BYTE POWER
Group Limited

ANNUAL REPORT

30 June 2012

ABN: 80 009 268 571

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CHAIRMAN'S REPORT

Byte Power Group Limited had a remarkable start to the new financial year with the Company achieving sales revenue of A$1.98M with confirmed orders of A$1.12M received for the first quarter ending 30 September 2012.

During the year, the IT trading business had improved compared to the previous period. The Company continues to develop new and existing business opportunities in the IT & T sector.

The Asian Business Division was established in February 2012 focusing on pursuing both investment and trading opportunities in Asia, with a specific focus on China, Hong Kong, Singapore and Malaysia initially. With Asia emerging as an increasingly important business market for Australian companies, the Group believes that with its history of doing business in Asia, it is well positioned to take advantage of business and trade opportunities as and when they arise through this new division.

In May 2012 the Company secured its first order of Australian wine through this new division. With the growing middle-class and affluence in China, there is a significant increase in wine consumption together with a high demand for imported wines. The Group believes that the Asian Business Division will be able to take advantage of its Australian base and its connections in China to optimise this demand.

The Asian Business Division has contributed A$350K representing 21.71% of the sales revenue for the financial year. The Company expects the contribution from this Division to continue to grow.

In January 2012, the Group advised the market that Bio Photonic Healthcare Sdn Bhd of Malaysia ("Bio Photonic") had failed to remedy breaches of the exclusive agreement identified by Byte Power. As there was little adverse effect on the Company's financial position and due to potential expensive cross-border recovery actions, the Board has decided to terminate the agreement without seeking further damages.

Similarly, the Group has reviewed its e-Kiosk business in Chongqing, China due to the change of government policy on outdoor advertising in the last 18 months and the recent changes in the political landscape in Chongqing. The e-Kiosk project has not delivered the outcome and expectation the Company was looking for and the recent events may hinder the Company in establishing a clear pathway to further develop the business. The Group has therefore decided to write-off its investments, amounting to $305K and focus on its Asian Business Division instead.

The consolidated entity's net loss has improved by 16% compared to the previous corresponding period. This has been achieved as a result on the Company's continued efforts to reduce operating overheads as well as increases in revenue from ordinary activities.

Outlook

The Group has achieved strong trading results during the first three months into the new financial year.

By the end of the first quarter of 2012, the Group has achieved sales and received confirmed orders totaling A$3.1M. The significant improvement in revenue this financial year came from both IT trading as well as wine sales through the Company's Asian Business Division.

The Board believes the results to date afford to provide a degree of confidence that BPG can expect a substantially improved financial performance in the first half of the new financial year. The Board is optimistic that both the Asian Business and IT&T Divisions will grow this year as the Company continues to develop new and existing opportunities. Building on the positive outcome, the Board is also confident that the performance for this financial year will improve over last year.

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, Byte Power (Chongqing) Information Technology Ltd and Byte Power Pte 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.

The IT trading business is operated under this entity and since July 2012, this business has grown substantially and made up a large percentage in the total sales revenue for the first quarter results.

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 has previously 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.

More recently, Byte Power (HK) through the Group's Asian Business Division has entered the wine market, with a focus on exporting premium Australian wine into Asia especially China.

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. However, recent political changes and changes to government policies have adversely affected the e-Kiosk business. The Group has decided that it is in the Company's best interest to wind down this project and refocus on other areas of the business.

Byte Power Pte Ltd – Newly formed in April 2012, this Singapore based subsidiary was created in preparation for any future trading business opportunities that may arise out of the market in Singapore.

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.

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 23 years. The Group positions itself to utilise these networks and in sourcing growth into new markets and opportunities globally.

Operations Review

Byte Power Group had signed an agreement with Bio Photonic Healthcare Sdn Bhd ("Bio Photonic") in June 2011, to become an exclusive distributor for their health tonics for the Asia Pacific region. However, Byte Power Group later became aware that a third party was claiming rights to some or all of the areas within Byte Power Group's territory. As Bio Photonic failed to remedy breaches of the exclusive distribution agreement identified by Byte Power Group, the Company had decided to terminate the agreement with Bio Photonic. There was little adverse effect on the Company's financial position and due to potential costly cross-border recovery actions, the Board had decided against seeking further damages.

The Chongqing government's decision to remove all outdoor advertising panels and unsightly old kiosks around the city in late 2010 caused a temporary hiatus to the Company's e-Kiosk activities as the new policy adversely affected the e-Kiosk business. The Board was forced to evaluate its options in terms of Byte Power's future and position in Chongqing. The Company decided that, with the e-Kiosk project not delivering the outcome and expectation the Company was looking for, and with the change in government and recent changes in the political landscape, that the e-Kiosk project would be unable to deliver the desired outcome in the near future. The Group had therefore decided to write-off the e-Kiosk project, choosing to refocus on its Asian Business Division instead.

The e-Kiosk project had however provided a platform for the Group in terms of its exposure to opportunities in the Asian region. In February 2012, the Group established the Asian Business Division. The Asian Business Division focuses on pursuing both investment and business trade opportunities in Asia, with a specific focus on China, Hong Kong, Singapore and Malaysia initially. The establishment of this division supplements the diversified technology solutions business in China through the e-Kiosk project.

