



CBD Energy Limited

ASX Appendix 4D

Interim Financial Report

Half Year Ended 31 December 2009

Lodged with the ASX under Listing Rule 4.2A

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Reporting Period (*Appendix 4D item 1*)

The reporting period is the half-year ended 31 December 2009 with the previous corresponding period to 31 December 2008.

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Interim Financial Report

Half Year ended 31 December 2009

Results for Announcement to the Market

(Appendix 4D item 2)

		% Change	Amount of Change \$'000		\$ '000
Revenue from ordinary activities <i>(Appendix 4D item 2.1)</i>	Down	28%	2,247	to	5,923
Profit/(loss) from ordinary activities after tax attributable to members <i>(Appendix 4D item 2.2)</i>	Down	52%	1,202	to	(3,492)
Net profit/(loss) for the period attributable to members <i>(Appendix 4D item 2.3)</i>	Down	52%	1,202	to	(3,492)

The % change and amount of change results shown above are calculated with reference to the previous corresponding period being 31 December 2008.

Dividends/distributions <i>(Appendix 4D item 2.4)</i>	Amount per security	Franked amount per security
N/A		

Day/Month/Year

Record date for determining entitlements to the dividend: N/A
(Appendix 4D item 2.5)

Explanation of Operating Results *(Appendix 4D item 2.6)*

The reported consolidated loss for the half-year ended 31 December 2009 was \$3,491,878 and represents the loss incurred for the half-year period under review.

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Half Year ended 31 December 2009

Refer to the attached CBD Energy Limited 31 December 2009 Half-Year Report for further information on the operating result.

NTA Backing (Appendix 4D item 3)

	31/12/2009	31/12/2008
Net tangible asset backing per ordinary share after tax	3.24 cents	4.20 cents

Controlled entities acquired or disposed of (Appendix 4D item 4)

	Acquisitions	Disposals
Name of entity	-	-
Place of incorporation or registration	-	-
The date of (gain) loss of control	-	-
Consideration for acquisition or disposal	-	-
Total net assets	-	-
Nature of business	-	-

Acquired entities:

The Company did not acquire any controlled entities during the 6 months to 31 December 2009.

Disposed entities:

The Company did not dispose of any controlled entities during the 6 months to 31 December 2009.

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Half Year ended 31 December 2009

Additional dividend/distribution information *(Appendix 4D item.5)*

Details of dividends/distributions declared or paid during or subsequent to the half-year ended 31 December are as follows:

Payment date	Type	Amount per security	Total dividend	Franked amount per security	Foreign sourced dividend amount per security
N/A					

Dividend reinvestment plans ("DRP") *(Appendix 4D item 6)*

N/A

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**CBD ENERGY
LIMITED**

ABN 88 010 966 793

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

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CORPORATE DIRECTORY

Directors

Gerry McGowan, Managing Director
Mark Vaile, Non-Executive Director and Chairman
Jim Link Non-Executive Director

Secretary

Kathleen Powrie

Registered Office

Suite 2, Level 2
53 Cross Street
Double Bay NSW 2028
Telephone: (02) 9363 9920

Auditors

Hall Chadwick
Chartered Accountants
Level 29, St Martins Tower
31 Market Street
Sydney NSW 2000

Bankers

Westpac Banking Corporation
275 Kent Street
Sydney NSW 2000

Share Registry

Computershare Investor Services Pty Ltd
Level 3
60 Carrington Street
Sydney NSW 2000
Investor Enquiries – Telephone 1300 855 080

Australian Stock Exchange Code

Ordinary Shares: CBD

CBD Energy Limited and Controlled Entities

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DIRECTORS' REPORT

The directors of CBD Energy Limited (the Company or CBD) present the following report for the six months to 31 December 2009.

