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**CBD ENERGY LIMITED**

(ACN 010 966 793)

**2010**

**ANNUAL REPORT**

**CBD ENERGY LIMITED**

**CORPORATE DIRECTORY**

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**Directors**

The Hon. Mark Vaile	Chairman, Non-Executive Director
Mr Gerry McGowan	Managing Director
Mr James Anderson	Non-Executive Director
Dr David Iverach	Non-Executive Director

**Company Secretary**

Mr Richard Pillinger

**Registered Office**

Suite 2  
Level 2  
53 Cross Street  
Double Bay NSW 2028  
Ph: (02) 9363 9920  
Fax: (02) 9363 9955

**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  
60 Carrington Street  
Sydney NSW  
Phone (02) 8234-5000

**Australian Stock Exchange Code**

Ordinary Shares: CBD  
Convertible Notes: CBDG

**Website**

<http://www.cbdenergy.com.au>

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**CHAIRMAN'S REVIEW**

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Dear Shareholder,

Financial year 2010 has been transformational for CBD Energy. The company completed a successful and significant acquisition, funded by a well supported capital raising, recorded its maiden profit and is now in partnership with two of China's largest energy companies to develop new projects for the future. These achievements, its sound financial position and the diversity of operations are positioning CBD as Australia's emerging leader in renewable energy.

**Financial turnaround**

For the 12 months to June 30 2010, CBD recorded a financial turnaround from a loss after tax of \$3.7 million in the previous year to a profit after tax of \$7.9 million, CBD's maiden annual profit.

The principal reason for this was the Executive Team's ability to exponentially grow eco-Kinetics, which was acquired in January 2010. Under CBD ownership, the business has expanded its residential solar installations business and, after balance date, completed negotiations to build a solar project in Thailand which will rank among the larger photovoltaic plants in the world.

**Global renewable energy trends**

The trend towards greater investment globally in renewable energy is continuing to gather pace and create a favourable business environment for CBD. In 2009, global investment in clean energy was US\$155 billion, over seven times the level of \$20 billion invested in 2004. For the second year in a row, both the US and Europe added more power capacity from renewable than from conventional sources.

**China and renewable energy**

In line with these trends, China is taking seriously its renewable energy target of 15% renewable generation by 2020. It is now the biggest energy consumer in the world, accounting for almost 15% of global consumption, and will need to invest US\$350 billion in renewable energy in coming years to meet its target.

The Chinese governments support for renewable energy adds significance to the agreement CBD has negotiated with China Datang Corporation Renewable Power Co. and Tianwei Wind. The agreement relates to the co-development of 800 MW of renewable energy projects in Australia and China, with sites already being assessed. Separately, China Datang will take a 60 per cent interest in CBD's 40 MW Adjungbilly wind energy project, with Boading Tianwei providing 26 wind turbines.

As CBD's China connection strengthens, it has established an office in Beijing, which it expects to become a profitable operation over the next year as it increases its role in the renewable energy equipment supply chain.

**Australian context**

The combination of Australia needing more investment to reach its renewable energy targets and the likely emergence of legislation in relation to climate change are two powerful and positive influences on CBD's business environment. Currently Australia has achieved 4% towards its 20% renewable energy target by 2020, requiring significant investment. This opens up of a variety of project opportunities for CBD over the next decade.

**CHAIRMAN'S REVIEW (CONTINUED)**

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**Board**

CBD has strengthened its board with two new appointments during the year but unfortunately they followed the sad passing of CBD director, Mr Jim Link. Jim was an exceptional director whose dedication and knowledge contributed greatly to the success of CBD.

The two new board appointments are Mr James Anderson, who has a financial background, and Dr David Iverach, an engineer with chief executive experience in government and private enterprise. CBD is already benefiting from their contributions.

**Outlook**

The favourable business environment for renewable energy in Australia and globally sets out a landscape of opportunity for the company. CBD is diversified across key components of wind, solar, energy storage and energy services and its business relationships are creating project opportunities in many locations. Our expectation is for expansion of projects and business initiatives as well as growing profitability.

Over the past year we have appreciated the input of our employees, especially those new team members from eco-Kinetics, and we look forward to working with what is likely to be a growing team in the years ahead.

I would like to thank shareholders for their support during the year.

Yours sincerely,



**Mark Vaile**  
**Chairman**  
**Dated: 30<sup>th</sup> September 2009**

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**CORPORATE GOVERNANCE STATEMENT**

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The Board of Directors of CBD Energy Limited is responsible for the corporate governance of the company and its controlled entities. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

This statement outlines the main corporate governance practices during the financial year. Practices that vary from the ASX Corporate Governance Principles and Recommendations are identified in this statement.

