

**ULTIMATE POWER & ENERGY LIMITED AND CONTROLLED
ENTITIES** ACN 159 476 892

Consolidated Half Year Financial Report

For the half-year ended 31 December 2013

ULTIMATE POWER & ENERGY LIMITED AND CONTROLLED ENTITIES

ACN 159 476 892

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This consolidated financial report was authorised for issue by the Directors on 14th March 2014. The company has the power to amend and reissue this financial report.

1.

CORPORATE DIRECTORY

Directors:	Zeming (Michael) Yang (Chairman) Jacky Yang (Director) 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:	www.wupenergy.com

Directors' Report

Your directors present their consolidated financial report on Ultimate Power & Energy Limited and its controlled entities for the half-year ended 31 December 2013.

Directors

The following persons were directors of Ultimate Power & Energy Limited during the half-year and up to the date of this report:

Z M YANG

Executive Chairman – appointed 13th July, 2012

Secretary – appointed 18th July, 2013

B JIN

Non-Executive Director – appointed 13th July, 2012

J YANG

Non-Executive Director and company secretary – appointed 31st January, 2014

Principal Activities

- Further major development on the manufacturing process of the tested initial prototype of 1st and 2nd UPE System.

Review of operations

Loss attributable to members of Ultimate Power & Energy Limited for the half-year ended 31 December 2013 was \$143,640 mainly to do with compliance costs and R & D Activities. No dividends were paid or declared payable during or since the half-year.

The company has completed its initial testing on the prototypes of 1st UPE system (UPE 1) and 2nd UPE system (UPE 2). The company is in its final manufacturing process of building the prototypes for UPE 1 & 2.

Event after the reporting period

The manufacturing process has been delayed due to holidays in China. It has since re-commenced.

Initial work on developing the concept for UPE2 has been completed with encouraging results. The final manufacturing process on the prototypes of both systems is now expected to be completed in this half year.

Since the end of the half year the Directors are not aware of any other matter or circumstance not otherwise dealt with in the financial report that has significantly or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in subsequent financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

This report is made in accordance with a resolution of directors.



Z YANG
Director

Melbourne
14th March, 2014

14 March 2014

The Directors
C/- Michael Yang
Ultimate Power & Energy Limited
45 Callaghan Avenue
GLEN WAVERLEY VIC 3150

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 and Energy Limited.

As lead audit partner for the review of the financial statements of Ultimate Power and Energy Limited for the half year ended 31 December 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 review; and
- (b) any applicable code of professional conduct in relation to the review.

Yours sincerely



Nexia Court & Co
Chartered Accountants



Andrew Hoffmann
Partner

14 March 2014
Sydney

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@nxiacourt.com.au, www.nexia.com.au

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ULTIMATE POWER & ENERGY LIMITED
 ABN 40 159 476 892
 Consolidated Statement of Comprehensive Income
 For the half year ended 31 December 2013

		1 Jul - 31 Dec 2013 \$	1 Jul - 31 Dec 2012 \$
	Note		
Interest Income		3,092	2,856
Administrative expenses	5	(65,339)	(90,128)
Personnel expenses	8	(11,440)	(2,450)
Directors' Remuneration	7	(45,000)	(25,947)
Motor vehicle expenses		(2,469)	(735)
Development costs	6	(22,484)	(37,242)
Total comprehensive income attributable to members		<u>(143,640)</u>	<u>(153,646)</u>
Other comprehensive income		-	-
Total comprehensive income attributable to members		<u>(143,640)</u>	<u>(153,646)</u>
Basic and diluted loss per share (cents per share)	14	(0.0120)	(0.0151)

The above consolidated statement of Comprehensive Income should be read in conjunction with the accompanying notes

ULTIMATE POWER & ENERGY LIMITED
 ABN 40 159 476 892
 Consolidated Statement of Financial Position
 As at 31 December 2013

	Note	31-Dec 2013 \$	30-Jun 2013 \$
CURRENT ASSETS			
Cash and cash equivalents	9	169,758	316,710
Trade and other receivables	10	58,341	62,868
TOTAL CURRENT ASSETS		<u>228,099</u>	<u>379,578</u>
TOTAL ASSETS		<u>228,099</u>	<u>379,578</u>
CURRENT LIABILITIES			
Trade and other payables	11	160,402	179,136
Employee benefits	12	16,087	5,192
TOTAL CURRENT LIABILITIES		<u>176,489</u>	<u>184,328</u>
TOTAL LIABILITIES		<u>176,489</u>	<u>184,328</u>
NET ASSETS		<u>51,610</u>	<u>195,250</u>
EQUITY			
Accumulated losses		(486,564)	(342,924)
Contributed equity	13	538,174	538,174
TOTAL EQUITY		<u>51,610</u>	<u>195,250</u>

The above consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

ULTIMATE POWER & ENERGY LIMITED
Consolidated Statement of Changes in Equity
For the half year ended 31 December 2013

