



**SUNDERMANN**  
WATER POWER

# Financial Statements

Year ended 30 June 2010

**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 61741978702  
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**

WHK Horwath Brisbane

SUNDERMANN WATER POWER LIMITED  
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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 2010.

Directors

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

Name and qualifications	Experience, special responsibilities and other directorships
Ed Gibson Age 52	<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 70	<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 53	<p>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>

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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.

Vic Nikolsky  
Age 61

Appointed a Director on 15 May 2008. Vic Nikolsky has a degree in metallurgy from RMIT. He began his working career at the General Motors Holden Foundry in Melbourne, where he held several senior management positions including National Service Manager and National Field Operations Manager. Vic gained further managerial experience as National After Sales Executive with Saab Scania and later with Berendsen Fluid Power, a Hydraulic Engineering company. Vic successfully negotiated a multi million dollar contract to manufacture Hydraulic Power Units in Australia for Vestas Wind Turbines.

Subsequently, Vic became a foundation member of the Victorian Wind Energy Network, a Victorian Government initiative to develop a renewable energy manufacturing industry. He worked with the Network for over eight years and participated in four Victorian Government Trade Missions to Europe, during which time gained considerable experience in wind farm projects. It is this experience with power generation that will be of particular importance in this venture.

Vic is currently the General Manager of a large Engineering company based in Melbourne, Victoria, where he is responsible for the employment of a staff of over 100 trades persons and executive staff. He brings extensive experience in manufacturing and construction of projects to the board, particularly in the fields of management, manufacturing and power generation.

Vic retired from the board on 17 March 2010.

Alex Moule  
Age 60

Appointed a Director and Company Secretary on 15 May 2008. Dr Moule is a registered specialist endodontist. He graduated with honours in Dentistry, University of Queensland in 1971 and completed a PhD in 1979. Since that time, he has worked in the public sector, as an academic for fifteen years and in private practice for the past twenty years. He is currently the principal of a large specialist endodontic practice in Queensland with surgeries in Brisbane, Toowoomba and the Gold Coast. He holds an Associate Professor appointment at the University of Queensland and has been honoured with several international fellowships. He is a past president of the Australian and New Zealand Academy of Endodontists, on the scientific advisory committee of three international Journals and has over forty publications.

Dr Moule brings to the board his skills as a successful small businessman and his proven research record. He is experienced in writing grant applications and research protocols, and in managing staff.

Alex retired from the board on 27 November 2009.

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DIRECTORS' REPORT (continued)

Joint Company Secretary

Alex Moule has been company secretary from 15 May 2008 to 27 November 2009. Don McKenzie was company secretary from 7 June 2008 to 27 November 2009.

Anne Hallam CA  
Age 36

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.

Don Mackenzie  
FCA Age 64

Don has held senior positions with public companies involved in the rural and manufacturing industries and since 1993 has provided corporate services predominantly to public companies involved in the manufacturing, rural, mining and information technology sectors. Don is currently a Director of Forest Place Company Limited and Occupational & Medical Innovations Limited and is an alternate director of, Silver Chef Limited.

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:

Director	Meetings attended	Meetings eligible to attend
Ed Gibson	2	2
Fred Sundermann	11	11
Geoff Park	6	6
Vic Nikolsky	9	9
Alex Moule	6	6
Leigh Bennett	-	-

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 2010, the company had a loss of \$365,880 (2009: Loss of \$27,864).

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.

Dividends

There were no dividends paid in the year ending 30 June 2010 (2009: nil).

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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 development of its water powered turbine for the generation of electricity.
- The planning and design phase of the prototype is nearing completion which once manufactured and tested will enable the company to move forward to commercialisation.
- The Board continues to successfully raise funds through ASSOB. Currently it is 25% subscribed with its Round 3 offer 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.
- The directors, Fred Sundermann and Ed Gibson have undertaken to fund the operations on a needs basis for at least twelve months from the date of this report at which time the company will repay their advances or their loans will be converted to equity.

Events subsequent to reporting date

Since the year end the company has issued 4,000,000 shares to investors for a value of \$0.02 per share.

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:

	Notes	Holding
Directors		
Fred Sundermann	1,3	341,825,000
Vic Nikolsky	1,2	42,750,000
Alex Moule	1,3	21,375,000
Geoff Park	3	10,000,000
Ed Gibson	3	1,000,000

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.

SUNDERMANN WATER POWER LIMITED  
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DIRECTORS' REPORT (continued)

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

There were no options granted during the year ended 30 June 2010, 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.

