

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

ACN 159 476 892

## **Financial Statements**

For the Year Ended 30 June 2014

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30 June 2014

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**Corporate directory**  
**30 June 2014**

|                         |  |
|-------------------------|--|
| Directors:              | Zeming (Michael) Yang (Chairman)<br>Jacky Yang (Non-Executive Director)<br>Bin Jin (Non-Executive Director)                    |
| Company Secretary:      | Zeming (Michael) Yang<br>Jacky Yang  |
| Registered Office:      | 45 Callaghan Avenue<br>Glen Waverley VIC 3150  |
| Share Register:         | Boardroom Pty Limited<br>Level 7<br>207 Kent Street<br>SYDNEY NSW 2000   |
| Auditor:                | Nexia Court & Co<br>Level 16<br>1 Market Street<br>SYDNEY NSW 2000   |
| 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>   |

# Directors' Report

30 June 2014

The directors present their report, together with the financial statements of the Company, being Ultimate Power & Energy Limited and controlled entities, for the financial year ended 30 June 2014.

## 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 31st January 2014                        |
| Jacky Yang | Non-Executive Director and company secretary - appointed 31st January 2014, |

Directors have been in office since the start of the financial year 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 year were:

- Continuation of developing and testing the initial prototypes of 2<sup>nd</sup> UPE system (UPE 2);
- Receipt of Government Research & Development concessions

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

## Operating results

The consolidated loss of the Company amounted to \$ 178,514 (2013: loss of \$342,924), after providing for income tax.

## Review of operations

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

## Significant changes in state of affairs

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

## 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 year 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 2014

## Future developments and results

The Company has been listed on the stock exchange since 24 October 2012. During this time, the Company has been working tirelessly on its common goals. Upon completion of the work on UPE-1, the Company has developed the UPE-2 system, and has 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, 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 power generation system.

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

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

## 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 year 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;<br>Was a pilot in the Chinese Air Force before commencing his business career;<br>Has a Master of Business Administration from the BI Norwegian School of Management Fundon University in Shanghai;<br>Business career in China included television advertising, establishing a profitable brand of liquor and establishing a chain of Taekondo training schools; and<br>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   |

# Directors' Report

30 June 2014

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: J Yang  
Title: Non-Executive Director  
Experience and expertise: Jacky Yang is currently studying full time at Caulfield Grammar School (wheelers Hill campus) majoring in Economics, Legal and Politics.  
Special responsibilities: Jacky Yang has been responsible for business development and marketing as well as acting as company administration and secretary to ensure effective communication and transmission of information within and outside the whole UPE operation.  
Interests in shares: Nil  
Interests in options: Nil

## Company secretary

Jacky Yang is the company secretary from his first appointment on 31<sup>st</sup> January 2014, along with Zeming Yang.

## Meetings of directors

The number of meetings of the company's board of Directors ('the Board') and of each board committee held during the year ended 30 June 2014, 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 | 5          | 5    | 1                                     | 1    | 1               | 1    |
| B Jin    | 5          | 5    | 1                                     | 1    | 1               | 1    |
| J Yang   | 2          | 2    | 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 year, 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 2014

## 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 taking responsibility on behalf of the company for all or part of those proceedings.

## Non-audit services

The Board of Directors 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.
- No fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2014

## 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 9.5%, 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 2014

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 year ended 30 June 2014

The following table of benefits and payment details, in respect to the financial year, 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 | Other Benefits | Total          |
|------------------|-----------------------------|----------------|----------------|
| <b>2014</b>      | \$                          | \$             | \$             |
| <b>Directors</b> |                             |                |                |
| Z M YANG         | 81,667                      | 13,708         | 95,325         |
| J YANG           | 12,114                      | 1,121          | 13,235         |
| B JIN            | -                           | -              | -              |
|                  | <b>93,781</b>               | <b>14,829</b>  | <b>108,700</b> |
|                  |                             |                |                |
|                  | Short term cash salary fees | Other Benefits | Total          |
|                  | \$                          | \$             | \$             |
| <b>2013</b>      |                             |                |                |
| <b>Directors</b> |                             |                |                |
| Z M YANG         | 66,005                      | -              | 66,005         |
| B JIN            | 10,333                      | -              | 10,333         |
| K Y WONG         | 13,048                      | -              | 13,048         |
|                  | <b>89,386</b>               | <b>-</b>       | <b>89,386</b>  |

## 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

## Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the year ended 30 June 2014 has been received and can be found on page 7 of the financial 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: 30 September 2014

The Board of Directors  
Ultimate Power & Energy  
45 Callaghan Avenue  
Glen Waverly VIC 3150

Dear Board Members

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

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 2014, 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



Joseph Santangelo  
Partner



Nexia Court & Co  
Chartered Accountants

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# Corporate Governance Statement

30 June 2014

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 Executive Chairman and there is a formal delegations structure in place which sets out the powers delegated to the Executive Chairman 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 Executive Chairman;
- 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.