		Attributable to owners ULTIMATE POWER & ENERGY LIMITED		
Consolidated	Note	Contributed equity	Retained earnings	Total equity
<hr/>				
Balance at 1 July 2013		-	(342,924)	(342,924)
Total comprehensive income for the half-year		-	(143,640)	(143,640)
		<u>-</u>	<u>(486,564)</u>	<u>(486,564)</u>
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	13	538,174	-	538,174
		<u>538,174</u>	<u>-</u>	<u>538,174</u>
Balance at 31 December 2013		<u>538,174</u>	<u>(486,564)</u>	<u>51,610</u>
Consolidated		Contributed equity	Retained earnings	Total equity
<hr/>				
Balance at 1 July 2012		-	-	-
Total comprehensive income for the half-year		-	(153,646)	(153,646)
		<u>-</u>	<u>(153,646)</u>	<u>(153,646)</u>
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	13	538,174	-	538,174
		<u>538,174</u>	<u>-</u>	<u>538,174</u>
Balance at 31 December 2012		<u>538,174</u>	<u>(153,646)</u>	<u>384,528</u>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	1 Jul - 31 Dec 2013 \$	1 Jul - 31 Dec 2012 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(150,410)	(72,087)
Interest received	3,458	1,603
Net cash flows from operating activities	(146,952)	(70,484)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	548,654
Net cash flows from financing activities	-	548,654
 Net Increase in Cash held		
Net (decrease)/increase in cash and cash equivalents	(146,952)	478,170
Cash and cash equivalents at the beginning of the period	316,710	-
Cash and cash equivalents at the end of period	169,758	478,170

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTE 1 – REPORTING ENTITY

ULTIMATE POWER & ENERGY LIMITED (the 'Company') is a company incorporated in Australia under the *Corporations Act 2001*. This consolidated condensed interim financial report for the half-year reporting period ended **31 December 2013** has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

NOTE 2 – BASIS OF PREPARATION AND ACCOUNTING POLICIES

The half year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporation Act 2001, Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the consolidated Annual financial report of the group as at, and for the year ended 30 June 2013 and any public announcements made by Ultimate Power and Energy Limited and its controlled entities during the half year in accordance with continuous disclosure requirements arising under the Corporation Act 2001. The half year report does not include full disclosures of the type normally included in an annual financial report.

The accounting policies have been consistently applied by the entities in the consolidated group.

The half year consolidated interim financial report was approved by the Board of Directors on **14 March 2014**.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

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. The Directors are of the opinion that there are still reasonable grounds to believe that the company will be able to continue as a going concern, after consideration of the following factors:

- The current liability is relatively small and of which \$141,302 relates to director's payables
- The Company has no borrowings or overdraft accounts
- The anticipated development costs will be minimal given that most have already been paid for, and the manufacturing process is near complete on the final production of both systems
- The on-going day-to-day running costs for the Australia office have been forecasted and are relatively moderate and will be well within the control of the management
- The lease on the office suite at 13/40 Montclair Avenue, Glen Waverley, VIC 3150 will expire in September 2014 and will not be renewed
- The Directors are working towards completing a prototype within the next six months
- The company is planning to pursue a capital raising program contingent on the completion and testing of the prototype.

While the above factors indicate uncertainty, 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.

EMPLOYEE BENEFITS

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. 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.

PROVISIONS

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will results and that outflow can be reliably measured.

CASH & CASH EQUIVALENTS

Cash and Cash Equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

REVENUE

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. All revenue is stated net of the amount of goods and services tax (GST).

FINANCE COSTS

Finance costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale. All other finance costs are recognised income in the period in which they are incurred.

GOODS & SERVICES TAX (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

COMPARATIVE FIGURES

When required by the Accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

New or revised Standards and Interpretations that are first effective in the current reporting period

The Group has adopted the following new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

AASB 10 'Consolidated Financial Statements'

AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG112 Consolidation - Special Purpose Entities.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.

AASB 119 'Employee Benefits'

The revised Standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date and can result in changes to the measurement of some employee benefits.

NOTE 3: OPERATING SEGMENTS – IDENTIFICATION OF REPORTABLE SEGMENTS

During the half year the Company operated principally in one business segment being the green and emerging energy sector in one geographical segment being Australia.

NOTE 4: - COMPANY AND ITS CONTROLLED ENTITIES

The Company Ultimate Power and Energy Limited owns both UPE International Pty Ltd (A.C.N. 159 498 192) and UPE Operations Pty Ltd (A.C.N. 159 498 227) 100%

<u>NOTE 5: ADMINISTRATIVE EXPENSES</u>	31 Dec 13	31 Dec 12
	\$	\$
Legal & Professional expenses	-	56,361
Accounting & audit fees	40,233	19,113
Office rent & outgoings	14,568	8,413
Advertising	73	5,084
Filing fees	1,622	-
Postage	-	654
Telephone, mobile & fax	314	400
Bank charges	100	70
Consultant services	4,000	-
Listing costs	4,439	-
Office supplies	-	34
	<u>65,339</u>	<u>90,128</u>
<u>NOTE 6: DEVELOPMENT COST</u>		
Development cost	22,484	32,445
Patents & trademarks	-	4,797
	<u>22,484</u>	<u>37,242</u>
<u>NOTE 7: DIRECTORS REMUNERATION</u>		
Directors wages	45,000	21,780
Directors fees	-	4,167
	<u>45,000</u>	<u>25,947</u>
<u>NOTE 8: PERSONNEL EXPENSES</u>		
Wages	3,781	-
Superannuation contributions	4,512	2,244
Annual leave entitlement	3,147	-
Travelling	-	206
	<u>11,440</u>	<u>2,450</u>