Non - audit services

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

Auditor-s remuneration

	2010	2009
Audit services:	\$	\$
<b>Auditor's of the Company:</b>		
Audit of financial reports	7,000	8,000
	<u>7,000</u>	<u>8,000</u>

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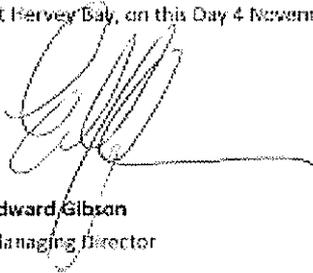
DIRECTORS' REPORT (continued)

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 2010.

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

At Hervey Bay, on this Day 4 November 2010

A handwritten signature in black ink, appearing to read 'E. Gibson', with a long horizontal line extending to the right.

**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 2010 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.



**WHK Horwath**



**VANESSA DE WAAL  
Principal**

Dated this 4<sup>th</sup> day of November 2010

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*Total Financial Solutions*

**Member Crowe Horwath International**

WHK Horwath Brisbane  
Level 16 WHK Horwath Centre 120 Edward Street  
Brisbane Queensland 4000 Australia  
GPO Box 736 Brisbane Queensland 4001 Australia  
Telephone +61 7 3233 3555 Facsimile +61 7 3233 3567  
Email [bris@whkhorwath.com.au](mailto:bris@whkhorwath.com.au) [www.whkhorwath.com.au](http://www.whkhorwath.com.au)  
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SUNDERMANN WATER POWER LIMITED  
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STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
		Restated
	\$	\$
Revenue		
Interest receivable	453	788
Total Income	453	788
Expenses		
Impairment of intangible assets	343,892	-
Accounting, secretarial and administration	6,957	21,045
Auditor's remuneration	7,500	8,000
Bank charges	302	175
Consulting for preparation of government grants	6,500	13,000
Insurance for directors and officers liability	6,929	5,422
Legal expense	818	1,150
Office expenses	-	1,143
Patent renewal	40,089	22,539
Web page design and maintenance	1,759	4,162
Total expenses	414,756	76,676
<b>Profit/(loss) before income tax expense</b>	(414,303)	(75,888)
Income tax (expense)/benefit	48,423	48,024
<b>Profit/(loss) for the year - attributable to members of the company</b>	(365,880)	(27,864)
Other comprehensive income	-	-
Total comprehensive income – attributable to members of the company	(365,880)	(27,864)

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

SUNDERMANN WATER POWER LIMITED  
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STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2010

	Note	2010 \$	2009 Restated \$
Current assets			
Cash and cash equivalents	4	2,217	64,351
Trade and other receivables	5	105,122	84,356
<b>Total current assets</b>		<b>107,339</b>	<b>148,707</b>
Non-current assets			
Intangibles	6	-	235,845
<b>Total non-current assets</b>		<b>-</b>	<b>235,845</b>
<b>Total assets</b>		<b>107,339</b>	<b>384,552</b>
Liabilities			
Trade and other payables	7	40,181	23,000
<b>Total current liabilities</b>		<b>40,181</b>	<b>23,000</b>
Non-current liabilities			
Loans from Directors	7	95,251	35,351
<b>Total</b>		<b>95,251</b>	<b>35,351</b>
<b>Total liabilities</b>		<b>135,432</b>	<b>58,351</b>
<b>Net assets/(liabilities)</b>		<b>(28,093)</b>	<b>306,201</b>
Equity			
Share capital	8	365,651	314,065
Accumulated losses		(393,744)	(77,864)
<b>Total equity</b>		<b>(28,093)</b>	<b>306,201</b>

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

**SUNDERMANN WATER POWER LIMITED**  
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**STATEMENT OF CHANGES IN EQUITY**  
**AS AT 30 JUNE 2010**

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

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

SUNDERMANN WATER POWER LIMITED  
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STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
Note	\$	\$
Cash flows from operating activities		
Cash paid to suppliers and employees	(72,450)	(63,704)
Interest received	453	788
Net cash from operating activities	10(a) <u>(72,037)</u>	<u>(67,916)</u>
Cash flows from investing activities		
Acquisition of intangible assets	(81,583)	(235,845)
Net cash from investing activities	<u>(81,583)</u>	<u>(235,845)</u>
Cash flows from financing activities		
Proceeds from share issues net of capital raising costs	31,586	204,755
Proceeds from borrowings	59,030	35,352
Net cash from financing activities	<u>91,486</u>	<u>240,107</u>
Net increase/(decrease) in cash and cash equivalents	(62,134)	(63,654)
Cash and cash equivalents at the beginning of the financial year	64,351	128,005
Cash and cash equivalents at the end of the financial year	10(b) <u>2,317</u>	<u>64,351</u>

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

SUNDERMANN WATER POWER LIMITED  
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NOTES TO THE **FINANCIAL** STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

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 2010. The Company is primarily involved in the design and development of submerged water powered turbines.

