

# **SUNDERMANN WATER POWER LIMITED**

ACN 131 103 869

## **FINANCIAL STATEMENTS**

**YEAR ENDED 30 JUNE 2009**

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### **Corporate Directory**

#### **Registered Office and Share Registry**

Sundermann Water Power Limited  
ACN 131 103 869

Registered Office:  
Level 9 141 Queen Street  
Brisbane QLD 4000

Telephone 61 7 30030311  
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E mail: alex@endodotnicsonly.com  
Web: sundermannwaterpower.com

#### **Directors**

Vic Nikolsky (Chairman)  
Fred Sundermann  
Alex Moule  
Geoff Park

#### **Company Secretaries**

Alex Moule  
Don Mackenzie

#### **Auditors**

WHK Horwath Brisbane

## Sundermann Water Power Limited

### Directors' report

For the year ended 30 June 2009.

The Directors present their report together with the financial report of Sundermann Water Power Limited ("the Company") for the financial year ended 30 June 2009 and the auditor's report thereon.

### Directors

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

<b>Name, qualifications and independent status</b>	<b>Experience, special responsibilities and other directorships</b>
Vic Nilolsky Age 60	<p>Appointed a Director on 15 May 2008. Vic Nikolsky studied metallurgy at 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.</p> <p>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.</p> <p>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.</p>
Fred Sundermann Age 69	<p>Appointed a Director on 15 May 2008. Fred Sundermann 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, rake and harvester. 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>
Alex Moule Age 59	<p>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.</p>
Geoff Park Age 66	<p>Appointed on 28 October 2009, Geoff Park 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 Firkbank 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, 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.</p>

**Joint Company Secretary**  
**Don Mackenzie**  
FCA Age 64

Don was appointed Company Secretary in June 2008 and 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:

<b>Director</b>	<b>Meetings attended</b>	<b>Meetings held (see note (a) below)</b>
Vic Nikolsky	11	11
Fred Sundermann	11	11
Alex Moule	11	11
Geoff Park	-	-

#### **Notes**

(a) Represents meetings attended while a director.

#### **Principal activities**

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

#### **Review and result of operations**

In the year ended 30 June 2009, the Company had a loss of \$75,888 (2008 Loss: \$nil).

#### **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 2009.

#### **Going concern**

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

For the year ended 30 June 2009 the Company incurred a loss of \$ 75,888 and at that date had a working capital surplus of \$57,563.

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

- The Company, as a research and development company, has made good progress in the development of its water powered electricity generating turbine and has progressed to the stage where the prototype is operational and the design concept is proven.
- The Board has undertaken a review of its business strategy and seeks to develop the turbine to the next stage of its development as part of the commercialisation of the concept and there are reasonable expectations that external funding support is available to meet these development initiatives and has adopted an achievable budget for ongoing operations including administration.

- The Board will lodge with ASSOB a new offer document during November 2009 to raise a further \$400,000 to fund the Company's ongoing research and operations
- The Board's has estimated its capital and operating requirements for the next twelve months and has formed the view that it has allowed adequate funding for this purpose.
- The founding Directors have undertaken to fund the operations on a needs basis until 31 December 2009 at which time the Company will repay their advances or their loans will be converted to equity.

#### Events subsequent to reporting date

No event has occurred after reporting date that has significantly affected or may significantly affect the operation of the Company, the results of those operations, or the state of affairs of the Company in the period subsequent to 30 June 2009.

#### 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 consolidated entity 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
<b>Directors</b>		
Fred Sundermann	1,2	354,825,000
Vic Nikolsky	1,3	42,750,000
Alex Moule	1,3	21,375,000
Geoff Park		

#### 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 2009, 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 wilful 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.

**Non - audit services**

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

**Auditor's remuneration**

	Consolidated	
	2009	2008
	\$	\$
<b>Audit services:</b>		
<i>Auditors of the Company:</i>		
Audit of financial reports	8,000	-
	8,000	-

**Lead auditor's independence declaration**

The lead auditor's independence declaration is set out on page 7 and forms part of the Directors' report for the financial year ended 30 June 2009

Signed in accordance with a resolution of the Directors.

