



**SUNDERMANN**  
WATER POWER

Sundermann Water Power Limited

# FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2011



**REGISTERED OFFICE**

61 Stewart Avenue, Hamilton South NSW 2303

**ACN 131 103 869**

# All 2011 Milestone met!

## Managing Director's Report

It is first and foremost very pleasing to report to shareholders that we have achieved each milestone that was set by the Board in late 2010.

- Completion of the redesign of the turbine
- Full documentation of the turbine
- Nationwide tender to construct the T3 turbine prototype system
- Manufacture of the T3 turbine
- Successful static test of the T3 turbine prototype
- New Funding initiative with ASSO B
- Continued worldwide protection of our IP
- Partnerships with Austrade and TradeStart
- Grant Applications

Throughout the 2010 – 2011 year the Board maintained a disciplined approach in managing the company finances. It was a year where the company needed to spend significant funds on the T3 prototype from design through to manufacture and testing. Coupled with the research and development expenses were of course the operational costs associated with running the company. As we now move toward the 2012 year it is pleasing to report that all current liabilities have been met to date and the company has sufficient cash available to continue forward to commercialization.

### **T3 Prototype**

The Board is certainly very excited by the results of the T3 turbine. The quality of support and workmanship by the Global Manufacturing Group (GMG) in Queensland was outstanding delivering to SWP a device that performed well beyond our expectations. It is felt that the robust T3 design, which was built as a 10kw system, will be more than capable of achieving 30kw of power with little modification.

The completed T3 device was put through its paces in a controlled static test and it worked perfectly impressing all observers. The next stage of test for the T3 turbine is for the device to be placed into a canal/culvert type irrigation system which will allow final signoff of the technology. A big thank you to the inventor Fred Sundermann for his tireless and selfless devotion to the turbine development program.

### **Australian CleanTech**

The success of Sundermann Water Power as a finalist of the 2011 Australian CleanTech competition has been well documented and published now. The exposure from the competition has been fantastic with many organizations showing interest in our product. Director Leigh Bennett took the lead with the Clean Tech program and certainly put a lot of effort into the competition. Leigh also has done a great job for us with our ASSO B funding responsibilities along with our grant and funding programs.

I would like to formally extend to Anne Hallam a huge thank you. Her dedication to the company and support to the Board is very much appreciated.

We remain focused in the short-term to attract investment for the next phase of the company growth giving testament to our focus on creating shareholder value in the long term.

I encourage all shareholders and potential investors to monitor the company website as regular updates and information are made available.

**Ed Gibson** - Managing Director

**SUNDERMANN WATER POWER LIMITED**  
**ACN 131 103 869**

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**Corporate Directory**

**Registered Office and Share Registry**

Sundermann Water Power Limited  
ACN 131 103 869

Registered Office:  
1/61 Stewart Avenue  
HAMILTON SOUTH NSW 2303

Telephone 61 7 4197 8702  
Facsimile: 61 7 4125 5110  
E mail: [egibson@boatclub.com.au](mailto:egibson@boatclub.com.au)  
Web: [sundermannwaterpower.com](http://sundermannwaterpower.com)

**Directors**

Edward Gibson (Chairman)  
Frederick Sundermann  
Leigh Bennett

**Company Secretaries**

Leigh Bennett  
Anne Hallam

**Auditors**

Darren Munro  
KMS Financial Solutions

**SUNDERMANN WATER POWER LIMITED**  
**ACN 131 103 869**

**DIRECTORS' REPORT (continued)**

The Directors present their report together with the financial statements of Sundermann Water Power Limited ("the Company") for the financial year ended 30 June 2011.