1. Directors

The following persons were directors of the Company during the half-year and to the date of this report:

- Gerry McGowan, Managing Director (director since 05/04/04)
- Mark Vaile, Chairman and Non-Executive Director (director since 08/09/08)
- James Link, Non-Executive Director (director since 08/09/08)

2. Review of the Company's Operations and Results - Continued

The past six months has included several significant and exciting events, including:

- The purchase of eco-Kinetics Pty Ltd.
 - The acquisition of eco-Kinetics Pty Ltd marks the end of CBD's restructuring phase and positions it as a company with revenue and earnings which will support a growing list of renewable energy projects in Australia, Asia and New Zealand
- The initiation of a capital raising of \$18,000,000 which was successfully finalised in January 2010. This provided CBD with the capital required to fund the strategic acquisition of eco-Kinetics Pty Ltd and fund its current project pipeline.
 - Supported by retail and institutional shareholders through a share purchase plan and placements to sophisticated investors
 - Well supported by cornerstone investors Washington H. Soul Pattinson and Co Limited and Hunter Hall Investment Management
- Strategic alliance with Planet Power Limited.
 - Purchase of an initial 20% stake with an option to increase CBD's shareholding to 51%
 - The sale of \$3m in solar panels to Planet Power Limited with CBD to supply additional energy efficiency equipment as required
 - The alliance provides CBD with a key distribution channel for its solar panels

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DIRECTORS' REPORT

2. Review of the Company's Operations and Results - Continued

- Achievement of milestone events at each of the Company's key projects.
 - Sod turning at King Island for the installation of 2 x 2MW wind turbines
 - Approval of a federal government grant of \$15.3m for the King Island Project
 - Successful funding of the Adjungbilly Project with Tianwei. The project is expected to be completed by 30 June 2010
 - Installation of the Chatham Island wind turbine project is well advanced with two wind turbines currently being erected
 - Commencement of the Toll distribution facility at our Emerald joint venture with Buildev
 - Building approval granted for the Bowen Buildev joint venture
- The successful launch of CBD's Solar Division.
 - Solon's sole representation in Australia
 - Installation of 3MW expected over the next twelve months
- Execution of a binding Heads of Agreement with Tianwei for the utilisation of CBD's energy storage technology in a 100MW solar thermal plant to be constructed by Tianwei.
 - Provides CBD with a partner in the Chinese market and the possibility of further orders
- Continued resilience by the Company's original business units, Capacitor Technologies (CapTech) and Parmac.
 - CapTech delivered a solid performance in a tough operating environment
 - Parmac recorded a first half loss, primarily due to the lack of activity in the building and construction sector during the Global Financial Crisis. We expect improved financial performance from Parmac during the second half of 2010 resulting from the improved economic landscape.

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DIRECTORS' REPORT

2. Review of the Company's Operations and Results - Continued

- The consolidated net loss for the half year ending 31 December 2009 was \$3,491,878 (2008: loss \$2,289,928). The results for the six months to 31 December 2009 have been impacted by:
 - A decline in Parmac revenues as a consequence of the Global Financial Crisis
 - An increase in legal, consultancy, and travel costs associated with the purchase of Eco-kinetics and continued progress on CBD's book of projects
 - Interest payments on the convertible notes which were issued in July 2009

The past 18 months has been one of the most challenging periods in recent history. CBD withstood the market turmoil and is now well positioned and well capitalised to take advantage of the improved economic landscape and any opportunities that arise in the renewable energy sector.

2. Auditor's Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 28. This report is made in accordance with a resolution of the directors.



Gerry McGowan
Director

Sydney
26 February 2009

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

	Note	31 December 2009 \$	31 December 2008 \$
Revenue		5,922,610	8,170,049
Other income		20,641	114,682
Raw materials and consumables used		(5,082,131)	(4,800,648)
Depreciation and amortisation expense		(189,949)	(95,120)
Finance costs		(396,712)	(589)
Salaries and employee benefits expense		(1,400,280)	(2,362,150)
Rent		(202,204)	(316,050)
Other expenses		(2,163,853)	(1,264,474)
Impairment of development costs	2	-	(1,735,628)
Loss before income tax		(3,491,878)	(2,289,928)
Income tax expense		-	-
Loss attributable to members of CBD Energy Ltd		(3,491,878)	(2,289,928)
Overall Operations			
Basic Earnings per share (cents per share)	7	(1.57 cents)	(1.05 cents)
Diluted Earnings per share (cents per share)	7	(1.30 cents)	(0.86 cents)

The accompanying notes form part of these financial statements.

