BYTE POWER Group Limited

# ANNUAL REPORT

## 30 June 2014

**ABN: 80 009 268 571**

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# CHAIRMAN'S REPORT

Byte Power Group Limited ('the Company') and its controlled entities ('the Group') had seen an overall positive year for the period ended 30 June 2014 following a turnaround year from the previous year.

Wine Power continues to market its premium 8 Eagles range of wines from the Barossa, South Australia through existing corporate networks of the Group and wine tasting events. In addition to the 8 Eagles range, Wine Power distributes a wide range of well recognized and highly sought after wines, including prestigious labels such as Penfolds, Wolf Blass, Wynns Coonawarra Estate, Rosemount Estate, Lindeman's and Saltram to name a few. The Group also has a range of premium back vintage wines, giving existing clients access to collections not readily available.

For the year ended 30 June 2014, consolidated revenues from ordinary activities dropped by 33% when compared to the previous financial year. This was largely due to the decrease in revenue within the IT&T segment caused by seasonal influences. Nevertheless, the wine distribution segment saw exponential growth as revenue increased by 120% for the year ended 30 June 2014 compared to the previous year. This division also saw a 165% increase in profits for the year ended 30 June 2014 compared to the previous year.

The Group plans to continue its focus on growing the Asian Business Division by continuing to strengthen its existing channel and develop new markets. The Group will also further broaden the scope of price points to include the value wine segment, a market that the Group currently does not engage with.

**About the Asian Business Division**

The Asian Business Division was established as of 8 February 2012. It was created to focus on pursuing both investment and business trade opportunities in Asia, with a specific focus on South-East Asia. The wine business is the first initiative from the Asian Business Division. The Group sees strong potential in the wine business but will continue to explore other businesses in Asia which leverages on the Group's pan Asia knowledge and experience.

## Outlook

The Group is confident that the new financial year will continue to improve as the Asian Business Division continues to grow. The positive outcomes over the last 2 years have been progressive and the Group continues to build upon the networks and foundations that have been established over the past few years within all business sectors.

**Alvin Phua**
**Chairman & CEO**

# REVIEW OF OPERATIONS

## Company Background and Overview

Byte Power Group Limited, a technology solutions group, provides IT&T solutions to leading organisations in the SME, corporate and government sectors throughout Australia.

The Group has since evolved into a diversified trading business group with interests in wine distribution in Australian and into the Asia Pacific region.

The Byte Power Group includes a number of related subsidiaries overseas as well as in Australia which includes Byte Power Pty Ltd, Power Tech Systems Pty Ltd, Wine Power Pty Ltd, Byte Power (HK) Limited, Byte Power (Chongqing) Information Technology Ltd, Byte Power Pte Ltd and Wine Power Pte Ltd.

**Byte Power Pty Ltd** – 'Byte Power' was established in Queensland in 1989 and provides IT products and services to SME's as well as corporate and government clients.

**Power Tech Systems Pty Ltd** – A supplier and importer of state of the art power management technology, Power Tech Systems specialises in providing network solutions with the design, distribution and maintenance of Uninterruptible Power Supplies (UPS). Power Tech Systems provides lifetime support for their range of products and offers on-site support and maintenance services Australia-wide on a majority of branded power management solutions.

Power Tech's product range includes line-interactive technology for users who require battery back up during a power outage along with nominal filtering of the incoming supply and extends through to the online double conversion units offering fully scalable solutions that can operate in N+1 configuration. These units provide redundancy and no downtime during regular maintenance and emergency breakdowns.

**Wine Power Pty Ltd** – Established in August 2012, this subsidiary was formed to supplement the Asian Business Division and its foreign subsidiaries in wine distribution. Wine Power Pty Ltd has released its premium 8 Eagles range of wines and also distributes prestigious labels such as Penfolds, Wolf Blass, Wynns Coonawarra Estate, Rosemount Estate, Lindeman's and Saltram in Australia.

**Byte Power (HK) Limited** – Based in Hong Kong this subsidiary provides local presence and support within the regional market. Byte Power (HK) through the Group's Asian Business Division focuses on distributing premium Australian wines into Asia Pacific.

**Byte Power Pte Ltd –** Due to the Company's propensity towards overseas dealings, this Singapore subsidiary was formed in April 2012 to cater for the Singapore and surrounding market in terms of IT&T trading and other business opportunities.

**Wine Power Pte Ltd** – This entity was established in August 2013 to distribute wines within Singapore and South-East Asia. The Company distributes prestigious labels such as Penfolds, Wolf Blass, Wynns Coonawarra Estate, Rosemount Estate, Lindeman's and Saltram to name a few.

# REVIEW OF OPERATIONS (continued)

Byte Power Group combines its core competencies into a strong trading focused organisation with offices in Australia, Singapore, Hong Kong and China. Its key strengths lie in its extensive network of corporate relationships and international business experience in Asia and Australia, which have been developed and established over a span of 25 years. The Group positions itself to utilise these networks and in sourcing growth into new markets and opportunities globally.

Through its overseas subsidiaries, the Company continues to generate opportunities by leveraging off existing business relationships with multinational, large corporate and government organisations within each region.

## Operations Review

The 2013-14 financial year has seen strong growth within the Asian Business Division with both revenue increased by 120% and profits increased by 165% for the year ended 30 June 2014 compared to the previous year. This increase resulted in the Asian Business Division generating 73% of the total revenues from ordinary activities during the 2013-14 financial year.

Wine Power continues to focus on growing its wine distribution business by introducing new brands and developing new markets. The Group will also broaden the scope of price points to include the value wine segment, a market that the Company currently does not engage with.

Byte Power (Chongqing) Information Technology Ltd in China is currently inactive.

The Group has recently participated in various overseas missions to promote the Company and its product offerings.

During April 2014, the Group was involved in the well publicised Australia Week in China Trade Mission (AWIC), lead by the Prime Minister of Australia, the Right Honourable Tony Abbott. Also in attendance were The Hon Andrew Robb, Minister for Trade and Investment and The Hon Bruce Billson MP, Minister for Small Business. The Trade Mission visited a number of cities in China, namely Guangzhou, Chengdu, Shanghai and Beijing. The Prime Minister, along with his Ministers and Premiers from every State together with the largest business delegation generated a strong interest in giving China and its businesses a good reason to do business with Australia. Overall, AWIC had a total of 105 events, involving over 700 Australian delegates and around 2,400 Chinese guests across multiple locations in China.

The Group was also involved in the Brisbane Lord Mayoral Business Mission lead by Brisbane Lord Mayor Graham Quirk in September 2014. This mission visited the strategic trade regions of Abu Dhabi, Shanghai, Hyderabad and Singapore to explore potential opportunities and strengthen business ties.

The Group will maintain a strong growth strategy for the Asian Business Division. Further development of the wine distribution business within the Asian Business Division will continue to be the Group's main focus, whilst simultaneously maintaining the IT&T businesses. As a Group, we will continue to leverage our existing relationships and further develop new relationships for the businesses' immediate and longer term future.

# DIRECTORS' REPORT

Your directors submit their report on Byte Power Group Limited ("the company") and the Group ("the Group") consisting of Byte Power Group Limited and the entities it controlled at the end of, or during, the year ended 30 June 2014.

## Directors

Directors were in office for the entire year and up to the date of this report unless otherwise stated.

## Information on Directors (including special responsibilities)

| Director | Qualifications and experience | Special responsibilities | Interest in shares and options |
|---|---|---|---|
| Mr. Alvin Phua | Alvin is a Singaporean-born Australian. As a founder of Byte Power in 1989, Alvin has key business and government relationships throughout Australia and South-East Asia. | CEO<br>Member of Remuneration Committee | 34,477,395 ordinary shares,<br>Nil options |
| Mr. Raphael Tham | Raphael is a Singaporean who has strong technology industry credentials and is an experienced business strategist. He has held senior positions and advisor with a number of companies in Asia. His skills and experience include starting new businesses, overseas expansion, and mergers and acquisitions. | Non-executive Director<br>Chairman of Audit Committee | 12,479,844 ordinary shares,<br>Nil options |
| Mr. Howard Shi<br>*(appointed 5 July 2013)* | Howard is currently a director/partner in Z5 Venture Capital Pty Ltd. He has over 15 years financial market investment experience through his senior investment advisor role with Bell Potter Securities Limited and more recently was the Executive Director for Ellerston Resources, a subsidiary of Ellerston Capital. | Non-Executive Director<br>Chairman of Remuneration Committee<br>Member of Audit Committee | Nil shares<br>Nil options |
| Mr. Michael Walsh<br>*(resigned 5 July 2013)* | Michael is a qualified civil and mechanical engineer with over forty years in manufacturing, consulting and construction sectors. He has spent considerable time in the oil and gas industries, power generation and transportation both in private enterprise and government owned corporations. He has extensive knowledge and experience in international business and has held Senior Executive roles with several companies both in Australia and overseas. He has served on a number of industry association committees and Boards and has an extensive business network in Australia and overseas. | Non-Executive Director<br>Chairman of Remuneration Committee<br>Member of Audit Committee | Nil shares,<br>Nil options |

# DIRECTORS' REPORT (continued)

## Information on Directors (including special responsibilities) (continued)

| Director | Qualifications and experience | Special responsibilities | Interest in shares and options |
|---|---|---|---|
| Mr. Marc Higgins (appointed 9 December 2013 and resigned 28 May 2014) | With over 20 years experience driving sales throughout Asia, Marc has vast experience in Fast Moving Consumer Goods as well as direct sales experience in selling wine in the Far East and Asia markets. Marc's previous experience also includes finance, IT/ICT and mining services. | Executive Director | Nil shares, Nil options |

**Directorships of other listed companies**

Other than Mr Raphael Tham, no director held directorships of other listed companies in the three years immediately before the end of the financial year.

