ANNUAL REPORT

30 June 2011

ABN: 80 009 268 571

CONTENTS

CHAIRMAN'S REPORT

Byte Power Group Limited has been directing its efforts at capital raising and has successfully completed a placement of 133,890,649 shares at an issue price of A$0.003 on 26 August 2011. This amounted to A$401,672 in net proceeds to the Company. In September 2011, the Group further secured A$526,892 through a converting loan from a new shareholder. Part of these funds will be used for acquiring profitable new business opportunities.

In Chongqing China, the government's policy to remove all outdoor advertising panels and unsightly old kiosks around the city has been effected. This change has directly affected both the issuance of new site licences and advertising revenue. E-kiosk business activities have temporarily stalled pending release of the new government policy on allocation of kiosk sites and on outdoor advertising.

The Company has teamed up with Chongqing Sanxia Books and Periodicals Media Co. Limited to provide marketing and advertising services once the new outdoor advertising policy is released. The real benefit of this partnership will be realised upon release of the new government policy.

This temporary delay in the roll-out of the e-kiosk project has provided Byte Power Group Limited management an opportunity to pursue strategic opportunities and potential acquisitions in both Australia and China.

The consolidated entity has continued to cut back on expenditure and reduced its EBITDA losses by 18% compared to the previous corresponding period.

Outlook

The change in Chongqing's government policy has hindered the Company's progress of the project. The current scenario has caused the Group scale down its operations in Chongqing, reduce costs and review its kiosk strategy moving ahead. The e-kiosk beachhead in China continues to present exciting opportunities for the Group. The Board is currently exploring some of these opportunities to create shareholder value and will update the shareholders on the outcomes going forward.

Selected synergistic acquisition and profitable business opportunities will be actively pursued by the Group as they become available.

Alvin Phua
Chairman

REVIEW OF OPERATIONS

Company Background and Overview

Byte Power Group Limited is a diversified technology solutions group with active business operations in Australia and Asia. The Group is also a specialist provider of IT&T solutions to leading organisations in the SME, corporate and government sectors throughout Australia and China. The Group provides turnkey solutions that support enterprise wide requirements.

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, Byte Power Technologies Pty Ltd, Byte Power (HK) Limited and Byte Power (Chongqing) Information Technology Ltd.

Byte Power Pty Ltd – Formally 'Byte Power' was established in Queensland in 1989 and continues to focus on delivery of IT products and services to SME's as well as corporate and government clients. As a private company Byte Power was recognised over many years as one of Queensland's Top 400 privately owned companies. The Top 400 awards were based upon independent research conducted on behalf of Business Queensland in conjunction with PricewaterhouseCoopers and published annually.

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.

Byte Power Technologies Pty Ltd – Byte Power Technologies Pty Ltd designs and manufactures a range of monitoring solutions, marketed under the name Mediator. The Mediator provides it's users with 24/7 monitoring ensuring that any external conditions that could affect the network availability or performance are reported promptly, accurately and quickly. Utilising industry standard protocols the Mediator is able to be integrated into existing monitoring systems or function as a stand-alone service, minimising the risks of unexpected outages.

Byte Power Technologies Pty Ltd has received Australian Technology Showcase (ATS) accreditation for its unique Mediator network monitoring device. The Australian Technology Showcase is supported by State and Federal Governments of Australia and is designed to promote globally, leading edge Australian innovative technologies.

Byte Power (HK) Limited – Based in Hong Kong this subsidiary provides local presence and support within the regional market. Through our overseas subsidiaries we continue to generate opportunities by leveraging off our existing business relationships with multinational, large corporate and government organisations within each region.

Byte Power (Chongqing) Information Technology Ltd – Established in May 2007, Byte Power (Chongqing) Information Technology Ltd operates a city wide e-Kiosk solution in Chongqing City, China. This Byte Power solution provides the general population convenient access to a range of on- and off-line services, as well as enhancing the city's outlook. The Chongqing City e-Kiosk agreement allows for the development of up to 3,000 sites across Chongqing City. The e-Kiosk project draws on the Group's core capabilities in network design, implementation and management as well as the extensive contacts and relationships developed by the Group over the past 22 years.

REVIEW OF OPERATIONS (continued)

Byte Power combines its core competencies into a strong IT solutions-focused organisation with offices in Australia, Singapore, Hong Kong and China. It has the ability and the expertise to undertake large complex projects while offering a high level of service, strong corporate history and personnel contact. As a group, Byte Power Group Limited is able to offer ready access to expertise in a number of specialist fields such as monitoring, environmental control and power management to any client.

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The Group's key strengths lie in its extensive network of corporate relationships in Asia and Australia which have been developed and established over a span of 22 years. The Group positions itself to utilise these networks and in sourcing growth into new markets and opportunities globally.

Operations Review

The Group is currently focusing on growing its Australian market presence. By offering a full range of monitoring solutions such as UPS solutions, Mediator and power filtering the Group is able to provide an off-the-shelf package or a custom-built solution designed to meet any organisations' requirements. Primary focus to date has been on strategic review of opportunities with additional consultancies on internal IT policy and procedure reviews, IT hardware and software.

Since the e-kiosks going live in 2007, the Group has established partnerships with leading solutions and service providers such as:

- Shanghai Nantian Computer System Co, Ltd ("Nantian")
- Xinhua (New China) News Agency ("Xinhua")
- Universal Travel Group Inc. (UTG) (OTC BB: UTVG.OB)
- Sanxia Books and Periodicals Media Limited ("Sanxia")

These strategic partnerships permit the effective synergies where Byte Power has access to specialist capabilities and, likewise an effective distribution platform is offered to the partners for their goods and services.

As part of the ongoing Chongqing City project Byte Power continues to create additional relationships and networks that provide immediate and longer-term benefits to the Group as a whole.

In late 2010, the Chongqing government passed a policy to remove all outdoor advertising panels and unsightly old kiosks around the city. This change has directly affected both the issuance of new site licences and advertising revenue. E-kiosk business activities have been scaled down temporarily pending release of the new government policy on allocation of kiosk sites and on outdoor advertising. Due to the restrictions from the Chongqing government, management has decided to stop manufacturing new kiosks until a clear policy from the local government is released in relations to outdoor advertising and new kiosk sites. Byte Power is actively looking at opportunities to extend its e-kiosk business into new markets within China which may have a less stringent governmental policy in regards to advertising restrictions.

