors:

(i) The current liabilities are relatively small and \$141,288 relates to the directors' current account and directors' loans;

(ii) The Company has no borrowings;

(iii) The anticipated development costs for the next phase is relatively moderate given all of the manufacturing process will take place in China with agreed pricing in place; and

(iv) The on-going day-to-day running costs for the Australian office has been forecasted and is relatively moderate and will be well within the control of management.

(v) the company has the ability to go to the SIM VSE market in raise capital in order to continue to provide sufficient capital to the company in order to continue its research and development program.

(vi) in the event that further capital cannot be raised in a timely manner the company is able to reduce costs and postpone development work in order to preserve cash.

Accordingly, the Directors believe that the Company will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

#### **(p) Comparative Figures**

The Company was incorporated on 13 July 2012. Consequently, the financial period is from 13 July 2012 to 30 June 2013 and there is no comparative financial information.

#### **(q) Adoption of new and revised accounting standards**

During the current period, the Company adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these Standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these Standards and Interpretations has had on the financial statements of Ultimate Power & Energy Limited and Controlled Entities.

<b>Standard Name</b>	<b>Impact</b>
AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income	The adoption of this standard has not change the reported financial position and performance of the entity, however the presentation of items in other comprehensive income has changed.
AASB 112 Income Taxes	There has been no impact on the reported financial position and performance
AASB 2011-3 Amendments to Australian Accounting Standards - Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments	There has been no impact due the entity not being a government department

## Notes to the Financial Statements

### For the Period Ended 30 June 2013

(r) **New Accounting Standards and Interpretations**

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Company has decided against early adoption of these standards. The following table summarises those future requirements, and their impact on the Company:

AASB 9 Financial Instruments and 30 June 2016 amending standards AASB 2010-7 / AASB 2012-6	Changes to the classification and measurement requirements for financial assets and financial liabilities.  New rules relating to derecognition of financial instruments.	The impact of AASB 9 has not yet been determined as the entire standard has not been released.
AASB 1053 - Application of Tiers of Australian Accounting Standards and amending standards AASB 2010-2, AASB 2011-11, AASB 2012-1, AASB 2012-7 and AASB 2012-11	This standard allows certain entities to reduce disclosures.	The entity is not adopting the RDR and therefore these standards are not relevant.
AASB 2011-2 Amendments to Australian Accounting Standards arising from Trans-Tasman convergence – Reduced Disclosure Requirements	Highlights the disclosures not required in AASB 1054 for entities applying the RDR.	The entity is not adopting the RDR and therefore this standard is not relevant.
AASB 10 Consolidated Financial Statements / AASB 11 Joint Arrangements / AASB 12 Disclosures of Interests in Other Entities, AASB 127 Separate Financial Statements, AASB 128 Investments in Associates and AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments	AASB 10 includes a new definition of control, which is used to determine which entities are consolidated, and describes consolidation procedures. The Standard provides additional guidance to assist in the determination of control where this is difficult to assess.  AASB 11 focuses on the rights and obligations of a joint venture arrangement, rather than its legal form (as is currently the case). IFRS 11 requires equity accounting for joint ventures, eliminating proportionate consolidation as an accounting choice.  AASB 12 includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.	The Company will review its controlled entities to determine whether they should be consolidated under AASB 10, no changes are anticipated.  No impact is expected due to the adoption of AASB 11, as the Company does not have any joint ventures.  Additional disclosures will be required under AASB 12 but there will be no changes to reported position and performance.