Mr Raphael Tham is the Executive Director of Unionmet Singapore Ltd, a company listed on the mainboard of the Singapore Exchange. He also holds director positions in Auhua Clean Energy Plc (Code: ACE.L) and China Food Company PLC (Code: CFC) both listed in the London Stock Exchange AIM.

# DIRECTORS' REPORT (continued)

## Company Secretary

| Company Secretary | Qualifications and experience | Special responsibilities | Interest in shares and options |
|---|---|---|---|
| Ms. Ethel Lau | Ethel is a founding partner of the Byte Power business in 1989 and brings an extensive background in business both in Australia and Overseas. Ethel managed the operational and financial aspects of Byte Power Pty Ltd prior to the acquisition and has since filled the role of COO.<br><br>Ethel's depth of knowledge and experience in managing and running an organisation is beneficial to the Group's operations. Her ability to manage a wide range of projects and deep understanding of business practices has enabled the Group to develop a number of opportunities both in and outside of Australia. | Company Secretary | 488,839,983 ordinary shares,<br>Nil options |

## Earnings per Share

| Earnings (loss) per share (cents) | 2014 | 2013 |
|---|---|---|
| Basic earnings (loss) per share | 0.002 | 0.001 |
| Diluted earnings (loss) per share | 0.002 | 0.001 |

## Dividends

No dividends were recommended or paid during the year (2013: Nil).

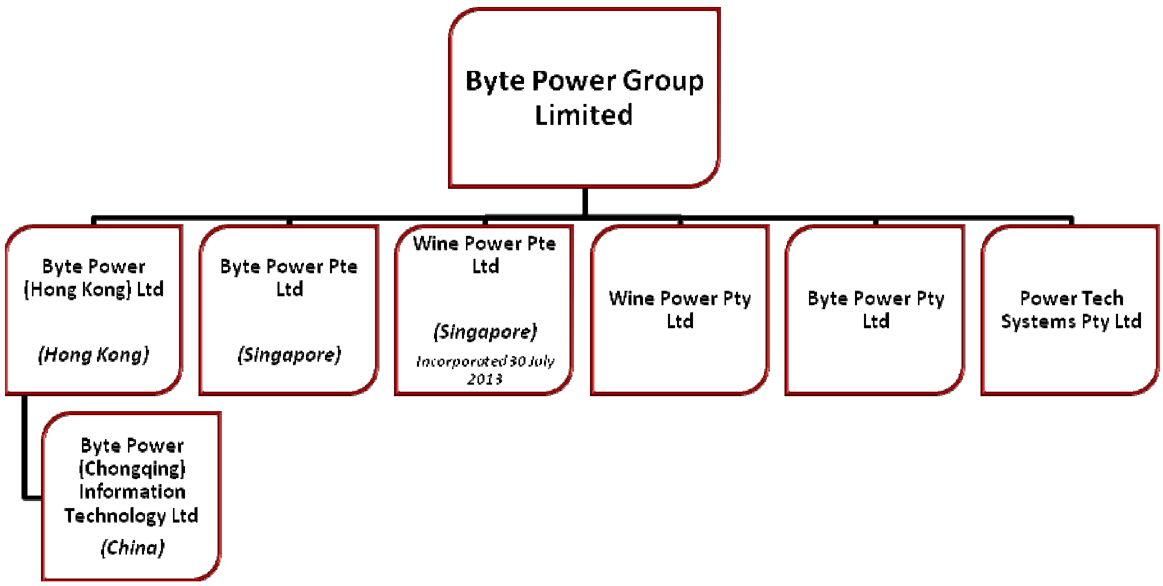
# DIRECTORS' REPORT (continued)

## Corporate Structure

Byte Power Group Limited is a company limited by shares and is incorporated and domiciled in Australia. Byte Power Group Limited has prepared the financial report incorporating the following trading entities it controlled (100% ownership unless stated otherwise) during the financial year;

Byte Power Pty Ltd
Power Tech Systems Pty Ltd
Wine Power Pty Ltd
Byte Power (Hong Kong) Limited (83.4% ownership)
Byte Power (Chongqing) Information Technology Ltd (83.4% ownership)
Byte Power Pte Ltd
Wine Power Pte Ltd (incorporated 30 July 2013)

**Byte Power Group Limited – Corporate Structure as at 30 September 2014**




## Nature of Operations and Principal Activities

During the year, the principal activities within the Group were:

- Distribution of wines
- Service and sale of IT&T equipment;
- Service and sales of UPS equipment nationally; and
- Provision of IT consultancy and services;

There were no other significant changes in the nature of the activities of the Group during the year.

# REVIEW AND RESULTS OF OPERATIONS

## Summary

Revenues from ordinary activities in the financial year ended 30 June 2014 were $4.320 million compared to $6.442 million in the financial year ended 30 June 2013, representing a drop of 33% due largely to decreased sales in the IT&T segments even though there were improvements in the Asian Business Division.

The net profit for the year was $40,143 compared to a net profit of $24,025 over the same period last year. The EBITDA for the year was $0.590 million compared to $0.498 million the previous year.

### *Comments on the Group's operations and results*

Detailed results are as follows:

| | 2014 | 2013 | % change |
|---|---|---|---|
| | $ | $ | |
| Revenue from ordinary activities | 4,320,047 | 6,442,289 | (33%) |
| EBITDA | 589,919 | 498,262 | 18% |
| Impairment | - | (2,795) | (100%) |
| Depreciation/Amortisation | (1,821) | (5,558) | (67%) |
| EBIT | 588,096 | 489,909 | 20% |
| Financial costs | (547,954) | (465,885) | 18% |
| Operating profit / (loss) before income tax | 40,143 | 24,025 | 67% |
| Income tax expense | - | - | |
| Net profit / (loss) | 40,143 | 24,025 | 67% |

Business Unit results are set out below:

| | Revenues | | Results | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | $ | $ | $ | $ |
| Segment: | | | | |
| Power Management | 79,037 | 172,242 | 11,270 | 47,390 |
| IT&T | 974,400 | 4,665,274 | (114,868) | 494,451 |
| Asian Business Division | 3,203,228 | 1,398,445 | 1,156,048 | 436,860 |
| Other | 63,382 | 206,326 | (1,012,308) | (954,677) |
| | 4,320,047 | 6,442,289 | 40,143 | 24,025 |
| Income tax expense | | | - | - |
| Profit / (Loss) for the year | | | 40,143 | 24,025 |

## Significant Changes in the State of Affairs

There have been no significant changes in the operating activities of the Group during the year.

## Significant Events after Balance Date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs for the Group in future financial years.

## Likely Developments and Expected Results

Building on the positive outcomes over the past two financial years, the Board maintains a positive outlook for the new financial year. The Group will continue to develop the Asian Business Division and to focus on growing its wine distribution businesses across new brands and developing new markets as well as promoting its 8 Eagles range of wines.

## Environmental Regulation and Performance

The Group is not aware of any breaches of environmental regulations in respect of its activities.

## Share Options

There were no listed and unlisted options as at 30 June 2014.

## Shares issued as a result of the exercise of options

During the financial year no options were exercised.

## 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.

# REMUNERATION REPORT (Audited)

## *Directors' and other Officers' Remuneration*

## Remuneration policy

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the directors, the chief executive officer and the executive team to ensure maximum shareholder returns through the retention of high quality Board and executive team members.

Remuneration is structured to give optimal benefit to the recipient without creating undue costs to the Group.

The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage/alignment of executive compensation
- Transparency. *and*
- Capital management

In consultation with external remuneration consultants, the Group has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Both non-executive and executive directors fees reflect the demands which are made on, and the responsibilities of, the directors. These fees are reviewed annually and are inclusive of committee fees.

## Details of Remuneration of Key Management Personnel (Audited)

Details of the nature and amount of each element of the emolument, of each director of the company and each of the other key management personnel for the financial year are as follows:

***Equity instruments of Directors***

Interest in the equity instruments of Byte Power Group Limited held by directors and key management personnel, including their director related entities:

| | **Ordinary shares Fully Paid** | | **Options over ordinary shares** | |
|---|---|---|---|---|
| | **2014 Number** | 2013 Number | **2014 Number** | 2013 Number |
| Alvin Phua* | **34,477,395** | 31,477,395 | - | - |
| Raphael Tham | **12,479,844** | 12,479,844 | - | - |
| Michael Walsh *(resigned 5 July 2013)* | **-** | 8,750,122 | - | - |
| Ethel Lau** | **488,839,983** | 488,839,983 | - | - |
| | **544,547,344** | 541,547,344 | - | - |

* Held by APEL Pacific Group Pty Ltd in which Alvin Phua has a controlling interest.
** Held by Ethel Lau Superannuation Fund.