The first transaction to transpire from the Asian Business Division was a wine order through the Company's Hong Kong subsidiary. The wines are supplied by selected Australian producers. With the growing middle-class and affluence in China there is a significant increase in wine consumption together with a high demand for imported wines. The Group believes that the Asian Business Division will be able to take advantage of its Australian base and its relationships in China to exploit this demand.

The Group is currently focusing on a strong growth path with emphasis on developing its Asian Business Division and its IT&T businesses. The positive outcome in the 2011-12 results is evident of the Group utilising its existing relationships, which has been established over the course of 23 years. The continual development of relationships will be ongoing to enable the Group as a whole to continue to enjoy immediate and longer-term benefits.

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 2012.

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 Executive Director of China Food Company PLC, a company listed on AIM, London (Code: CFC.L). He is also the non-executive Chairman of Auhua Clean Energy Plc, also listed in the London Stock Exchange AIM (Code: ACE).

Company Secretary

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

Earnings per Share

Earnings (loss) per share (cents)	2012	2011
Basic earnings (loss) per share	(0.10)	(0.15)
Diluted earnings (loss) per share	(0.10)	(0.15)

Dividends

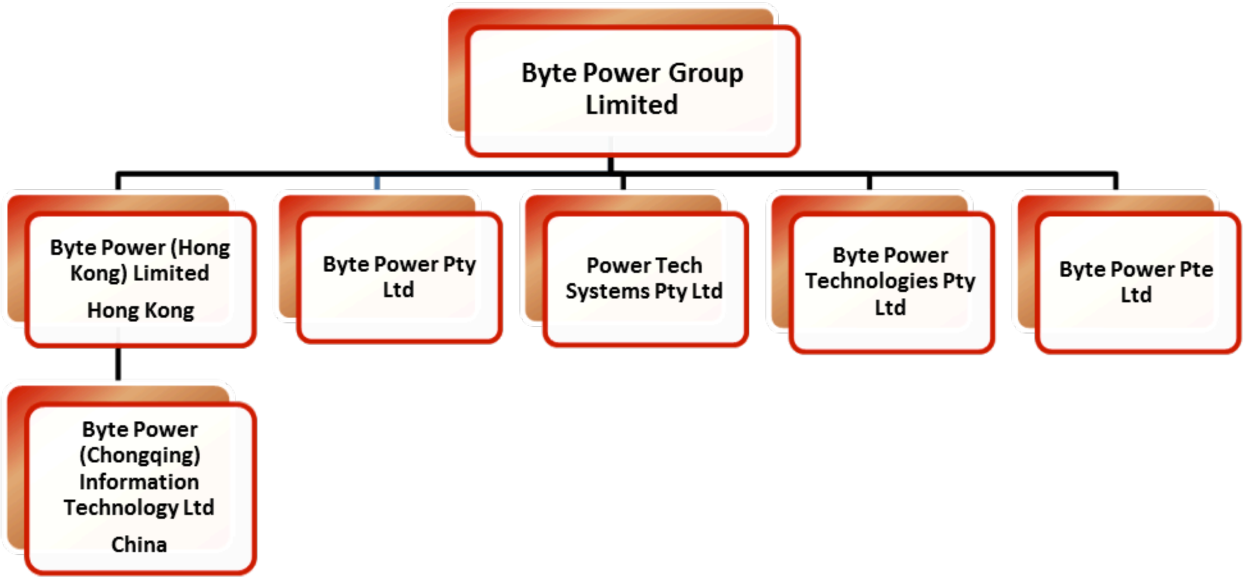
No dividends were recommended or paid during the year.

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 Pte 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;
- 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;
- Develop and implement e-Kiosk solutions in China; and
- Export wine sales.

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

Employees

The Group employed 5 employees at 30 June 2012 (2011: 8 employees).

REVIEW AND RESULTS OF OPERATIONS

Summary

Revenues from ordinary activities in the financial year ended 30 June 2012 were $1.611 million compared to $0.357 million in the financial year ended 30 June 2011.

The net loss for the year was $1.622 million compared to $1.926 million for the year ended 30 June 2011. This year's net loss included a one off impairment charge of $0.305M being against the value of all assets in Byte Power Chongqing and provisions for stock impairment totalling $68.7K in Byte Power Technologies Pty Ltd and Power Tech Systems Pty Ltd. The EBITDA loss for the year was $0.777 million compared with $1.040 million in 2011. The Group experienced an improvement of over 500% on sales & service revenue and an overall improvement of 351% on total revenue from ordinary activities.

The newly established Asian Business Division has positively impacted the Group's revenues, contributing 21.71% of the total revenue from ordinary activities for the financial year. An increase in the Company's IT trading business has also contributed to the increase in revenue and continues to develop.