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009**

	Note	31/12/09 \$	30/06/09 \$
CURRENT ASSETS			
Cash and cash equivalents		3,198,512	948,276
Trade and other receivables		2,239,402	3,341,341
Inventories		1,457,610	1,153,582
Other assets		11,634	4,782
TOTAL CURRENT ASSETS		6,907,158	5,447,981
NON-CURRENT ASSETS			
Other assets		108,543	108,993
Financial assets	3	7,655,834	3,951,959
Plant and equipment	4	3,179,900	3,302,824
Intangibles	5	7,791,947	7,791,947
TOTAL NON-CURRENT ASSETS		18,736,224	15,155,723
TOTAL ASSETS		25,643,382	20,603,704
CURRENT LIABILITIES			
Trade and other payables		2,594,945	1,972,274
Financial liabilities	6	5,642,207	1,440,822
Provisions		206,848	294,957
TOTAL CURRENT LIABILITIES		8,444,000	3,708,053
NON CURRENT LIABILITIES			
Financial liabilities	6	1,163,876	1,238,113
Provisions		166,552	156,031
TOTAL NON CURRENT LIABILITIES		1,330,428	1,394,144
TOTAL LIABILITIES		9,774,428	5,102,197
NET ASSETS		15,868,954	15,501,507
EQUITY			
Issued capital	9	83,396,221	79,536,896
Reserves		52,339	52,339
Retained earnings		(67,579,606)	(64,087,728)
TOTAL EQUITY		15,868,954	15,501,507

The accompanying notes form part of these financial statements.

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

	\$	\$	\$	\$
	Issued Capital	Share Option Reserve	Retained Profits	Total
Balance at 1.7.2008	79,536,896	52,339	(60,392,278)	19,196,957
Shares issued net of costs	-	-	-	-
(Loss) attributable to members of parent entity	-	-	(2,289,928)	(2,289,928)
Balance at 31.12.2008	<u>79,536,896</u>	<u>52,339</u>	<u>(62,682,206)</u>	<u>16,607,029</u>
Balance at 1.7.2009	79,536,896	52,339	(64,087,728)	15,501,507
Shares issued net of costs	3,859,325	-	-	3,859,325
(Loss) attributable to members of parent entity	-	-	(3,491,878)	(3,491,878)
Balance at 31.12.2009	<u>83,396,221</u>	<u>52,339</u>	<u>(67,579,606)</u>	<u>15,868,954</u>

The accompanying notes form part of these financial statements.

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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

	Consolidated Inflows (Outflows)	
	31 December 2009	31 December 2008
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	7,644,899	10,938,138
Payments to suppliers and employees	(9,407,712)	(10,808,110)
Interest received	19,266	110,946
Interest and other costs of finance paid	(391,100)	(11,912)
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	(2,134,647)	(229,062)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(48,637)	(1,987,977)
Proceeds from sale of property, plant and equipment	(8,211)	-
Proceeds from RPPGP Rebate	-	720,000
Payments for investments	(2,943,877)	(3,869,054)
Deposits Paid	-	(181,251)
NET CASH USED IN INVESTING ACTIVITIES	(3,000,725)	(5,318,282)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from shares issued net of costs	3,294,351	-
Proceeds from convertible notes issued	5,426,820	-
Proceeds from borrowings	7,995	2,111,858
Repayment of borrowings	(1,317,381)	-
Repayment of hire purchase liabilities	(35,192)	(25,760)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	7,376,593	2,086,098
NET INCREASE IN CASH HELD	2,241,221	(3,003,122)
Cash at the beginning of the period	957,291	5,238,438
Effect of exchange rates on cash holdings in foreign currency	-	6,770
CASH AT THE END OF THE PERIOD	3,198,512	2,242,086

The accompanying notes form part of these financial statements.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR TO 31 DECEMBER 2009**

Note 1: BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2009 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of CBD Energy Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2009, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

Accounting Standards not Previously Applied

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

Presentation of Financial Statements

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

- The replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity.
- The adoption of the single statement approach to the presentation of the Statement of Comprehensive Income.
- Other financial statements are renamed in accordance with the Standard.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR TO 31 DECEMBER 2009**

Note 1: BASIS OF PREPARATION (Continued)

Operating Segments

From 1 January 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the group's chief operating decision maker which, for the Group, is the board of directors. In this regard, such information is provided using different measures to those used in preparing the Statement of Comprehensive Income and Statement of Financial Position. Reconciliations of such management information to the statutory information contained in the interim financial report have been included.