## Details of Remuneration of Key Management Personnel (Audited) (continued)

*Directors of Byte Power Group Limited*

| **2014** | **Short Term Benefits** | | | **Post Employment Benefits** | | **Share Based Payments** | **Other** | **Total** | **Proportions of Remuneration Related to Performance** |
|---|---|---|---|---|---|---|---|---|---|
| | Salary & Fees<br>$ | Cash bonus<br>$ | Non-monetary<br>$ | Super-annuation<br>$ | Retirement benefits<br>$ | Options<br>$ | $ | $ | % |
| Alvin Phua | 35,000 | - | - | 3,150 | - | - | - | 38,150 | - |
| Raphael Tham | 25,000 | - | - | - | - | - | - | 25,000 | - |
| Howard Shi *(appointed 5 July 2013)* | 25,000 | - | - | 2,312 | - | - | - | 27,312 | - |
| Michael Walsh *(resigned 5 July 2013)* | - | - | - | - | - | - | - | - | - |
| Marc Higgins *(Director from 9 Dec 2013 - 28 May 2014)* | 11,761 | - | - | 1,088 | - | - | - | 12,849 | - |
| | **96,761** | **-** | **-** | **6,550** | **-** | **-** | **-** | **103,311** | - |

| **2013** | **Short Term Benefits** | | | **Post Employment Benefits** | | **Share Based Payments** | **Other** | **Total** | **Proportions of Remuneration Related to Performance** |
|---|---|---|---|---|---|---|---|---|---|
| | Salary & Fees<br>$ | Cash bonus<br>$ | Non-monetary<br>$ | Super-annuation<br>$ | Retirement benefits<br>$ | Options<br>$ | $ | $ | % |
| Alvin Phua | 35,000 | - | - | 3,150 | - | - | - | 38,150 | - |
| Raphael Tham | 25,000 | - | - | - | - | - | - | 25,000 | - |
| Michael Walsh *(resigned 5 July 2013)* | 25,000 | - | - | 2,250 | - | - | - | 27,250 | - |
| | **85,000** | **-** | **-** | **5,400** | **-** | **-** | **-** | **90,400** | - |

## Details of Remuneration of Key Management Personnel (Audited) (continued)

*Executives of Byte Power Group Limited*

| **2014** | **Short Term Benefits** | | | **Post Employment Benefits** | | **Share Based Payments** | **Other** | **Total** | **Proportions of Remuneration Related to Performance** |
|---|---|---|---|---|---|---|---|---|---|
| | Salary & Fees<br>$ | Cash bonus<br>$ | Non-monetary<br>$ | Super-annuation<br>$ | Retirement benefits<br>$ | $ | Options<br>$ | $ | $ |
| Alvin Phua (separate to above) | 169,694 | - | - | 15,697 | - | - | - | 185,391 | - |
| Ethel Lau | 137,615 | - | - | 12,729 | - | - | - | 150,344 | - |
| | **307,309** | **-** | **-** | **28,426** | **-** | - | **-** | **335,735** | **-** |

| **2013** | **Short Term Benefits** | | | **Post Employment Benefits** | | **Share Based Payments** | **Other** | **Total** | **Proportions of Remuneration Related to Performance** |
|---|---|---|---|---|---|---|---|---|---|
| | Salary & Fees<br>$ | Cash bonus<br>$ | Non-monetary<br>$ | Super-annuation<br>$ | Retirement benefits<br>$ | Options<br>$ | $ | $ | $ |
| Alvin Phua (separate to above) | 169,694 | - | - | 15,272 | - | - | - | 184,966 | - |
| Ethel Lau | 137,615 | - | - | 12,385 | - | - | - | 150,000 | - |
| | **307,309** | **-** | **-** | **27,657** | **-** | **-** | **-** | **334,966** | **-** |

* The elements of emoluments have been determined on the basis of the cost to the Group.

* Executives are those directly accountable and responsible for the operational management and strategic direction of the Group.

End of Remuneration Report

## Directors' Meetings

The number of meetings of the Company's Board of directors held (including meetings of committees of directors) during the year ended 30 June 2014 and the numbers of meetings attended by each director were:

| | Directors' meeting | | Audit committee | | Remuneration committee | |
|---|---|---|---|---|---|---|
| | Number eligible to attend | Number attended | Number eligible to attend | Number attended | Number eligible to attend | Number attended |
| Alvin Phua | 10 | 10 | 2 | 2 | - | - |
| Raphael Tham | 10 | 10 | 2 | 2 | - | - |
| Howard Shi *(appointed 5 July 2013)* | 10 | 10 | 2 | 2 | - | - |
| Michael Walsh *(resigned 5 July 2013)* | 1 | 1 | - | - | - | - |
| Marc Higgins *(appointed 9 December 2013 and resigned 28 May 2014)* | 3 | 3 | 1 | 1 | - | - |

## Committee Membership

As at the date of this report, the company had an Audit Committee and a Remuneration Committee.

*Audit Committee*

Raphael Tham (Chairman)
Howard Shi

*Remuneration Committee*

Howard Shi (Chairman)
Alvin Phua

## Auditor

PKF Hacketts Audit (formerly Lawler Hacketts Audit) continues in office in accordance with Section 327 of the *Corporation Act 2001*.

There are no former partners or directors of the company's auditor, or former auditor, who is or was at any time during the year an officer of the company.

## Non-audit services

The Board of directors, in accordance with advice from the audit committee, is satisfied that no services outside the scope of audit were provided by the company's auditor.

## Auditor Independence

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 15.

## Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Byte Power Group Limited support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained on pages 16 to 19 of the annual report.

Signed in accordance with a resolution of the directors.

**Alvin Phua**
**Chairman**

Brisbane, 30 September 2014

**Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Byte Power Group Limited and Controlled Entities**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been no contraventions of:

(a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

PKF HACKETTS

**PKF Hacketts Audit**

**Liam Murphy**
**Partner**

Brisbane, 30 September 2014

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# CORPORATE GOVERNANCE

## Corporate Governance Statement

The board of directors of Byte Power Group Limited ("the Company") is responsible for the corporate governance of the Group. The Board guides and monitors the business and affairs of Byte Power Group Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

Byte Power Group Limited's Corporate Governance Statement is now structured with reference to the Australian Stock Exchange ("ASX") Corporate Governance Council's (the "Council") "Corporate Governance Principles and Recommendations – 2nd Edition" ("Corporate Governance Council Recommendations") which can be found on the ASX's website.

Given the size and structure of the Company, the nature of its business activities, the stage of its development and the cost of strict and detailed compliance with all of the recommendations, it has adopted a range of modified systems, procedures and practices which it considers will enable it to meet the principles of good corporate governance.

The following section addresses Byte Power Group Limited's practices in complying with the Corporate Governance Council Recommendations:

**Structure of the Board**

The Board exists to lead and oversee the management and direction of the Company. The skills, experience and expertise relevant to the position of director held by each director in office at the date of the Annual Report for the financial year ended 30 June 2014 ("Annual Report") is included in the Director's Report of the Annual Report.

Corporate Governance Council Recommendation 2.1 requires a majority of the board to be independent directors.

An independent director is a non-executive director and:

(a) is not a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company;

(b) within the last three years has not been employed in an executive capacity by the company or another group member, or been a director after ceasing to hold any such employment

(c) within the last three years has not been a principal of a material professional adviser or a material consultant to the company, another group member, or an employee materially associated with the service provided;

(d) is not a material supplier or customer of the company or other group, member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;

(e) has no material contractual relationship with the company or another group member other than as a director of the company;

(f) has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company;

(g) is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.

In accordance with the Council's definition of independence above, the following directors are considered to be independent at the date of this report:

Mr Raphael Tham and Mr Howard Shi are both independent directors.

Mr Alvin Phua is the Chairman and Chief Executive Officer of the Company. Corporate Governance Council Recommendation 2.2 requires the Chairman of the Company to be an independent director. Further, Corporate Governance Council Recommendation 2.3 states that the roles of chairperson and chief executive officer should not be exercised by the same individual.

Byte Power Group Limited does not have a nomination committee as required by Corporate Governance Council Recommendation 2.5. Membership of the Board is reviewed on an ongoing basis by the Board to determine if additional core strengths are required to be added to the Board in light of the nature of the Company's business and its objectives.

Directors, officers, employees and consultants to the Company are required to observe high standards of behaviour and business ethics in conducting business on behalf of the Company and they are required to maintain a reputation of integrity on the part of both the Company and themselves. Notwithstanding Corporate Governance Council Recommendation 3.1, Byte Power Group Limited has not established a code of conduct to guide the directors, the Chief Executive Officer and any other key executives as to:

3.1.1 the practices necessary to maintain confidence in the company's integrity;

3.1.2 the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders;

3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

**Safeguarding integrity in Financial Reporting, Audit Committees and Risk Management**

The Board has established an audit committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control, ethical standards for the management of the Group, nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual statutory and half yearly review or audit to the audit committee.

The members of the audit committee were, at the date of the Annual Report, Mr Raphael Tham (non-executive director), Chairman and Mr Howard Shi (non-executive director).

**Remunerate Fairly and Responsibly**

The Board regularly discusses and reviews its performance. The Board also discusses with each director their requirements, performances and aspects of involvement with the Company.

The Board is responsible for determining and reviewing the compensation arrangements for directors themselves, the Chief Executive Officer and the management team. The members of the remuneration committee were at the date of the Annual Report, Mr Howard Shi (non-executive director), Chairman and Mr Alvin Phua (executive director).