**Directors**

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

<b>Name and qualifications</b>	<b>Experience, special responsibilities and other directorships</b>
Ed Gibson Age 53	<p>Appointed as Managing Director on 17 March 2010. Ed has an MBA from Adelaide University and is a qualified Yacht Master (Ocean). Ed brings to Sundermann Water Power a wealth of experience in operating very diverse and complex business structures coupled with an in depth knowledge of the marine environment. Holding an MBA(marketing) his career to date has seen him hold 4 positions as CEO over the last 19 years with his current role responsible for a turnover in excess of \$105m. He has considerable experience in various roles in the Sporting and Hospitality industries, including operations and strategic planning, capital projects and business management.</p> <p>Currently he is a member of the Australian Marina Industry Association, a licensed Marine Broker, and Director of a private company, holds a Queensland Gaming License, a Nominee for 2 Liquor Licenses and is a certified Offshore Yacht Master. He also is an active member of several sporting association committees providing leadership and direction for their respective memberships.</p> <p>In the early 90's Ed invented and patented a software based re-useable raffle ticket system known as EnviroTicket. He took the invention from inception, development, manufacture and finally to sales. After some time the system and patent was sold to a well known lottery group. Spending many years living in Papua New Guinea and working in countries such as Egypt with the United Nations, he is well attuned to the potential that the Sundermann Turbine Systems can deliver to undeveloped countries.</p>
Fred Sundermann Age 71	<p>Appointed a Director on 15 May 2008. Fred has a lifelong interest in design and innovation. In his early career, Fred used his skills to develop new farm machinery including off set discs, rakes and harvesters.</p> <p>Fred has been developing the water turbine for many years and believes it has the potential to provide a sustainable energy source for both remote and established communities.</p>
Leigh Bennett Age 54	<p>Appointed to the board on 1 November 2010, Leigh Bennett has worked extensively with government, corporations and small business and has a diverse career as a former Local Government CEO and senior executive for 10 years, as an Educator, HR Manager and HR Development Consultant. Currently, Leigh is the Principal of Enterprise Innovations, a business consultancy providing an extensive range of services devising and managing regional, community and people development initiatives. He works inside and outside businesses across planning, strategy, feasibilities studies, financial planning and project management.</p> <p>Leigh is also Director and co-founder of a newly created umbrella consulting company called Regional Innovations Australia. It customises local solutions for regional businesses and organisations by mobilising the knowledge, expertise and experience of the broadest possible pool of specialist consultants and professional service providers. He is a business advisor for a commercial real-estate and commercial building construction group of companies and is involved in property development project teams. Leigh is Vice President of the Urban Development Institute Australia, Queensland (Fraser Coast Branch) Committee.</p> <p>Leigh brings his eclectic background to Sundermann Water Power as a generalist able to move expertly between government, private enterprise and the planning and implementation phases of any project.</p> <p>Leigh has a Bachelor of Arts and Graduate Diplomas in Education and Business.</p>

**SUNDERMANN WATER POWER LIMITED**  
**ACN 131 103 869**

**DIRECTORS' REPORT (continued)**

**Name and qualifications**                      **Experience, special responsibilities and other directorships (continued)**

Geoff Park  
LLB TEP  
Age 67

Appointed on 28 October 2009, Geoff has been with the Law firm McKean Park for over 40 years, first as a partner and then as a consulting lawyer. He is an Accredited Specialist in Wills and Estates. Prior to this Geoff had a commercial law practice which included wide ranging experience in sales, purchases of businesses, leases, commercial agreements, property sales real estate and estate mortgages. Geoff was a full board member of Firbank Grammar School for over seven years and a board member of a solicitor's finance company for several decades.

He is a member of the Succession Law Committee of the Law institute of Victoria, a Member of the Supreme Court of Victoria Probate Users Committee, and a Member of the Melbourne branch of the Society of Trust and Estate Practitioners of the United Kingdom and was a Member of the Victorian Attorney Generals Wills Act Working Party 1984.

In 2006 Geoff was awarded a Law Institute of Victoria Certificate of Service in recognition of years of outstanding service to the Law Institute of Victoria and the Legal Profession. Geoff brings to the board a wealth of legal and management knowledge and experience.

