

Ultimate Power & Energy Limited and Controlled Entities

ACN 159 476 892

Financial Statements

For the Year Ended 30 June 2015

Ultimate Power & Energy Limited and Controlled Entities

Contents

30 June 2015

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Ultimate Power & Energy Limited and Controlled Entities

Corporate directory

30 June 2015

Directors:	Zeming (Michael) Yang (Chairman) Jacky Yang (Non-Executive Director) Bin Jin (Non-Executive Director)
Company Secretary:	Zeming (Michael) Yang Jacky 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
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

Ultimate Power & Energy Limited and Controlled Entities Directors' Report

30 June 2015

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 2015.

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
J 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 2nd UPE system (UPE 2);

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 \$96,702 (2014: loss of \$178,514), 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 development activities, as discussed in the principal activities above, as well as administrative and annual listing costs.

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.

Ultimate Power & Energy Limited and Controlled Entities Directors' Report

30 June 2015

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 development of UPE-2 prototypes are in its final stage of the manufacturing process. Intense discussions and planning on the birth of the prototypes are now in place, and will be the key focus for the next 6 months.

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; Was a pilot in the Chinese Air Force before commencing his business career; Has a Master of Business Administration from the BI Norwegian School of Management Fundon University in Shanghai; Business career in China included television advertising, establishing a profitable brand of liquor and establishing a chain of Taekando training schools; and has been a boxing promoter, manager and trainer.
Special responsibilities:	Zeming (Michael) Yang is the Executive Chairman of the Company and be responsible for the overall business operations.
Interests in shares:	9,000,000
Interests in options:	Nil

Ultimate Power & Energy Limited and Controlled Entities Directors' Report

30 June 2015

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 Australian National University in Canberra majoring in International Relations.
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 31st 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 2015, 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	3	3	1	1	1	1
J Yang	5	5	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.

Ultimate Power & Energy Limited and Controlled Entities Directors' Report

30 June 2015

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 2015

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.

Ultimate Power & Energy Limited and Controlled Entities Directors' Report

30 June 2015

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 2015

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
	\$	\$	\$
2015			
Directors			
Z M YANG	69,600	(4,734)	64,866
J YANG	20,400	1,938	22,338
B JIN	-	-	-
	90,000	(2,796)	87,204
	Short term cash salary fees	Other Benefits	Total
	\$	\$	\$
2014			
Directors			
Z M YANG	81,667	13,708	95,375
J YANG	12,114	1,121	13,235
B JIN	-	-	-
	93,781	14,829	108,610

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 2015 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 2015

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 for the financial year ended 30 June 2015, 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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Ultimate Power & Energy Limited and Controlled Entities Corporate Governance Statement

30 June 2015

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.

Ultimate Power & Energy Limited and Controlled Entities Corporate Governance Statement

30 June 2015

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.

Ultimate Power & Energy Limited and Controlled Entities Corporate Governance Statement

30 June 2015

Principle 3: Promote ethical and responsible decision-making

Code of conduct

The Board acknowledges and emphasizes 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 behavior; 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 utilizes the contributions of all employees backgrounds, experiences and perspective though 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.

Ultimate Power & Energy Limited and Controlled Entities Corporate Governance Statement

30 June 2015

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.

Ultimate Power & Energy Limited and Controlled Entities

Corporate Governance Statement

30 June 2015

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

Ultimate Power & Energy Limited and Controlled Entities Corporate Governance Statement

30 June 2015

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.

Ultimate Power & Energy Limited and Controlled Entities
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2015

	Note	2015 \$	2014 \$
Finance income	2	1,384	5,249
Research and development tax rebate	3	81,550	69,749
Other income		3,134	-
Administrative expenses		(95,566)	(144,812)
Directors' remuneration		<u>(87,204)</u>	<u>(108,700)</u>
Loss before income tax		(96,702)	(178,514)
Income tax expense	4	<u>-</u>	<u>-</u>
Net loss for the year attributable to members of the parent entity		<u><u>(96,702)</u></u>	<u><u>(178,514)</u></u>
Total comprehensive loss for the year attributable to members of the parent entity		<u><u>(96,702)</u></u>	<u><u>(178,514)</u></u>
		Cents	Cents
Basic earnings per share	9	(0.81)	(1.49)
Diluted earnings per share	9	(0.81)	(1.49)

The accompanying notes form part of these financial statements.