As a result of the adoption of the revised AASB 8, certain cash generating units have been redefined having regard to the requirements in AASB 136: Impairment of Assets.

Business Combinations and Consolidation Procedures

Revised AASB 3 is applicable prospectively from 1 July 2008. Changes introduced by this Standard, or as a consequence of amendments to other Standards relating to business combinations which are expected to affect the Group, include the following:

- All business combinations, including those involving entities under common control, are accounted for by applying the acquisition method which prohibits the recognition of contingent liabilities of the acquiree at acquisition date that do not meet the definition of a liability. Costs incurred that relate to the business combination are expensed instead of comprising part of the goodwill acquired on consolidation. Changes in the fair value of contingent consideration payable are not regarded as measurement period adjustments and are recognised through profit or loss unless the change relates to circumstances which existed at acquisition date.
- Unrecognised deferred tax assets of the acquiree may be subsequently realised within 12 months of acquisition date on the basis of facts and circumstances existing at acquisition date with a consequential reduction in goodwill. All other deferred tax assets subsequently recognised are accounted for through profit or loss.
- The proportionate interest in losses attributable to non-controlling interests is assigned to non-controlling interests irrespective of whether this results in a deficit balance. Previously, losses causing a deficit to non-controlling interests were allocated to the parent entity.
- Where control of a subsidiary is lost, the balance of the remaining investment account shall be remeasured to fair value at the date that control is lost.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR TO 31 DECEMBER 2009**

Note 1: BASIS OF PREPARATION (Continued)

Revenue Recognition

Dividends received from a subsidiary, joint venture or associate shall be recognised as dividend revenue in the profit or loss irrespective of whether such dividends may have been paid out of pre-acquisition profits. Previously, such dividends were treated as a return of capital invested. Such dividends may be an indicator of impairment where the carrying amount of the investment exceeds the consolidated net assets relating to that investment or where the dividend exceeds the total comprehensive income of the respective investee in the period the dividend is declared.

Going Concern

The company recorded a loss of \$3,491,878 for the six months to 31 December 2009 and has a deficiency in net current assets of \$1,221,029 as at 31 December 2009. On 29 July the company successfully completed a 1 for 4 pro rata non-renounceable rights issue of convertible notes to eligible shareholders (the "Rights Issue"). Under the Rights Issue 54,260,820 convertible notes were issued which raised approximately \$5,426,082. In addition, on 29 January 2010, the company successfully completed a capital raising of \$18 million by way of a placement and share purchase plan (SPP). Funds raised through the placement and the SPP are to be utilised by the company to pursue its growth initiatives.

In view of the above circumstances the Directors are of the opinion that the consolidated entity will have sufficient funding to maintain its operational businesses. In addition the projected profitability of the Captech, Parmac and Eco-kinetics divisions means it is appropriate to prepare the 31 December 2009 financial report on a going concern basis.

Note 2: Loss for the Period

The following revenue and expense items are relevant in explaining the financial performance of the Group for the interim period:

	31/12/09	31/12/08
Impairment of Assets:		
Plant and Equipment – Capital work in progress	-	1,111,054
Intangibles – Development Costs	-	330,958
Intangibles – Licence	-	293,616
	<hr/>	<hr/>
	-	1,735,628

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR TO 31 DECEMBER 2009**

Note 3: Financial Assets

	31/12/09	30/06/09
Investments in Joint Ventures at Cost (i)	4,740,937	3,287,870
Investments in Singleton Green (ii)	532,359	532,359
Investment in CBD Wind (iii)	1,267,538	116,727
Shares in corporations at cost (iv)	1,115,000	15,003
	<u>7,655,834</u>	<u>3,951,959</u>