Geoff retired from the board on 31 October 2010.

**Joint Company Secretary**

Leigh Bennett has been company secretary from 1 November 2010.

Anne Hallam CA  
Age 37

Anne was appointed Company Secretary in November 2009. She is a member of the Institute of Chartered Accountants in Australia and has over 14 years experience working in public practice covering a range of industries including retail, manufacturing and agricultural.

**Directors' meetings**

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the financial year are:

<b>Director</b>	<b>Meetings attended</b>	<b>Meetings eligible to attend</b>
Ed Gibson	10	10
Fred Sundermann	9	10
Geoff Park	1	3
Leigh Bennett	6	7

**Principal activities**

The principal activities of the company during the financial year were the development of a submerged water powered electricity generating turbine.

**Review and result of operations**

In the year ended 30 June 2011, the company had a loss of \$67,430 (2010: Loss of \$365,880).

**SUNDERMANN WATER POWER LIMITED**  
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**DIRECTORS' REPORT (continued)**

**Significant changes in the state of affairs**

There were no significant changes in the state of affairs of the Company during the financial year other than that reported in the financial statements.

**Financial Position**

The net assets of the company have increased by \$13,070 from 30 June 2011 to \$41,162 in 2011.

**Dividends**

There were no dividends paid in the year ending 30 June 2011 (2010: nil).

**Going concern**

The Directors have adopted the going concern basis of accounting for the following reasons:

- The Company, as a research and development company, continues to make good progress in the development of its water powered turbine for the generation of electricity.
- The T3 prototype is completed and initial static testing shows impressive results, further testing is imminent and will enable the company to have the data required to move forward to production of a commercial product.
- The Board continues to successfully raise funds through ASSOB. A new offer document has been registered to raise a further \$400,000.
- The Board has considered its funding requirements for the operating and capital needs and has formed the view that it has allowed adequate funding for this purpose.

**Events subsequent to reporting date**

Since the year end the company has issued 3,000,000 shares to investors for a value of \$0.02 per share and 20,000,000 shares to directors in lieu of payment for services.

**Likely developments**

Further information about likely developments in the operations of the Company and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

**Environmental regulation performance**

The Company has adopted environmental policies which recognise the obligations of the company under both State and Federal laws. "Best practice" approach to environment management is observed. There have been no breaches of regulations or policies during the year.

**SUNDERMANN WATER POWER LIMITED**  
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**DIRECTORS' REPORT (continued)**

**Directors' interests**

The relevant interest of each director in the shares issued by the Company within the Company and other related bodies corporate, at the date of this report is as follows:

<b>Directors</b>	<b>Notes</b>	<b>Holding</b>
Fred Sundermann	1,3	341,825,000
Geoff Park	3	10,000,000
Ed Gibson	3	13,000,000
Leigh Bennett	3	10,000,000

**Notes**

1. Shares issued to Directors on incorporation of Company for no consideration in recognition of their contribution towards providing intellectual property, services rendered including preparation of business plan.
2. Shares held personally.
3. Shares held in associated entity in which director has beneficial interest.

**Options granted to directors and officers of the Company**

There were no options granted during the year ended 30 June 2011, or since the end of the financial year.

**Indemnification of officers, auditors and agents of the Company**

The Company's Constitution provides that the Company is -

(i) To indemnify officers, auditors and agents for the time being of the Company out of the assets of the Company against any liability incurred by such person as officer, auditor or agent which does not arise out of a willful breach of duty to the company and its controlled entities or a breach of Section 182 of the Corporations Act. Such indemnity may extend to a liability for costs and expenses incurred by a person in defending proceedings, whether civil or criminal, irrespective of their outcome.