Although there has been temporary set-backs in the form of governmental regulations to the e-kiosk project and with the ongoing uncertainty in global economies, the Group continues to utilise its network which has been established over the course of 22 years to leverage its business.

Byte Power has focused its business growth on leveraging on the strengths of its existing global networks to take advantage of emerging opportunities in the Asia Pacific region. The Group's collaboration with Bio Photonic Healthcare Sdn Bhd ("Bio Photonic") during the year has been just one of the initiatives in complementing such strategy objectives. The Group is in discussion with Bio Photonic on the details of how to pursue the relationship further.

DIRECTORS' REPORT

Your directors submit their report on Byte Power Group Limited ("the company") and the consolidated entity ("the Group") consisting of Byte Power Group Limited and the entities it controlled at the end of, or during, the year ended 30 June 2011.

Directors

Directors were in office for the entire year 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 with key business and government relationships throughout Australia and around the Asian region and has a proven track record of success in the IT&T sector through his building of the Byte Power business since 1989.	Managing Director Member of Remuneration Committee	31,477,395 ordinary shares, 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 Chairman of Audit Committee	12,479,844 ordinary shares, Nil options
Mr. Michael Walsh	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 Chairman of Remuneration Committee Member of Audit Committee	8,750,122 ordinary 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 director of China Food Company PLC, a company listed on AIM, London (Code: CFC.L)

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. Ms. Lau managed the operational and financial aspects of Byte Power Pty Ltd prior to the acquisition and has since filled the role of COO. Ms. Lau'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, Nil options

Earnings per Share

Earnings (loss) per share (cents)	2011	2010
Basic earnings (loss) per share	(0.15)	(0.23)
Diluted earnings (loss) per share	(0.15)	(0.23)

Dividends

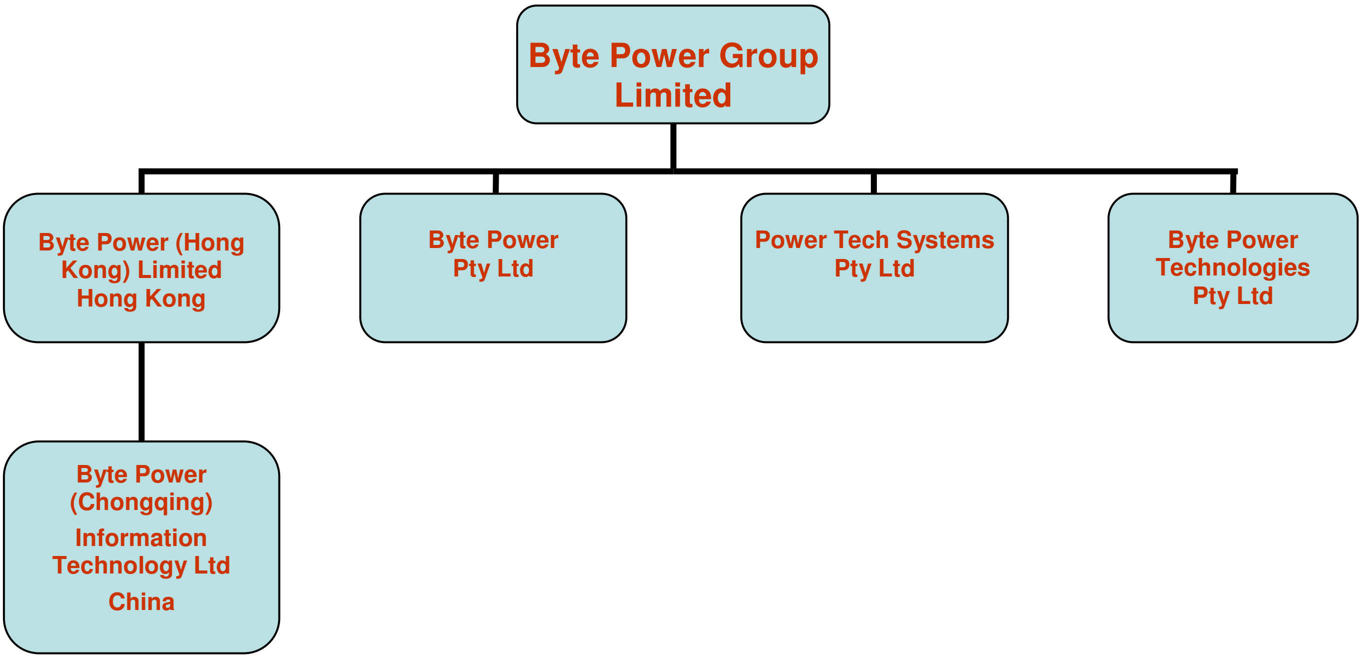
No dividends were recommended or paid during the year.

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
Byte Power Technologies Pty Ltd
Byte Power (Hong Kong) Limited (83.4% ownership)
Byte Power (Chongqing) Information Technology Ltd

Byte Power Group Limited – Corporate Structure



Nature of Operations and Principal Activities

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

- Service and sale of IT&T equipment and software;
- Provision of IT consultancy and services;
- Manufacture, assembly, import, export, service and sale of power management equipment and software;
- Service and sales of UPS equipment nationally; and
- Develop and implement e-kiosk solutions in China.

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

Employees

The Group employed 8 employees at 30 June 2011 (2010: 7 employees).

REVIEW AND RESULTS OF OPERATIONS

Summary

Revenues from ordinary activities in the financial year ended June 2011 were $0.357 million compared to $0.901 million in the financial year ended June 2010.

The net loss for the year was $1.926 million compared to $1.943 million for the year ended 30 June 2010. This year's net loss was partly contributed by an impairment of intangible assets of $192,234 recorded in Byte Power (HK) Ltd, being the set up costs of the e-kiosk project in Chongqing China. The EBITDA loss for the year was $1.040 million compared with $1.266 million in 2010. Sales revenue has dropped this year compared to last financial year and despite the reduction, our bottomline improved due to managing overheads of the Group.