Ultimate Power & Energy Limited and Controlled Entities
Consolidated Statement of Financial Position
As at 30 June 2015

	Note	2015 \$	2014 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	34,850	130,625
Trade and other receivables	6	56,271	57,771
TOTAL CURRENT ASSETS		<u>91,121</u>	<u>188,396</u>
NON-CURRENT ASSETS			
TOTAL ASSETS		<u>91,121</u>	<u>188,396</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	7	171,086	160,314
Provision for annual leave		-	11,345
TOTAL CURRENT LIABILITIES		<u>171,086</u>	<u>171,659</u>
NON-CURRENT LIABILITIES			
TOTAL LIABILITIES		<u>171,086</u>	<u>171,659</u>
NET ASSETS		<u>(79,965)</u>	<u>16,737</u>
EQUITY			
Issued capital	8	538,174	538,174
Accumulated losses		(618,139)	(521,437)
TOTAL EQUITY		<u>(79,965)</u>	<u>16,737</u>

The accompanying notes form part of these financial statements.

Ultimate Power & Energy Limited and Controlled Entities
Consolidated Statement of Changes in Equity
For the Year Ending 30 June 2015

**Consolidated
2015**

	Note	Issued Capital \$	Accumulated Losses \$	Total \$
Balance at 1 July 2014		538,174	(521,437)	16,737
Loss for the year attributable to members of the parent entity		-	(96,702)	(96,702)
Balance at 30 June 2015		538,174	(618,139)	(79,965)

**Consolidated
2014**

	Note	Issued Capital \$	Accumulated Losses \$	Total \$
Balance at 1 July 2013		538,174	(342,923)	195,251
Loss for the year attributable to members of the parent entity		-	(178,514)	(178,514)
Balance at 30 June 2014		538,174	(521,437)	16,737

The accompanying notes form part of these financial statements.

Ultimate Power & Energy Limited and Controlled Entities
Consolidated Statement of Cash Flows
For the Year Ended 30 June 2015

	Note	2015 \$	2014 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Payments to suppliers and employees		(182,058)	(261,083)
Interest received		1,384	5,249
Other receipts		84,899	69,749
Net cash from operating activities	17	<u>(95,775)</u>	<u>(186,085)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash flows from investing activities		<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents		(95,775)	(186,085)
Cash and cash equivalents at the beginning of the year		<u>130,625</u>	<u>316,710</u>
Cash and cash equivalents at end of the year	5	<u>34,850</u>	<u>130,625</u>

The accompanying notes form part of these financial statements.

Ultimate Power & Energy Limited and Controlled Entities

Consolidated Notes to the Financial Statements

For the Year Ended 30 June 2015

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 30th September 2015.

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 estimate 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 \$96,702 (2014: \$178,514), an operating cash outflow of \$95,775 (2014: \$186,085) and are in a net current liability position of \$79,965 (2014: Net current assets \$16,737). This was after a tax R&D incentive credit of \$84,684 (2014: \$69,750) being received in cash during the year.

Ultimate Power & Energy Limited and Controlled Entities

Consolidated Notes to the Financial Statements

For the Year Ended 30 June 2015

The Company currently forecasts a negative operating cash flow position for the 2016 financial year and therefore, without going to the market to raise capital, there is significant doubt over the continuing going concern of the Company. 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.

While the above factors indicate a material uncertainty in the going concern preparation basis of the financial statements, the directors consider 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 directors payables
- The Company has no borrowings or overdraft accounts;
- The on-going day-to-day running costs for the Australian office have been forecasted and are relatively moderate and will be well within the control of management; and
- The Company is planning to pursue a capital raising program in the 2nd quarter of the 2016 financial year.