(ii) To indemnify a Director, manager, secretary or other officer of the Company that they shall not be liable for:

- (a) the act, neglect or default of any other Director or officer;
- (b) any loss or expenses incurred by the Company through the insufficiency or deficiency of title to any property acquired by order of the Directors for on behalf of the Company;
- (c) the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested;
- (d) any loss or damage arising from the bankruptcy, insolvency or tortuous act of any person with whom any moneys, securities or effects shall be deposited or left; or
- (e) for any other loss or damage which happens in the execution of the duties of his office

unless the same happens through his or her own negligence, willful default, breach of duty or breach of trust.

Nothing contained in the Constitution shall be construed to lessen or abrogate any indemnity or protection given to Directors or officers of the Company by law.

**Insurance premiums**

The Company will incur insurance premiums in respect of directors' and officers' liability and legal expenses' insurance contracts, for current and former directors and officers, including senior executives of the Company and directors, senior executives and secretaries of its controlled entities. The cost of insurance premiums will relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving breach of duty or improper use of information or position to gain a personal advantage.

The directors have not included details of the nature of the liabilities covered and the amount of the premium paid in respect of the directors' and officers' liability insurance, as such disclosure is prohibited under the terms of the contract.

**SUNDERMANN WATER POWER LIMITED**  
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**DIRECTORS' REPORT (continued)**

**Proceedings on Behalf of Company**

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

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

**Non - audit services**

There were no non - audit services performed by the auditor of the company during the year.

**Auditor's remuneration**

	<b>2011</b>	<b>2010</b>
<b>Audit services:</b>	\$	\$
<b><i>Auditor's of the Company:</i></b>		
Audit of financial reports	4,270	7,000
	<hr/> 4,270	<hr/> 7,000

**Auditor's independence declaration**

The auditor's independence declaration is set out on page 8 and forms part of the Directors' report for the financial year ended 30 June 2010.

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

At Hervey Bay, on this Day 18 November 2011

**Edward Gibson**  
Managing Director





**SUNDERMANN WATER POWER LIMITED**  
**ACN 131 103 869**

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C**  
**OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF**  
**SUNDERMANN WATER POWER LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporation Act 2001* in relation to the audit; and
- ii. no contravention of any applicable code of professional conduct in relation to the audit.

**KMS Financial Solutions**

**DARREN MUNRO**  
**Director**

Dated this 18th day of November 2011

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Accounting & Taxation · Business Advisory · Audit & Due Diligence · Business Acquisitions & Valuations  
Asset Protection · Succession Planning · Wealth Creation & Investment Advice · Superannuation Advice  
Retirement & Estate Planning · Asset Finance · Wealth Protection

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**SUNDERMANN WATER POWER LIMITED**  
**ACN 131 103 869**

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	<b>2011</b>	<b>2010</b>
	\$	\$
<b>Revenue</b>		
Sales	4,364	-
Interest receivable	1,964	453
<b>Total Income</b>	6,328	453
<b>Expenses</b>		
Impairment of intangible assets	50,801	343,892
Accounting, secretarial and administration	2,223	6,957
Auditor's remuneration	4,270	7,500
Bank charges	209	302
Consulting for preparation of government grants	-	6,500
Insurance for directors and officers liability	4,409	6,929
Legal expense	-	818
Interest paid	765	-
Patent renewal	36,934	40,099
Web page design and maintenance	1,177	1,759
<b>Total expenses</b>	100,788	414,756
<b>Profit/(loss) before income tax expense</b>	(94,460)	(414,303)
Income tax (expense)/benefit	27,030	48,423
<b>Profit/(loss) for the year - attributable to members of the company</b>	(67,430)	(365,880)
Other comprehensive income	-	-
<b>Total comprehensive income – attributable to members of the company</b>	(67,430)	(365,880)

The statement of comprehensive income should be read in conjunction with the accompanying notes.