# Corporate Governance Statement

30 June 2014

## 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 2014

## 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 2014

## 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 year, key financial information, changes in the state of affairs and indications of future developments. The Annual Reports for the current year 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 2014

## 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 emphasized 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 approving

# Corporate Governance Statement

30 June 2014

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

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.

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

### For the Year Ended 30 June 2014

|  | <b>Note</b> | <b>2014</b>      | <b>2013</b>      |
|--|-------------|------------------|------------------|
|  |             | <b>\$</b>        | <b>\$</b>        |
| Finance Income   | 2           | 5,249            | 8,671            |
| Research and development tax rebate  | 3           | 69,749           | -                |
| Administrative expenses  |             | (144,812)        | (262,209)        |
| Directors' remuneration  |             | <u>(108,700)</u> | <u>(89,386)</u>  |
| Loss before income tax   |             | (178,514)        | (342,924)        |
| Income tax expense   | 4           | -                | -                |
| Net loss for the year attributable to members of the parent entity                 |             | <u>(178,514)</u> | <u>(342,924)</u> |
| Total comprehensive loss for the year attributable to members of the parent entity |             | <u>(178,514)</u> | <u>(342,924)</u> |
|  |             | <b>Cents</b>     | <b>Cents</b>     |
| Basic earnings per share   | 9           | (1.49)           | (3.08)           |
| Diluted earnings per share   | 9           | (1.49)           | (3.08)           |

The accompanying notes form part of these financial statements.

## Consolidated Statement of Financial Position

As at 30 June 2014

|                                  | Note | 2014<br>\$     | 2013<br>\$     |
|----------------------------------|------|----------------|----------------|
| <b>ASSETS</b>                    |      |                |                |
| <b>CURRENT ASSETS</b>            |      |                |                |
| Cash and cash equivalents        | 5    | 130,625        | 316,710        |
| Trade and other receivables      | 6    | 57,771         | 62,868         |
| <b>TOTAL CURRENT ASSETS</b>      |      | <u>188,396</u> | <u>379,578</u> |
| <b>NON-CURRENT ASSETS</b>        |      |                |                |
| <b>TOTAL ASSETS</b>              |      | <u>188,396</u> | <u>379,578</u> |
| <b>LIABILITIES</b>               |      |                |                |
| <b>CURRENT LIABILITIES</b>       |      |                |                |
| Trade and other payables         | 7    | 160,314        | 179,136        |
| Provision for annual leave       |      | 11,346         | 5,192          |
| <b>TOTAL CURRENT LIABILITIES</b> |      | <u>171,660</u> | <u>184,328</u> |
| <b>NON-CURRENT LIABILITIES</b>   |      |                |                |
| <b>TOTAL LIABILITIES</b>         |      | <u>171,660</u> | <u>184,328</u> |
| <b>NET ASSETS</b>                |      | <u>16,737</u>  | <u>195,250</u> |
| <b>EQUITY</b>                    |      |                |                |
| Issued capital                   | 8    | 538,174        | 538,174        |
| Accumulated losses               |      | (521,437)      | (342,924)      |
| <b>TOTAL EQUITY</b>              |      | <u>16,737</u>  | <u>195,250</u> |

The accompanying notes form part of these financial statements.