<u>NOTE 9: CASH AND CASH EQUIVALENTS</u>	31 Dec 13	31 June 13
	\$	\$
CBA online account	167,382	313,923
Cheque account	2,376	2,787
	<u>169,758</u>	<u>316,710</u>

<u>NOTE 10: OTHER RECEIVABLES</u>		
Director related receivables	53,360	53,346
GST refundable	3,773	8,775
Interest receivable	380	747
Prepayment to rent & outgoings	828	-
	<u>58,341</u>	<u>62,868</u>

<u>NOTE 11: TRADE & OTHER PAYABLES</u>		
Director loan payable	141,302	141,288
Audit fees	12,650	11,500
Rent & outgoings payable	1,056	1,054
Bank charges payable	10	-
Developments costs payable	4,550	-
Listing costs payable	834	-
Legal fee payable	-	10,000
Patent & trademarks fee payable	-	1,097
	<u>160,402</u>	<u>164,939</u>

<u>NOTE 12: EMPLOYEE BENEFITS</u>		
PAYG withholding payable	5,667	12,197
Superannuation payable	2,081	-
Consulting fee payable	-	2,000
Provision for annual leave	8,339	5,192
	<u>16,087</u>	<u>19,389</u>

<u>NOTE 13: CONTRIBUTED EQUITY</u>	31 Dec 13	30 June 13
	\$	\$
Contributed equity	<u>538,174</u>	<u>538,174</u>

Initial equity from Zeming Yang of \$ 65,403 was contributed. A further subscription of \$ 602,000 was raised on 26 October, 2012. Listing expenses totaling \$ 129,229 on 13 July 2012, which were considered to be relating to the equity – raising therefore have been used to offset equity raised.

<u>NOTE 14: EARNING PER SHARE CALCULATION</u>	31 Dec 13	31 Dec 12
	\$	\$
Loss attributed to ordinary equity holders:	<u>(143,640)</u>	<u>(153,646)</u>

	31 Dec 13	31 Dec 12
Total average weighted No. of Share issued	<u>12,010,000</u>	<u>10,161,754</u>

	31 Dec 13	31 Dec 12
	\$	\$
EPS and Diluted EPS	<u>(0.0120)</u>	<u>(0.0151)</u>

NOTE 16: EVENTS OCCURRING AFTER THE REPORTING PERIOD

Since the end of the half year the Directors are not aware of any matter or circumstance not otherwise dealt with in the financial report that has significantly or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in subsequent financial year.

In the directors' opinion:

- (a) The financial statements and notes set out on pages 6-15 are in accordance with the *Corporations Act 2001*, including:
 - a. Complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - b. Giving a true and fair view of the entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date, and
- (b) There are reasonable grounds to believe that ULTIMATE POWER & ENERGY LIMITED will be able to pay its debts as and when they become due and payable.

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



Zeming Yang
Director

Melbourne
14th March, 2014

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

We have reviewed the accompanying half-year financial report of Ultimate Power and Energy Limited, which comprises the Consolidated Statement of Financial Position as at 31 December 2013, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising Ultimate Power and Energy Limited (the Company) and the entities it controlled at the period's end or from time to time during the half year.

Directors' Responsibility for the Interim Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Ultimate Power and Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been given to the directors of Ultimate Power and Energy Limited.

Sydney Office

Level 16, 1 Market Street, Sydney NSW 2000
PO Box 1195, Australia Square NSW 1215
p +61 2 9251 4600, f +61 2 9251 7138
info@nexiacourt.com.au, www.nexia.com.au

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF ULTIMATE POWER AND ENERGY LIMITED
(CONT'D)**

Basis for Qualified Opinion

Included in note 10 of the financial statements is a current receivable from a company director of \$53,360. 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

Based on our review, which is not an audit, we have not become aware of any matter except for the possible effects of matter described in the Basis for Qualified Opinion paragraph, that makes us believe that the half year financial report of Ultimate Power and Energy Limited and controlled entities is in accordance with the Corporations Act 2001, including:

- i. giving a true and fair view of consolidated entity's financial position as at 31 December 2013 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Material uncertainty regarding continuation as a going concern

We draw attention to Note 2 of the financial statements titled "Going Concern". The company has sustained a net loss of \$143,640 and has budgeted to incur further negative cash flows for the next 12 months to 14 March 2014. Management are working towards completing a prototype within the next 6 months and will need to pursue a capital raising program contingent on the completion and testing of the prototype. This, along with the other factors within Note 2, indicates the existence of a material uncertainty which casts 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 2, 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 extent of the liabilities may differ significantly from those reflected in the Statement of Financial Position.

Nexia Court & Co

**Nexia Court & Co
Chartered Accountants**



**Andrew Hoffmann
Partner
14 March 2014
Sydney**