Currently, Byte Power Group Limited has directed its efforts into capital raising and has completed a placement of 133,890,649 shares at an issue price of A$0.003 on 26 August 2011. This amounted to A$401,672 in net proceeds to the Company. In September 2011, the Group further secured A$526,891 through a converting loan from a new shareholder. These funds will be used for retirement of debts and provide the Company with working capital as well as enabling the Company to secure selected synergistic acquisition and profitable business opportunities.

Comments on the Group's operations and results

Detailed results are as follows:

	2011	**2010**	**% change**
	$	**$**	
Revenue from ordinary activities	357,733	900,789	(60%)
EBITDA	(1,040,406)	(1,265,373)	(18%)
Impairment	(192,234)	-	
Depreciation/Amortisation	(143,057)	(144,461)	-%
EBIT	(1,375,697)	(1,409,834)	(2%)
Financial costs	(550,725)	(532,848)	3%
Operating profit/(loss) before income tax	(1,926,422)	(1,942,682)	-%
Income tax expense	-	-	
Net profit/(loss)	(1,926,422)	(1,942,682)	-%

Business Unit results are set out below:

	Revenues		**Results**	
	2011	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**
Segment:				
Power Management	133,222	274,289	(11,852)	43,143
IT&T	161,254	599,650	(75,960)	(28,680)
E-Kiosk	56,547	26,586	(434,960)	(429,819)
Other	6,710	264	(1,403,650)	(1,527,326)
	357,733	900,789	(1,926,422)	(1,942,682)
Income tax expense			-	-
Loss for the year			(1,926,422)	(1,942,682)

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

Subsequent to the end of the financial year the company received funding in the amount of $928,564 by means of a private placement of 133,890,649 shares at $0.003 raising $401,672 and a short term converting loan of $526,892. The loan is convertible to shares at $0.003.

No other matter or circumstance has arisen since the end of the financial year that has significantly affected, or may affect, the operations of the Group, the result of those operations, or the state of affairs of the Group in future financial years.

Likely Developments and Expected Results

The Group anticipates further growth in the consultancy and professional services and expects that these will lead to additional revenue opportunities.

The e-kiosk project has provided a platform for the Group in terms of its exposure to opportunities in the Asian region. Byte Power expects to gain momentum as further opportunities eventuate.

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 2011.

Shares issued as a result of the exercise of options

During the financial year no options were exercised.

Indemnification and Insurance of Directors and Officers

During or since the financial year, the company has paid premiums in respect of a contract insuring all of the directors of Byte Power Group Limited against costs incurred in defending proceedings for conduct involving:

a) a wilful breach of duty; *or*
b) a contravention of sections 182 or 183 of the *Corporations Act 2001*

as permitted by Section 199B of the *Corporations Act 2001*.

The total value of insurance premiums expense was $22,499.

The company indemnifies all the directors and executive officers for any breach of environmental or discrimination laws by the company, for which they may be held personally liable. The agreement provides for the company to pay an amount not exceeding US$150,000 (USA & Canada) and $25,000 (other locations) where:

a) the liability does not arise out of conduct involving a lack of good faith; *or*
b) the liability is for cost and expenses incurred by the director or officer in defending proceedings in which judgement is given in their favour or in which they are acquitted.

REMUNERATION REPORT

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

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:

Directors of Byte Power Group Limited

2011	Short Term Benefits			Post Employment Benefits		Share Based Payments	Other	Total
	Salary & Fees $	Cash bonus $	Non-monetary $	Super-annuation $	Retirement benefits $	Options $	$	$
Alvin Phua	35,000	-	-	3,150	-	-	-	38,150
Raphael Tham	25,000	-	-	-	-	-	-	25,000
Michael Walsh	25,000	-	-	2,250	-	-	-	27,250
	85,000	**-**	**-**	**5,400**	**-**	**-**	**-**	**90,400**

2010	Short Term Benefits			Post Employment Benefits		Share Based Payments	Other	Total
	Salary & Fees $	Cash bonus $	Non-monetary $	Super-annuation $	Retirement benefits $	Options $	$	$
Glenn Ferguson ^	8,750	-	-	787	-	-	-	9,537
Alvin Phua	32,500	-	-	2,925	-	-	-	35,425
Raphael Tham	25,000	-	-	2,250	-	-	-	27,250
Michael Walsh	25,000	-	-	2,250	-	-	-	27,250
	91,250	**-**	**-**	**8,212**	**-**	**-**	**-**	**99,462**

^ Resigned as a director on 13 October 2009.

Executives of Byte Power Group Limited

2011	Short Term Benefits			Post Employment Benefits		Share Based Payments	Other	Total
	Salary & Fees $	Cash bonus $	Non-monetary $	Super-annuation $	Retirement benefits $	Options $	$	$
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**

2010	Short Term Benefits			Post Employment Benefits		Share Based Payments	Other	Total
	Salary & Fees $	Cash bonus $	Non-monetary $	Super-annuation $	Retirement benefits $	Options $	$	$
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.

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 2011 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	-	-	-	-
Raphael Tham	10	10	2	2	-	-
Michael Walsh	10	10	2	2	-	-

Committee Membership

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

Audit Committee	*Remuneration Committee*
Raphael Tham (Chairman)	Michael Walsh (Chairman)
Michael Walsh	Alvin Phua

Auditor

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 company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company are important.

Details of amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out below.

The Board of directors has considered the position and, in accordance with the advice received from the Audit Committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor, *and*
- None of the services undermine the general principles relating to auditor independence as set out in *APES 110 : Code of Ethics for Professional Accountants* set by the Accounting Professionals Ethical Standards Board.

During the year the following fees were payable for services provided by the auditor of the company:

	CONSOLIDATED	
	2011 $	2010 $
Audit and review of financial reports	45,000	62,000
Other assurance services	-	5,000
Non assurance services – other compliance and advisory services	-	-

Auditor Independence

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on next page 14.

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 in the following section of the Annual Report.

Signed in accordance with a resolution of the directors.

Alvin Phua
Chairman

Brisbane, 30 September 2011

lawler hacketts chartered accountants

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF BYTE POWER GROUP LIMITED

In relation to our audit of the financial report of Byte Power Group Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 , and
(ii) no contraventions of any applicable code of professional conduct.