**Departures from Corporate Governance Council Recommendations**

Any departures to the Corporate Governance Council Recommendations are set out below:

| Corporate Governance Council Recommendation | Departure | Explanation |
|---|---|---|
| 2.2 | The Chairman is not an independent director. | Given the size and scope of the Company's operations, the Board considers that there is no real benefit to be gained by appointing an independent chairman when in fact by his vested interest as a substantial shareholder, he will be a driving force in the future of the Company. |

| Corporate Governance Council Recommendation | Departure | Explanation |
|---|---|---|
| 2.3 | The roles of Chairman and Chief Executive Officer should not be performed by the same person. | Given the size and scope of the Company's operations, the Board considers that there is no real benefit to be gained by appointing a Chief Executive Officer in addition to the Chairman. |
| 2.4 | A separate nomination committee has not been formed. | The role of the nomination committee is carried out by the full Board. The Board considers that given its size, no efficiencies or other benefits would be gained by establishing a separate nominations committee. |
| 2.5 | There has been no formal disclosure of the performance evaluation of the Board, committees, individual directors and key executives. No formal review has been undertaken. | Given the size of the Company and the involvement of all directors, a policy has not been required to date. However, the Board will continually monitor, review and discuss performance and implement changes where necessary. |
| 3.1 | No formal code of conduct has been established as to practices necessary to maintain confidence in the Company's integrity or as to reporting and investigating unethical practices. | The Board and management consist of appropriately qualified and experienced members. It is not considered that a code of conduct or reporting guide is yet necessary as the principles are followed. |
| 3.2 | No formal diversity policy has been established | Given the size and scope of the Company's operations, its business interests and the ongoing involvement of all directors it is not considered necessary that such procedures be formalised. |
| 3.3 | No formal policy concerning diversity policy has been disclosed. | Although there was no written policy disclosed, gender diversity is accepted and practiced within the Company. |
| 4.2 | The Audit committee is chaired by an independent director but only has two members | Given the size and scope of the Company's operations, its business interests and the ongoing involvement of the non-executive directors, it is not considered necessary that the audit committee consist of more than two members. |
| 5.1 | There are no written policies and procedures designed to ensure compliance with the ASX Listing Rules disclosure requirements. | Although there are no written policies in place, the responsibility for compliance with the ASX Listing Rules is handled by the Board and subject to review by the external auditors. The Board considers that the Company meets the requirements. |
| 6.1 | The Company has no formal communication strategy in place for the benefit of its shareholders. | The Board is conscious of the need to continually keep shareholders and the market advised. Accordingly, the Board makes timely announcements which ensure that shareholders and the markets are adequately informed about its activities. All announcements are also being posted on our website www.bytepowergroup.com which is accessible by the public |
| 7.1 and 7.2 | There has been no written implementation of policy on risk oversight and management or for senior management to make statements to the Board concerning those matters. | Given the nature and size of the Company, its business interests and the involvement of all directors, it is considered unnecessary to establish this practice at this time; however the principles are adopted in circumstances where an event or issue is deemed to require it. |
| 8.1 | The remuneration committee is chaired by an independent director but only has two members. | Given the size and scope of the Company's operations, its business interests and the ongoing involvement of the non-executive directors, it is not considered necessary that the Audit committee consist of more than 2 members. |

| Corporate Governance Council Recommendation | Departure | Explanation |
|---|---|---|
| 8.2 | The Company has not disclosed remuneration policies for executive and non-executive directors. | Given the size and scope of the Company's operations, its business interests, remuneration and other benefits paid to its directors, the Board does not consider it yet to be necessary to formulate the policies. At the appropriate time, this approach will be re-evaluated.<br>Remuneration for non-executive directors has been, and continues to be, in accordance with the general principles recommended by the ASX, that is, directors receive a fixed fee for their services and do not receive performance-based remuneration. To the extent that such directors perform services that exceed the commitment expected of them, they are eligible to receive additional fees. |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

| | | CONSOLIDATED | |
|---|---|---|---|
| | | **30 JUNE 2014** | 30 JUNE 2013 |
| | **Note** | **$** | $ |
| **Revenues from continuing activities** | 2 | **4,320,047** | 6,442,289 |
| Changes in inventories of finished goods and work in progress | | **233,046** | 123,300 |
| Cost of sales | | **(2,859,712)** | (4,770,455) |
| Depreciation and amortisation expenses | 3 | **(1,822)** | (5,558) |
| Provision for impairment | 3 | **-** | (2,795) |
| Finance cost expenses | 3 | **(547,954)** | (465,885) |
| Salaries and employee benefits expenses | | **(562,490)** | (784,035) |
| Directors' fees | | **(103,385)** | (90,400) |
| Rent and outgoings | | **(76,007)** | (94,085) |
| Travel, accommodation and entertainment | | **(136,462)** | (140,876) |
| Consultants / Professional fees | | **(101,325)** | (94,039) |
| Other expenses from ordinary activities | | **(123,794)** | (93,436) |
| **Profit / (loss) before related income tax** | | **40,143** | 24,025 |
| Income tax expense / (benefit) | 4 | **-** | - |
| **Net profit / (loss) for the year** | | **40,143** | 24,025 |
| **Other comprehensive income** | | | |
| **Items that may be reclassified to profit or loss:** | | | |
| Exchange differences arising on translation of foreign operations | | **(24,848)** | (90) |
| Income tax relating to components of other comprehensive income | | **-** | - |
| **Total other comprehensive income for the period, net of tax** | | **(24,848)** | (90) |
| **Total comprehensive income attributable to members of the parent entity** | | **15,295** | 23,935 |
| **Earnings per share:** | | **Cents per share** | |
| Basic earnings per share | 26 | **0.002** | 0.001 |
| Diluted earnings per share | 26 | **0.002** | 0.001 |

The accompanying notes form part of the financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

| | Note | CONSOLIDATED 30 JUNE 2014 $ | 30 JUNE 2013 $ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 6 | **66,921** | 134,319 |
| Receivables | 7 | **1,986,995** | 1,001,926 |
| Inventories | 8 | **408,379** | 175,333 |
| Other | | **9,324** | - |
| **TOTAL CURRENT ASSETS** | | **2,471,619** | 1,311,578 |
| **NON-CURRENT ASSETS** | | | |
| Plant and equipment | 9 | **7,868** | 8,440 |
| Other | 10 | **56,631** | 58,775 |
| **TOTAL NON-CURRENT ASSETS** | | **64,499** | 67,215 |
| **TOTAL ASSETS** | | **2,536,118** | 1,378,793 |
| **CURRENT LIABILITIES** | | | |
| Payables | 11 | **1,530,380** | 5,226,598 |
| Convertible loans | 12 | **-** | 513,449 |
| Provisions | 13 | **300,887** | 283,182 |
| **TOTAL CURRENT LIABILITIES** | | **1,831,267** | 6,023,229 |
| **NON-CURRENT LIABILITIES** | | | |
| Convertible loans | 12 | **525,694** | - |
| Related party payables | 15 | **2,321,085** | - |
| Interest bearing liabilities (related parties) | 14 | **3,053,972** | 1,919,014 |
| Long term liabilities | 16 | **82,312** | 229,057 |
| **TOTAL NON-CURRENT LIABILITIES** | | **5,983,063** | 2,148,071 |
| **TOTAL LIABILITIES** | | **7,814,330** | 8,171,300 |
| **NET LIABILITIES** | | **(5,278,212)** | (6,792,507) |
| **EQUITY** | | | |
| Contributed equity | 17 | **53,109,922** | 51,610,922 |
| Reserves | 18 | **11,128** | 35,976 |
| Accumulated losses | | **(58,399,262)** | (58,439,405) |
| **TOTAL EQUITY** | | **(5,278,212)** | (6,792,507) |

The accompanying notes form part of the financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

| | Contributed equity $ | Reserves $ | Accumulated losses $ | Total $ |
|---|---|---|---|---|
| Balance at 1 July 2012 | 51,570,922 | 36,066 | (58,463,430) | (6,856,442) |
| Profit for the period | - | - | 24,025 | 24,025 |
| Total other comprehensive income | - | (90) | - | (90) |
| Total comprehensive income | - | (90) | 24,025 | 23,935 |
| Transactions with equity holders in their capacity as equity holders: | | | | |
| Shares issued during the period | 40,000 | - | - | 40,000 |
| Share issue costs | - | - | - | - |
| Contribution by members | 40,000 | - | - | 40,000 |
| Sub-total | 51,610,922 | 35,976 | (58,439,405) | (6,792,507) |
| Dividends paid or provided for | - | - | - | - |
| **Balance at 30 June 2013** | **51,610,922** | **35,976** | **(58,439,405)** | **(6,792,507)** |
| Balance at 1 July 2013 | 51,610,922 | 35,976 | (58,439,405) | (6,792,507) |
| Profit for the period | - | - | 40,143 | 40,143 |
| Total other comprehensive income | - | (24,848) | - | (24,848) |
| Total comprehensive income | - | (24,848) | 40,143 | 15,295 |
| Transactions with equity holders in their capacity as equity holders: | | | | |
| Shares issued during the period | 1,499,000 | - | - | 1,499,000 |
| Share issue costs | - | - | - | - |
| Contribution by members | 1,499,000 | - | - | 1,499,000 |
| Sub-total | 53,109,922 | 11,128 | (58,399,262) | (5,278,212) |
| Dividends paid or provided for | - | - | - | - |
| **Balance at 30 June 2014** | **53,109,922** | **11,128** | **(58,399,262)** | **(5,278,212)** |

The accompanying notes form part of the financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

| | Note | CONSOLIDATED 2014 $ | 2013 $ |
|---|---|---|---|
| | | Inflows / (Outflows) | |
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers | | **3,668,457** | 6,076,708 |
| Payments to suppliers and employees | | **(4,768,520)** | (5,437,439) |
| Interest received | | **19** | 12 |
| Interest and other costs of finance paid | | **(440,256)** | (397,829) |
| **Net cash provided by / (used in) operating activities** | 19 | **(1,540,300)** | 241,452 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Payment for property, plant and equipment | | **(1,250)** | - |
| Proceeds from sale of property plant & equipment | | **-** | 10,970 |
| **Net cash provided by / (used in) investing activities** | | **(1,250)** | 10,970 |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issues of share capital | | **1,499,000** | 40,000 |
| Proceeds from / (Repayment of) interest bearing liabilities | | **-** | (243,367) |
| **Net cash provided by / (used in) financing activities** | | **1,499,000** | (203,367) |
| **Net increase / (decrease) in cash held** | | **(42,550)** | 49,055 |
| Effects of functional currency exchange rate change | | **(24,848)** | (90) |
| Cash at beginning of year | | **134,319** | 85,354 |
| **Cash at end of year** | 6 | **66,921** | 134,319 |

The accompanying notes form part of the financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## 1. *Summary of Significant Accounting Policies*

The financial report includes the consolidated financial statements and notes of Byte Power Group Limited ("the Company") and its controlled entities ("the Group"). The separate financial statements of Byte Power Group Limited as an individual entity ("the Parent entity") have not been presented within the financial report as permitted by amendments made to the *Corporations Act 2001.* The entity is a for profit entity for financial reporting purposes under Australian Accounting Standards.