## Consolidated Statement of Changes in Equity

### For the Year Ending 30 June 2014

Consolidated  
2014

|  | Note | Issued<br>Capital<br>\$ | Accumulated<br>Losses<br>\$ | Total<br>\$    |
|--|------|-------------------------|-----------------------------|----------------|
| <b>Balance at 1 July 2013</b>                                  |      | <b>538,174</b>          | <b>(342,924)</b>            | <b>195,250</b> |
| Loss for the year attributable to members of the parent entity |      | -                       | (178,514)                   | (178,514)      |
| Contribution of equity, net of transaction costs               | 8    | -                       | -                           | -              |
| <b>Balance at 30 June 2014</b>                                 |      | <b>538,174</b>          | <b>(521,437)</b>            | <b>16,737</b>  |

Consolidated  
2013

|  | Note | Issued<br>Capital<br>\$ | Accumulated<br>Losses<br>\$ | Total<br>\$    |
|--|------|-------------------------|-----------------------------|----------------|
| <b>Balance at 1 July 2012</b>                                  |      | <b>-</b>                | <b>-</b>                    | <b>-</b>       |
| Loss for the year 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.

## Consolidated Statement of Cash Flows

### For the Year Ended 30 June 2014

|  | Note | 2014<br>\$       | 2013<br>\$       |
|--|------|------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>           |      |                  |                  |
| Payments to suppliers and employees                    |      | (261,083)        | (251,721)        |
| Interest received                                      |      | 5,249            | 8,671            |
| Other receipts   |      | 69,749           | 21,586           |
| Net cash from operating activities                     | 18   | <u>(186,085)</u> | <u>(221,464)</u> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>           |      |                  |                  |
| Proceeds from issue of shares                          |      | -                | 667,403          |
| Payment of transaction costs                           |      | -                | (129,229)        |
| Net cash from financing activities                     |      | <u>-</u>         | <u>538,174</u>   |
| Net increase in cash and cash equivalents              |      | (186,085)        | 316,710          |
| Cash and cash equivalents at the beginning of the year |      | <u>316,710</u>   | <u>-</u>         |
| Cash and cash equivalents at end of the year           | 5    | <u>130,625</u>   | <u>316,710</u>   |

The accompanying notes form part of these financial statements.

# Consolidated Notes to the Financial Statements

## For the Year Ended 30 June 2014

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 30<sup>th</sup> September 2014.

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 year.

### 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 management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimated is revised and in any future periods affected.

#### (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) 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 year the Company incurred a loss of \$178,514 (2013: \$342,924) and operating cash outflow of \$186,085 (2013: \$221,464). This was after a tax R&D incentive credit of \$69,749 being received in cash during the year.

# Consolidated Notes to the Financial Statements

## For the Year Ended 30 June 2014

The Company continues to be in a stage of research and development on its UPE Systems and as a result is currently not generating revenue.

The Company currently forecasts negative operating cash flows for the 2015 financial year and therefore, without raising additional capital, there is significant uncertainty over the ability of the company to continue as a going concern.

While the above factors indicate a significant uncertainty exists in the going concern preparation basis of the financial statements, the directors consider that the economic entity will be able to continue as a going concern, after consideration of the following factors:

(i) Current liabilities include \$141,302 relating to amounts payable to a director. As disclosed in Note 7, settlement of this liability is dependent upon the company raising a further \$500,000 in capital.

(ii) The Company has no other borrowings;

(iii) The on-going day-to-day running costs for the Australian office have been forecasted and are relatively moderate and will be within the control of management;

(iv) The lease on the office suite expired in June 2014 and was not renewed. There are no further costs of this nature in the company;

(v) The company is intending to pursue a capital raising program in the 2<sup>nd</sup> quarter of the 2015 financial year of an amount sufficient to enable the group to continue its current business activities.

If the company is unsuccessful with its capital raising efforts in the near term, there exists a significant uncertainty that the company will be able to continue as a going concern and realize its assets and settle its liabilities at the values currently disclosed in these financial statements.

### **(d) Impairment of assets**

At the end of each year, 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 (e.g., 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.

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 years for all assets which have suffered an impairment loss, except for goodwill.

### **(e) Cash and cash equivalents**

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

# Consolidated Notes to the Financial Statements

For the Year Ended 30 June 2014

**(f) 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.

**(g) Other receivables**

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

**(h) Employee benefits**

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

**(i) 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.

**(j) 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 year.

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.

**(k) 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.

**(l) 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 year).

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the year 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 year.

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.

# Consolidated Notes to the Financial Statements

## For the Year Ended 30 June 2014

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 year 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 year.

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 year 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 year 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.

### **(m) 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 year.

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.

### **(n) 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.

# Consolidated Notes to the Financial Statements

## For the Year Ended 30 June 2014

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).