Lawler Hacketts

Lawler Hacketts Audit

S J Lindemann
Partner

Brisbane, 30 September 2011

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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 consolidated entity. 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 2011 ("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 Michael Walsh 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 consolidated entity, 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 Michael Walsh (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 Michael Walsh (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, there is a clear understanding as to when trading is inappropriate.
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. 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 COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	Notes	CONSOLIDATED 2011 $	2010 $
Revenues from continuing activities	2	**357,733**	900,789
Changes in inventories of finished goods and work in progress		**(32,809)**	16,212
Raw materials and consumables used		**(159,516)**	(550,634)
Depreciation and amortisation expense	3	**(143,057)**	(144,461)
Provision for impairment	3	**(192,234)**	-
Finance costs	3	**(550,725)**	(532,848)
Salaries and employee benefits expense		**(573,461)**	(601,040)
Directors' remuneration fees		**(90,704)**	(153,188)
Rent and outgoings		**(122,940)**	(152,221)
Travel, accommodation and entertainment		**(123,644)**	(188,038)
Consultants/professional fees		**(70,308)**	(252,826)
Other expenses	3	**(224,757)**	(284,427)
Loss before income tax		**(1,926,422)**	(1,942,682)
Income tax expense	4	**-**	-
Loss for the year		**(1,926,422)**	(1,942,682)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**33,192**	39,242
Income tax relating to components of other comprehensive income		**-**	-
Total other comprehensive income		**33,192**	39,242
Total comprehensive income		**(1,893,230)**	(1,903,440)
Loss for the year attributable to members of the parent entity		**(1,926,422)**	(1,942,682)
Total comprehensive income attributable to members of the parent entity		**(1,893,230)**	(1,903,440)
		Cents per share	
Basic earnings / (loss) per share	27	**(0.15)**	(0.23)
Diluted earnings / (loss) per share	27	**(0.15)**	(0.23)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

		CONSOLIDATED	
		2011	2010
	Notes	**$**	$
Current Assets			
Cash and cash equivalents	6	**49,665**	63,944
Receivables	7	**32,360**	104,050
Inventories	8	**124,657**	157,466
Other	9	**2,469**	-
Total Current Assets		**209,151**	325,460
Non-current Assets			
Plant and equipment	10	**363,685**	751,615
Other	11	**11,809**	15,634
Total Non-current Assets		**375,494**	767,249
Total Assets		**584,645**	1,092,709
Current Liabilities			
Payables	12	**3,827,051**	3,228,470
Interest bearing liabilities	13	**502,445**	509,272
Provisions	14	**212,843**	163,695
Total Current Liabilities		**4,542,339**	3,901,437
Non-current Liabilities			
Interest bearing liabilities	15	**1,919,014**	1,919,014
Long term liabilities	16	**241,198**	194,764
Total Non-current Liabilities		**2,160,212**	2,113,778
Total Liabilities		**6,702,551**	6,015,215
Net Assets / (Liabilities)		**(6,117,906)**	(4,922,506)
Equity			
Contributed equity	17	**50,650,858**	49,953,028
Reserves	18	**72,434**	39,242
Accumulated losses		**(56,841,198)**	(54,914,776)
Total Equity		**(6,117,906)**	(4,922,506)

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

	Contributed equity $	Reserves $	Accumulated losses $	Total $
Balance at 1 July 2009	46,289,125	-	(52,972,094)	(6,682,969)
Loss for the year	-	-	(1,942,682)	(1,942,682)
Total other comprehensive income	-	39,242	-	39,242
Total comprehensive income	-	39,242	(1,942,682)	(1,903,440)
Transactions with equity holders in their capacity as equity holders:				
Issue of share capital	3,677,903	-	-	3,677,903
Cost of issue	(14,000)	-	-	(14,000)
	3,663,903	-	-	3,663,903
Sub total	49,953,028	39,242	(54,914,776)	(4,922,506)
Dividend paid / payable	-	-	-	-
Balance as at 30 June 2010	49,953,028	39,242	(54,914,776)	(4,922,506)
Balance at 1 July 2010	49,953,028	39,242	(54,914,776)	(4,922,506)
Loss for the year	-	-	(1,926,422)	(1,926,422)
Total other comprehensive income	-	33,192	-	33,192
Total comprehensive income	-	33,192	(1,926,422)	(1,893,230)
Transactions with equity holders in their capacity as equity holders:				
Issue of share capital	703,400	-	-	703,400
Cost of issue	(5,570)	-	-	(5,570)
	697,830	-	-	697,830
Sub total	50,650,858	72,434	(56,841,198)	(6,117,906)
Dividend paid / payable	-	-	-	-
Balance as at 30 June 2011	50,650,858	72,434	(56,841,198)	(6,117,906)

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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

	Notes	CONSOLIDATED 2011 $	2010 $
		Inflows/(Outflows)	
Cash Flows from Operating Activities			
Receipts from customers		**502,116**	1,150,216
Payments to suppliers and employees		**(1,045,566)**	(2,241,184)
Interest and other costs of finance paid		**(213,393)**	(85,528)
Interest received		**2**	250
Net cash flows from operating activities	19(a)	**(756,841)**	(1,176,246)
Cash Flows from Investing Activities			
Payment for property, plant and equipment		**-**	(6,342)
Net cash flows from investing activities		**-**	(6,342)
Cash Flows from Financing Activities			
Proceeds from issues of securities (shares, option etc.)		**703,400**	1,042,518
Share issue costs		**(5,570)**	(14,000)
Payments for lease liabilities		**-**	(12,938)
Proceeds from (repayment of) other loans		**11,540**	175,805
Net cash flows from financing activities		**709,370**	1,191,385
Net Increase/(Decrease) in cash held		**(47,471)**	8,797
Cash at the beginning of the financial year		**63,944**	15,905
Effects of function currency exchange rate change		**33,192**	39,242
Cash at the end of the financial year	6	**49,665**	63,944

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. *Summary of Significant Accounting Policies*

The financial report includes the consolidated financial statements and notes of Byte Power Group Limited 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* effective as at 28 June 2010.

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*.

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..