- i. The carrying amount of Investments in Joint Ventures represents the cost value to CBD Energy Limited. The recoverable amount of these costs was assessed by reference to the cash generating unit's value-in-use. This calculation is based on the present value of cash flow projections over the expected life of the projects using discount rates of between 15% and 25%.
- ii. The company has negotiated an extension on our Singleton Green project with Buildev. The Singleton Co Venture Deed is subject to a conditional precedent requiring CBD Energy Limited to complete further capital raising. If this condition is not satisfied by 30 June 2011, Buildev will be entitled to retain the signing fee of \$500,000 unless a further extension is negotiated.
- iii. The carrying amount of Investments in CBD Wind represents the cost value to CBD Energy Limited. The recoverable amount of these costs was assessed by reference to the cash generating unit's value-in-use. This calculation is based on the present value of cash flow projections over the expected life of the projects using a 15% discount rate.
- iv. The carrying amount of shares in corporations represents the cost value to CBD Energy Limited of:
- A 20% investment in Planet Power Energy for a consideration of \$1,100,000 in November 2009. The Directors have assessed the cost to represent the fair value on the basis that the investment was recently acquired in an arms-length transaction.
 - An investment in Barefoot Power for a consideration of \$15,000.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR TO 31 DECEMBER 2008**

Note 4: Plant and Equipment

	31/12/09	30/06/09
<i>Computer hardware & software</i>		
At Cost	158,229	133,802
Accumulated depreciation	(80,290)	(62,418)
Total Land & buildings	<u>77,939</u>	<u>71,384</u>
<i>Motor vehicles</i>		
At Cost	301,332	295,459
Accumulated impairment loss	(79,843)	(66,334)
Total capital work in progress	<u>221,489</u>	<u>229,125</u>
<i>Plant and equipment</i>		
At Cost	1,207,544	1,201,322
Accumulated depreciation	(364,725)	(318,147)
Total leased motor vehicles	<u>842,819</u>	<u>883,175</u>
<i>Furniture, fittings and office equipment</i>		
At Cost	178,501	171,929
Accumulated depreciation	(39,071)	(33,310)
Total plant & office equipment	<u>139,430</u>	<u>138,619</u>
<i>Leased motor vehicles</i>		
At Cost	494,890	524,418
Accumulated depreciation	(186,656)	(184,298)
Total plant & office equipment	<u>308,234</u>	<u>340,120</u>
<i>Leasehold improvements</i>		
At Cost	239,520	256,898
Accumulated depreciation	(66,006)	(48,792)
Total plant & office equipment	<u>173,514</u>	<u>208,106</u>
<i>Capital work in progress</i>		
At Cost	1,111,054	1,111,054
Accumulated depreciation	(1,111,054)	(1,111,054)
Total plant & office equipment	<u>-</u>	<u>-</u>
<i>Land and building</i>		
At Cost	1,450,000	1,833,354
Accumulated impairment loss	-	(383,354)
Accumulated depreciation	(33,525)	(17,705)
Total plant & office equipment	<u>1,416,475</u>	<u>1,432,289</u>
<i>Total Plant & Equipment</i>		
At Cost	4,030,018	5,528,236
Accumulated Impairment loss	-	(1,494,408)
Accumulated depreciation	(850,118)	(731,007)
Total plant & equipment	<u>3,179,900</u>	<u>3,302,824</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR TO 31 DECEMBER 2008**

Note 5: Intangibles

	31/12/09	30/06/09
Goodwill	1,507,539	1,507,539
Patents – Larkden	6,284,408	6,284,408
	<u>7,791,947</u>	<u>7,791,947</u>

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating segments (divisions). The Company assessed the recoverable amount of goodwill for both Captech and Parmac and determined that goodwill associated with each Company is not impaired. The recoverable amount of the cash-generating unit, being the assets of the Company, was assessed by reference to the cash-generating unit's value-in-use. Value-in-use is calculated based on the present value of cash flow projections over a 4-year period with a terminal value based on year 4 projections. The cash flows are discounted using a rate of 25%. Management believes that any reasonable possible change in the key assumptions in which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate carrying amount of those cash-generating units.