Dated at Brisbane this sixth day of November 2009



Alex Moule  
Director



## Lead auditor's independence declaration

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2009 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*

WHK Horwath

*[Handwritten signature]*

R Q Cole  
Principal

6th November 2009

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*Total Financial Solutions*

**Member Horwath International**

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**Sundermann Water Power Limited**  
**Income Statement**  
**For the year ended 30 June 2009**

	<b>Company</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>		
Interest from deposit and	788	-
<b>Total Income</b>	<u>788</u>	<u>-</u>
<b>Expenses</b>		
Accounting, secretarial and administration	21,045	-
Audit	8,000	-
Bank charges	175	-
Consulting for preparation of government grants	13,000	-
Insurance for directors and officers liability	5,422	-
Legal expense	1,190	-
Office expenses	1,143	-
Patent renewal	22,539	-
Web page design and maintenance	4,162	-
<b>Total expenses</b>	<u>76,676</u>	<u>-</u>
<b>Profit (loss) before income tax expense</b>	(75,888)	-
Income tax (expense) benefit	-	-
<b>Profit (loss) for the year</b>	<u>(75,888)</u>	<u>-</u>

The income statements should be read in conjunction with the accompanying notes.



**Sundermann Water Power Limited**  
**Statement of Changes in Equity**  
**As at 30 June 2009**

	Share capital \$	Accumulated losses \$	Total \$
<b>Company</b>			
<b>At 30 June 2008</b>			
Opening balance	-	-	-
Loss for the year	-	-	-
Issue of share capital (net of transaction costs)	129,310	-	129,310
<b>At 30 June 2008</b>	<b>129,310</b>	<b>-</b>	<b>129,310</b>
Loss for the year	-	(75,888)	(75,888)
<b>Issue of share capital (net of transaction costs)</b>	<b>204,755</b>	<b>-</b>	<b>204,755</b>
<b>At 30 June 2009</b>	<b>334,065</b>	<b>(75,888)</b>	<b>258,177</b>

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

**Sundermann Water Power Limited and its Controlled Entities**  
**Balance Sheet**  
**As at 30 June 2009**

	Note	2009 \$	2008 \$
<b>Current assets</b>			
Cash and cash equivalents	4	64,351	128,005
Trade and other receivables	5	16,332	1,305
<b>Total current assets</b>		<u>80,683</u>	<u>129,310</u>
<b>Non current assets</b>			
Intangibles	6	235,845	-
<b>Total non-current assets</b>		<u>235,845</u>	<u>-</u>
<b>Total assets</b>		<u>316,528</u>	<u>-</u>
<b>Liabilities</b>			
Trade and other payables	7	23,000	-
Loans from Directors		-	-
<b>Total current liabilities</b>		<u>23,000</u>	<u>-</u>
<b>Non-current liabilities</b>			
Loans from Directors	7	35,351	-
<b>Total</b>		<u>35,351</u>	<u>-</u>
<b>Total liabilities</b>		<u>58,351</u>	<u>-</u>
<b>Net assets (deficit)</b>		<u>258,177</u>	<u>129,310</u>
<b>Equity</b>			
Share capital	8	334,065	129,310
Accumulated losses		(75,888)	-
<b>Total equity</b>		<u>258,177</u>	<u>129,310</u>

The balance sheets should be read in conjunction with the accompanying notes.

**Sundermann Water Power Limited and its Controlled Entities**  
**Cash Flow Statement**  
**For the year ended 30 June 2009**

	2009	2008
Note	\$	\$
<b>Cash flows from operating activities</b>		
Cash paid to suppliers and employees	(68,704)	(1,305)
Interest received	788	-
Net cash from operating activities	<u>(67,916)</u>	<u>(1,305)</u>
<b>Cash flows from investing activities</b>		
Acquisition of intangible assets	<u>(235,845)</u>	-
Net cash from investing activities	<u>(235,845)</u>	-
<b>Cash flows from financing activities</b>		
Proceeds from share issues net of capital raising costs	204,755	129,310
Proceeds from borrowings	35,352	-
Net cash from financing activities	<u>240,107</u>	<u>129,310</u>
Net increase (decrease) in cash and cash equivalents	(63,654)	128,005
Cash and cash equivalents at the beginning of the financial year	128,005	-
<b>Cash and cash equivalents at the end of the financial year</b>	<u>64,351</u>	<u>128,005</u>

The cash flow statements should be read in conjunction with the accompanying notes.

**Sundermann Water Power Limited and its Controlled Entities**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2009**

**1. Reporting entity**

Sundermann Water Power Limited (the "Company") is a company domiciled in Australia. The financial statements of the Company are as at and for the year ended 30 June 2009. The Company is primarily involved in the design and development of water powered turbines.

**2. Basis of preparation**

**(a) Statement of compliance**

The financial report is a special purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*.

The financial report complies with Australian Accounting Standards mandatory for a special purpose financial report, AASB 101 *Presentation of Financial Statements*, AASB 107 *Cash Flow Statements*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, AASB 1031 *Materiality and AASB 1048 Interpretation and Application of Standards*.

The financial statements of the Company also complies with the IFRSs and interpretation adopted by the International Accounting Standards Board.

The financial statements were approved by the Board of Directors on 6th November 2009.