Comments on the Group's operations and results

Detailed results are as follows:

	2012 $	2011 $	% change
Revenue from ordinary activities	1,611,341	357,733	351%
EBITDA	(776,432)	(1,040,406)	(25%)
Impairment	(306,310)	(192,234)	59%
Depreciation/Amortisation	(59,084)	(143,057)	(59%)
EBIT	(1,141,826)	(1,375,697)	(17%)
Financial costs	(480,406)	(550,725)	(13%)
Operating profit/(loss) before income tax	(1,622,232)	(1,926,422)	(16%)
Income tax expense	-	-	
Net profit/(loss)	(1,622,232)	(1,926,422)	(16%)

Business Unit results are set out below:

	Revenues		Results	
	2012 $	2011 $	2012 $	2011 $
Segment:				
Power Management	109,829	133,222	(44,967)	(11,852)
IT&T	1,150,235	161,254	(51,916)	(75,960)
E-Kiosk	192	56,547	(377,217)	(434,960)
Asian Business Division	349,861	-	235,198	-
Other	1,224	6,710	(1,383,330)	(1,403,650)
	1,611,341	357,733	(1,622,232)	(1,926,422)
Income tax expense			-	-
Loss for the year			(1,622,232)	(1,926,422)

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

The Company achieved sales revenue and secured sizable orders totalling A$3.18M during the first quarter of the 2012-13 financial year, representing an increase of approximately A$3.1M compared to the same period last year. Both the Company's IT Business and Asian Business Division has contributed to this positive outcome.

The short term secured loan of $250,000 from Advance Capital Plus Pty Ltd ("lender") has been repaid in full at the beginning of September 2012.

During late September 2012, Byte Power Group Limited ('BPG') and a number of its subsidiaries including Power Tech Systems Pty Ltd, Byte Power Pty Ltd and Byte Power Technologies Pty Ltd, received notice from the Australian Taxation Office (ATO) that it had commenced court proceedings to wind up these companies in relation to statutory demands that it had issued, claiming amounts outstanding totaling $454,064. BPG had previously reached an agreement with the ATO in respect of a repayment schedule for the payment of non-disputed tax debts. Due to challenging trading and capital market conditions during the financial year, BPG had been unable to meet its repayment obligations. BPG had sought further indulgence from the ATO whilst BPG implemented steps to enable the indebtedness to ATO to be met. In addition, BPG disputes certain amounts claimed to be owing by the ATO and were accepted and waiting for amended assessment to be issued by the ATO. BPG has sought legal advice prior to any court hearing, to endeavour to reach an agreement with the ATO on amounts that BPG considers are in dispute as well as seek a further amended repayment schedule with the ATO on the balance amounts owing. The amount in dispute has been recorded as a current liability of BPG as at 30 June 2012.

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

Further growth within the Asian Business Division is expected and will be evident in the coming months as the division gains momentum and continues to flourish.

The IT trading business is also expected to continue to gain momentum, realising potential orders and taking advantage of opportunities as they arise.

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 2012.

Shares issued as a result of the exercise of options

During the financial year no options were exercised.

Proceedings on Behalf of Company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

REMUNERATION REPORT (Audited)

Directors' and other Officers' Remuneration

Remuneration policy

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

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

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

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

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

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

Details of Remuneration of Key Management Personnel (Audited)

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

Directors of Byte Power Group Limited

2012	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**

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**

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

Executives of Byte Power Group Limited

2012	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**

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**

* 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.

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

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 2012 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

Raphael Tham (Chairman)
Michael Walsh

Remuneration Committee

Michael Walsh (Chairman)
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 any 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 any non-audit services by the auditor, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- Any non-audit services provided 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	
	2012 **$**	2011 $
Audit and review of financial reports	27,000	45,000
Other assurance services	-	-
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 page 15.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Byte Power Group Limited support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained in the following section of the Annual Report.

Signed in accordance with a resolution of the directors.

Alvin Phua
Chairman

Brisbane, 28 September 2012

lawler hacketts chartered accountants

Auditors Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Byte Power Group Limited

As lead auditor, I declare that, to the best of my knowledge and belief, during the year ended 30 June 2012, there have been:

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

Lawler Hacketts

Lawler Hacketts Audit

SJ Lindemann

SJ Lindemann
Partner

Brisbane, 28 September 2012

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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 2012 (“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 2012

	Notes	CONSOLIDATED 2012 $	2011 $
Revenues from continuing activities	2	**1,611,341**	357,733
Changes in inventories of finished goods and work in progress		**(72,624)**	(32,809)
Raw materials and consumables used		**(1,275,640)**	(159,516)
Depreciation and amortisation expense	3	**(59,084)**	(143,057)
Provision for impairment	3	**(306,310)**	(192,234)
Finance costs	3	**(480,406)**	(550,725)
Salaries and employee benefits expense		**(647,237)**	(573,461)
Directors' remuneration fees		**(90,400)**	(90,704)
Rent and outgoings		**(100,810)**	(122,940)
Travel, accommodation and entertainment		**(116,536)**	(123,644)
Consultants/professional fees		**(9,013)**	(70,308)
Other expenses	3	**(75,513)**	(224,757)
Loss before income tax		**(1,622,232)**	(1,926,422)
Income tax expense	4	**-**	-
Loss for the year		**(1,622,232)**	(1,926,422)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**(36,368)**	33,192
Income tax relating to components of other comprehensive income		**-**	-
Total other comprehensive income		**(36,368)**	33,192
Total comprehensive income		**(1,658,600)**	(1,893,230)
Loss for the year attributable to members of the parent entity		**(1,622,232)**	(1,926,422)
Total comprehensive income attributable to members of the parent entity		**(1,658,600)**	(1,893,230)
		Cents per share	
Basic earnings / (loss) per share	27	**(0.10)**	(0.15)
Diluted earnings / (loss) per share	27	**(0.10)**	(0.15)

