



## Managing Director's Report

The year under review proved once again very challenging for the company and its directors where the main focus was to achieve 3 main objectives.

1. Complete a series of trials and tests of the T3 turbine prototype in a controlled environment. The subsequent testing of the turbine prototype yielded several mixed results that have further challenged the refinement of the system to commercialisation applications. It is pleasing to report that the turbine device itself performed very well in all situations. What was identified however was that work was still to be done in designing the secondary components required to provide a complete unit.
2. Seek further investors! This has again proven to be a very tough task for SWP, however, the company was able to attract sufficient investment to meet the operational and intellectual property expenditure requirements for the year.
3. Identify and explore the potential markets once the Turbine System is packaged for sale. SWP received some very positive outcomes with very good interest from companies within Europe. It has been identified that there are very strong opportunities for the Sundermann Turbine system to fill a particular market need.

### 2013

After the completion of the testing in Victoria the T3 prototype was transported back to the factory in Queensland to undergo a maintenance and component check. The device will be made ready for the next series of tests in the near future.

I extend my sincere thanks to Fred Sundermann and his testing team for all their efforts under very difficult circumstances.

The Sundermann Turbine has a place in the low-head hydro energy market supported by powerful trends sweeping the world lending support to our future prospects. Global population continues to grow, surpassing 7 billion during the year. Of equal importance, rising prosperity, particularly in developing economies such as Brazil, Russia, India and China, is leading to a greater need for food and especially energy. Our challenge is to attract significant investment to complete our product to commercialisation.

Recently Dr Ulrich Hartig was appointed to the Sundermann Water Power Board. Ulrich has over 35 years of professional experience in Australia, France, Germany, South Korea, Brazil and Canada. He is a chemical engineer and was a senior manager of the BASF Group.

He then successfully assisted a large number of companies with investment projects and exports during his time with the Australian Federal Government in his role as the Investment Commissioner Europe and Senior Trade Commissioner. His international exposure has provided him with the practical experience in dealing with the bureaucracies in many countries, as well as the cultural context of achieving business deals.

Ulrich spends months of each year in Australia and 6 months in Europe providing advice on business processes, corporate structure, policies and strategies as well as with the market introduction of new products and processes. He is fluent in English, French, German and Portuguese.

We welcome Ulrich and believe he adds an important skill set to the company and has already proven his capacity to broker critical relationships.

I would like to formally extend to my fellow Directors and in particular Anne Hallam, a huge thank you.

Ed Gibson - Managing Director

A handwritten signature in black ink, appearing to read "Ed Gibson", written over a light blue circular watermark.

# **SUNDERMANN WATER POWER LIMITED**

**ACN 131 103 869**

## **FINANCIAL STATEMENTS**

**YEAR ENDED 30 JUNE 2012**

**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**

The Directors present their report together with the financial statements of Sundermann Water Power Limited ("the Company") for the financial year ended 30 June 2012.

**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>
<b>Ed Gibson</b> Age 54	<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 20 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>
<b>Fred Sundermann</b> Age 72	<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>
<b>Leigh Bennett</b> Age 55	<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, feasibility 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)**

**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 15 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	12	12
Fred Sundermann	12	12
Leigh Bennett	12	12

**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 2012, the company had a loss of \$127,147 (2011: Loss of \$67,430).

**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 decreased by \$49,619 from 30 June 2011 to \$90,781 in 2012.

**Dividends**

There were no dividends paid in the year ending 30 June 2012 (2011: nil).

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

**DIRECTORS' REPORT (continued)**

**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 commercialisation of its water powered turbine for the generation of electricity.
- The T3 prototype is completed and testing shows impressive results, initial marketing enquiries have been positive.
- The financial statements have been prepared on a very conservative basis with the full impairment of the development costs until such time as the turbine is fully commercialised.
- 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**

Developments continue to be made into the commercialisation of the T3 prototype.

**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.

**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	309,825,000
Ed Gibson	3	23,000,000
Leigh Bennett	3	20,000,000

**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 2012, or since the end of the financial year.

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

**DIRECTORS' REPORT (continued)**

**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 of 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.

**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**

	2012	2011
<b>Audit services:</b>	\$	\$
<b>Auditor's of the Company:</b>		
Audit of financial reports	2,000	4,270
	<hr/> 2,000	<hr/> 4,270

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

**DIRECTORS' REPORT (continued)**

**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 2012.

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

At *BALWIN*, on this Day *12<sup>th</sup>* November 2012

A handwritten signature in black ink, appearing to be 'E. Gibson', written over a horizontal line.