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit and loss, and certain classes of property, plant and equipment.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS 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 incurred a loss from continuing operations after tax of $1,926,422 (2010: $1,942,682) for the financial year ended 30 June 2011. The Group was also in a net current liability position of $4,333,188 (2010: $3,575,977) as at 30 June 2011. There are also significant non-current liabilities.

Given the Group's net current liability position, the ability of the Group to continue as going concern, including the ability of the company to pay its debts as and when they fall due is dependent upon its abilities 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 continue 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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 financial 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 are those of the consolidated entity, comprising Byte Power Group Limited ("the parent company") and all the entities which Byte Power Group Limited controlled from time to time during the year and at balance date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

(c) Income Tax

Income tax expense comprises the tax payable on the current period's taxable income based on the applicable income tax rate and changes in deferred tax assets and liabilities.

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for temporary differences and unused tax losses only when it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(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 FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

(e) Foreign Currency

Translation of foreign currency transactions
Foreign currency transactions during the year are initially converted to Australian currency at the rate of exchange applicable at the dates of the transactions. At balance date amounts payable or receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are brought to account in determining the profit or loss for the year.

Translation of financial reports of overseas operations
All overseas operations are fully integrated. The financial reports of overseas operations are translated using the current rate method and any exchange differences are taken directly to the Statement of Comprehensive Income.

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

(k) Plant and Equipment and Depreciation

Plant and equipment is stated at cost. Depreciation is calculated on a straight line basis on all plant and equipment. 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.

(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.

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 creditors.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

(p) Provisions

Provisions are recognised when the economic activity has a legal, equitable or contractual obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

(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 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 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.

(u) New Accounting Standards for application in future periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Group has not yet determined any potential impact on the financial statements

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; *and*
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies the definition of a "related party" to remove inconsistencies and simplify the structure of the Standard. No changes are expected to materially affect the Group.

AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010–2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

- Tier 1: Australian Accounting Standards; *and*
- Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (i.e. full IFRS):

- - or-profit private sector entities that have public accountability; *and*
- the Australian Government and state, territory and local governments.

Since the Group is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

AASB 2010–2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific "RDR" disclosures.

AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the Group.

AASB 2009–14: Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan. This Standard is not expected to impact the Group.

AASB 2010–4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:

- clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
- amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- adding a number of examples to the list of events or transactions that require disclosure under AASB 134; *and*
- making sundry editorial amendments to various Standards and Interpretations.

This Standard is not expected to impact the Group.

AASB 2010–5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

AASB 2010–6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).

This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

This Standard is not expected to impact the Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9. As noted above, the Group has not yet determined any potential impact on the financial statements from adopting AASB 9.

AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

This Standard makes amendments to AASB 112: Income Taxes.

The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.
The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112.
The amendments are not expected to impact the Group.

AASB 2010–9: Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] (applies to periods beginning on or after 1 July 2011).

This Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards.
The amendments brought in by this Standard provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.

Furthermore, the amendments brought in by this Standard also provide guidance for entities emerging from severe hyperinflation either to resume presenting Australian-Accounting-Standards financial statements or to present Australian-Accounting-Standards financial statements for the first time.
This Standard is not expected to impact the Group.

AASB 2010–10: Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009–11 & AASB 2010–7] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

The amendments brought in by this Standard ultimately affect AASB 1: First-time Adoption of Australian Accounting Standards and provide relief for first-time adopters from having to reconstruct transactions that occurred before their transition date.

[The amendments to AASB 2009–11 will only affect early adopters of AASB 2009–11 (and AASB 9: Financial Instruments that was issued in December 2009) as it has been superseded by AASB 2010–7.]
This Standard is not expected to impact the Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2. Revenue

	CONSOLIDATED 2011 $	2010 $
Revenues from operating activities		
Revenue from sale of goods	**141,507**	713,334
Revenue from services	**113,014**	173,829
	254,521	887,163
Revenues from non-operating activities		
Other revenue	**103,210**	13,376
Interest income from non-related parties	**2**	250
	103,212	13,626
Total revenues from continuing activities	**357,733**	900,789

3. Expenses And Losses / (Gains)

	CONSOLIDATED 2011 $	2010 $
Depreciation of non-current assets		
- Plant and equipment	**131,636**	132,587
- Furniture and fittings	**10,864**	10,607
- Plant and equipment under lease	**333**	758
- Leasehold improvements	**224**	509
- Impairment of plant and equipment	**192,234**	-
Total depreciation expenses	**335,291**	144,461
Finance costs		
- Interest expense – finance leases	**98**	3,770
- Interest expense – director related entity	**309,265**	273,973
- Other borrowing costs	**241,362**	255,105
Total finance costs	**550,725**	532,848
Net foreign currency (gain) / losses	**382**	2,691
Operating lease rental	**98,618**	129,015
Movement in provision for employee entitlements	**49,148**	9,181
Other expenses		
- Telephone	**20,160**	51,284
- Fees, duties and charges	**44,742**	46,396
- Loss in disposal of plant and equipment	**52,639**	32,646
- Other	**107,216**	154,101
Total other expenses	**224,757**	284,427

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

4. *Income Tax Expense*

	CONSOLIDATED 2011 $	2010 $
The prima facie tax, on operating loss differs from the income tax provided in the financial statements as follows:		
Loss for the year	**(1,926,422)**	(1,942,682)
Prima facie tax on loss from continuing operations at 30% (2010: 30%)	**(577,927)**	(582,805)
Tax effect of losses of current period not brought to account	**577,927**	582,805
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	**7,525,000**	6,947,000

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.

The entities have also entered into a tax sharing arrangement. Under the terms of this agreement, the income tax liabilities are allocated between the entities should the head entity default on its tax obligations. In the opinion of the directors, the tax sharing agreement is also a valid agreement under the tax consolidation legislation and limits the joint and several liability of the wholly-owned entities in the case of a default by Byte Power Group Limited

5. *Parent entity financial information*

	PARENT ENTITY 2011 $	2010 $
Current assets	**2,860**	7
Total assets	**19,999**	25,316
Current liabilities	**3,608,320**	2,863,441
Total liabilities	**9,578,919**	6,014,976
Contributed equity	**50,650,858**	49,953,028
Reserves	**-**	-
Accumulated losses	**(60,209,777)**	(58,806,128)
	(9,558,919)	(8,853,100)

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 2010 or 30 June 2011.