The financial report is presented in Australian dollars which is the Group's functional and presentation currency.

The principle accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

### (a) Basis of Accounting

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*.

Except for cash flow information, the financial statements have been prepared on an accruals basis and one based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

*Compliance with IFRSs*

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB.

*Critical accounting estimates*

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Other than consideration of the going concern basis of preparation of the financial statements, there are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

*Going Concern*

This financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activities and realisation of assets and discharge of liabilities in the ordinary course of business.

The Group has made a profit from continuing operations after tax of $40,143 (2013: $24,025) for the financial year ended 30 June 2014. The Group was also in a net current asset position of $640,352 (2013: net current liability position $4,711,651) as at 30 June 2014. There are however significant non-current liabilities.

However, as at 30 June 2014, the Group recorded a net liability balance of $5,278,212 (2013: $6,792,507).

Given the Group's net current liability position, the ability of the Group to continue as a going concern, including Byte Power Group Limited's ability to pay its debts as and when they fall due needs to be considered. The continuation of the Group as a going concern is dependent upon its ability to achieve the following:

- The continued support of major creditors and loans from the major shareholders;
- Obtaining an overdraft or working capital facility to assist the Group to pay its debts on a timely basis;
- Obtaining additional equity in the form of capital raising or longer term debt to enable the Group to fund operating and investing activities cash flow requirements; and
- The generation of future profits by the underlying businesses.

## 1. *Summary of Significant Accounting Policies (continued)*

### *(a) Basis of Accounting (continued)*

It is on the basis of the Group's ability to secure the above arrangements, facilities and the generation of future profits, that the Directors have prepared the financial report on a going concern basis. In the event that the above arrangements and facilities are not entered into, there is significant uncertainty as to whether the Group will continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements. The final report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

### (b) Principles of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and

any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 1. *Summary of Significant Accounting Policies (continued)*

***(b) Principles of Consolidation (continued)***

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 25 to the financial statements.

**(c) Income Tax**

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (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 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.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

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.

**(d) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on the purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; *and*
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## 1. *Summary of Significant Accounting Policies (continued)*

### (e) Foreign currency transactions and balances

*i. Functional and presentation currency*

The functional currency of the controlled entities is measured using the currency of the primary economic environment in which that entity operates. The Consolidated Financial Statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

*ii. Transactions and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the Consolidated Statement of Comprehensive Income.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the Consolidated Statement of Comprehensive Income.

*iii. Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of the balance sheet
- income and expenses for each Income Statement and Statement of Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange difference are recognised in other comprehensive income

On consolidation, exchange differences arising from the transaction of any net investment in foreign entities and of borrowings are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.
Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

### (f) Revenue Recognition

Revenue is recognised to the extent that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods
Revenue is recognised when the goods have been dispatched or has been provided to a customer pursuant to a sales order and the associated risks have passed to the carrier or customer.

(ii) Sale of services
Maintenance revenue represents non-refundable maintenance fees earned.

(iii) Interest
Control of the right to receive the interest payment.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### *1. Summary of Significant Accounting Policies (continued)*

**(g) Receivables**

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised where collection of the amount is no longer probable.

**(h) Inventories**

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are determined on a first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated cost necessary to make the sale.

**(i) Impairment**

Assets with an indefinite useful life are not amortised but are tested annually for impairment or whenever there is an indication of impairment. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired. An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

**(j) Investments**

All non-current investments are carried at the lower of cost and recoverable amount.

**(k) Plant and Equipment and Depreciation**

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The expected useful lives are as follows:

| | |
|---|---|
| Plant and equipment | 3 to 5 years |
| Motor vehicles | 4 to 5 years |
| Office furniture and equipment | 3 to 8 years |

**(l) Leasehold Improvements**

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the Group, whichever is the shorter. Leasehold improvements held at the reporting date are being amortised over 1 to 2 years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## 1. *Summary of Significant Accounting Policies (continued)*

### (m) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

*Operating leases*
The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

The lease incentive liability in relation to the non-cancellable operating lease is being reduced on an imputed interest basis over the lease term (5 years) at the rate implicit in the lease.

*Finance leases*
Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Group are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to the Statement of Comprehensive Income.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

### (n) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods received, whether or not billed to the Group. Trade creditors are due for settlement no more than 30 to 60 days from the date of recognition.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender is recognised as an expense on an accrual basis.

### (o) Interest - Bearing Liabilities

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest, where applicable, is accrued over the period it becomes due and is recorded as part of the related loan.

### (p) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 1. *Summary of Significant Accounting Policies (continued)*

**(q) Employee benefits**

Provision is made for employee entitlement benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, sick leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts, based on remuneration rates which are expected to be paid when the liability is settled.

Employee benefits expenses and revenues arising in respect of the following categories:

- Wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave benefits; *and*
- Other types of employee benefits are charged against profits on a net basis in their respective categories.

In respect of the Group, any contributions made to externally managed superannuation funds by entities within the Group are charged against profits when due.

**(r) Cash and cash equivalents**

Cash on hand and in banks and short-term deposits are stated at the lower of cost and net realisable value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

Bank overdrafts are carried at the principle amount. Interest is charged as an expense as it accrues.

**(s) Contributed Equity**

Issued and paid up capital is recognised at fair value of the consideration received by the company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity or as a reduction of the share proceeds received.

**(t) Earnings per Share (EPS)**

Basic EPS is calculated as net profit or loss attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit or loss attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; *and*
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

## 1. *Summary of Significant Accounting Policies (continued)*

### (u) Financial Instruments

**Initial Recognition and Measurement**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified ‘at fair value through profit or loss’, in which case transaction costs are expensed to profit or loss immediately.

**Classification and Subsequent Measurement**

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

*i. Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

*ii. Financial liabilities*

Non-derivative financial liabilities are subsequently measured at amortised cost.

**Impairment**

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired.

**Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## 1. *Summary of Significant Accounting Policies (continued)*

### (v) New and Amended Accounting Policies Adopted by the Group

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2013. The following standards and revisions applicable to the current financial year were the most significant:

*AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'* - This standard removes the individual key management personnel disclosure requirements in AASB 124 'Related Party Disclosures'. As a result the Group only discloses the key management personnel compensation in total and for each of the categories required in AASB 124. In the current year the individual key management personnel disclosure previously required by AASB 124 is now disclosed in the remuneration report due to an amendment to Corporations Regulations 2001 issued in June 2013.

*AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'* – AASB 10 replaces the parts of AASB 127 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and Interpretation 112 'Consolidation – Special Purpose Entities'. AASB 10 changes the definition of control such that an investor controls an investee when a) it has power over an investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee, and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in AASB 10 to explain when an investor has control over an investee. There was no assessed impact upon implementation of the revised standard.

**New Accounting Standards for Application in Future Periods**

At the date of authorisation of the financial statements, the Standards and Interpretations listed below which are relevant to the Group, were in issue but not yet effective.

| Standard/Interpretation | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|---|---|---|
| AASB 9 'Financial Instruments', and the relevant amending standards | 1 January 2018 | 30 June 2019 |
| AASB 1031 'Materiality' (2013) | 1 January 2014 | 30 June 2015 |
| AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities' | 1 January 2014 | 30 June 2015 |
| AASB 2013-3 'Amendments to AASB 135 – Recoverable Amount Disclosures for Non-Financial Assets' | 1 January 2014 | 30 June 2015 |
| AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments' | 1 January 2014 | 30 June 2015 |

The potential effect of the revised Standards/Interpretations on the Group's financial statements has not yet been determined.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## 2. Revenue

| | CONSOLIDATED 2014 $ | 2013 $ |
|---|---|---|
| **Revenues from operating activities** | | |
| Revenue from sale of goods | **4,165,253** | 6,117,788 |
| Revenue from services | **52,471** | 121,939 |
| | **4,217,724** | 6,239,727 |
| **Revenues from non-operating activities** | | |
| Other revenue | **102,304** | 38,792 |
| Interest income from non-related parties | **19** | 12 |
| Gain on deconsolidation | | |
| - Byte Power Technologies Pty Ltd | **-** | 163,758 |
| | **102,323** | 202,562 |
| **Total revenues from continuing activities** | **4,320,047** | 6,442,289 |