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Notes	CONSOLIDATED 2012 $	2011 $
Current Assets			
Cash and cash equivalents	6	**85,354**	49,665
Receivables	7	**258,147**	32,360
Inventories	8	**52,033**	124,657
Other	9	**-**	2,469
Total Current Assets		**395,534**	209,151
Non-current Assets			
Plant and equipment	10	**17,303**	363,685
Other	11	**11,835**	11,809
Total Non-current Assets		**29,138**	375,494
Total Assets		**424,672**	584,645
Current Liabilities			
Payables	12	**4,140,043**	3,827,051
Interest bearing liabilities / converting loans	13	**739,574**	502,445
Provisions	14	**253,426**	212,843
Total Current Liabilities		**5,133,043**	4,542,339
Non-current Liabilities			
Interest bearing liabilities	15	**1,919,014**	1,919,014
Long term liabilities	16	**229,057**	241,198
Total Non-current Liabilities		**2,148,071**	2,160,212
Total Liabilities		**7,281,114**	6,702,551
Net Assets / (Liabilities)		**(6,856,442)**	(6,117,906)
Equity			
Contributed equity	17	**51,570,922**	50,650,858
Reserves	18	**36,066**	72,434
Accumulated losses		**(58,463,430)**	(56,841,198)
Total Equity		**(6,856,442)**	(6,117,906)

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

	Contributed equity $	Reserves $	Accumulated losses $	Total $
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)
Balance at 1 July 2011	50,650,858	72,434	(56,841,198)	(6,117,906)
Loss for the year	-	-	(1,622,232)	(1,622,232)
Total other comprehensive income	-	(36,368)	-	(36,368)
Total comprehensive income	-	(36,368)	(1,622,232)	(1,658,600)
Transactions with equity holders in their capacity as equity holders:				
Issue of share capital	947,564	-	-	947,564
Cost of issue	(27,500)	-	-	(27,500)
	920,064	-	-	920,064
Sub total	51,570,922	36,066	(58,463,430)	(6,856,442)
Dividend paid / payable	-	-	-	-
Balance as at 30 June 2012	51,570,922	36,066	(58,463,430)	(6,856,442)

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	Notes	CONSOLIDATED 2012 $	2011 $
		Inflows/(Outflows)	
Cash Flows from Operating Activities			
Receipts from customers		**1,524,092**	502,116
Payments to suppliers and employees		**(2,175,987)**	(1,045,566)
Interest and other costs of finance paid		**(380,964)**	(213,393)
Interest received		**16**	2
Net cash used in operating activities	19	**(1,032,843)**	(756,841)
Cash Flows from Investing Activities			
Payment for property, plant and equipment		**(19,012)**	-
Net cash used in investing activities		**(19,012)**	-
Cash Flows from Financing Activities			
Proceeds from issues of shares		**928,564**	703,400
Share issue costs		**(27,500)**	(5,570)
Proceeds from borrowings		**222,848**	11,540
Net cash provided by financing activities		**1,123,912**	709,370
Net Increase/(Decrease) in cash held		**72,057**	(47,471)
Cash at the beginning of the financial year		**49,665**	63,944
Effects of function currency exchange rate change		**(36,368)**	33,192
Cash at the end of the financial year	6	**85,354**	49,665

The accompanying notes form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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.* The entity is a for profit entity for financial reporting purposes under Australian Accounting Standards.

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

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

(a) Basis of Accounting

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

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

Compliance with IFRSs

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

Critical accounting estimates

The preparation of financial statements in conformity with 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 $1,622,232 (2011: $1,926,422) for the financial year ended 30 June 2012. The Group was also in a net current liability position of $4,737,509 (2011: $4,333,188) as at 30 June 2012. There are also significant non-current liabilities.

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

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

It is on the basis of the consolidated entity'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 consolidated entity will continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements. The final report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

(b) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Byte Power Group Limited at the end of the reporting period. A controlled entity is any entity over which Byte Power Group Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 20 to the financial statements.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

(c) Income Tax

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

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

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

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

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(d) Goods and Services Tax (GST)

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

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

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

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

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

(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.

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

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

(i) Impairment

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

(j) Investments

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

(k) Plant and Equipment and Depreciation

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

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

The expected useful lives are as follows:

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

(l) Leasehold Improvements

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

(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.

(p) Provisions

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

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

(q) Employee benefits

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

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

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

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

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

(r) Cash and cash equivalents

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

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

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

(s) Contributed Equity

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

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

(t) Earnings per Share (EPS)

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

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

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

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

(u) New Accounting Standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

– AASB 9: Financial Instruments (December 2010) and 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] (applicable for annual reporting periods commencing on or after 1 January 2013). These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

  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.

  The Group has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

– 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 and incorporates Interpretation 121: Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 are not expected to significantly impact the Group.

– AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011–7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009–11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).
AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The Group has not yet been able to reasonably estimate the impact of this Standard on its financial statements.

AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the "special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Group.

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the Group.

– AASB 13: Fair Value Measurement and AASB 2011–8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009–11, 2010–7, 101, 102, 108, 110, 116, 17, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).
AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.
AASB 13 requires:
  - inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
  - enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

These Standards are not expected to significantly impact the Group.