Other income consists of government grants in the form of a refundable research and development tax rebate. This is recognised at fair value where there is reasonable assurance that the income will be received and all conditions have been met.

### Interest revenue

Interest is recognised using the effective interest method.

### (o) 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.

### (p) Comparative Figures

The Company was incorporated on 13 July 2012. The comparative figures are for the financial year from 13 July 2012 to 30 June 2013.

### (q) New and Amended Standards Adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2013:

#### **AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (effective 1 July 2013)**

The Consolidated Entity has applied 201-4 from July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ("KMP"). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify KMP disclosure requirements to be included within the Directors' Report.

#### **AASB 10 'Consolidated Financial Statements', AASB 11 'Joint Arrangements', AASB 12 'Disclosure of Interests in Other Entities', AASB 127 Separate Financial Statements, AASB 128 'Investments in Associates and Joints Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)**

These amendments restructure the existing requirements by relocating disclosure requirements into a single Standard (AASB 12) and locating requirements for group accounting (AASB 10) in a Standard that is separate from the Standard addressing parent-only accounting (AASB 127). The Standards make changes that will affect amounts and other information reported in financial statements with respect to consolidated financial statements, joint arrangement and off balance sheet vehicles. The most significant changes under the standards include:

- Redefining and clarifying the notion of control in AASB 10. This may alter which entities should be incorporated on a line-by-line basis into the consolidated financial statements of a group and which entities that are consolidated into a group's financial statements;

# Consolidated Notes to the Financial Statements

## For the Year Ended 30 June 2014

- Requiring the financial statements of a party to a joint arrangement to reflect its rights and obligations arising from the arrangement under AASB 11, allowing the economic form, rather than the legal form, of an arrangement to determine its accounting requirements; and
- Enhancing disclosures about consolidated entities and unconsolidated (off balance sheet) structured entities, including the introduction of new disclosures to increase the ability of users to assess the risks to which an entity is exposed from involvement with structured entities under AASB 12.

The amendments have made no significant impact on the financial statements. The Company applied the amended standard from 1 July 2013.

### (r) New Standards and Interpretations Not Yet Adopted

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

| Standard Name  | Effective Date for group | Requirements  | Impact   |
|--|--------------------------|---|--|
| AASB 9 Financial Instruments and amending standards AASB 2009-11 / AASB 2010-7 | 30 June 2017             | <p>AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. Hedge accounting rules have been amended to remove the quantitative hedge effectiveness tests and have been replaced with a business model test.</p> <p>AASB 9 improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of AASB 139 as follows:</p> <ol style="list-style-type: none"> <li>a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</li> <li>b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</li> <li>c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition</li> </ol> | <p>In light of the change to the mandatory effective date, the Group is expected to adopt AASB 9 and AASB 2010-7 for the annual reporting period ending 31 December 2017. Although the directors anticipate that the adoption of AASB 9 and AASB 2010-7 may have a significant impact on the Group's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.</p> |

## Consolidated Notes to the Financial Statements

For the Year Ended 30 June 2014

|  |                           |  |   |
|--|---------------------------|--|---|
|  |                           | <p>inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p> <p>d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> <li>i) The change attributable to changes in credit risk are presented in other comprehensive income (OCI)</li> <li>ii) The remaining change is presented in profit or loss.</li> </ul> <p>AASB 2012-6 also modifies the relief from restating prior periods by amending AASB 7 to require additional disclosures on transition to AASB 9 in some circumstances. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.</p> |   |
| <p>AASB 2013-3 - Recoverable Amount Disclosures for Non-Financial Assets</p> | <p><b>1 July 2014</b></p> | <p>Amends the disclosure requirements in AASB 136 <i>Impairment of Assets</i>. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.</p>  | <p>While the group does not expect the new standard to have an impact, it has yet to perform a detailed analysis of the new guidance.</p> |