Recoverability of Patents – Larkden

The carrying amount of patents of \$6,284,408 represents the cost to acquire Larkden Pty Ltd, the owner and holder of patents relating to the graphite energy storage technology. The company's assessment of the value of Larkden was based on the licence fees generated from project activity associated with King Island, Cloncurry and Lake Cargelligo. Included in the forward projections are licence revenues associated with exploiting the technology of the Graphite Energy Storage for Wind – Grid Systems and Solar Thermal Systems.

The recoverable amount of the patent costs, as detailed above was assessed by reference to the cash-generating unit's value-in-use. Value-in-use is calculated based on the present value of cash flow projections over an 8-year period with a terminal value based on year 8 projections, using a discount rate of 25%.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR TO 31 DECEMBER 2009**

Note 6: Financial Liabilities

	31/12/09	30/06/09
Short term financial liabilities:		
Bank overdraft	44,906	-
Finance leases	70,629	69,843
Loans	99,852	1,370,979
Convertible notes (i)	5,426,820	-
	5,642,207	1,440,822
Long term financial liabilities:		
Finance leases	249,054	285,033
Loans	914,822	953,080
	1,163,876	1,238,113

- (i) The convertible notes have the following key terms and conditions:
- Issue price of \$0.10 per Convertible Note.
 - Interest of 12.5% per annum payable quarterly in arrears until the earlier of redemption or conversion of the Convertible Notes into Ordinary Shares
 - Term of 18 months from issue date subject to earlier redemption or conversion into Ordinary Shares.
 - Partly or wholly convertible into Ordinary Shares at a price of \$0.10. Convertible on a quarterly basis on the day which is 3 months after the issue date and thereafter on each of the respective days which are 3 months after the previous Conversion Date.
 - Except as required by the ASX Listing Rules or the Corporations Act 2001 note holders are not entitled to vote at general meetings of the company.

Note 7: Earnings per share

	31/12/09	30/12/08
Basic earnings per share	(1.57 cents)	(1.05 cents)
Diluted earnings per share	(1.30 cents)	(0.86 cents)
Weighted average number of shares used in the calculation of earnings per share:		
- Basic	222,504,813	217,043,281
- Diluted	269,369,012	264,978,763

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR TO 31 DECEMBER 2009**

Note 8: Dividends

The company has not paid or recommended to pay a dividend in respect of the half-year ended 31 December 2009 (2008: Nil).

Note 9: Issued Capital

	31/12/09		30/06/2009	
	Number of Shares	\$	Number of Shares	\$
Beginning of the period	217,043,281	79,536,896	217,043,281	79,536,896
Issued during the period:	32,556,492	3,904,344	-	-
- less net issuing costs	-	(45,019)	-	-
End of the period	249,599,773	83,396,221	217,043,281	79,536,896

Note 10: Net tangible assets

	31/12/09	31/12/08
(a) Net tangible assets	\$8,077,007	\$9,115,081
(b) Ordinary shares	249,599,773	217,043,281
Net tangible backing per share	3.24 cents	4.20 cents

Note 11: Related parties

All arrangements with related parties are consistent with those disclosed in the 2009 Annual Report.

Note 12: Events subsequent to balance date

On 29 January 2010 the company successfully completed a capital raising of \$18 million. The capital raising was by way of a placement and share purchase plan (SPP).

Funds raised through the placement and the SPP are to be utilised by the company to pursue its growth initiatives. Specifically, the capital raising is required in order to:

- Facilitate the 1 January 2010 purchase Eco-kinetics Pty Ltd and meet their working capital requirements
- Fund the development of CBD's solar and wind projects
- Fund the commencement of the King Island renewable energy project

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CBD Energy Limited and Controlled Entities

A.B.N. 88 010 966 793

Interim Financial Report

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR TO 31 DECEMBER 2009

Note 13: Operating Segments

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 determining the allocation of resources.

The consolidated entity's operating companies are organised and managed separately according to the nature of the products and services they provide, with each segment offering different products and servicing different markets.