– AASB 2011–9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] (applicable for annual reporting periods commencing on or after 1 July 2012).

The main change arising from this Standard is the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

This Standard affects presentation only and is therefore not expected to significantly impact the Group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

– AASB 119: Employee Benefits (September 2011) and AASB 2011–10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB101, AASB124, AASB134, AASB1049 & AASB 2011–8 and Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards introduce a number of changes to accounting and presentation of defined benefit plans. The Group does not have any defined benefit plans and so is not impacted by the amendment.

AASB 119 (September 2011) also includes changes to the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:

(i) for an offer that may be withdrawn – when the employee accepts;
(ii) for an offer that cannot be withdrawn – when the offer is communicated to affected employees; and
(iii) where the termination is associated with a restructuring of activities under AASB 137: Provisions, Contingent Liabilities and Contingent Assets, and if earlier than the first two conditions – when the related restructuring costs are recognised.

The Group has not yet been able to reasonably estimate the impact of these changes to AASB 119.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	CONSOLIDATED 2012 $	2011 $

2. Revenue

	2012 $	2011 $
Revenues from operating activities		
Revenue from sale of goods	**1,519,509**	141,507
Revenue from services	**65,866**	113,014
	1,585,375	254,521
Revenues from non-operating activities		
Other revenue	**25,951**	103,210
Interest income from non-related parties	**16**	2
	25,967	103,212
Total revenues from continuing activities	**1,611,341**	357,733

3. Expenses And Losses / (Gains)

	2012 $	2011 $
Depreciation of non-current assets		
- Plant and equipment	**54,943**	131,636
- Furniture and fittings	**3,753**	10,864
- Plant and equipment under lease	**388**	333
- Leasehold improvements	**-**	224
Total depreciation expenses	**59,084**	143,057
Finance costs		
- Interest expense – finance leases	**86**	98
- Interest expense – director related entity	**336,842**	309,265
- Other borrowing costs	**143,478**	241,362
Total finance costs	**480,406**	550,725
Net foreign currency (gain) / losses	**(24,742)**	382
Operating lease rental	**84,764**	98,618
Movement in provision for employee entitlements	**40,583**	49,148
Impairment of plant and equipment	**306,310**	192,234
Other expenses		
- Telephone	**19,259**	20,160
- Fees, duties and charges	**39,764**	44,742
- (Profit) / Loss in disposal of plant and equipment	**(19,012)**	52,639
- Other	**35,502**	107,216
Total other expenses	**75,513**	224,757

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

4. *Income Tax Expense*

	CONSOLIDATED 2012 $	2011 $
The prima facie tax, on operating loss differs from the income tax provided in the financial statements as follows:		
Loss for the year	**(1,622,232)**	(1,926,422)
Prima facie tax on loss from continuing operations at 30% (2011: 30%)	**(486,670)**	(577,927)
Tax effect of losses of current period not brought to account	**486,670**	577,927
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	**8,011,670**	7,525,000

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 2012 $	2011 $
Current assets	**38,029**	2,860
Total assets	**79,564**	19,999
Current liabilities	**4,170,511**	3,608,320
Total liabilities	**10,101,750**	9,578,919
Contributed equity	**51,570,922**	50,650,858
Reserves	**-**	-
Accumulated losses	**(61,593,107)**	(60,209,777)
	(10,022,186)	(9,558,919)

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 2011 or 30 June 2012.

Commitments
The Parent entity had no contractual commitments as at 30 June 2011 or 30 June 2012.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	CONSOLIDATED	
	2012	2011
	$	$

6. *Current Assets - Cash*

Cash at bank	**85,354**	49,665

7. *Current Assets - Receivables*

Trade debtors	**258,147**	32,360

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	**52,033**	124,657

9. *Current Assets - Other*

Prepayments	**-**	2,469

10. *Non-Current Assets - Plant and Equipment*

Plant and equipment:		
At cost	**946,161**	900,751
Less: Accumulated depreciation	**(635,031)**	(364,031)
Less: Provision for impairment	**(306,310)**	(192,234)
	4,820	344,486
Office furniture and equipment:		
At cost	**180,209**	180,069
Less: Accumulated depreciation	**(169,278)**	(162,810)
	10,931	17,259
Leased assets:		
At cost	**36,500**	36,500
Less: Accumulated amortisation	**(34,948)**	(34,560)
	1,552	1,940
Total plant and equipment	**17,303**	363,685

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	CONSOLIDATED 2012 $	2011 $
(a) Reconciliations		
Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the current and previous financial year.		
Plant and equipment		
Carrying amount at beginning	**344,486**	717,943
Additions	**21,587**	-
Disposals	**-**	(49,587)
Depreciation expense	**(54,943)**	(131,636)
Provision for impairment	**(306,310)**	(192,234)
	4,820	344,486
Office furniture and equipment		
Carrying amount at beginning	**17,259**	29,873
Additions	**-**	-
Disposals	**(2,575)**	(1,750)
Depreciation expense	**(3,753)**	(10,864)
	10,931	17,259
Leased assets		
Carrying amount at beginning	**1,940**	2,273
Additions	**-**	-
Disposals	**-**	-
Amortisation expense	**(388)**	(333)
	1,552	1,940
Leasehold improvements		
Carrying amount at beginning	**-**	1,526
Additions	**-**	-
Disposals	**-**	(1,302)
Depreciation expense	**-**	(224)
	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	CONSOLIDATED 2012 $	2011 $