## 3. Expenses

| | 2014 $ | 2013 $ |
|---|---|---|
| Depreciation of non-current assets | | |
| - Plant and equipment | **254** | 2,514 |
| - Furniture and fittings | **1,319** | 2,734 |
| - Plant and equipment under lease | **248** | 310 |
| **Total depreciation expenses** | **1,821** | 5,558 |
| | | |
| Finance costs | | |
| - Interest expense – finance leases | **268** | 135 |
| - Interest expense – director related entity | **350,130** | 337,737 |
| - Other borrowing costs | **197,556** | 128,013 |
| **Total finance costs** | **547,954** | 465,885 |
| | | |
| (Profit) / loss in disposal of plant and equipment | **-** | 510 |
| Net foreign currency (gain) / losses | **5,386** | 22,301 |
| Operating lease rental | **57,376** | 75,149 |
| Impairment of plant and equipment | **-** | 2,795 |
| Superannuation contributions | **51,271** | 64,317 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

## 4. *Income Tax Expense*

| | CONSOLIDATED 2014 $ | 2013 $ |
|---|---|---|
| The prima facie tax, on operating loss differs from the income tax provided in the financial statements as follows: | | |
| Profit / (loss) for the year | **40,143** | 24,025 |
| Prima facie tax on profit / (loss) from continuing operations at 30% (2013: 30%) | **12,043** | 7,207 |
| Tax effect of profit / losses of current period not brought to account | **(12,043)** | (7,207) |
| Income tax expense / (benefit) | **-** | - |
| Deferred tax assets arising from tax losses not brought to account at balance date as realisation of the benefit is not regarded as probable is approximately | **7,297,555** | 7,309,998 |

A deferred tax asset relating to available income tax losses will only be recognised if:

a) Future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
b) The conditions for deductibility imposed by tax legislation continue to be complied with; and
c) No changes in tax legislation adversely affect the Group in realising the benefit.

Byte Power Group Limited and its wholly owned Australian controlled entities have decided to implement the tax consolidation legislation as of 27 November 2002. The Australian Taxation Office has been notified of this decision.

## 5. *Parent entity financial information*

| | PARENT ENTITY 2014 $ | 2013 $ |
|---|---|---|
| Current assets | **52,680** | 121,748 |
| Total assets | **381,733** | 212,640 |
| Current liabilities | **681,837** | 4,715,684 |
| Total liabilities | **14,500,333** | 14,642,170 |
| Contributed equity | **53,109,922** | 51,610,922 |
| Reserves | **-** | - |
| Accumulated losses | **(67,228,521)** | (66,040,451) |
| | **(14,118,600)** | (14,429,530) |
| Net loss | **(1,188,070)** | (4,447,344) |
| Total comprehensive income | **(1,188,070)** | (4,447.344) |

**Financial guarantees**
The Parent entity has provided no financial guarantees.

**Contingent liabilities**
The Parent entity did not have any contingent liabilities as at 30 June 2014 or 30 June 2013.

**Commitments**
The Parent entity had no contractual commitments as at 30 June 2014 or 30 June 2013.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | CONSOLIDATED 2014 $ | 2013 $ |
|---|---|---|

## *6. Current Assets - Cash and Cash Equivalents*

| | 2014 $ | 2013 $ |
|---|---|---|
| Cash at bank | **66,921** | 134,319 |

## *7. Current Assets - Receivables*

| | 2014 $ | 2013 $ |
|---|---|---|
| Trade debtors | **1,986,995** | 1,001,926 |

## *8. Current Assets - Inventories*

| | 2014 $ | 2013 $ |
|---|---|---|
| Finished goods – net realisable value | **408,379** | 175,333 |

## *9. Non-Current Assets - Plant and Equipment*

| | 2014 $ | 2013 $ |
|---|---|---|
| **Plant and equipment:** | | |
| At cost | **887,305** | 887,305 |
| Less: Accumulated depreciation | **(886,401)** | (886,147) |
| | **904** | 1,158 |
| **Office furniture and equipment:** | | |
| At cost | **110,221** | 108,971 |
| Less: Accumulated depreciation | **(104,250)** | (102,931) |
| | **5,971** | 6,040 |
| **Leased assets:** | | |
| At cost | **36,500** | 36,500 |
| Less: Accumulated amortisation | **(35,507)** | (35,259) |
| | **993** | 1,241 |
| **Total plant and equipment** | **7,868** | 8,440 |

## 9. Non-Current Assets - Plant and Equipment (continued)

| | CONSOLIDATED | |
|---|---|---|
| | **2014** | 2013 |
| | **$** | $ |
| **(a) Reconciliations** | | |
| Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the current and previous financial year. | | |
| **Plant and equipment** | | |
| Carrying amount at beginning | **1,158** | 4,820 |
| Disposals | **-** | (1,148) |
| Depreciation expense | **(254)** | (2,514) |
| | **904** | 1,158 |
| **Office furniture and equipment** | | |
| Carrying amount at beginning | **6,041** | 10,931 |
| Additions | **1,250** | - |
| Disposals | **-** | (2,156) |
| Depreciation expense | **(1,319)** | (2,734) |
| | **5,971** | 6,041 |
| **Leased assets** | | |
| Carrying amount at beginning | **1,241** | 1,552 |
| Amortisation expense | **(248)** | (311) |
| | **993** | 1,241 |

## 10. Non-Current Assets - Other

| | | |
|---|---|---|
| Security deposits | **9,692** | 11,836 |
| Deposits - overseas | **46,939** | 46,939 |
| | **56,631** | 58,775 |

## 11. Current Liabilities - Payables

| | | |
|---|---|---|
| Trade creditors | **642,097** | 1,254,571 |
| Other creditors | **888,283** | 3,972,027 |
| | **1,530,380** | 5,226,598 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## 12. Current & Non-Current Liabilities – Convertible loans

| | | |
|---|---|---|
| Loans – Unsecured converting loans (Current liability) | **-** | 513,449 |
| Loans - Unsecured converting loans (Non-current liability) | **525,694** | - |
| | **525,694** | 513,449 |

At 30 June 2014 the terms of converting loans have been extended and will be matured on 31 December 2015 and 30 June 2016 with interest bearing rates of 10% per annum. As of 30 June 2014, the converting loans had been reclassified as Non-Current Liabilities. No collateral is required.

## 13. Current Liabilities – Provisions

| | | |
|---|---|---|
| Employee benefits (Note 20) | **300,887** | 283,182 |

## 14. Non-Current Liabilities - Interest Bearing Liabilities (related parties)

| | | |
|---|---|---|
| Unsecured | | |
| Loan from director related entity | **3,053,972** | 1,919,014 |

Further information relating to loans from related parties is set out in Note 24.

## 15. Non-Current Liabilities - Related Party Payables

| | | |
|---|---|---|
| Unsecured | | |
| Payable to director related entity | **2,321,085** | - |

Further information relating to loans from related parties is set out in Note 24.

## 16. Non-Current Liabilities - Other Financial Liabilities or Long Term Liabilities

| | | |
|---|---|---|
| Other payables | **82,312** | 229,057 |

## 17. Contributed Equity

### (a) Issued capital

| | | |
|---|---|---|
| Ordinary shares fully paid | **53,109,922** | 51,610,922 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## 17. Contributed Equity (continued)

| | | CONSOLIDATED | | | |
|---|---|---|---|---|---|
| | | **2014** | **$** | 2013 | $ |
| | | **2014** | | 2013 | |
| | **Notes** | **Number of Shares** | **$** | Number of Shares | $ |
| ***(b) Movements in ordinary share capital:*** | | | | | |
| Beginning of the financial year | | **1,732,903,322** | **51,610,922** | 1,719,569,989 | 51,570,922 |
| Share placement - February 2013 | (i) | **-** | **-** | 13,333,333 | 40,000 |
| Share placement - October 2013 | (ii) | **113,000,000** | **339,000** | - | - |
| Share placement - April 2014 | (iii) | **186,666,667** | **560,000** | - | - |
| Share placement - May 2014 | (iv) | **200,000,000** | **600,000** | - | - |
| Less capital raising costs | | **-** | **-** | - | - |
| | | **2,232,569,989** | **53,109,922** | 1,732,903,322 | 51,610,922 |

(i) Placement of 13,333,333 shares at 0.3 cents
(ii) Placement of 113,000,000 shares at 0.3 cents
(iii) Placement of 186,666,667 shares at 0.3 cents
(iv) Placement of 200,000,000 shares at 0.3 cents

### *(c) Terms and conditions of contributed equity*

*Ordinary shares*
Ordinary shares have the right to receive dividends as declared and in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

### *(d) Options on Issue*

There were no listed or unlisted options on issue as at 30 June 2014.

### *(e) Capital risk management*

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that they can continue to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the company includes cash and cash equivalents, equity attributable to equity holders, comprising of contributed equity, reserves and accumulated losses. In order to maintain or adjust the capital structure, the company may issue new shares, sell assets to reduce debt or adjust the level of activities undertaken by the Group.

The Group monitors capital on the basis of cash flow requirements for operational and finance commitments. The Group's exposure to borrowings as at 30 June 2014 totals $3,661,977 (2013: $2,661,520). The Group will continue to use capital market issues to satisfy anticipated funding requirements.

The Group's strategy to capital risk management is unchanged from prior years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | CONSOLIDATED | |
|---|---|---|
| | **2014** | 2013 |
| | **$** | $ |

### *18. Reserves*

| | | |
|---|---|---|
| Foreign currency translation reserve | **11,129** | 35,976 |

***Foreign currency translation reserve***

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled entities.