Commitments
The Parent entity had no contractual commitments as at 30 June 2010 or 30 June 2011.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	CONSOLIDATED	
	2011	2010
	$	$

6. Current Assets - Cash

Cash at bank	**49,665**	63,944

7. Current Assets - Receivables

Trade debtors	**32,360**	104,050

Trade debtors past due the terms of their credit arrangements are not considered to be impaired.

8. Current Assets - Inventories

Finished goods – net realisable value	**124,657**	157,466

9. Current Assets - Other

Prepayments	**2,469**	-

10. Non-Current Assets - Plant and Equipment

Plant and equipment:		
At cost	**900,751**	995,507
Less: Accumulated depreciation	**(364,031)**	(277,564)
Less: Provision for impairment	**(192,234)**	-
	344,486	717,943
Office furniture and equipment:		
At cost	**180,069**	276,225
Less: Accumulated depreciation	**(162,810)**	(246,352)
	17,259	29,873
Leased assets:		
At cost	**36,500**	36,500
Less: Accumulated amortisation	**(34,560)**	(34,227)
	1,940	2,273
Leasehold improvements:		
At cost	**-**	7,306
Less: Accumulated amortisation	**-**	(5,780)
	-	1,526
Total plant and equipment	**363,685**	751,615

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	CONSOLIDATED	
	2011	2010
	$	$

(a) Reconciliations

Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the current and previous financial year.

	2011 $	2010 $
Plant and equipment		
Carrying amount at beginning	**717,943**	878,193
Additions	**-**	-
Disposals	**(49,587)**	(27,663)
Depreciation expense	**(131,636)**	(132,587)
Provision for impairment	**(192,234)**	-
	344,486	717,943
Office furniture and equipment		
Carrying amount at beginning	**29,873**	39,121
Additions	**-**	6,342
Disposals	**(1,750)**	(4,983)
Depreciation expense	**(10,864)**	(10,607)
	17,259	29,873
Leased assets		
Carrying amount at beginning	**2,273**	3,031
Additions	**-**	-
Disposals	**-**	-
Amortisation expense	**(333)**	(758)
	1,940	2,273
Leasehold improvements		
Carrying amount at beginning	**1,526**	2,035
Additions	**-**	-
Disposals	**(1,302)**	-
Depreciation expense	**(224)**	(509)
	-	1,526

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	CONSOLIDATED	
	2011	2010
	$	$

11. Non-Current Assets - Other

Security deposits	**11,809**	15,634

12. Current Liabilities - Payables

Trade creditors	**815,394**	796,444
Other creditors	**3,011,657**	2,432,026
	3,827,051	3,228,470

13. Current Liabilities – Interest Bearing Liabilities

Loans - Unsecured	**8,378**	43,272
Loans – Unsecured converting loans	**494,067**	466,000
	502,445	509,272

14. Current Liabilities – Provisions

Employee benefits (Note 21)	**212,843**	163,695

15. Non-Current Liabilities - Interest Bearing Liabilities

Unsecured		
Loan from director related entity	**1,919,014**	1,919,014

Further information relating to loans from related parties is set out in Note 25.

16. Non-Current Liabilities - Other

Other creditors	**241,198**	194,764

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

17. Contributed Equity

(a) Issued capital

	CONSOLIDATED 2011 $	2010 $
Ordinary shares fully paid	**50,650,858**	49,953,028

(b) Movements in ordinary share capital:

	Notes	2011 Number of Shares	2011 $	2010 Number of Shares	2010 $
Beginning of the financial year		**1,169,248,774**	**49,953,028**	433,668,111	46,289,125
Share placement – October 2009	(i)	**-**	**-**	22,184,000	110,920
Share placement – December 2010	(ii)	**-**	**-**	691,146,663	3,455,733
Share placement – January 2010	(iii)	**-**	**-**	16,000,000	80,000
Share placement – June 2010	(iv)	**-**	**-**	6,250,000	31,250
Share placement – October 2010	(v)	**67,799,999**	**203,400**	-	-
Share placement – February 2011	(vi)	**100,000,000**	**300,000**	-	-
Share placement – June 2011	(vii)	**66,666,667**	**200,000**	-	-
Less capital raising costs		**-**	**(5,570)**	-	(14,000)
		1,403,715,440	**50,650,858**	1,169,248,774	49,953,028

(i) Placement of 22,184,000 shares at 0.5 cents
(ii) Placement of 691,146,663 shares at 0.5 cents
(iii) Placement of 16,000,000 shares at 0.5 cents
(iv) Placement of 6,250,000 shares at 0.5 cents
(v) Placement of 67,799,999 shares at 0.3 cents
(vi) Placement of 100,000,000 shares at 0.3 cents
(vii) Placement of 66,666,667 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 2011.

(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 2011 totals $2,662,657 (2010 : $2,623,050). 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.

18. Reserves

	CONSOLIDATED	
	2011	2010
	$	$
Foreign currency translation reserve	**72,434**	39,242

Foreign currency translation reserve

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

19. Cash Flows Statement Information

(a) Reconciliation of Operating Loss After Income Tax to Net Cash Flows Used in Operations

	2011 $	2010 $
Loss from ordinary activities after income tax	**(1,926,422)**	(1,942,682)
Depreciation of non-current assets	**143,057**	144,461
(Profit) / loss on disposal of non-current assets	**52,639**	32,646
Impairment of plant and equipment	**192,234**	-
Change in assets and liabilities		
Decrease/(increase) in trade and other debtors	**71,690**	60,057
Decrease/(increase) in inventories	**32,809**	(16,212)
Decrease/(increase) in other assets	**1,356**	33,108
(Decrease)/increase in trade and other creditors	**626,648**	503,195
(Decrease)/increase in provisions	**49,148**	9,181
Net cash flow used in operating activities	**(756,841)**	(1,176,246)

(b) Non cash investing and financing activities

	2011 $	2010 $
Issue of share capital on partial conversion of liabilities and loans	**-**	2,635,385

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

20. *Expenditure Commitments*

	CONSOLIDATED 2011 $	2010 $
Lease Commitments		
Operating leases (non – cancellable)		
Minimum lease payments		
- not later than one year	**51,000**	60,231
- later than one year but not later than 5 years	**38,250**	-
Aggregate lease expenditure contracted for at balance date	**89,250**	60,231

21. *Employee Benefits*

	CONSOLIDATED 2011 $	2010 $
Employee Benefits The aggregate employee entitlement liability is comprised of:		
- Provision (current)	**212,843**	163,695
- Provision (non-current)	**-**	-
	212,843	163,695

Employee numbers	**Number**	Number
Average number of employees during the financial year	**5**	6

22. *Remuneration of Auditors*

	CONSOLIDATED 2011 $	2010 $
Audit and review of financial reports	**45,000**	62,000
Other assurance services	**-**	5,000
Non assurance services – other compliance and advisory services	**-**	-

23. Contingent Liabilities

The Group did not have any contingent liabilities as at 30 June 2010 or 30 June 2011.