11. Non-Current Assets - Other

	2012 $	2011 $
Security deposits	**11,835**	11,809

12. Current Liabilities - Payables

	2012 $	2011 $
Trade creditors	**724,471**	815,394
Other creditors	**3,415,572**	3,011,657
	4,140,043	3,827,051

13. Current Liabilities – Interest Bearing Liabilities

	2012 $	2011 $
Loans - Secured	**243,367**	-
Loans - Unsecured	**-**	8,378
Loans – Unsecured converting loans	**496,207**	494,067
	739,574	502,445

The converting loans will mature on 31 December 2012 with interest bearing rates of 8%. No collateral is required.

14. Current Liabilities – Provisions

	2012 $	2011 $
Employee benefits (Note 21)	**253,426**	212,843

15. Non-Current Liabilities - Interest Bearing Liabilities

Unsecured

	2012 $	2011 $
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

	2012 $	2011 $
Other creditors	**229,057**	241,198

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	CONSOLIDATED 2012 $	CONSOLIDATED 2011 $
17. Contributed Equity		
(a) Issued capital		
Ordinary shares fully paid	**51,570,922**	50,650,858

	Notes	2012 Number of Shares	2012 $	2011 Number of Shares	2011 $
(b) Movements in ordinary share capital:					
Beginning of the financial year		**1,403,715,440**	**50,650,858**	1,169,248,774	49,953,028
Share placement – October 2010	(i)	**-**	**-**	67,799,999	203,400
Share placement – February 2011	(ii)	**-**	**-**	100,000,000	300,000
Share placement – June 2011	(iii)	**-**	**-**	66,666,667	200,000
Share placement – August 2011	(iv)	**133,890,649**	**401,672**	-	-
Share placement – November 2011	(v)	**175,630,567**	**526,892**	-	-
Share placement – December 2011	(vi)	**6,333,333**	**19,000**	-	-
Less capital raising costs		**-**	**(27,500)**	-	(5,570)
		1,719,569,989	**51,570,922**	1,403,715,440	50,650,858

(i) Placement of 67,799,999 shares at 0.3 cents
(ii) Placement of 100,000,000 shares at 0.3 cents
(iii) Placement of 66,666,667 shares at 0.3 cents
(iv) Placement of 133,890,649 shares at 0.3 cents
(v) Placement of 175,630,567 shares at 0.3 cents
(vi) Placement of 6,333,333 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 2012.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

(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 2012 totals $2,887,645 (2011 : $2,662,657). 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.

	CONSOLIDATED	
	2012	2011
	$	$

18. Reserves

Foreign currency translation reserve	**36,066**	72,434

Foreign currency translation reserve

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

19. Cash Flows Statement Information

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

Loss from ordinary activities after income tax	**(1,622,232)**	(1,926,422)
Depreciation of non-current assets	**59,084**	143,057
(Profit) / loss on disposal of non-current assets	**(19,012)**	52,639
Impairment of plant and equipment	**306,310**	192,234
Change in assets and liabilities		
Decrease/(increase) in trade and other debtors	**(225,787)**	71,690
Decrease/(increase) in inventories	**72,624**	32,809
Decrease/(increase) in other assets	**2,443**	1,356
(Decrease)/increase in trade and other creditors	**353,144**	626,648
(Decrease)/increase in provisions	**40,583**	49,148
Net cash flow used in operating activities	**(1,032,843)**	(756,841)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

20. *Expenditure Commitments*

	CONSOLIDATED 2012 $	2011 $
Lease Commitments		
Operating leases (non – cancellable)		
Minimum lease payments		
- not later than one year	**38,250**	51,000
- later than one year but not later than 5 years	**-**	38,250
Aggregate lease expenditure contracted for at balance date	**38,250**	89,250

21. *Employee Benefits*

	CONSOLIDATED 2012 $	2011 $
Employee Benefits		
The aggregate employee entitlement liability is comprised of:		
- Provision (current)	**253,426**	212,843
- Provision (non-current)	**-**	-
	253,426	212,843

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

22. *Remuneration of Auditors*

	CONSOLIDATED 2012 $	2011 $
Audit and review of financial reports	**27,000**	45,000

23. Contingent Liabilities

The Group did not have any contingent liabilities as at 30 June 2011 or 30 June 2012.

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

(ii) Key Management Personnel Compensation

	CONSOLIDATED	
	2012 **$**	2011 $
Short term employee benefits	**392,309**	392,309
Post employment benefits	**33,057**	33,057
Share based payments	**-**	-
	425,366	425,366

(iii) Equity instruments of Directors

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

	Ordinary shares Fully Paid		Options over ordinary shares	
	2012 Number	2011 Number	**2012 Number**	2011 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.
** Held by Ethel Lau Superannuation Fund.