## Notes to the Financial Statements

### For the Period Ended 30 June 2013

<p>AASB 13 Fair Value Measurement.</p> <p>AASB 2011-8 - Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 &amp; 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 &amp; 132]</p>	<p>30 June 2014</p>	<p>AASB 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Accounting Standards but does not change when fair value is required or permitted.</p> <p>There are a number of additional disclosure requirements.</p>	<p>Fair value estimates currently made by the entity will be revised and potential changes to reported values may be required.</p> <p>The entity has not yet determined the magnitude of any changes which may be needed.</p> <p>Some additional disclosures will be needed.</p>
<p>AASB 2011-4 - Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]</p>	<p>30 June 2014</p>	<p>Remove individual key management personnel disclosure requirements (i.e. components of remuneration) for disclosing entities.</p>	<p>Since the entity is a disclosing entity, the KMP remuneration note in the financial statements will not include individual components of remuneration.</p>
<p>AASB 2011-6 - Amendments to Australian Accounting Standards - Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation - Reduced Disclosure Requirements [AASB 127, AASB 128 &amp; AASB 131]</p>	<p>30 June 2014</p>	<p>This Standard extends the relief from consolidation, the equity method and proportionate consolidation by removing the requirement for the consolidated financial statements prepared by the ultimate or any intermediate parent entity to be IFRS compliant, provided that the parent entity, investor or venturer and the ultimate or intermediate parent entity comply with Australian Accounting Standards or Australian Accounting Standards - Reduced Disclosure Requirements.</p>	<p>Since the entity does not comply with the Reduced Disclosure Regime there is no impact on the adoption of this standard.</p>
<p>AASB 2011-7 - Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 &amp; 1038 and Interpretations 5, 9, 16 &amp; 17]</p>	<p>30 June 2014</p>	<p>This standard provides many consequential changes due to the release of the new consolidation and joint venture standards.</p>	<p>The impact of this standard is expected to be minimal.</p>

## Notes to the Financial Statements

### For the Period Ended 30 June 2013

AASB 119 Employee Benefits (September 2011)	30 June 2014	The main changes in this standard relate to the accounting for defined benefit plans and are as follows:	Since the entity does not have a defined benefit plan, the adoption of these standards will not have any impact.
AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements		<ul style="list-style-type: none"> <li>- elimination of the option to defer the recognition of gains and losses (the 'corridor method');</li> <li>- requiring remeasurements to be presented in other comprehensive income; and</li> <li>- enhancing the disclosure requirements.</li> </ul>	
AASB 2010-10 - Further Amendments to Australian Accounting Standards - Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7]	30 June 2014	Makes amendments to AASB 1	No impact since the entity is not a first-time adopter of IFRS.
AASB 2012-2 - Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities [AASB 132 & AASB 7]	30 June 2014	Requires the inclusion of information about the effect or potential effect of netting arrangements.	There is no impact on disclosures as there are no offsetting arrangements currently in place.
AASB 2012-4 - Amendments to Australian Accounting Standards – Government Loans [AASB 1]	30 June 2014	Adds exception to retrospective application of Australian Accounting Standards for first time adopters.	No impact as the entity does not have Government Loans.
AASB 2012-5 - Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle [AASB 1, AASB 101, AASB 116, AASB 132 & AASB 134 and Interpretation 2]	30 June 2014	<p>AASB 1 - this standard clarifies that an entity can apply AASB 1 more than once.</p> <p>AASB 101 - clarifies that a third statement of financial position is required when the opening statement of financial position is materially affected by any adjustments.</p> <p>AASB 116 - clarifies the classification of servicing equipment.</p> <p>AASB 132 and Interpretation 2 - Clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with AASB 112 Income Taxes</p> <p>AASB 134 - provides clarification about segment reporting.</p>	No expected impact on the entities financial position or performance.

# Ultimate Power & Energy Limited and Controlled Entities

ACN 159 476 892

## Notes to the Financial Statements

### For the Period Ended 30 June 2013

AASB 2011-12 Amendments to Australian Accounting Standards arising from Interpretation 20	30 June 2014	Allows transitional provisions for strappings costs in accordance with Interpretation 20.	There will be no impact as entity is not in the mining industry.
AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039	30 June 2014	Removes reference to withdrawn Interpretation 1039.	No impact on the financial statements.
AASB 1055 - Budgetary Reporting AASB 2013-1 Amendments to AASB 1049 - Relocation of Budgetary Reporting Requirements	30 June 2015	This standard specifies the nature of budgetary disclosures and circumstances for inclusion in the financial statements.	No impact as the entity is not a public sector entity.
AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities [AASB 132]	30 June 2015	This standard adds application guidance to AASB 132 to assist with applying some of the offset criteria of the standard.	There will be no impact to the entity as there are no offsetting arrangements currently in place.