2. Basis of preparation

(a) Statement of compliance

The financial statements are special purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

The financial statements comply with all recognition and measurement requirements of Australian Accounting Standards and the disclosure requirements of the following Australian Accounting Standards:

- AASB 101 *Presentation of Financial Statement*
- AASB 107 *Cash Flow Statements*
- AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
- AASB 1031 *Materiality*
- AASB 1048 *Interpretation and Application of Standards*

(b) Changes in accounting policies

The company has adopted the following new and revised Australian Accounting Standards issued by the AASB which have mandatory application to the current year. Disclosures required by these Standards that are deemed material have been included in these financial statements on the basis that they represent a significant change in information from that previously made available.

Presentation of financial statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in these financial statements include:

- The replacement of Income Statement with Statement of Comprehensive Income. Total comprehensive income includes the changes in equity during the period other than changes resulting from transactions with owners in their capacity as owners. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'.
- The adoption of a single statement approach to the Statement of Comprehensive Income.
- Other financial statements are renamed in accordance with the Standard.
- The disclosure of a third statement of financial position at the beginning of the comparative period if the entity has made a prior period adjustment.

The financial statements were approved by the Board of Directors on 4 November 2010.

(c) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(d) Functional and presentation **currency**

These financial statements are presented in Australian dollars, which is the Company's functional currency.

(e) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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NOTES TO THE **FINANCIAL** STATEMENTS (continued)  
FOR THE YEAR ENDED 30 JUNE 2010

(e) Use of estimates and judgements (continued)

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

Management have discussed with the Board the development, selection and disclosure of the entity's critical accounting policies and basis of estimates, and have reviewed the application of these policies and estimates.

(f) Critical accounting judgments in applying the consolidated entity's accounting policies

In the preparation of the financial statements, the Directors have considered the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next annual reporting period, in particular in relation to the recoverability of intangible assets.

3. Significant accounting policies

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

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

(b) 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.

Other receivables

Other receivables comprise net GST receivable.

(c) Income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(d) Trade and other payables

Trade and other payables are stated at amortised cost.

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NOTES TO THE **FINANCIAL** STATEMENTS (continued)  
FOR THE YEAR ENDED 30 JUNE 2010

3. Significant accounting policies (continued)

(e) Impairment

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is only recognised when the aggregate carrying amount of all non-financial assets exceeds the recoverable amount of the present value of the discounted cash flow of the cash generating units.

Impairment losses are recognised in the statement of **comprehensive** income, unless an asset has been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

f) Interest revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

(g) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the statement of financial position.

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

(h) Intangible assets accounting policy

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

(i) 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 2010, 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 consolidated entity'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 consolidated entity has not yet determined the potential effect of the standard.

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2010**

3. Significant accounting policies (continued)

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

- (ii) AASB 124 Related party Disclosures (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for the entity's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.
  
- (iii) AASB 2009-5 Further amendments to Australian Accounting Standards arising from the Annual Improvements Process affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the entity's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
  
- (iv) AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AASB 2 – Group and Treasury Share Transactions will be withdrawn from the application date. The amendments, which will become mandatory for the entity's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
  
- (v) AASB 2009-10 Amendments to Australian Accounting Standards – *Classification* of Rights issue (AASB 132) (October 2010) clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments, which will become mandatory for the entity's 30 June 2011 financial statements, are not expected to have any impact on the financial statements.
  
- (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.
  
- (vii) IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. IFRIC 19 will become mandatory for the entity's 30 June 2011 financial statements, with retrospective application required. The entity has not yet determined the potential effect of the interpretation.

The company has not yet determined the impact of the above new accounting standards and amendments.

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2010**

(j) Prior period error

In 2009, a research and development tax credit should have been recognised as an income tax benefit in the statement of comprehensive income with a corresponding entry to tax receivable in the statement of financial position.

The comparatives in the financial statements have been restated to reflect the above.

There was no impact of the above on the financial statements as at 1 July 2008 or prior to that date. As such, a statement of financial position as at 1 July 2008 has not been presented as required by AASB 101 *Presentation of Financial Statements, paragraph 10(f)*.