(iv) Interests in Controlled Entities

Name of Entity	Country of incorporation	Class of Shares	Equity holdings 2012 %	2011 %
Byte Power Pty Ltd *	Australia	Ordinary	100	100
Power Tech Systems Pty Ltd*	Australia	Ordinary	100	100
Byte Power Technologies Pty Ltd*	Australia	Ordinary	100	100
Byte Power Technologies Inc^	USA	Ordinary	100	100
Willhart Facility Solutions Pty Ltd*	Australia	Ordinary	100	100
Byte Power (Hong Kong) Ltd	Hong Kong	Ordinary	83.4	83.4
Byte Power (Chongqing) Information Technology Ltd	China	Ordinary	83.4	83.4
Byte Power Pte Ltd	Singapore	Ordinary	100	100
Cost of Parent entity's investment				
Provision for diminution in value				
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:

Loans
A director Mr Alvin Phua has a substantial interest in APEL Pacific Group Pty Ltd. APEL Pacific Group Pty Ltd provided vendor finance to Willhart Limited (now 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 $336,842 (2011: $309,265). As at 30 June 2012, the outstanding loan balance was $1,919,014 (2011: $1,919,014) after repayments during the year of $239,540 (2011: $-). Interest outstanding as at 30 June 2012 totals $988,647 (2011: $891,387).

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, Byte Power Pte 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-Kiosks
Development and implement e-kiosk solutions in China.

Asian Business Division
Supplementing the existing e-Kiosk project in China. Focusing on pursuing both investment and business trade opportunities in Asia.

Other
All other operations of the Group.

The following is an analysis of the revenue and results for the years ended 30 June 2012 and 30 June 2011, analysed by operational segment.

Segment

Operating segment	Power Management		IT&T		e-Kiosk		Asian Business Division		Other		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Revenue												
Sales to customers outside the consolidated entity	**715,575**	132,656	**544,440**	99,703	**192**	22,161	**325,168**	-	**-**	-	**1,585,375**	254,521
Other revenues from customers outside the consolidated entity	**49**	566	**-**	61,169	**-**	34,385	**24,693**	-	**1,224**	7,092	**25,966**	103,212
Inter segment revenues	**-**	-	**-**	-	**-**	-	**-**	-				
Total segment revenue	**715,624**	133,222	**544,440**	160,872	**192**	56,546	**349,861**	-	**1,224**	7,092	**1,611,341**	357,733
Results												
Segment result	**(44,967)**	(11,852)	**(51,916)**	(75,960)	**(377,217)**	(434,960)	**235,198**	-	**(1,383,330)**	(1,403,650)	**(1,622,232)**	(1,926,422)
Income tax expense											**-**	-
Net loss											**(1,622,232)**	(1,926,422)
Assets												
Segment assets	**87,374**	125,022	**3,168**	40,547	**63,105**	992,525	**835,603**	-	**79,664**	20,099	**1,068,914**	1,178,194
Eliminations	**-**	-	**-**	-	**-**	(593,449)	**(618,142)**	-	**(26,100)**	(100)	**(644,242)**	(593,549)
Total consolidated assets	**87,374**	125,022	**3,168**	40,547	**63,105**	399,076	**217,461**	-	**53,564**	19,999	**424,672**	584,645
Liabilities												
Segment liabilities	**(21,101)**	(17,813)	**7,421,987**	7,396,829	**740,644**	2,146,878	**1,490,789**	-	**10,829,731**	10,306,900	**20,462,050**	19,832,795
Eliminations	**157,893**	180,080	**(11,135,868)**	(11,088,338)	**(311,105)**	(1,586,319)	**(1,295,551)**	-	**(596,305)**	(635,665)	**(13,180,936)**	(13,130,243)
Total consolidated liabilities	**136,792**	162,267	**(3,713,882)**	(3,691,509)	**429,539**	560,559	**195,238**	-	**10,233,426**	9,671,235	**7,281,114**	6,702,551
Other segment information:												
Depreciation and amortisation	**2,138**	11,029	**855**	1,702	**52,622**	127,558	**1,865**	-	**1,604**	2,769	**59,084**	143,057

27. Earnings per Share

	CONSOLIDATED	
	2012	2011
	$	$
The following reflects the income and share data used in the calculation of basic and diluted earnings / (loss) per share:		
Loss from ordinary activities	**(1,622,232)**	(1,926,422)
	Number	Number
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	**1,622,990,841**	1,247,997,266

28. Subsequent Events

During late September 2012, Byte Power Group Limited ('BPG') and a number of its subsidiaries including Power Tech Systems Pty Ltd, Byte Power Pty Ltd and Byte Power Technologies Pty Ltd, received notice from the Australian Taxation Office (ATO) that it had commenced court proceedings to wind up these companies in relation to statutory demands that it had issued, claiming amounts outstanding totalling $454,064. BPG had previously reached an agreement with the ATO in respect of a repayment schedule for the payment of non-disputed tax debts. Due to challenging trading and capital market conditions during the financial year, BPG had been unable to meet its repayment obligations. BPG had sought further indulgence from the ATO whilst BPG implemented steps to enable the indebtedness to ATO to be met. In addition, BPG disputes certain amounts claimed to be owing by the ATO and were accepted and waiting for amended assessment to be issued by the ATO. BPG has sought legal advice prior to any court hearing, to endeavour to reach an agreement with the ATO on amounts that BPG considers are in dispute as well as seek a further amended repayment schedule with the ATO on the balance amounts owing. The amount in dispute has been recorded as a current liability of BPG as at 30 June 2012.