## Consolidated Notes to the Financial Statements

### For the Year Ended 30 June 2014

|   | 2014<br>\$     | 2013<br>\$     |
|---|----------------|----------------|
| <b>2 Finance Income</b>   |                |                |
| 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 years presented: |                |                |
| Finance income  |                |                |
| - interest received   | <u>5,249</u>   | <u>8,671</u>   |
| <b>3 Result for the Year</b>  |                |                |
| The result for the year includes the following specific income:   |                |                |
| <b>Other income</b>   |                |                |
| Refundable research and development tax rebate  | <u>69,749</u>  | <u>-</u>       |
| <b>4 Income Tax Expense</b>   |                |                |
| Reconciliation of income tax to accounting loss:  |                |                |
| Loss  | (178,514)      | (342,924)      |
| Tax losses not brought to account   | <u>178,514</u> | <u>342,924</u> |
| Income tax expense  | <u>-</u>       | <u>-</u>       |
| Weighted average effective tax rate   | 30%            | 30%            |
| <b>5 Cash and cash equivalents</b>  |                |                |
| <b>CURRENT</b>  |                |                |
| Cash at bank  | <u>130,625</u> | <u>316,710</u> |

## Consolidated Notes to the Financial Statements

For the Year Ended 30 June 2014

|                                      |       |                      |                      |
|--------------------------------------|-------|----------------------|----------------------|
| <b>6 Trade and other receivables</b> |       | <b>2014</b>          | <b>2013</b>          |
|                                      |       | <b>\$</b>            | <b>\$</b>            |
| <b>CURRENT</b>                       |       |                      |                      |
| Director related receivables         |       | <b>53,360</b>        | <b>53,346</b>        |
| GST receivable                       |       | <b>4,147</b>         | <b>8,775</b>         |
| Other receivables                    |       | <b>265</b>           | <b>747</b>           |
|                                      |       | <hr/> <b>57,771</b>  | <hr/> <b>62,868</b>  |
| <b>7 Trade and other payables</b>    |       |                      |                      |
| <b>CURRENT</b>                       |       |                      |                      |
| <i>Unsecured liabilities</i>         |       |                      |                      |
| Director loans payable               | 17(c) | <b>141,302</b>       | <b>141,288</b>       |
| Other payables                       |       | <b>19,012</b>        | <b>37,848</b>        |
|                                      |       | <hr/> <b>160,314</b> | <hr/> <b>179,136</b> |

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

|                                      | 2014              |                | 2013              |                |
|--------------------------------------|-------------------|----------------|-------------------|----------------|
|                                      | Shares            | \$             | Shares            | \$             |
| <b>Shares issued during the year</b> |                   |                |                   |                |
| At the beginning of the year         | 12,100,000        | 538,174        | -                 | -              |
| Shares issued during the year        | -                 | -              | 12,100,000        | 667,403        |
| Less share issue cost                |                   |                | -                 | (129,229)      |
|                                      |                   |                | <hr/>             | <hr/>          |
| At the end of the year               | <b>12,100,000</b> | <b>538,174</b> | <b>12,100,000</b> | <b>538,174</b> |

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.

# Consolidated Notes to the Financial Statements

## For the Year Ended 30 June 2014

### 9 Earnings per Share

| (a) Reconciliation of earnings to loss from continuing operations  | 2014<br>\$        | 2013<br>\$        |
|--|-------------------|-------------------|
| Net loss   | (178,514)         | (342,924)         |
| (b) Earnings used to calculate overall earnings per share  |                   |                   |
| Earnings used to calculate overall earnings per share  | <u>(178,514)</u>  | <u>(342,924)</u>  |
| (c) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS |                   |                   |
| Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS     | <u>12,010,000</u> | <u>11,112,131</u> |
| Basic earnings per share   | <u>(0.0149)</u>   | <u>(0.0308)</u>   |
| Diluted earnings per share   | <u>(0.0149)</u>   | <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 | -        | 5,951         |
|                                   | <u>-</u> | <u>29,708</u> |

Operating leases was successfully terminated in June 2014.

### 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 minimize 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

# Consolidated Notes to the Financial Statements

## For the Year Ended 30 June 2014

### Financial instruments used

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

- 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. 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 to meet its liquidity requirements for up to 30-day periods.

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:

|                                  | 1 to 5 years<br>2014<br>\$ | 1 to 5 years<br>2013<br>\$ |
|----------------------------------|----------------------------|----------------------------|
| Director related receivables     | 53,360                     | 53,346                     |
| Director loans payable           | (141,302)                  | (141,288)                  |
| <b>Total contractual outflow</b> | <b>(87,942)</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.

# Consolidated Notes to the Financial Statements

For the Year Ended 30 June 2014

## 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 development of the UPE system and 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 year ended 30 June 2014.