4. Cash and cash equivalents

	2010	2009 Restated
	\$	\$
Bank balances	2,217	64,351

5. Trade and other receivables

Current

Trade debtors – advances to patent attorney	-	4,771
R&D Tax Credit Receivable	96,447	48,024
GST receivable	8,675	11,561
	105,122	64,356

6. Intangible Assets

Intellectual property and patents at cost	343,892	235,845
Provision for impairment	(343,892)	-
	-	235,845

7. Trade and other payables

Current

Trade Creditors	33,181	-
Accrued accounting, secretarial and administration	-	15,000
Accrued audit fees	7,000	8,000
	40,181	23,000

Non – current

Amount owing to Director – Fred Sundermann	59,874	24,874
Amount owing to Director – Alex Moule	21,377	10,478
Amount owing to Director – Vic Nikolsky	14,000	-
	95,251	35,352

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  
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NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 30 JUNE 2010

8. Share capital

Reconciliation of movements in share capital

	Number of shares
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

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

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

	2010	2009 Restated
	\$	\$
Profit/(loss) for the year	(365,880)	(27,864)
Non-cash movements:		
Impairment of intangibles	343,892	
Movement in <b>assets/liabilities</b> :		
(Increase)/decrease in trade and other receivables	(40,765)	152,796
(Decrease)/increase in trade and other payables	(9,283)	12,744
Net cash/(deficit) from/(used in) operating activities	(72,037)	67,956

SUNDERMANN WATER POWER LIMITED  
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NOTES TO THE **FINANCIAL** STATEMENTS(continued)  
FOR THE YEAR ENDED 30 JUNE 2010

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

	2010	2009
		Restated
	\$	\$
Cash and cash equivalents (note 4)	2,217	64,351
	2,217	64,351

10. (c) Non-cash financing and investing activities

During the year 4,000,000 share were issued as a goodwill gesture by the company for nil consideration.

**11. Subsequent events**

Since year end the company has issued 4,000,000 shares to investors for a value of \$0.02 per share.

**12. Auditor's remuneration**

	2010	2009
	\$	\$
Audit services: Auditors of the Company: Audit of financial statements	7,000	8,000
	7,000	8,000

**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 planning and design phase of the prototype is nearing completion which once manufactured and tested will enable the company to move forward to commercialisation.

The Board continues to successfully raise funds through ASSOB. Currently it is 25% subscribed with its Round 3 offer 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.

The directors, Fred Sundermann and Ed Gibson have undertaken to fund the operations on a needs basis for at least twelve months from the date of these financial statements at which time the company will repay their advances or their loans will be converted to equity.

**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**  
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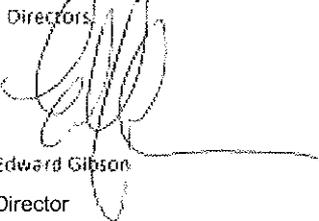
**Directors' Declaration**  
**FOR THE YEAR ENDED 30 JUNE 2010**

The directors have determined that the company is not a reporting entity and that these special purpose financial statements should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The directors declare that:

- (a) The financial statements and notes, as set out on pages 9 to 19 are in accordance with the Corporations Act 2001 and:
- (i) comply with Accounting Standards and the Corporations Regulations 2001 to the extent described in Note 1 to the financial statements; and
  - (ii) give a true and fair view of the company's financial position as at 30 June 2010 and its performance as represented by the results of its operations and its cash flows, for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements; and
- (b) in the directors opinion:
- (i) 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

4 November 2010

**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 2010, 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 statements and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial statements, are appropriate to meet the requirements of the Corporations Act 2001 and are appropriate to meet the needs of the members. The directors' responsibility also includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the members. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

The financial statements have been prepared for distribution to members for the purpose of fulfilling the director's financial reporting under the Corporations Act 2001. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

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

#### **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 2010 the Company incurred a loss before tax of \$414,303 and at that date had a working capital surplus of \$67,158.

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 planning and design phase of the prototype is nearing completion which once manufactured and tested will enable the company to move forward to commercialisation.
- The Board continues to successfully raise funds through ASSOB. Currently it is 25% subscribed with its Round 3 offer 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.
- The directors, Fred Sundermann and Ed Gibson have undertaken to fund the operations on a needs basis for at least twelve months from the date of this report at which time the company will repay their advances or their loans will be converted to equity.

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.



**WHK Horwath**



**VANESSA DE WAAL**

**Principal**

**Brisbane, 4 November 2010**

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