**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**

In accordance with the requirements of section 307C of the Corporations Act 2001, I declare that, to the best of my knowledge and belief, during the year ended 30 June 2012 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 14<sup>th</sup> day of November 2012

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

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2012**

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>		
Sales	-	4,364
Interest receivable	-	1,964
<b>Total Income</b>	<b>-</b>	<b>6,328</b>
<b>Expenses</b>		
Impairment of intangible assets	75,262	50,801
Accounting, secretarial and administration	5,388	2,223
Auditor's remuneration	2,000	4,270
Bank charges	223	209
Consulting for preparation of government grants	-	-
Insurance for directors and officers liability	4,409	4,409
Printing and stationary	245	-
Interest paid	-	765
Patent renewal	34,740	36,934
Web page design and maintenance	880	1,177
<b>Total expenses</b>	<b>123,147</b>	<b>100,788</b>
<b>Profit/(loss) before income tax expense</b>	<b>(123,147)</b>	<b>(94,460)</b>
Income tax (expense)/benefit	-	27,030
<b>Profit/(loss) for the year - attributable to members of the company</b>	<b>(123,147)</b>	<b>(67,430)</b>
Other comprehensive income	-	-
<b>Total comprehensive income – attributable to members of the company</b>	<b>(123,147)</b>	<b>(67,430)</b>

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 2012**

	Note	2012 \$	2011 \$
<b>Current assets</b>			
Cash and cash equivalents	4	6,666	56,536
Trade and other receivables	5	30,488	31,317
<b>Total current assets</b>		37,154	87,853
<b>Non-current assets</b>			
Intangibles	6	-	-
<b>Total non-current assets</b>		-	-
<b>Total assets</b>		37,154	87,853
<b>Liabilities</b>			
Trade and other payables	7	25,091	19,261
<b>Total current liabilities</b>		25,091	19,261
<b>Non-current liabilities</b>			
Loans from Directors and Others	7	102,844	109,754
<b>Total</b>		102,844	109,754
<b>Total liabilities</b>		127,935	129,015
<b>Net assets/(liabilities)</b>		(90,781)	(41,162)
<b>Equity</b>			
Share capital	8	493,538	420,011
Accumulated losses		(584,319)	(461,173)
<b>Total equity</b>		(90,781)	(41,162)

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 2012**

	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>	<b>129,310</b>	<b>(27,864)</b>	<b>101,446</b>
<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>
<b>Total comprehensive income for the year</b>	-	(123,147)	(123,147)
<b>Transactions with owners in their capacity as owners:</b>			
Issue of share capital (net of transaction costs)	73,527	-	73,527
<b>At 30 June 2012</b>	<b>493,538</b>	<b>(584,319)</b>	<b>(90,781)</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 2012**

	<b>Note</b>	<b>2012</b>	<b>2011</b>
		\$	\$
<b>Cash flows from operating activities</b>			
Cash received from receivables		-	98,810
Cash paid to suppliers and employees		(41,226)	(64,516)
Interest received		-	1,964
Net cash from operating activities	10(a)	(41,226)	36,258
<b>Cash flows from investing activities</b>			
Acquisition of intangible assets		(75,262)	(50,801)
Net cash from investing activities		(75,262)	(50,801)
<b>Cash flows from financing activities</b>			
Proceeds from share issues net of capital raising costs		73,527	54,360
Repayment of borrowings		(6,978)	(6,000)
Proceeds from borrowings		69	20,502
Net cash from financing activities		66,618	68,862
Net increase/(decrease) in cash and cash equivalents		(49,870)	54,319
Cash and cash equivalents at the beginning of the financial year		56,536	2,217
Cash and cash equivalents at the end of the financial year	10(b)	6,666	56,536

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**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**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 2012. 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 12 November 2012.

**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**  
**ACN 131 103 869**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**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**  
**ACN 131 103 869**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**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**

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement.

Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements are provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

***AASB 9 Financial Instruments (effective from 1 January 2013)***

The AASB aims to replace AASB 139 *Financial Instruments: Recognition and Measurement* in its entirety. The replacement standard (AASB 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed. Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Company. However, they do not expect to implement the amendments until all chapters of AASB 9 have been published and they can comprehensively assess the impact of all changes.

***AASB 13 Fair Value Measurement (AASB 13)***

AASB 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2013. The Company's management have yet to assess the impact of this new standard.



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

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2012**

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

*AASB 2011-9 Amendments to Australian Accounting Standards Presentation of Items of Other Comprehensive Income s (AASB 101 Amendments)*

The AASB 101 Amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for annual periods beginning on or after 1 July 2012. The Company's management expects this will change the current presentation of items in other comprehensive income; however, it will not affect the measurement or recognition of such items.