From the above it can be drawn that if the company is unsuccessful with its capital raising efforts in the near future there exists a very significant material uncertainty that the company will be able to continue as a going concern and realise its assets and settle its liabilities at the values currently disclosed in these financial statements. However, the Directors believe they will be able to raise the capital and 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.

(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.

(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.

Ultimate Power & Energy Limited and Controlled Entities

Consolidated Notes to the Financial Statements

For the Year Ended 30 June 2015

(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.

Ultimate Power & Energy Limited and Controlled Entities

Consolidated Notes to the Financial Statements

For the Year Ended 30 June 2015

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) Revenue and other income

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

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

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

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.

Ultimate Power & Energy Limited and Controlled Entities

Consolidated Notes to the Financial Statements

For the Year Ended 30 June 2015

(n) Goods and Services Tax (GST)

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

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

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

(o) Comparative Figures

The comparative figures are for the financial year from 1 July 2013 to 30 June 2014.

(p) New and Amended Standard 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 2014:

AASB 2013-3 - Recoverable Amount Disclosures for Non-Financial Assets

The Consolidated entity has applied 2013-3 from 1 July 2014 which amends the disclosure requirements in AASB 136 *Impairment of Assets*. 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.

The amendments have made no significant impact on the financial statements. The Company applied the amended standard from 1 July 2014.

(p) 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 2018	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. AASB 9 improves and simplifies the approach for classification and measurement of financial assets	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 30 June 2018. 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

Ultimate Power & Energy Limited and Controlled Entities Consolidated Notes to the Financial Statements

For the Year Ended 30 June 2015

	<p>compared with the requirements of AASB 139 as follows:</p> <ul style="list-style-type: none"> 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. 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. 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 inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: <ul style="list-style-type: none"> i) The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ii) The remaining change is presented in profit or loss. <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>estimate of such impact.</p>
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Ultimate Power & Energy Limited and Controlled Entities

Consolidated Notes to the Financial Statements

For the Year Ended 30 June 2015

2015
\$

2014
\$

2 Finance Income

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

Finance income		
- interest received	<u>1,384</u>	<u>5,249</u>

3 Result for the Year

The result for the year includes the following specific income:

Refundable research and development tax rebate	81,550	66,749
Other expenditure		
- Superannuation	(8,550)	(8,675)
- Development costs	(21,240)	(34,023)
- Annual leave entitlement	<u>11,346</u>	<u>(6,154)</u>

4 Income Tax Expense

(a) The prima facie tax on loss before income tax is reconciled to income tax expense as follows:

Loss before tax	(96,702)	(178,514)
Prima facie tax payable on loss before income tax at 30% (2014: 30%)	(29,011)	(53,554)
Add:		
Current year deferred tax asset not brought to account	29,011	53,554

(b) Deferred tax assets not brought to account, the benefits of which will only be realized if the conditions for deductibility set out in note 1(l) occur

<u>296,854</u>	<u>249,548</u>
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5 Cash and cash equivalents CURRENT

Cash at bank	<u>34,850</u>	<u>130,625</u>
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Ultimate Power & Energy Limited and Controlled Entities

Consolidated Notes to the Financial Statements

For the Year Ended 30 June 2015

6 Trade and other receivables		2015	2014
		\$	\$
CURRENT			
Director related receivables		53,360	53,360
GST receivable		2,861	4,147
Other receivables		50	265
		56,271	57,771
7 Trade and other payables			
CURRENT			
<i>Unsecured liabilities</i>			
Director loans payable	16(c)	141,302	141,302
Other payables		29,784	19,012
		171,086	160,314

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

	2015		2014	
	Shares	\$	Shares	\$
Shares issued during the year				
At the beginning and end of the year	12,010,000	538,174	12,010,000	538,174

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.