## 2 Finance Income

Finance income includes all interest-related income. The following amounts have been included in the finance income line in the statement of profit or loss and other comprehensive income for the reporting periods presented:

Finance income	
- interest received	<u>8,671</u>

## 3 Result for the Period

The result for the period includes the following specific expenses:

### Other expenses:

Superannuation contributions	<u>7,273</u>
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## 4 Income Tax Expense

Reconciliation of income tax to accounting loss:

Loss	(342,924)
Tax losses not brought to account	<u>342,924</u>
Income tax expense	<u>-</u>

Weighted average effective tax rate 30%

## 5 Cash and cash equivalents

### CURRENT

Cash at bank	<u>316,710</u>
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## Notes to the Financial Statements

For the Period Ended 30 June 2013

### 6 Trade and other receivables

#### CURRENT

Director related receivables		53,346
GST receivable		8,775
Other receivables		747
		<u>62,868</u>

### 7 Trade and other payables

#### CURRENT

##### Unsecured liabilities

Director loans payable	17(c)	141,288
Other payables		37,848
		<u>179,136</u>

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

The director loan is only payable by the company upon the company raising a further \$500,000 in capital.

### 8 Issued Capital

#### (a) Ordinary shares

##### Shares issued during the period

	Shares	\$
July 2012	9,000,000	65,403
October 2012	3,010,000	602,000
Less share issue cost	-	(129,229)
At the end of the reporting period	<u>12,010,000</u>	<u>538,174</u>

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Company does not have authorised capital or par value in respect of its shares.

#### (b) Capital Management

Capital of the Company is managed in order to ensure that the Company can pay its debts as and when they fall due.

The Company's capital comprises of ordinary shares as described above.

There are no externally imposed capital requirements.

## Notes to the Financial Statements

For the Period Ended 30 June 2013

### 9 Earnings per Share

(a) Reconciliation of earnings to loss from continuing operations	2013 \$
Net loss	(342,924)
(b) Earnings used to calculate overall earnings per share	
Earnings used to calculate overall earnings per share	<u>(342,924)</u>
(c) Weighted average number of ordinary shares outstanding during the period used in calculating basic EPS	
Weighted average number of ordinary shares outstanding during the period used in calculating basic EPS	<u>11,112,131</u>
Basic earnings per share	(0.0308)
Diluted earnings per share	<u>(0.0308)</u>

### 10 Capital and Leasing Commitments

#### Operating Leases

Minimum lease payments under non-cancellable operating leases:

- not later than one year	23,757
- between one year and five years	<u>5,951</u>
	<u>29,708</u>

Operating leases have been taken out for lease of premises. Lease payments are increased on an annual basis to reflect market rentals.

### 11 Financial Risk Management

The Company is exposed to a variety of financial risks through its use of financial instruments.

This note discloses the Company's objectives, policies and processes for managing and measuring these risks.

The Company's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The Company does not speculate in financial assets.

The most significant financial risks to which the Company is exposed to are described below:

#### Specific risks

- Credit risk
- Liquidity risk

#### Financial instruments used

The principal categories of financial instrument used by the Company are:

## Notes to the Financial Statements

### For the Period Ended 30 June 2013

- Cash at bank
- Trade and other payables

#### Objectives, policies and processes

Risk management is carried out by the Company's Board of Directors. The Directors have primary responsibility for the development of relevant policies and procedures to mitigate the risk exposure of the Company.

Specific information regarding the mitigation of each financial risk to which Company is exposed is provided below.

#### Liquidity risk

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The Company maintains cash and marketable securities to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The Company manages its liquidity needs by carefully monitoring scheduled payments as well as cash-outflows due in day-to-day business.