*Amendments to IAS 32 Financial Instruments: Presentation and IFRS 7 Financial Instruments: Disclosures 5*

The amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities. Qualitative and quantitative disclosures have been added to IFRS 7 relating to gross and net amounts of recognised financial instruments that is (a) set off in the statement of financial position and (b) subject to enforceable master netting arrangements and similar agreements, even if not set off in the statement of financial position. The amendments are applicable for annual periods beginning on or after 1 January 2014. The Company's management have yet to assess the impact of these amendments.

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2012**

	<b>2012</b>	<b>2011</b>
	\$	\$
<b>4. Cash and cash equivalents</b>		
Bank balances	6,666	56,536
<b>5. Trade and other receivables</b>		
<b>Current</b>		
R&D Tax Credit Receivable	27,030	27,030
GST receivable	3,458	4,287
	30,488	31,317
<b>6. Intangible Assets</b>		
Intellectual property and patents at cost	469,955	394,693
Provision for impairment	(469,955)	(394,693)
	-	-
<b>7. Trade and other payables</b>		
<b>Current</b>		
Trade Creditors	23,091	19,261
Accrued audit fees	2,000	-
	25,091	19,261
<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	2,000	8,000
Amount owing to Director – Ed Gibson	19,524	20,502
Other Loans	69	-
	102,844	109,753

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 2012**

**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	14,750,000
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	5,750,000
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	3,000,000
Closing balance at 30 June 2011	465,500,000
Shares issued in the year ended 30 June 2012:	
Issued for cash	4,000,000
Issued for nil consideration	21,000,000
Total	25,000,000
Closing balance at 30 June 2012	490,500,000

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.

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**9. Dividends**

**2012**

There were no dividends paid or declared in the year ended 30 June 2012.

**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.

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

	2012	2011
	\$	\$
Profit/(loss) for the year	(123,147)	(67,430)
<b>Non-cash movements:</b>		
Impairment of intangibles	75,262	50,801
<b>Movement in assets/liabilities:</b>		
(Increase)/decrease in trade and other receivables	829	73,806
(Decrease)/increase in trade and other payables	5,830	(20,919)
Net cash/(deficit) from/(used in) operating activities	(41,226)	36,258

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

	2012	2011
	\$	\$
Cash and cash equivalents (note 4)	6,666	56,536
	6,666	56,536

**11. Subsequent events**

Developments continue to be made into the commercialisation of the T3 prototype.

**12. Auditor's remuneration**

	2012	2011
	\$	\$
<b>Audit services:</b>		
<i>Auditors of the Company:</i>		
Audit of financial statements	2,000	4,270
	2,000	4,270

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**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 commercialisation of its water powered turbine for the generation of electricity.
- The T3 prototype is completed and testing shows impressive results, initial marketing enquiries have been positive.
- The financial statements have been prepared on a very conservative basis with the full impairment of the development costs until such time as the turbine is fully commercialised.
- 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.

**15. Contingent Assets**

There have been significant changes this year in the rules and regulations governing the company's ability to claim a tax refund for their R&D expenditure. As such the company has not recognised a receivable asset in relation to the R&D Tax Incentive this year.

The company intends to apply to the Australian Taxation Office (ATO) for a ruling to determine its eligibility. If the ATO deems the company eligible then they will be able to claim a tax refund of up to \$33,868 when the company tax return is lodged. The company will not be lodging their return until the results of the ruling are known.

**16. Post-reporting date events**

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation.

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

**Directors' Declaration  
FOR THE YEAR ENDED 30 JUNE 2012**

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 9 to 20, 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 2012 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:

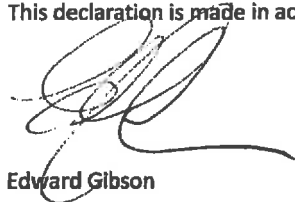
a. the financial records of the company for the financial year have been properly maintained in accordance with s 286 of the Corporations Act 2001;

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

 November 2012



**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 2012, 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 2012 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 2012 the Company incurred a loss before tax of \$123,147 and at that date had a working capital surplus of \$12,063.

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 commercialisation of its water powered turbine for the generation of electricity.
- The T3 prototype is completed and testing shows impressive results, initial marketing enquiries have been positive.
- The financial statements have been prepared on a very conservative basis with the full impairment of the development costs until such time as the turbine is fully commercialised.
- 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

Bahwyn, 12 November 2012