**SUNDERMANN WATER POWER LIMITED**  
**ACN 131 103 869**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2011**

		2011	2010
	Note	\$	\$
<b>Current assets</b>			
Cash and cash equivalents	4	56,536	2,217
Trade and other receivables	5	31,317	105,122
<b>Total current assets</b>		87,853	107,339
<b>Non-current assets</b>			
<b>Intangibles</b>	6	-	-
<b>Total non-current assets</b>		-	-
<b>Total assets</b>		87,853	107,339
<b>Liabilities</b>			
<b>Trade and other payables</b>	7	19,261	40,181
<b>Total current liabilities</b>		19,261	40,181
<b>Non-current liabilities</b>			
<b>Loans from Directors</b>	7	109,754	95,251
<b>Total</b>		109,754	95,251
<b>Total liabilities</b>		129,015	135,432
<b>Net assets/(liabilities)</b>		(41,162)	(28,093)
<b>Equity</b>			
<b>Share capital</b>	8	420,011	365,651
<b>Accumulated losses</b>		(461,173)	(393,744)
<b>Total equity</b>		(41,162)	(28,093)

The statement of financial position should be read in conjunction with the accompanying notes.

**SUNDERMANN WATER POWER LIMITED**  
**ACN 131 103 869**

**STATEMENT OF CHANGES IN EQUITY**  
**AS AT 30 JUNE 2011**

	Attributable to Owners of Sundermann Water Power Limited		
	Share capital	Accumulated losses	Total
	\$	\$	\$
At 1 July 2008	129,310	-	129,310
<b>Total comprehensive income for the year as reported in the 2009 financial statements</b>	-	(75,888)	(75,888)
Correction of error	-	48,024	48,024
<b>Restated total comprehensive income for the year</b>	129,310	(27,864)	101,446
<b>Transactions with owners in their capacity as owners:</b>			
Issue of share capital (net of transaction costs)	204,755	-	204,755
<b>At 30 June 2009</b>	<b>334,065</b>	<b>(27,864)</b>	<b>306,201</b>
<b>Total comprehensive income for the year</b>	-	(365,880)	(365,880)
<b>Transactions with owners in their capacity as owners:</b>			
Issue of share capital (net of transaction costs)	31,586	-	31,586
<b>At 30 June 2010</b>	<b>365,651</b>	<b>(393,744)</b>	<b>(28,093)</b>
<b>Total comprehensive income for the year</b>	-	(67,430)	(67,430)
<b>Transactions with owners in their capacity as owners:</b>			
Issue of share capital (net of transaction costs)	54,360	-	54,360
<b>At 30 June 2011</b>	<b>420,011</b>	<b>(461,173)</b>	<b>(41,162)</b>

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

**SUNDERMANN WATER POWER LIMITED**  
**ACN 131 103 869**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	<b>Note</b>	<b>2011</b>	<b>2010</b>
		\$	\$
<b>Cash flows from operating activities</b>			
Cash received from receivables		98,810	-
Cash paid to suppliers and employees		(64,516)	(72,490)
Interest received		1,964	453
Net cash from operating activities	10(a)	36,258	(72,037)
<b>Cash flows from investing activities</b>			
Acquisition of intangible assets		(50,801)	(81,583)
Net cash from investing activities		(50,801)	(81,583)
<b>Cash flows from financing activities</b>			
Proceeds from share issues net of capital raising costs		54,360	31,586
Repayment of borrowings		(6,000)	-
Proceeds from borrowings		20,502	59,900
Net cash from financing activities		68,862	91,486
Net increase/(decrease) in cash and cash equivalents		54,319	(62,134)
Cash and cash equivalents at the beginning of the financial year		2,217	64,351
<b>Cash and cash equivalents at the end of the financial year</b>	10(b)	<b>56,536</b>	<b>2,217</b>

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

**SUNDERMANN WATER POWER LIMITED**  
**ACN 131 103 869**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**1. Reporting entity**

Sundermann Water Power Limited (the "Company") is an unlisted public company domiciled in Australia. The financial statements of the Company are for the year ended 30 June 2011. The Company is primarily involved in the design and development of submerged water powered turbines.