Types of Products and services by segment

- **CapTech** manufactures energy saving products (power factor correction equipment) and energy quality products (reactors and filters), and also supply components (capacitors) and provides energy consulting services. In general, their power correction equipment can reduce energy consumption by 25% and their other products provide for improvement in quality and thereby efficiency of power use.
- **Parmac** provides a full range of mechanical services and air-conditioning services in support of developers, builders and commercial tenants at the mid tier level. Their speciality is working within existing mechanical services infrastructure and tight deadlines to deliver high-quality commercial grade air-conditioning solutions.
- **Project Development**
 - Project Development includes the following entities:
 - RAPS is an energy solutions company providing wind, solar and energy storage in an integrated solutions package. The company is focused on diesel reduction and the overall reduction of greenhouse gas emissions by providing renewable power technology to both on-grid and remote area power systems.
 - CBD Labs is responsible for technology development and has already led groundbreaking development in the energy storage area with the development of its graphite based thermal energy storage system (RAPS ESM). The company will continue to refine the product as well as examine and quantify new uses and partnerships to explore the technology. CBD Labs will manage the graphite storage patent and licence holders.
 - Larkden owns patents and patent applications relating to carbon block energy storage technology and other intellectual property.

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CBD Energy Limited and Controlled Entities

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Interim Financial Report

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR TO 31 DECEMBER 2009**

Note 13: Operating Segments (Continued)

- **CBD (corporate)** provides administrative and back office services required to support the CBD group. This includes the Corporate Executive Team, Finance, Human Resource and Legal departments.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Inter-segment transactions

There have been no inter-segment sales or transfers.

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- impairment of assets and other non-recurring items of revenue or expense; and
- intangible assets.

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CBD Energy Limited and Controlled Entities

A.B.N. 88 010 966 793

Interim Financial Report

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR TO 31 DECEMBER 2009**

Note 13: Operating Segments (Continued)

Comparative information

This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been re-stated to conform to the requirements of the Standard.

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

(i) Segment Performance

	Captch	Parmac	CBD (Corporate)	Project Development	Eliminations	Economic Entity
	\$	\$	\$	\$	\$	\$
Six months ended 31.12.2009						
External revenue	2,340,120	3,301,060	281,430	-	-	5,922,610
Inter-segment revenue	-	-	-	-	-	-
Other revenue	2,609	20	8,349	9,663	-	20,641
Total revenue	<u>2,342,729</u>	<u>3,301,080</u>	<u>289,780</u>	<u>9,663</u>	<u>-</u>	<u>5,943,251</u>
Net profit/(loss) before tax	<u>270,916</u>	<u>(817,689)</u>	<u>(2,729,357)</u>	<u>(215,031)</u>	<u>-</u>	<u>(3,491,878)</u>
Depreciation and amortisation	41,519	79,362	45,747	23,320	-	189,949
Six months ended 31.12.2008						
External revenue	3,293,213	4,768,660	108,176	-	-	8,170,049
Inter-segment revenue	-	-	-	-	-	-
Other revenue	17,189	16,081	72,763	8,649	-	114,682
Total revenue	<u>3,310,402</u>	<u>4,784,741</u>	<u>180,939</u>	<u>8,649</u>	<u>-</u>	<u>8,284,731</u>
Net profit/(loss) before tax	<u>653,042</u>	<u>340,672</u>	<u>(1,398,148)</u>	<u>(1,885,494)</u>	<u>-</u>	<u>(2,289,928)</u>
Depreciation and amortisation	34,505	42,615	-	18,000	-	95,120

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CBD Energy Limited and Controlled Entities
A.B.N. 88 010 966 793

Interim Financial Report

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR TO 31 DECEMBER 2009**

Note 13: Operating Segments (Continued)

(ii) Segment Assets

	Captech \$	Parmac \$	CBD (Corporate) \$	Project Development \$	Eliminations \$	Economic Entity \$
As at 31.12.09						
Segment Assets	5,025,024	4,190,366	15,764,895	15,181,701	(14,833,496)	25,328,490
As at 30.06.09						
Segment Assets	4,671,676	4,302,563	12,829,718	11,744,839	(12,945,092)	20,603,704

(iii) Segment Liabilities

	Captech \$	Parmac \$	CBD (Corporate) \$	Project Development \$	Eliminations \$	Economic Entity \$
As at 31.12.09						
Segment Liabilities	711,334	2,360,096	9,441,380	4,925,088	(7,978,362)	9,459,536
As at 30.06.09						
Segment Liabilities	628,544	1,654,393	4,202,254	4,706,964	(6,089,958)	5,102,197

Secondary Reporting – Geographic Segments

The consolidated group's business segments operate predominately in one geographic segment located within the States and Territories of Australia.