**(b) Basis of measurement**

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

**(c) Functional and presentation currency**

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

**(d) Use of estimates and judgements**

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are 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.

**(e) 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:

**3. Significant accounting policies**

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

**Sundermann Water Power Limited and its Controlled Entities**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2009**

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

**(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 owing.

**(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 balance sheet 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.

**(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 income statement, 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

**Sundermann Water Power Limited and its Controlled Entities**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2009**

**(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 balance sheet.

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) Amendment to Standards**

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 2009, but have not been applied in preparing this financial report.

- Revised AASB 101 Presentation of Financial Statements introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income" and makes changes to the statement of changes in equity. The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the company's 30 June 2010 financial statements. The company has not yet determined the potential effect of the revised standard on the entity's disclosures.
- Revised AASB 123 Borrowing Costs removes the option to expense all borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the entity's 30 June 2010 financial statements and will constitute a change in accounting policy for the Entity. In accordance with the transitional provisions the entity will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. The company has not yet determined the potential effect of the revised standard on future earnings.
- AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the entity's 30 June 2010 financial statements. The company has not yet determined the potential effect of the amending standard on the entity's financial report.
- AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 July 2009). In July 2008, the AASB approved amendments to AASB 1 First-Time Adoption of International Financial Reporting Standards and AASB 127 Consolidated and Separate Financial Statements. The revised rules apply prospectively from 1 July 2009 so that:
  - All dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue including dividends declared out of pre-acquisition profits i.e. these dividends will no longer be deducted from the cost of the investment. As a result, investments in subsidiaries, jointly controlled entities and associates may need to be tested for impairment when a dividend is paid.
  - Where there is, in substance, no change to company interests, parent entities inserted above existing company's shall measure its investments at the carrying amount of the net assets of the subsidiary rather than the subsidiary's fair value at the date of reorganisation.

All other pending Standards issued between the previous financial report and the current reporting date, have no application to the company.

**Sundermann Water Power Limited and its Controlled Entities**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2009**

**4. Cash and cash equivalents**

Bank balances	64,351	128,005
Cash and cash equivalents in the statement of cash flows	<u>64,351</u>	<u>128,005</u>

**5. Trade and other receivables**

**Current**

Trade debtors – advances to patent attorney	4,772	-
GST receivable	11,561	1,305
	<u>16,333</u>	<u>1,305</u>

**6. Intangible Assets**

Intellectual property and patents at cost	235,845	-
Provision for impairment	-	-
	<u>235,845</u>	<u>-</u>

**7. Trade and other payables**

**Current**

Accrued accounting, secretarial and administration	15,000	-
Accrued audit fees	8,000	-
	<u>23,000</u>	<u>-</u>

**Non – current**

Amount owing to Director – Fred Sundermann	24,874	-
Amount owing to Director – Alex Moule	10,478	-
	<u>35,352</u>	<u>-</u>

**8. Share capital**

**Reconciliation of movements in share capital**

	<b>Number of shares</b>
Opening balance on incorporation May 2008	-
Issued to founding shareholders (including Directors)	427,500,000
Issued for cash	<u>14,500,000</u>
Closing balance at 30 June 2008	<u>442,000,000</u>
Shares issued in the year ended 30 June 2009	
Issued for cash	13,750,000
Issued in consideration for services rendered in relation to construction of turbine	<u>1,000,000</u>
Total	<u>14,750,000</u>
Closing balance at 30 June 2009	<u>456,750,000</u>

**Sundermann Water Power Limited and its Controlled Entities**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2009**

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**

**2009**

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

**2008**

There were no dividends paid or declared in the year ended 30 June 2008

**10. Reconciliation of cash flows from operating activities**

Operating profit before changes in working capital and provisions

Profit/(loss) for the year	(75,888)	-
(Increase) decrease in trade and other receivables	(4,772)	(1,305)
(Decrease) increase in payables	12,744	-
Net cash (deficit) from operating activities	67,916	(1,305)

**For the purpose of cash flow statement cash is reconciled to the balance sheet as follows:**

Cash and cash equivalents	64,351	128,005
	64,351	128,005

**11. Transactions with related parties**

The following were key management personnel of the Company unless otherwise indicated, were key management personnel for the entire period.

**Non-executive directors**

Fred Sundermann, Vic Nikolsky and Alex Moule

Other than for reimbursement of expenses that related to Company business, there were no other transactions with key management personnel or entities related to them with exception of -

- (1) Payment to Fred Sundermann for patent costs paid by him and referred to in the June 2008 offer document an amount of \$124,765.
- (2) Accounting to Fred Sundermann for the advances made by him to the patent attorney on Company owned patents and amounting to \$14,396.