24. 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
M Walsh	Non executive director
E Lau	COO and Company Secretary

	CONSOLIDATED	
	2011	2010
(ii) Key Management Personnel Compensation	**$**	$
Short term employee benefits	**392,309**	398,559
Post employment benefits	**-**	35,869
Share based payments	**-**	-
	392,309	434,428

(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	
	2011 Number	2010 Number	**2011 Number**	2010 Number
Alvin Phua*	**31,477,395**	31,477,395	-	-
Raphael Tham	**12,479,844**	12,479,844	-	-
Michael Walsh	**8,750,122**	8,750,122	-	-
Ethel Lau	**488,839,983**	488,839,983	-	-
	541,547,344	541,547,344	-	-

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

(iv) Interests in Controlled Entities

Name of Entity	**Country of incorporation**	**Class of Shares**	**Equity holdings**		**Parent entity's investment**	
			2011 %	2010 %	**2011 $**	2010 $
Byte Power Pty Ltd *	Australia	Ordinary	100	100	**20,582,686**	20,582,686
Power Tech Systems Pty Ltd*	Australia	Ordinary	100	100	**1,789,142**	1,789,142
Byte Power Technologies Pty Ltd*	Australia	Ordinary	100	100	**2,282,752**	2,282,752
Byte Power Technologies Inc^	USA	Ordinary	100	100	**-**	-
Byte Power Technology (Int'l) Pte Ltd*	Singapore	Ordinary	100	100	**-**	-
Willhart Facility Solutions Pty Ltd*	Australia	Ordinary	100	100	**2,008,739**	2,008,739
Byte Power (Hong Kong) Ltd	Hong Kong	Ordinary	83.4	83.4	**-**	-
Byte Power (Chongqing) Information Technology Ltd	China	Ordinary	83.4	83.4	**-**	-
Cost of Parent entity's investment					**26,663,319**	26,663,319
Provision for diminution in value					**(26,663,319)**	(26,663,319)
Carrying amount of Parent entity's investment					**-**	-

* 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.

25. 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:

<u>Loans</u>
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 Byte Power Group Limited) pursuant to a loan agreement dated 26 November 2002 for $3,400,000 (Tranche 1 amount), $1,500,000 (Tranche 2 amount) to enable Willhart Limited to complete the Share Sale Agreement. APEL Pacific Group Pty Ltd also provided vendor finance to Willhart Limited 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 $309,265 (2010: $273,973). As at 30 June 2011, the outstanding loan balance was $1,919,014 (2010: $1,919,014) after repayments during the year of $- (2010: $-). Interest outstanding as at 30 June 2011 totals $891,387 (2010: $582,122).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Shareholdings
During the year directors and key management personnel have been issued ordinary shares in settlement of outstanding debts arising from Director fees and convertible notes as follows:

	2011 Number	2010 Number
Alvin Phua	-	8,750,122 *
Raphael Tham	-	12,479,844 *
Michael Walsh	-	8,750,122 *
Ethel Lau	-	470,673,827**
	-	500,653,915

* Issued in settlement of Director fees
** Issued on conversion of convertible notes

Wholly-Owned Group transactions

The wholly owned group consists of Byte Power Group Limited and its wholly owned controlled entities Power Tech Systems Pty Ltd, Byte Power Technologies Pty Ltd, Byte Power Pty Ltd, Byte Power (HK) Ltd, Byte Power (Chongqing) Information Technology Ltd and other non-operating companies..

26. 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:

IT&T
Provides IT consulting services and IT products trading

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

e-kiosk
Development and implement e-kiosk solutions in China

Other
All other operations of the Group

The following is an analysis of the revenue and results for the years ended 30 June 2011 and 30 June 2010, analysed by operational segment.

Segment

Operating segment	Power management		IT&T		e-kiosk		Other		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Revenue										
Sales to customers outside the consolidated entity	**133,222**	274,289	**161,254**	599,650	**56,546**	26,586	**6,710**	264	**357,733**	900,789
Other revenues from customers outside the consolidated entity	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Inter segment revenues	**-**	-	**-**	-	**-**	-				
Total segment revenue	**133,222**	274,289	**161,254**	599,650	**56,546**	26,586	**6,710**	264	**357,733**	900,789
Results										
Segment result	**(11,852)**	43,143	**(75,960)**	(28,680)	**(434,960)**	(429,819)	**(1,403,650)**	(1,527,326)	**(1,926,422)**	(1,942,682)
Income tax expense									**-**	-
Net loss									**(1,926,422)**	(1,942,682)
Assets										
Segment assets	**125,022**	171,012	**40,547**	152,070	**398,976**	744,311	**20,099**	25,316	**584,645**	1,092,709
Liabilities										
Segment liabilities	**(17,812)**	16,325	**7,396,829**	7,432,393	**2,146,879**	1,831,013	**(2,823,345)**	(3,264,516)	**6,702,551**	6,015,215
Other segment information:										
Depreciation and amortisation	**11,029**	7,877	**1,702**	3,287	**127,558**	128,187	**2,769**	5,110	**143,057**	144,461

27. Earnings per Share

	CONSOLIDATED	
	2011	2010
	$	$
The following reflects the income and share data used in the calculation of basic and diluted earnings / (loss) per share:		
Loss from ordinary activities	**(1,926,422)**	(1,942,682)
	Number	Number
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	**1,247,997,266**	854,602,416

28. Subsequent Events

Subsequent to the end of the financial year the company received funding in the amount of $928,564 by means of a private placement of 133,890,649 shares at $0.003 to raise $402,672 and a short term converting loan of $526,892. The loan is convertible to shares at $0.003.