The Company's liabilities and assets have contractual maturities which are summarised below:

	<b>1 to 5 years 2013 \$</b>
Director related receivables	<b>53,346</b>
Director loans payable	<b>(141,288)</b>
<b>Total contractual outflow</b>	<b>(87,942)</b>

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to wholesale and retail customers, including outstanding receivables and committed transactions.

The Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The utilisation of credit limits by customers is regularly monitored by line management. Customers who subsequently fail to meet their credit terms are required to make purchases on a prepayment basis until creditworthiness can be re-established.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

# Ultimate Power & Energy Limited and Controlled Entities

ACN 159 476 892

## Notes to the Financial Statements

For the Period Ended 30 June 2013

### Fair value estimation

The fair value of financial assets and financial liabilities are approximated by the amounts stated for each asset and liability in the Statement of Financial Position.

### 12 Operating Segments

The Company operated in one business segment being the green and emerging energy sector in one geographical segment being Australia.

### 13 Key Management Personnel Disclosures

The Remuneration Report contained in the Directors' Report contains details of the remuneration paid or payable to each member of the Company's key management personnel for the period ended 30 June 2013.

#### Key management personnel shareholdings

The number of ordinary shares in Ultimate Power & Energy Limited and Controlled Entities held by each key management person of the Company during the financial period is as follows:

	Balance at beginning of period	On exercise of options	Other changes during the period	Balance at end of period
<b>30 June 2013</b>				
<b>Directors</b>				
Z M Yang	-	-	9,000,000	9,000,000
B Jin	-	-	-	-
K Y Wong	-	-	-	-

### 14 Remuneration of Auditors

Remuneration of the auditor of the consolidated entity for:

- auditing and reviewing the financial report	<b>23,000</b>
- other services	<b>23,000</b>
	<hr/> <b>23,000</b>

### 15 Controlled Entities

#### Controlled entities

	Country of Incorporation	Percentage Owned (%)* 2013
<b>Parent Entity:</b>		
Ultimate Power and Energy Limited	Aus	100
<b>Subsidiaries:</b>		
UPE International Pty Ltd	Aus	100
UPE Operations Pty Ltd	Aus	100

\* Percentage of voting power is in proportion to ownership

## Notes to the Financial Statements

For the Period Ended 30 June 2013

### 16 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2013.

### 17 Related Parties

**(a) The Company's main related parties are as follows:**

*(i) Key management personnel:*

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity are considered key management personnel.

For details of remuneration disclosures relating to key management personnel, refer to the remuneration report in the Directors' Report.

Other transactions with KMP and their related entities are shown below.

**(b) Transactions with related parties**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

	Purchases	Sales	Other transactions	Balance outstanding	
				Owed to the company	Owed by the company
<b>Parent</b>					
Listing costs paid by the company and owed by directors	-	-	53,346	53,346	-
Company purchases made by directors	141,288	-	-	-	141,288

**(c) Balances to related parties**

CURRENT

Amount payable to:

- directors

7

141,288

Amounts due from

- directors

6

53,346

## **Notes to the Financial Statements**

**For the Period Ended 30 June 2013**

### **18 Cash Flow Information**

#### **Reconciliation of result for the period to cashflows from operating activities**

Reconciliation of net loss to net cash provided by operating activities:

Loss for the period	<b>(342,924)</b>
Non-cash flows in loss:	
Changes in assets and liabilities:	
- increase in trade and other receivables	<b>(62,868)</b>
- increase in trade and other payables	<b>179,137</b>
- increase in employee benefits	<b>5,192</b>
Cashflow from operations	<b><u>(221,463)</u></b>

### **19 Share-based Payments**

During the period to 30 June 2013 the Company did not have any share-based payment schemes and did not issue any options.

### **20 Events Occurring After the Reporting Date**

No matters or circumstances have arisen since the end of the financial period which significantly affected or could significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

### **21 Company Details**

The registered office of the company is:

Ultimate Power & Energy Limited and Controlled Entities  
45 Callaghan Avenue  
GLEN WAVERLEY VIC 3150

## Ultimate Power & Energy Limited and Controlled Entities

ACN 159 476 892

### Directors' Declaration

In accordance with a resolution of the directors of Ultimate Power & Energy Limited and controlled entities, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 14 to 32, are in accordance with the *Corporations Act 2001* and:
  - (a) comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
  - (b) give a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date of the consolidated group.
2. 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 with the continued support of its major shareholder.
3. the directors have been given the declarations required by s295A of the *Corporations Act 2001* from the executive chairman.