### *19. Cash Flows Statement Information*

***Reconciliation of Operating Loss After Income Tax to Net Cash Flows Used in Operations***

| | | |
|---|---|---|
| Profit / (loss) from ordinary activities after income tax | **40,143** | 24,025 |
| Depreciation of non-current assets | **1,821** | 5,558 |
| (Profit) / loss on disposal of non-current assets | **-** | (10,460) |
| Impairment of plant and equipment | **-** | 2,795 |
| **Change in assets and liabilities** | **1,032,009** | |
| Decrease/(increase) in trade and other debtors | **985,069** | (743,779) |
| Decrease/(increase) in inventories | **233,046** | (123,300) |
| Decrease/(increase) in other assets | **9,324** | (46,940) |
| (Decrease)/increase in trade and other creditors | **(2,874,348)** | 1,103,797 |
| (Decrease)/increase in provisions | **17,705** | 29,756 |
| Net cash flow used in operating activities | **(1,540,300)** | 241,452 |

### *20. Employee Benefits*

Employee Benefits
The aggregate employee entitlement liability is comprised of:

| | | |
|---|---|---|
| - Provision (current) | **300,887** | 283,182 |
| - Provision (non-current) | **-** | - |
| | **300,887** | 283,182 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

| | CONSOLIDATED | |
|---|---|---|
| | **2014** | 2013 |
| | **$** | $ |

### *21. Remuneration of Auditors*

| | | |
|---|---|---|
| Audit and review of financial reports | **40,000** | 40,000 |

### *22. Commitments and Contingent Liabilities*

The Group did not have any contingent liabilities as at 30 June 2014 or 30 June 2013.

### *23. Related Parties and Key Management Compensation*

***(i) Key Management Personnel***

The following persons were key management of Byte Power Group Limited during the year:

| | |
|---|---|
| A Phua | Managing director |
| R Tham | Non executive director |
| H Shi | Non executive director |
| M Walsh | Non executive director *(resigned 5 July 2013)* |
| M Higgins | Executive director *(resigned 28 May 2014)* |
| E Lau | COO and Company Secretary |

***(ii) Key Management Personnel Compensation***

| | CONSOLIDATED | |
|---|---|---|
| | **2014** | 2013 |
| | **$** | $ |
| Short term employee benefits | **404,070** | 392,309 |
| Post employment benefits | **34,976** | 33,057 |
| Share based payments | **-** | - |
| | **439,046** | 425,366 |

***(iii) Equity instruments of Directors***

Interest in the equity instruments of Byte Power Group Limited held by directors and key management personnel, including their director related entities:

| | Ordinary shares Fully Paid | | Options over ordinary shares | |
|---|---|---|---|---|
| | **2014 Number** | 2013 Number | **2014 Number** | 2013 Number |
| Alvin Phua* | **34,477,395** | 31,477,395 | - | - |
| Raphael Tham | **12,479,844** | 12,479,844 | - | - |
| Michael Walsh *(resigned 5 July 2013)* | **-** | 8,750,122 | - | - |
| Ethel Lau** | **488,839,983** | 488,839,983 | - | - |
| | **544,547,344** | 541,547,344 | - | - |

* Held by APEL Pacific Group Pty Ltd in which Alvin Phua has a controlling interest.
** Held by Ethel Lau Superannuation Fund.

## *23. Related Parties and Key Management Compensation (continued)*

***(iv) Interests in Controlled Entities***

| Name of Entity | Country of incorporation | Class of Shares | Equity holdings | |
|---|---|---|---|---|
| | | | **2014 %** | 2013 % |
| Byte Power Pty Ltd* | Australia | Ordinary | **100** | 100 |
| Power Tech Systems Pty Ltd* | Australia | Ordinary | **100** | 100 |
| Byte Power (Hong Kong) Ltd^ | Hong Kong | Ordinary | **83.4** | 83.4 |
| Byte Power (Chongqing) Information Technology Ltd^ | China | Ordinary | **83.4** | 83.4 |
| Byte Power Pte Ltd^ | Singapore | Ordinary | **100** | 100 |
| Wine Power Pty Ltd* | Australia | Ordinary | **100** | 100 |
| Wine Power Pte Ltd^ | Singapore | Ordinary | **100** | - |

* These companies are classified as small proprietary companies under the *Corporations Act 2001* and therefore are not required to prepare or lodge accounts.

^ These companies are incorporated overseas and do not have a requirement to prepare accounts or have them audited.

## *24. Related Party Transactions*

***Ultimate parent***

Byte Power Group Limited is the ultimate Australian parent entity.

***Director-Related Entity Transactions***

All transactions with related parties were made on normal commercial terms and conditions except where stated, and are as follows:

***Loans***

A director Mr Alvin Phua has a substantial interest in APEL Pacific Group Pty Ltd. APEL Pacific Group Pty Ltd provided vendor finance to Willhart Limited (now "BPG") pursuant to a loan agreement dated 26 November 2002 for $3,400,000 (Tranche 1 amount), $1,500,000 (Tranche 2 amount) to enable BPG to complete the Share Sale Agreement. APEL Pacific Group Pty Ltd also provided vendor finance to BPG for $1,095,000 in relation to the purchase of inventory. These unsecured loan funds have been provided at a floating interest rate which is 2% above the prime lending rate and interest for the period amounted to $350,130 (2013: $337,737). As at 30 June 2014, the outstanding loan balance was $1,919,014 (2013: $1,919,014) after repayments during the year of $254,675 (2013: $286,923). Interest outstanding as at 30 June 2014 totals $1,134,958 (2013: $1,039,503).

***Non Current Liabilities***

Related party payables represents the amount payable to director's related entities that were reclassified from current payables at 30 June 2013 to non current liabilities at 30 June 2014 as new payment arrangements were entered into by the directors' related entities during the period.

## *25. Segment Information*

**Identification of reportable segments**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Group is managed primarily on the basis of individual subsidiary investment since the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis. As such operating segments have been determined to be:

*Power Management*
Supply state of the art power management technology including UPS devices and services and primarily sells into large corporations and hospitals.

*IT&T*
Provides IT consulting services and IT products trading.

*Asian Business Division*
Focusing on the wine export business as well as pursuing both investment and business trade opportunities in Asia.

*Other*
All other operations of the Group.

**Disclosure of Major Customers**

The Group's revenues from five customers accounted for $3,792,002 or 89.9% of total sales revenues in the twelve months ended 30 June 2014. These five customers accounted for 10% or more of total sales revenues. The revenue is predominantly generated by the Australian entities.

The following is an analysis of the revenue and results for the years ended 30 June 2014 and 30 June 2013, analysed by operational segment.

*Segment*

| Operating segment | Power Management | | IT&T | | Asian Business Division | | Other | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| *Revenue* | | | | | | | | | | |
| Sales to customers outside the Group | **76,354** | 158,221 | **1,042,709** | 4,674,064 | **3,098,662** | 1,407,441 | **-** | - | **4,217,724** | 6,239,726 |
| Other revenues from customers outside the Group | **2,684** | 14,022 | **(68,309)** | (8,790) | **104,566** | (8,996) | **63,382** | 206,327 | **102,323** | 202,562 |
| Total segment revenue | **79,037** | 172,242 | **974,400** | 4,665,274 | **3,203,228** | 1,398,445 | **63,382** | 206,327 | **4,320,047** | 6,442,288 |
| *Results* | | | | | | | | | | |
| Segment result | **11,270** | 47,390 | **(114,868)** | 494,451 | **1,156,048** | 436,860 | **(1,012,308)** | (954,678) | **40,143** | 24,024 |
| Income tax expense | | | | | | | | | **-** | - |
| Net Profit / (loss) | | | | | | | | | **40,143** | 24,024 |
| *Assets* | | | | | | | | | | |
| Segment assets | **77,572** | 67,807 | **3,202** | 39,395 | **2,946,888** | 1,695,452 | **446,224** | 275,846 | **3,473,885** | 2,078,499 |
| Eliminations | **-** | - | **-** | - | **(623,929)** | (623,929) | **(313,838)** | (75,778) | **(937,767)** | (699,707) |
| Total consolidated assets | **77,572** | 67,807 | **3,202** | 39,395 | **2,322,959** | 1,071,523 | **132,385** | 200,068 | **2,536,118** | 1,378,793 |
| *Liabilities* | | | | | | | | | | |
| Segment liabilities | **119,326** | 120,831 | **3,815,685** | 3,737,077 | **2,027,565** | 1,944,327 | **15,326,318** | 15,605,467 | **21,288,894** | 21,407,702 |
| Eliminations | **(101,931)** | (90,223) | **(3,628,085)** | (2,938,913) | **(1,561,961)** | (1,724,965) | **(8,182,588)** | (8,482,301) | **(13,474,564)** | (13,236,402) |
| Total consolidated liabilities | **17,395** | 30,608 | **187,600** | 798,164 | **465,604** | 219,362 | **7,143,730** | 7,123,166 | **7,814,330** | 8,171,300 |
| Other segment information: | | | | | | | | | | |
| Depreciation and amortisation | **72** | 3,517 | **501** | 657 | **-** | - | **1,249** | 1,384 | **1,822** | 5,558 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OR THE YEAR ENDED 30 JUNE 2014

## *26. Earnings per Share*

| | CONSOLIDATED | |
|---|---|---|
| | **2014** | 2013 |
| | **$** | $ |
| The following reflects the income and share data used in the calculation of basic and diluted earnings / (loss) per share: | | |
| Profit from ordinary activities | **40,143** | 24,025 |
| | **Number** | Number |
| Weighted average number of ordinary shares used in calculating basic and diluted earnings per share | **1,873,996,473** | 1,724,903,322 |
| | **Cents per share** | |
| Basic earnings per share | **0.002** | 0.001 |

## *27. Subsequent Events*

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs for the Group in future financial years.