No other matter or circumstance has arisen since the end of the financial year that has significantly affected, or may affect, the operations of the Group, the result of those operations, or the state of affairs of the Group in future financial years.

29. 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 minimises concentrations of credit risk in relation to accounts receivable by undertaking transactions with a large number of customers that are concentrated in Australia. The Group is not materially exposed to any individual customer.

(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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Weighted average interest rate	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 $
2011						
Financial assets						
Cash and cash equivalents	-	49,665	-	-	-	49,665
Receivables	-	32,360	-	-	-	32,360
		82,025	-	-	-	82,025
Weighted average interest rate %			-	-	-	
Financial liabilities						
Trade and other creditors	-	3,827,051	-	-	-	3,827,051
Converting loans	8.0%	-	-	494,067	-	494,067
Loans from director related entity	11.6%	-	1,919,014	-	-	1,919,014
Other loans	-	8,378	-	-	-	8,378
		3,835,429	1,919,014	494,067	-	6,248,510
Weighted average interest rate %			11.6%	8.0%	-	
2010						
Financial assets						
Cash and cash equivalents	-	63,944	-	-	-	63,944
Receivables	-	104,049	-	-	-	104,049
		167,993	-	-	-	167,993
Weighted average interest rate %			-	-	-	
Financial liabilities						
Trade and other creditors	-	3,228,470	-	-	-	3,228,470
Converting loans	8.0%	-	-	466,000	-	466,000
Loans from director related entity	11.6%	-	1,919,014	-	-	1,919,014
Other loans		43,272	-	-	-	43,272
		3,271,742	1,919,014	466,000	-	5,656,756
Weighted average interest rate %			11.6%	8.00%	-	

(c) Sensitivity analysis

The Group's management of its exposure to interest rates is predominantly through non-interest bearing liabilities and liabilities with fixed interest rate arrangements. Therefore any movement in interest rates is considered not to have a material impact upon the Group's financial performance and equity position.

DIRECTORS' DECLARATION

The Directors of the company declare that:

(a) the financial statements and notes, as set out on pages 19 to 44 are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Accounting Standards; *and*
- (ii) give a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that date;
- (iii) comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(b) the Chief Executive Officer and Chief Financial Officer (or equivalent) have each declared that:

- (i) the financial records of the Company and consolidated entity for the year ended 30 June 2011 have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
- (i) the financial statements and notes for the financial year ended 30 June 2011 comply with the Accounting Standards; *and*
- (ii) the financial statements and notes for the financial year ended 30 June 2011 give a true and fair view.

(c) in the Directors' opinion, on the basis of the Company's and the Group's ability to secure the arrangements and facilities noted in Note 1(a), and the generation of future profits, the Directors believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Board

Alvin Phua
Chairman

Brisbane, 30 September 2011

lawler hacketts chartered accountants

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 consolidated entity"), which comprises the consolidated statement of financial position as at 30 June 2011, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration of the consolidated entity 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.
In Note 1, the Directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

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*.

Lawler 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 consolidated entity's financial position as at 30 June 2011 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

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred a net loss of $1,926,422 during the year ended 30 June 2011 and, as of that date, the consolidated entity's current liabilities exceeded its total assets by $6,117,906. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity 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 on pages 9 to 11 of the Directors' Report for the year ended 30 June 2011. 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 2011 complies with section 300A of the *Corporations Act 2001.*

Lawler Hacketts

Lawler Hacketts Audit

Brisbane, 30 September 2011

S J Lindemann
Partner

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 28 September 2011.

A. Distribution of equity securities

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

Range	Ordinary Shares
1 – 1,000	217
1,001 – 5,000	196
5,001 – 10,000	95
10,001 – 100,000	182
100,001 and over	214
	904

There were 732 holders of less than a marketable parcel of 250,000 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:

Name	Ordinary shares	
	Number Held	Percentage of issued shares
Ethel Lau <Ethel Lau Superannuation Fund A/c>	488,839,983	31.79
Mr Chen Yaoqing	133,890,649	8.71
Mr Jing Liao	107,701,012	7.00
Mr Law Wai Keung	66,666,667	4.34
Phillip Securities (Hong Kong) Ltd <Client A/c>	60,013,648	3.90
Mr Boon Kheng Ong	50,540,000	3.29
Fernjewel Pty Ltd	38,974,844	2.53
Tech Pacific Australia Pty Limited	38,220,860	2.49
Mr Tze-Fai Yuen	23,959,021	1.56
APEL Pacific Group Pty Ltd <The APEL Family A/c>	22,727,273	1.48
Uob Kay Hian Private Limited <Clients A/c>	20,293,641	1.32
Yano Lim + Susanty Lim (The Lim Superannuation A/c)	17,000,000	1.11
Yan Hartono	16,800,000	1.09
Logistic Web Services Limited	13,369,670	0.87
Mr Huat Lai Lee + Ms Ai Wah Lee	12,500,000	0.81
Mr Raphael Tham	12,479,844	0.81
Mr Kenneth King	12,239,472	0.80
Mr Chris Carr + Mrs Betsy Carr	12,000,000	0.78
Mr Anton Tjandra	11,509,303	0.75
Monterra Pty Ltd	11,460,000	0.75
	1,171,185,887	76.17

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	Percentage of issued shares
Ethel Lau <Ethel Lau Superannuation Fund A/c>	488,839,983	31.79
Mr Chen Yaoqing	133,890,649	8.71
Mr Jing Liao	107,701,012	7.00

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
Michael Walsh

Company Secretary

Ethel Lau

Registered Office

Unit 13, 76 Doggett Street
NEWSTEAD QLD 4006
Telephone: (07) 3620 1688
Facsimile: (07) 3620 1689
email and Web page address: www.bytepowergroup.com

Solicitors

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

Auditors

Lawler 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: (07) 3320 2232
Facsimile: (07) 3228 4999

Bankers

Westpac Banking Corporation
Level 15, 260 Queen Street
BRISBANE QLD 4000

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