This declaration is made in accordance with a resolution of the Board of Directors.



Director .....

Dated: 13<sup>th</sup> September, 2013

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ULTIMATE POWER AND ENERGY LIMITED

### Report on the Financial Report

We have audited the accompanying financial report of Ultimate Power and Energy Limited, which comprises the statement of financial position as at 30 June 2013, and the statement of profit and loss and other comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' Responsibility for the Financial Report*

The directors of the disclosing entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 3, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

#### **Sydney Office**

Level 16, 1 Market Street, Sydney NSW 2000  
PO Box H195, Australia Square NSW 1215  
p +61 2 9251 4600, f +61 2 9251 7138  
info@nexiacourt.com.au, www.nexia.com.au

Independent member of Nexia International



### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

### ***Basis for Qualified Opinion***

Included in note 6 of the financial statements is a current receivable from a company director of \$53,346. We have not been provided with nor been able to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of this amount. Consequently, we have not been able to determine whether impairment exists in relation to this balance.

### ***Qualified Opinion***

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph:

- (a) the financial report of Ultimate Power and Energy Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 3.

### ***Material Uncertainty Regarding Continuation as a Going Concern***

We draw attention to Note 1(o) of the financial statements "Going Concern". The company has sustained a net loss of \$342,924 and has budgeted to incur further negative cash flows position for the year ended 30 June 2014. These conditions indicate the existences of a material uncertainty which may cast significant doubt as to the consolidated entity to continue as a going concern.

The directors have prepared the financial report on a going concern basis after consideration of the matters set out in Note 1(o), including the ability to go to market in order to raise further capital.

If the going concern basis of accounting is found to be no longer appropriate, the recoverable amounts of the assets shown in the Statement of Financial Position are likely to be less than the amounts disclosed and the extend of the liabilities may differ significantly from those reflected in the Statement of Financial Position.

### **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 10 to 12 of the directors' report for the year ended 30 June 2013. 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

*Auditor's Opinion*

In our opinion, the Remuneration Report of Ultimate Power and Energy Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

*Nexia Court & Co*

**Nexia Court & Co**  
Chartered Accountants



**Andrew Hoffmann**  
Partner

Sydney  
Date: 13 September 2013

## Ultimate Power & Energy Limited and Controlled Entities

### Additional Information for Listed Public Companies

30 June 2013

#### NSX Additional Information

Additional information required by the NSX Limited Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 6 August 2013.

#### Voting rights

##### Ordinary Shares

On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

#### Distribution of equity security holders

1 - 1,000	-
1,001 - 5,000	-
5,001 - 10,000	34
10,001 - 100,000	10
100,000 and over	7

#### Twenty largest shareholders

	Number Held	% of total
Mei Yuncai	10,000	0.08%
Lin Feng Zhou	10,000	0.08%
Qian Zhu	10,000	0.08%
Yu Li	12,500	0.10%
Xiaopin Wang	12,500	0.10%
Xinxiang Jin	15,000	0.12%
June Shi	20,000	0.17%
Zaiming Wang	20,000	0.17%
Yibo Mao	25,000	0.21%
Demiao Pan	25,000	0.21%
Ming Feng Gu	50,000	0.42%
Mr Xiao Tian Wang	75,000	0.62%
Chengliang Mu	80,000	0.67%
Chen Jiafeng	100,000	0.83%
Luk Chak WA	100,000	0.83%
Chen Yaxiang	100,000	0.83%
Yi Chen	200,000	1.67%
Yingyi Li	740,000	6.16%
Qian Wang	1,095,000	9.12%
Zeming Yang	9,000,000	74.94%

#### Securities exchange

The Company is listed on the National Stock Exchange of Australia (NSX).