## *28. Financial Instruments*

### *(a) Credit Risk Exposures*

The Group's maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount, net of any provision for doubtful debts, of those assets as indicated in the Statement of Financial Position.

The Group is not materially exposed to any individual customer.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality.

### *(b) Interest Rate Risk*

The Group's exposure to interest rate risk and the effective weighted average interest rate for each class of financial asset and financial liabilities is set out in the following table.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the Group intends to hold fixed rate assets and liabilities to maturity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## 28. Financial Instruments (continued)

| | Non bearing Interest $ | Floating interest rate $ | Fixed Interest rate maturing in 1 year or less $ | Fixed interest rate maturing in 1 to 5 years $ | Total $ |
|---|---|---|---|---|---|
| **2014** | | | | | |
| **Financial assets** | | | | | |
| Cash and cash equivalents | 66,921 | - | - | - | 66,921 |
| Receivables | 1,986,995 | - | - | - | 1,986,995 |
| | 2,053,916 | - | - | - | 2,053,916 |
| Weighted average interest rate % | | - | - | - | |
| **Financial liabilities** | | | | | |
| Trade and other creditors | 1,530,380 | - | - | - | 1,530,380 |
| Converting loans | - | - | - | 525,693 | 525,693 |
| Loans from director related entity | - | 3,053,972 | - | - | 3,053,972 |
| Other loans | - | - | - | - | - |
| | 1,530,380 | 3,053,972 | - | 525,693 | 5,110,045 |
| Weighted average interest rate % | | 11.6% | | 10.0% | |
| **2013** | | | | | |
| **Financial assets** | | | | | |
| Cash and cash equivalents | 134,319 | - | - | - | 134,319 |
| Receivables | 1,001,926 | - | - | - | 1,001,926 |
| | 1,136,245 | - | - | - | 1,136,245 |
| Weighted average interest rate % | | - | - | - | |
| **Financial liabilities** | | | | | |
| Trade and other creditors | 4,187,137 | 1,039,461 | - | - | 5,226,598 |
| Converting loans | - | - | 513,449 | - | 513,449 |
| Loans from director related entity | - | 1,919,014 | - | - | 1,919,014 |
| Other loans | - | - | - | - | - |
| | 4,187,137 | 2,958,475 | 513,449 | - | 7,659,061 |
| Weighted average interest rate % | | 11.6% | 8.0% | - | |

## 28. *Financial Instruments (continued)*

***(c) Sensitivity analysis***

The following table illustrates sensitivities to the Group's exposure to changes in interest rates. The table indicates the impact on how profit reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

| | **2014** | 2013 |
|---|---|---|
| | **$** | $ |
| +100 bps in interest rate – increase / (decrease) in reported profit | **(30,539)** | (29,584) |
| -100 bps in interest rate – increase / (decrease) in reported profit | **30,539** | 29,584 |

## 29. *Company Details*

| | |
|---|---|
| Registered office address | Unit 13/76 Doggett Street<br>Newstead QLD 4006<br>Australia |
| Principal place of business | Byte Power Group Limited<br>Byte Power Pty Ltd<br>Power Tech Systems Pty Ltd<br>Wine Power Pty Ltd<br>Unit 13/76 Doggett Street<br>Newstead QLD 4006<br>Australia |
| | Byte Power (Hong Kong) Ltd<br>Room 2402, 24th Floor, Wing On House<br>No. 71 Des Voeux Road Central<br>Central, Hong Kong |
| | Byte Power Pte Ltd<br>Wine Power Pte Ltd<br>149 Rochor Road #05-01<br>Fu Lu Shou Complex<br>Singapore 188425 |

# BYTE POWER GROUP LIMITED
# And its controlled entities
# DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Byte Power Group Limited, in the opinion of the directors of the company:

1. the financial statements and notes, as set out on pages 20 to 46, are in accordance with the Corporations Act 2001 and:
    a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
    b. give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the consolidated group;

2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

3. the directors have been given the declarations required by s 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer (or equivalent).

**Alvin Phua**
**Chairman & CEO**

Brisbane, 30 September 2014

# INDEPENDENT AUDITOR'S REPORT
# TO THE MEMBERS OF BYTE POWER GROUP LIMITED

## Report on the Financial Report

We have audited the accompanying financial report of Byte Power Group Limited ("the company") and its Controlled Entities ("the group") which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration of the group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### *Directors' Responsibility for the Financial Report*

The Directors of the company are responsible for the preparation 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(a), 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.

### *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 about 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 company's preparation of the financial report that gives a true and fair view 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 company'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.

### *Independence*

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

PKF Hacketts Audit
ABN 33 873 151 348

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**INDEPENDENT AUDITOR'S REPORT**
**TO THE MEMBERS OF BYTE POWER GROUP LIMITED**
**(continued)**

***Opinion***

In our opinion:

a) the financial report of Byte Power Group Limited and its Controlled Entities is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the group's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

***Emphasis of matter***

At 30 June 2014, the consolidated entity has recorded net liabilities of $5,278,212 (2013: $6,792,507). This, along with other matters as set forth in Note 1(a), indicate the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore, the group may be unable to realise its assets and discharge its liabilities in the normal course of business.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 10 to 12 of the Directors' Report for the year ended 30 June 2014. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Opinion*

In our opinion the Remuneration Report of Byte Power Group Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

PKF HACKETTS

**PKF Hacketts Audit**
Brisbane, 30 September 2014

**Liam Murphy**
Partner

# SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 15 September 2014.

## A. Distribution of equity securities

Analysis of numbers of ordinary share security holders by size of holding:

| Range | Ordinary Shares |
|---|---|
| 1 – 1,000 | 223 |
| 1,001 – 5,000 | 191 |
| 5,001 – 10,000 | 93 |
| 10,001 – 100,000 | 171 |
| 100,001 and over | 252 |
| | 930 |

There were 703 holders of less than a marketable parcel of 166,667 ordinary shares.

## B. Equity security holders

***Twenty largest quoted equity security holders***

The names of the twenty largest holders of quoted equity securities are listed below:

| | Ordinary shares | |
|---|---|---|
| Name | Number Held | Percentage of issued shares |
| Ethel Lau <Ethel Lau Superannuation Fund A/C> | 488,839,983 | 21.90 |
| Mr Zhang Zhou | 200,000,000 | 8.96 |
| Li Baorong | 175,630,567 | 7.87 |
| Mr Wenhao Du | 166,666,667 | 7.47 |
| Mr Yaoqing Chen | 133,775,649 | 5.99 |
| Mr Jing Liao | 100,700,000 | 4.51 |
| Mr Chriss Carr + Mrs Betsy Carr | 100,000,000 | 4.48 |
| Citicorp Nominees Pty Limited | 72,959,560 | 3.27 |
| Mr Kenneth King | 56,815,363 | 2.54 |
| Mr Boon Kheng Ong | 53,540,000 | 2.40 |
| Mr Daniel Raymond Farquhar | 43,500,000 | 1.95 |
| Pershing Australia Nominees Pty Ltd | 41,013,648 | 1.84 |
| Tech Pacific Australia Pty Limited | 38,220,860 | 1.71 |
| Mr Tze-Fai Yuen | 23,959,021 | 1.07 |
| APEL Pacific Group Pty Ltd <The APEL Family A/C> | 22,727,273 | 1.02 |
| UOB Kay Hian Private Limited <Clients A/C> | 17,677,035 | 0.79 |
| MR Christopher Lindsay Bollam | 17,587,116 | 0.79 |
| HSBC Custody Nominees (Australia) Limited | 14,438,790 | 0.65 |
| Logistic Web Services Limited | 13,369,670 | 0.60 |
| Mr Huat Lai Lee + Ms Ai Wah Lee | 12,500,000 | 0.56 |
| | 1,793,921,202 | 80.35 |

***Unquoted equity securities***

There are no unquoted equity securities.

## C. Substantial holders

Substantial holders in the company are set out below:

| Name | Ordinary shares Number Held | Ordinary shares Percentage of issued shares |
|---|---|---|
| Ethel Lau <Ethel Lau Superannuation Fund A/C> | 488,839,983 | 21.90 |
| Mr Zhang Zhou | 200,000,000 | 8.96 |
| Li Baorong | 175,630,567 | 7.87 |

## D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

# CORPORATE DIRECTORY

***Directors***

Alvin Phua (Chairman, Chief Executive Officer)
Raphael Tham
Howard Shi

***Company Secretary***

Ethel Lau

***Registered Office***

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Australia

| | |
|---|---|
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| Facsimile: | +61 7 3620 1689 |
| email: | info@bytepowergroup.com |
| Web page: | www.bytepowergroup.com |

***Solicitors***

Hopgood Ganim Lawyers
Level 8, Waterfront Place, 1 Eagle Street
BRISBANE QLD 4000

***Auditors***

PKF Hacketts Audit
Level 3, 549 Queen Street
BRISBANE QLD 4000

***Share Registry***

Link Market Services Limited
ANZ Building
Level 19, 324 Queen Street
BRISBANE QLD 4000

| | |
|---|---|
| Telephone: | +61 7 3320 2232 |
| Facsimile: | +61 7 3228 4999 |

***Bankers***

Commonwealth Bank of Australia
240 Queen Street
BRISBANE QLD 4000

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