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CBD Energy Limited and Controlled Entities

A.B.N. 88 010 966 793

Interim Financial Report

DIRECTORS' DECLARATION

The Directors of CBD Energy Limited declare that:

1. The financial statements and notes, as set out on pages 5 to 25, are in accordance with the Corporations Act 2001 including:
 - (a) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting*; and
 - (b) giving a true and fair view of the Group's financial position as at 31 December 2009 and of its performance for the six month period ended on that date; and
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Gerry McGowan
Director

Sydney
26 February 2009

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CBD ENERGY LIMITED
ABN 88 010 966 793
AND CONTROLLED ENTITIES
INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
CBD ENERGY LIMITED AND CONTROLLED ENTITIES

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of CBD Energy Limited and controlled entities (the consolidated entity) which comprises the statement of financial position as at 31 December 2009, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the half-year ended on that date, the accounting policies and other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of CBD Energy Limited (the company) are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of CBD Energy Limited and controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This review report relates to the financial report of the consolidated entity for the half-year ended 31 December 2009 included on the website of CBD Energy Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on its integrity. This review report refers only to the half-year financial report identified above and it does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on the company's website.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act*, provided to the directors of CBD Energy Limited and controlled entities on 26 February 2010, would be in the same terms if provided to the directors as at the date of this auditor's review report.

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Basis for Qualified Conclusion

Carrying value of Patents

As disclosed in Note 5 to the Financial Report, the company has assessed the carrying value of the patents based on value in use calculations, which indicate that the balance of the patents amounting to \$6,284,408 is recoverable. We have not been provided with sufficient evidence to satisfy ourselves as to the recoverability of this balance.

Qualified Auditor's Conclusion

Based on our review, which is not an audit, except for the effects of such adjustments, if any that might have been determined to be necessary had we been able to satisfy ourselves as to the matter referred to in the preceding paragraph, we have not become aware of any matter that makes us believe that the half-year financial report of CBD Energy Limited and CBD Energy Limited and Controlled Entities is not in accordance with the Corporations Act 2001 including:

- i. giving a true and fair view of the company and consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- ii. complying with AASB 134: Interim Financial Reporting and Corporations Regulations 2001

Without further qualification to the opinion expressed above, attention is drawn to the following matters:

Significant Uncertainty Regarding the Carrying Value of Investments in Joint Ventures

We draw attention to Note 3 to the half-year financial report. The group has assessed the carrying value of its investments in joint ventures based on value in use calculations, which indicate that the balance of these investments amounting to \$4,470,937 are recoverable. If the cash flow projections used in the value in use calculations are not met, the carrying value of these investments may be impaired.

Significant Uncertainty Regarding the Carrying Value of Investment in CBD Wind

We draw attention to Note 3 to the half-year financial report. The group has assessed the carrying value of its investments in CBD Wind based on value in use calculations, which indicate that the balance of these investments amounting to \$1,267,538 are recoverable. If the cash flow projections used in the value in use calculations are not met, the carrying value of these investments may be impaired.

Hall Chadwick
Level 29, St Martins Tower
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GRAHAM WEBB

Partner

Date: 26 February 2010

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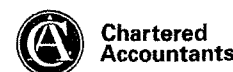
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**CBD ENERGY LIMITED
ABN 88 010 966 793
AND CONTROLLED ENTITIES
AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001
TO THE DIRECTORS OF CBD ENERGY LIMITED AND CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2009 there have been:

- a. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- b. no contraventions of any applicable code of professional conduct in relation to the review.

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GRAHAM WEBB
Partner
Date: 26 February 2010

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