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 2012

	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 $
2012						
Financial assets						
Cash and cash equivalents	-	85,354	-	-	-	85,354
Receivables	-	258,147	-	-	-	258,147
		343,501	-	-	-	343,501
Weighted average interest rate %			-	-	-	
Financial liabilities						
Trade and other creditors	-	4,140,043	-	-	-	4,140,043
Converting loans	8.0%	-	-	496,207	-	496,207
Loans from director related entity	11.6%	-	1,919,014	-	-	1,919,014
Other loans	12.0%	-	-	243,367	-	243,367
		4,140,043	1,919,014	739,574	-	6,798,631
Weighted average interest rate %			11.6%	9.3%	-	
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%	-	

(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.

30. Company Details

Registered office address	Unit 13/76 Doggett Street Newstead QLD 4006 Australia
Principal place of business	Byte Power Group Limited Byte Power Pty Ltd Byte Power Technologies Pty Ltd Unit 13/76 Doggett Street Newstead QLD 4006 Australia
	Power Tech Systems Pty Ltd Unit 8, 101 Wedgewood Road Hallam VIC 3173 Australia
	Byte Power (Hong Kong) Ltd Unit 5505, 55/F 183 Queen's Road East Wanchai, HongKong Hong Kong
	Byte Power (Chongqing) Information Technology Ltd 33-11, 7 Qing Nien Lu Yu Zhong District Chongqing China
	Byte Power Pte Ltd Marina Bay Financial Center Tower Two Level 39, 10 Marina Boulevard Singapore 018983

DIRECTORS' DECLARATION

The Directors of the company declare that:

(a) the financial statements and notes, as set out on pages 20 to 46 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 2012 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 2012 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 2012 comply with the Accounting Standards; *and*
(ii) the financial statements and notes for the financial year ended 30 June 2012 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, 28 September 2012

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, which comprises the statements of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration of the 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
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lawler hacketts chartered accountants

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 is in accordance with the *Corporations Act 2001*, including:
  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2012 and of their 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(a) in the financial report, which indicates that the consolidated entity incurred a net loss for the year ended 30 June 2012 of $1,1,622,232 (2011: $1,926,422). At 30 June 2012, the consolidated entity has also a net current assets deficiency of $4,737,509 (2011: $4,333,188) and a net liabilities of $6,856,442 (2011: $6,117,906). These conditions, along with other matters as set forth in Note 1(a), indicate the existence of a material uncertainty that may cast significant doubt about the 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.

We also draw attention to note 28 in the financial report which outlines a subsequent event in relation to a dispute with the Australian Taxation Office which the company is currently managing with their legal representatives.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 9 to 12 of the Directors' Report for the year ended 30 June 2012. 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 2012 complies with section 300A of the *Corporations Act 2001*.

Lawler Hacketts

Lawler Hacketts Audit

SJ Lindemann

SJ Lindemann
Partner

Brisbane, 28 September 2012

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SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 28 September 2012.

A. Distribution of equity securities

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

Range	Ordinary Shares
1 – 1,000	220
1,001 – 5,000	194
5,001 – 10,000	95
10,001 – 100,000	177
100,001 and over	207
	893

There were 706 holders of less than a marketable parcel of 166,667 ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders

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

Name	Ordinary shares Number Held	Ordinary shares Percentage of issued shares
Ethel Lau <Ethel Lau Superannuation Fund A/c>	488,839,983	28.43
Li Baorong	175,630,567	10.21
Mr Chen Yaoqing	133,890,649	7.79
Mr Jing Liao	107,701,012	6.26
Mr Law Wai Keung	66,666,667	3.88
Phillip Securities (Hong Kong) Ltd <Client A/c>	60,013,648	3.49
Mr Boon Kheng Ong	53,540,000	3.11
Tech Pacific Australia Pty Limited	38,220,860	2.22
Mr Chris Carr + Mrs Betsy Carr	30,000,000	1.74
Fernjewel Pty Ltd	28,432,050	1.65
Mr Tze-Fai Yuen	23,959,021	1.39
APEL Pacific Group Pty Ltd <The APEL Family A/c>	22,727,273	1.32
Uob Kay Hian Private Limited <Clients A/c>	20,293,641	1.18
Mr Kenneth King	18,439,472	1.07
Yano Lim + Susanty Lim (The Lim Superannuation A/c)	17,000,000	0.99
Yan Hartono	16,800,000	0.98
Logistic Web Services Limited	13,369,670	0.78
Ms Choo Seet Ee	12,624,001	0.73
Mr Huat Lai Lee + Ms Ai Wah Lee	12,500,000	0.73
Mr Raphael Tham	12,479,844	0.73
	1,353,128,358	78.69

Unquoted equity securities

There are no unquoted equity securities.

C. Substantial holders

Substantial holders in the company are set out below:

Name	Ordinary shares Number Held	Ordinary shares Percentage of issued shares
Ethel Lau <Ethel Lau Superannuation Fund A/c>	488,839,983	28.43
Li Baorong	175,630,567	10.21
Mr Chen Yaoqing	133,890,649	7.79

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

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email and Web page address: www.bytepowergroup.com

Solicitors

Hopgood Ganim Lawyers
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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
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