**2. Basis of preparation**

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

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 otherwise stated.

The financial statements have been prepared on an accruals 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.

The financial statements were approved by the Board of Directors on 18 November 2011.

**3. Significant accounting policies**

The accounting policies set out below have been applied consistently in all periods presented in the financial statements.

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

**Revenue and other income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method.

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

**Trade and other receivables**

**Trade debtors**

Trade debtors relate to goods sold on agreed trading terms, and are non-interest bearing and stated at amortised cost less impairment losses.

**SUNDERMANN WATER POWER LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**Other receivables**

Other receivables comprise net GST receivable.

**Income tax**

The income tax revenue for the year comprises current income tax income and deferred tax income.

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax assets are measured at the amounts expected to be recovered from the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense/income is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

**Trade and other payables**

Trade and other payables are stated at amortised cost.

**Impairment**

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for intangible assets with indefinite lives.

**SUNDERMANN WATER POWER LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**3. Significant accounting policies (continued)**

**Goods and services tax**

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

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

**Intangible assets accounting policy**

Intangible assets comprise turbine development costs which have been recognised at cost less any impairment losses.

**New standards and interpretations not yet adopted**

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2011, but have not been applied in preparing these financial statements.

- (i) AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 will become mandatory for the company's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The company has not yet determined the potential effect of the standard.
  
- (ii) AASB 124: *Related Party Disclosures* (applicable for annual reporting periods commencing on or after 1 January 2011). This Standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies the definition of a "related party" to remove inconsistencies and simplify the structure of the Standard. No changes are expected to materially affect the Group.



**SUNDERMANN WATER POWER LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**3. Significant accounting policies (continued)**

**New standards and interpretations not yet adopted (continued)**

- (iii) AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010–2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013). AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:
- Tier 1: Australian Accounting Standards; and
- Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.
- Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.
- The following entities are required to apply Tier 1 reporting requirements (ie full IFRS):
- for-profit private sector entities that have public accountability; and
- the Australian Government and state, territory and local governments.
- Since the Company is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.
- (iv) AASB 2010–2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific “RDR” disclosures.
- (v) AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011). This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the Group.
- (vi) AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement – AASB 14 make amendments to Interpretation 14 AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements removing an unintended consequence arising from the treatment of the prepayments of future contributions in some circumstances when there is a minimum funding requirement. The amendments will become mandatory for the entity’s 30 June 2012 financial statements, with retrospective application required. The amendments are not expected to have any impact.

**SUNDERMANN WATER POWER LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**3. Significant accounting policies (continued)**

**New standards and interpretations not yet adopted (continued)**

- (vii) AASB 2010–4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011).  
This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:  
-clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;  
-adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;  
-amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;  
-adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and  
-making sundry editorial amendments to various Standards and Interpretations.  
This Standard is not expected to impact the company.
- (viii) AASB 2010–5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).  
This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.
- (ix) AASB 2010–6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).  
This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets. This Standard is not expected to impact the company.
- (x) AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).  
This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9. As noted above, the Group has not yet determined any potential impact on the financial statements from adopting AASB 9.

**SUNDERMANN WATER POWER LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**3. Significant accounting policies (continued)**