Ultimate Power & Energy Limited and Controlled Entities

Consolidated Notes to the Financial Statements

For the Year Ended 30 June 2015

Financial instruments used

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

- Cash at bank
- Trade and other payables

Objectives, policies and processes

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

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

Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

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

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

	1 to 5 years 2015	1 to 5 years 2014
	\$	\$
Director related receivables	53,360	53,360
Director loans payable	(141,302)	(141,302)
Total contractual outflow	(87,942)	(87,942)

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

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

Ultimate Power & Energy Limited and Controlled Entities Consolidated Notes to the Financial Statements

For the Year Ended 30 June 2015

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.

11 Operating Segments

The Company operated in one business segment being the development of the UPE system and in one geographical segment being Australia.

12 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 2015.

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:

	2015 No. of Shares	2014 No. of Shares
30 June 2015		
Directors		
Z M Yang	9,000,000	9,000,000
B Jin	-	-
K Y Wong	-	-
13 Remuneration of Auditors	2015	2014
Remuneration of the auditor of the consolidated entity for:		
- auditing and reviewing the financial report	22,626	21,500

14 Controlled Entities

Controlled entities

	Country of Incorporation	Percentage Owned (%)*	
		2015	2014
Parent Entity:			
Ultimate Power and Energy Limited	Australia	100	100
Subsidiaries:			
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.

Ultimate Power & Energy Limited and Controlled Entities

Consolidated Notes to the Financial Statements

For the Year Ended 30 June 2015

15 Contingencies

In the opinion of the Directors, the Group did not have any contingencies at 30 June 2015.

16 Related Parties

(a) The Group'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	2015	2014
Amount payable to:		
- directors loan payable	7 141,302	141,302
- development costs payable to director	7 10,650	-
	<u>151,952</u>	<u>141,302</u>
Amounts due from		
- directors	<u>53,360</u>	<u>53,360</u>

Ultimate Power & Energy Limited and Controlled Entities
Consolidated Notes to the Financial Statements
For the Year Ended 30 June 2015

17 Cash Flow Information

Reconciliation of results for the year to cashflows from operating activities

	2015	2014
Reconciliation of net loss to net cash provided by operating activities:	\$	\$
Loss for the year	(96,702)	(178,514)
Non-cash flows in loss:		
Change in assets and liabilities:		
- decrease in trade and other receivables	1,500	5,097
- increase in trade and other payables	10,773	(18,822)
- decrease in employee benefits	(11,346)	6,154
Net Cash from operating activities	<u>(95,775)</u>	<u>(186,085)</u>

18 Share-based Payments

During the year to 30 June 2015 the Group did not have any share-based payment schemes and did not issue any options.

19 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 Group, the results of those operations, or the state of affairs of the Group in future financial years.

20 Company Details

The registered office of the Group is:

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

Ultimate Power & Energy Limited and Controlled Entities Directors' Declaration

In accordance with a resolution of the directors of Ultimate Power & Energy Limited and controlled entities, the directors of the Group 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 2015 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 Group 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:



Director
Z M YANG

Dated: 30 September 2015

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

Report on the Financial Report

We have audited the accompanying financial report of Ultimate Power and Energy Limited, which comprises the statement of financial position as at 30 June 2015, and the statement of profit and loss and other comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the disclosing entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Sydney Office

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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 company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

Material Uncertainty Regarding Continuation as a Going Concern

We draw attention to Note 1(c) of the financial statements "Going Concern". The company has sustained a net loss of \$96,702, has a net liability position of \$79,965 and has budgeted to incur further negative operating cash flows for the year ended 30 June 2016.

These conditions indicate the existence of a significant material uncertainty which may cast significant doubt as to the consolidated entity's ability 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 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 amount 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.

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 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Ultimate Power and Energy Limited for the year ended 30 June 2015, 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 2015

Ultimate Power & Energy Limited and Controlled Entities

Additional Information for Listed Public Companies

30 June 2015

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 2015.

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).