**Movements in shares**

The movement during the reporting period in the number of ordinary shares in Sundermann Water Power Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:



**Sundermann Water Power Limited and its Controlled Entities**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2009**

	Notes	Date of incorporation	Purchases / acquired	Held at 30 June 2009
<b>Directors</b>				
Fred Sundermann		354,825,000		354,825,000
Vic Nikolsky		42,750,000		42,750,000
Alex Moule		21,375,000		21,375,000
<hr/>				
Founding directors		418,950,000		418,950,000
Don Fry		8,550,000		8,550,000
<hr/>				
		427,500,000		427,500,000

**12. Subsequent events**

No event has occurred after reporting date that has significantly affected or may significantly affect the operation of the Company, the results of those operations, or the state of affairs of the Company in the period subsequent to 30 June 2009.

**13. Auditors' remuneration**

	2009	2008
	\$	\$
<b>Audit services:</b>		
<i>Auditors of the Company:</i>		
Audit of financial reports	8,000	-
	<hr/>	<hr/>
	8,000	-

**14. Going concern**

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

For the year ended 30 June 2009 the Company incurred a loss of \$75,888 and at that date had a working capital surplus of \$57,563.

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

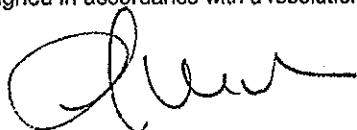
- The Company, as a research and development company, has made good progress in the development of its water powered electricity generating turbine and has progressed to the stage where the prototype is operational and the design concept is proven.
- The Board has undertaken a review of its business strategy and seeks to develop the turbine to the next stage of its development as part of the commercialisation of the concept and there are reasonable expectations that external funding support is available to meet these development initiatives and has adopted an achievable budget for ongoing operations including administration.
- The Board will lodged with ASSOB a new offer document during November 2009 to raise a further \$400,000 to fund the Company's ongoing research and operations
- The Board's has estimated its capital and operating requirements for the next twelve months and has formed the view that it has allowed adequate funding for this purpose.
- The founding Directors have undertaken to fund the operations on a needs basis until 31 December 2009 at which time the Company will repay their advances or their loans will be converted to equity

**Sundermann Water Power Limited and its Controlled Entities  
Directors' Declaration  
For the year ended 30 June 2009**

In the opinion of the directors of Sundermann Water Power Limited ("the Company"):

- a) the financial statements and notes set out on pages 8 to 17, are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the Company and the Company as at 30 June 2009 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



Alex Moule  
Director

6<sup>th</sup> November, 2009

**Sundermann Water Power Limited and its Controlled Entities  
For the year ended 30 June 2009**



**INDEPENDENT AUDITORS REPORT**

**To the directors of Sundermann Water Power Company Limited**

**Report on the Financial Report**

We have audited the accompanying financial report being a special purpose financial report of Sundermann Water Power Company Limited which comprises the balance sheet as at 30 June 2009, the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

**Directors' Responsibility for the Financial Report**

The directors of the company are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial report, 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 control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report 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 report is free from material misstatement.

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

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

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**Sundermann Water Power Limited and its Controlled Entities  
Independent Auditors Report  
For the year ended 30 June 2009**

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 report of Sundermann Water Power Company Limited and controlled entities is 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 2009 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and 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 XX of the financial report:

*For the year ended 30 June 2009 the Company incurred a loss of \$75,788 and at that date had a working capital surplus of \$57,563.*

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

- *The Company, as a research and development company, has made good progress in the development of its water powered electricity generating turbine and has progressed to the stage where the prototype is operational and the design concept is proven.*
- *The Board has undertaken a review of its business strategy and seeks to develop the turbine to the next stage of its development as part of the commercialisation of the concept and there are reasonable expectations that external funding support is available to meet these development initiatives and has adopted an achievable budget for ongoing operations including administration.*
- *The Board will lodged with ASSOB a new offer document during November 2009 to raise a further \$400,000 to fund the Company's ongoing research and operations*
- *The Board's has estimated its capital and operating requirements for the next twelve months and has formed the view that it has allowed adequate funding for this purpose.*
- *The founding Directors have undertaken to fund the operations on a needs basis until 31 December 2009 at which time the Company will repay their advances or their loans will be converted to equity.*

**Sundermann Water Power Limited and its Controlled Entities**  
**Independent Auditors Report**  
**For the year ended 30 June 2009**

The recoverable value of intangible asset with a book value of \$235,845 is dependant upon the generation of future cash flows in accordance with the Company's strategic direction and the continuation of the Company as a *going concern*."

These conditions as set forth in Note 14 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 report.



**WHK Horwath**



**R Q Cole**  
Principal  
Brisbane, 6<sup>th</sup> November 2009

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