**New standards and interpretations not yet adopted (continued)**

- (xi) AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).  
This Standard makes amendments to AASB 112: Income Taxes.  
The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property. Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.  
The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112.  
The amendments are not expected to impact the company.
- (xii) AASB 2010–9: Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] (applies to periods beginning on or after 1 July 2011).  
This Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards.  
The amendments brought in by this Standard provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards. Furthermore, the amendments brought in by this Standard also provide guidance for entities emerging from severe hyperinflation either to resume presenting Australian-Accounting-Standards financial statements or to present Australian-Accounting-Standards financial statements for the first time.  
This Standard is not expected to impact the company.
- (xiii) AASB 2010–10: Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009–11 & AASB 2010–7] (applies to periods beginning on or after 1 January 2013).  
This Standard makes amendments to AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010). The amendments brought in by this Standard ultimately affect AASB 1: First-time Adoption of Australian Accounting Standards and provide relief for first-time adopters from having to reconstruct transactions that occurred before their transition date. [The amendments to AASB 2009–11 will only affect early adopters of AASB 2009–11 (and AASB 9: Financial Instruments that was issued in December 2009) as it has been superseded by AASB 2010–7.]. This Standard is not expected to impact the company.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	<b>2011</b>	<b>2010</b>
	\$	\$
<b>4. Cash and cash equivalents</b>		
Bank balances	56,536	2,217
<b>5. Trade and other receivables</b>		
<b>Current</b>		
R&D Tax Credit Receivable	27,030	96,447
GST receivable	4,287	8,675
	31,317	105,122
<b>6. Intangible Assets</b>		
Intellectual property and patents at cost	394,693	343,892
Provision for impairment	(394,693)	(343,892)
	-	-
<b>7. Trade and other payables</b>		
<b>Current</b>		
Trade Creditors	19,261	33,181
Accrued audit fees	-	7,000
	19,261	40,181
<b>Non – current</b>		
Amount owing to Director – Fred Sundermann	59,874	59,874
Amount owing to Director – Alex Moule	21,377	21,377
Amount owing to Director – Vic Nikolsky	8,000	14,000
Amount owing to Director – Ed Gibson	20,502	-
	109,753	95,251

Amounts payable to directors are unsecured, interest free and have no fixed terms of repayment. The directors have agreed to defer any repayment of the loans until such time as the company can repay the balances.

**SUNDERMANN WATER POWER LIMITED**  
**ACN 131 103 869**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**8. Share capital**

**Reconciliation of movements in share capital**

	<b>Number of shares</b>
Opening balance at 1 July 2009	442,000,000
Shares issued in the year ended 30 June 2009:	
Issued for cash	13,750,000
Issued for nil consideration	1,000,000
Total	<u>14,750,000</u>
Closing balance at 30 June 2009	456,750,000
Shares issued in the year ended 30 June 2010:	
Issued for cash	1,750,000
Issued for nil consideration	4,000,000
Total	<u>5,750,000</u>
Closing balance at 30 June 2010	462,500,000
Shares issued in the year ended 30 June 2011:	
Issued for cash	3,000,000
Issued for nil consideration	-
Total	<u>3,000,000</u>
Closing balance at 30 June 2011	465,500,000

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after creditors and are entitled to any surplus proceeds on liquidation.

**9. Dividends**

**2011**

There were no dividends paid or declared in the year ended 30 June 2011.

**2010**

There were no dividends paid or declared in the year ended 30 June 2010.

**2009**

There were no dividends paid or declared in the year ended 30 June 2009.

**SUNDERMANN WATER POWER LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**10.(a) Reconciliation of cash flows from operating activities**

	<b>2011</b>	<b>2010</b>
	\$	\$
Profit/(loss) for the year	(67,430)	(365,880)
<b>Non-cash movements:</b>		
Impairment of intangibles	50,801	343,892
<b>Movement in assets/liabilities:</b>		
(Increase)/decrease in trade and other receivables	73,806	(40,766)
(Decrease)/increase in trade and other payables	(20,919)	(9,283)
Net cash/(deficit) from/(used in) operating activities	36,258	(72,037)

**10. (b) For the purpose of the statement of cash flows, cash is reconciled to the statement of financial position as follows:**

	<b>2010</b>	<b>2010</b>
	\$	\$
Cash and cash equivalents (note 4)	56,536	2,217
	56,536	2,217

**11. Subsequent events**

Since year end the company has issued 3,000,000 shares to investors for a value of \$0.01 per share.