### 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 year is as follows:

|                     | 2014<br>No. of Shares | 2013<br>No. of Shares |
|---------------------|-----------------------|-----------------------|
| <b>30 June 2014</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:

|   | 2014   | 2013   |
|---|--------|--------|
| - auditing and reviewing the financial report | 21,500 | 23,000 |
| - other services                              | -      | 23,000 |

## 15 Controlled Entities

### Controlled entities

|                                   | Country of Incorporation | Percentage<br>Owned (%)* |      |
|-----------------------------------|--------------------------|--------------------------|------|
|                                   |                          | 2014                     | 2013 |
| <b>Parent Entity:</b>             |                          |                          |      |
| Ultimate Power and Energy Limited | Australia                | 100                      | 100  |
| <b>Subsidiaries:</b>              |                          |                          |      |
| UPE International Pty Ltd         | Australia                | 100                      | 100  |
| UPE Operations Pty Ltd            | Australia                | 100                      | 100  |

\* Percentage of voting power is in proportion to ownership

Both UPE International Pty Ltd and UPE Operations Pty Ltd are dormant entities. The financial performance and financial position of the parent entity are the same as those disclosed in these consolidated financial statements.

# Consolidated Notes to the Financial Statements

## For the Year Ended 30 June 2014

### 16 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2014.

### 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:  
No transactions with the parent entity

**(c) Balances with related parties**

CURRENT

Amount payable to:

- directors

7

141,302

Amounts due from

- directors

6

53,360

## Consolidated Notes to the Financial Statements

### For the Year Ended 30 June 2014

#### 18 Cash Flow Information

##### Reconciliation of results for the year to cashflows from operating activities

|  | 2014             | 2013             |
|--|------------------|------------------|
| Reconciliation of net loss to net cash provided by operating activities: | \$               | \$               |
| Loss for the year  | (178,514)        | (342,924)        |
| Non-cash flows in loss:  |                  |                  |
| Change in assets and liabilities:  |                  |                  |
| - decrease in trade and other receivables                                | 5,097            | (62,869)         |
| - decrease in trade and other payables                                   | (18,822)         | 179,137          |
| - increase in employee benefits  | 6,154            | 5,192            |
| Net Cash from operating activities                                       | <u>(186,085)</u> | <u>(221,464)</u> |

#### 19 Share-based Payments

During the year to 30 June 2014 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 year 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

## 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 31, are in accordance with the *Corporations Act 2001* and:
  - (a) comply with Accounting Standards and the *Corporations Regulations 2001*; and
  - (b) give a true and fair view of the economic entity's financial position as at 30 June 2014 and of its performance for the year ended on that date;
2. The financial statements and notes also comply with International Financial Reporting Standards, as disclosed in Note 1(a) to the financial statements;
3. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

The directors have been given the declarations by the executive chairman required by section 295A.

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

On behalf of the directors:

A handwritten signature in black ink, appearing to be 'John P. ...', is written over a horizontal dotted line. The signature is cursive and somewhat stylized.

Director .

Dated: 30 September 2014

**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 consolidated statement of financial position as at 30 June 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year 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 consolidated entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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**

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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 \$53,360. We have not been provided with nor been able to obtain sufficient appropriate audit evidence to satisfy ourselves as to the value and recoverability of this amount. Consequently, we have not been able to determine whether impairment exists in relation to this balance, hence is whether its disclosed value is accurate.

### ***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 consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

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

We draw attention to Note 1(c) of the financial statements "Going Concern". The consolidated entity has sustained a net loss of \$178,514 and has forecasted to incur further negative operating cash flows for the year ended 30 June 2015.

These conditions indicate the existence of a significant uncertainty as to whether the consolidated entity will be able 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(c), including the requirement to raise additional capital.

If the consolidated entity is unsuccessful in its capital raising and the going concern basis of accounting is found to be no longer appropriate, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts reflected in the statement of financial position.

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

We have audited the Remuneration Report included in pages 5 to 6 of the directors' report for the year ended 30 June 2014. The directors of the consolidated entity 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 2014, complies with section 300A of the *Corporations Act 2001*.

Nexia Court & Co

**Nexia Court & Co**  
Chartered Accountants

Joseph Santangelo

**Joseph Santangelo**  
Partner

Sydney  
Date: 30 September 2014

## Ultimate Power & Energy Limited and Controlled Entities

### Additional Information for Listed Public Companies

30 June 2014

#### 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 10 September 2014.

#### 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).