Since year end the company has issued 20,000,000 shares to directors in lieu of payment for their services.

In May 2011 the company entered into a contract to build the T3 prototype. The contract price was \$52,666 (excluding GST). The T3 prototype has now been completed at a total cost of \$77,890.

**12. Auditor's remuneration**

	<b>2011</b>	<b>2010</b>
	\$	\$
<b>Audit services:</b>		
<b>Auditors of the Company:</b>		
Audit of financial statements	4,270	7,000
	4,270	7,000

**SUNDERMANN WATER POWER LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**13. Going concern**

The Directors have adopted the going concern basis of accounting for the following reasons:

- The Company, as a research and development company, continues to make good progress in the development of its water powered turbine for the generation of electricity.
- The T3 prototype is completed and initial static testing shows impressive results, further testing is imminent and will enable the company to have the data required to move forward to production of a commercial product.
- The Board continues to successfully raise funds through ASSOB. A new offer document has been registered to raise a further \$400,000.

The Board has considered its funding requirements for the operating and capital needs and has formed the view that it has allowed adequate funding for this purpose

**14. Capital risk management**

The company manages its capital to ensure that the company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

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

The Board of Directors monitors the return on capital.

**SUNDERMANN WATER POWER LIMITED**  
**ACN 131 103 869**

**Directors' Declaration**  
**FOR THE YEAR ENDED 30 JUNE 2011**

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 9 to 22, are in accordance with the Corporations Act 2001 and:

- a. comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
- b. give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the company and consolidated group;

2. The directors of the company declare that:

- a. the financial records of the company for the financial year have been properly maintained in accordance with s 286 of the Corporations Act 2001;
- b. the financial statements and notes for the financial year comply with Accounting Standards; and
- c. the financial statements and notes for the financial year give a true and fair view; and

3. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Edward Gibson  
Director

18 November 2011



**SUNDERMANN WATER POWER LIMITED**  
**ACN 131 103 869**

**INDEPENDENT AUDITOR'S REPORT**

To the members of Sundermann Water Power Company Limited

**Report on the Financial Statements**

We have audited the accompanying financial statements being special purpose financial statements of Sundermann Water Power Company Limited which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

**Directors' Responsibility for the Financial Statements**

The directors of the company are responsible for the preparation and fair presentation 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 is free from material misstatement, whether due to fraud or error. In Note 1, 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 (IFRS).

**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. Those 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 judgment, 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.

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Tel: (03) 9880 4999 Fax: (03) 9880 4962 Website: www.kmsfinancial.com.au

## **Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

## **Auditor's Opinion**

In our opinion the financial statements of Sundermann Water Power Company Limited are in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1, and
- (b) complying with Australian Accounting Standards to the extent described in Note 1 and complying with the Corporations Regulations 2001.

## **Emphasis of Matter in Relation to Uncertainty Regarding Going Concern**

Without qualifying our opinion attention is drawn to the following matter as disclosed in Note 13 of the financial statements:

For the year ended 30 June 2011 the Company incurred a loss before tax of \$67,430 and at that date had a working capital surplus of \$68,592.

The Directors have adopted the going concern basis of accounting for the following reasons:

- The Company, as a research and development company, continues to make good progress in the development of its water powered turbine for the generation of electricity.
- The T3 prototype is completed and initial static testing shows impressive results, further testing is imminent and will enable the company to have the data required to move forward to production of a commercial product.
- The Board continues to successfully raise funds through ASSOB. A new offer document has been registered to raise a further \$400,000.
- The Board has considered its funding requirements for the operating and capital needs and has formed the view that it has allowed adequate funding for this purpose

These conditions as set forth in Note 13 are dependent upon future events and therefore constitute a significant uncertainty over the company's ability to continue as a going concern and to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

## **KMS Financial Solutions**

**DARREN MUNRO**

**Director**

**Balwyn, November 2011**