**Principle 1 – Lay solid foundations for management and oversight**

*Recommendation 1.1 – Companies should establish the functions reserved to the Board and those delegated to Senior Executives and disclose those functions.*

**Board Responsibilities**

The Board acts on behalf of and is accountable to shareholders. The Board seeks to identify the expectations of shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board guides and monitors and fulfils its responsibility to protect shareholder interests and enhance shareholder value by:

- Approving and periodically reviewing the business and financial objectives and strategies and plans of the Company;
- Monitoring the financial performance of the Company, including approval of the Company's financial statements;
- Ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- Identifying areas of significant business or financial risk to the Company and ensuring management takes appropriate action to manage those risks;
- Reviewing the performance and remuneration of Board members and key members of staff;
- Monitoring the operations of the consolidated entity and the performance of management;
- Establishing and maintaining appropriate ethical standards; and
- Reporting to shareholders, the Australian Securities and Investments Commission and the Australian Stock Exchange as required.

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.

The Board delegates to the Managing Director and the executive team responsibility for the operation and administration of the Company.

**Responsibility of Senior Executives**

The responsibilities of Senior Executives include:

- Organisation and monitoring of investment projects;
- Managing organisational performance and achievement of Group's strategic goals and objectives;
- Management of financial performance, and
- Management of internal controls

*Recommendation 1.2 – Companies should disclose the process for evaluating the performance of Senior Executives*

The performance of the senior executives is reviewed regularly by the Board against their contribution to the performance of the consolidated entity using management reporting tools.

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**Principle 2 – Structure the Board to add value**

**Structure of the Board**

The Directors in office and the term in office held by each Director at the date of this report are as follows:

<b>Name</b>	<b>Position</b>	<b>Term in Office</b>
Mark Vaile	Chairman and Non-Executive Director	2 years (Appointed 8 September 2008)
Gerry McGowan	Managing Director	6 years 5 months (Appointed 5 April 2004)
James Anderson	Non-Executive Director	6 months (Appointed 29 March 2010)
James Link	Non-Executive Director	1 year 9 months (Appointed 8 September 2008, deceased 25 May 2010)
David Iverach	Non-Executive Director	2 months (Appointed 14 July 2010)

The skills, experience and expertise relevant to the position held by each Director in office at the date of the annual report is included in the Directors' Report.

**Board Composition**

The key elements of the Board composition include:

- ensuring, where practicable to do so, that a majority of the Board are independent directors
- the Board of the Company currently comprises 1 managing director and 3 independent non executive directors
- non-executive directors bring a fresh perspective to the board's consideration of strategic, risk and performance matters and are best placed to exercise independent judgement and review and constructively challenge the performance of management
- the Company is to maintain a mix of directors on the Board from different backgrounds with complementary skills and experience
- the Board seeks to ensure that:
  - at any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the Company and directors with an external perspective
- the size of the Board is conducive to effective discussion and efficient decision making.

*Recommendation 2.1 – A majority of the Board should be independent Directors*

The Company does adhere to Recommendation 2.1 in that the majority of directors should be independent non-executive directors.

*Recommendation 2.2 – The Chair should be an independent Director*

The Company does adhere to Recommendation 2.2 in that the Chair is an independent director.

*Recommendation 2.3 – The roles of Chair and Chief Executive Officer should not be exercised by the same individual*

The role of Chair and Managing Director is exercised by different individuals

*Recommendation 2.4 – The Board should establish a Nomination Committee*

The Company does not have a Nomination Committee and does not adhere to Recommendation 2.4. In view of the size of the Company, the Board considers that establishing a formally constituted committee for Board nomination would contribute little to its effective management as matters that may otherwise be dealt with by the committee, are dealt with by the full Board.

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**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

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**Principle 2 – Structure the Board to add value (continued)**

*Recommendation 2.5 – Companies should disclose the process for evaluating the performance of the Board, its Committees and individual members*

The Board undertakes to self assess its collective performance on annual basis. This self assessment:

- compares the performance of the Board with goals and objectives set at the beginning of the year; and
- sets forth the goals and objectives of the Board for the upcoming year.

The performance evaluation is conducted in such manner as the Board deems appropriate.

The Chairman annually assesses the performance of the individual Directors, where necessary, and meets privately with each Director to discuss the assessment. The Chairman's performance is reviewed by the Board.

**Principle 3: Promote ethical and responsible decision-making**

*Recommendation 3.1 – Companies should establish a Code of Conduct*

The Board has drawn up a Code of Conduct to guide Board members, executives and employees in carrying out their duties and responsibilities and to maintain confidence in the Company's integrity. Executives and employees are encouraged to report to Board members any concerns regarding potentially unethical practices.

*Recommendation 3.2 – Companies should establish a policy concerning trading in company securities by Directors, Senior Executives and employees, and disclose the policy or a summary of that policy*

Dealings are not permitted in the Company's securities at any time when Directors, officers or employees are in the possession of price sensitive information not already available to the market. In addition, the Corporations Act 2001 prohibits the purchase or sale of securities whilst a person is in possession of inside information. The Directors have routine discussions at the Board meetings to determine when trading in the Company's securities is inappropriate due to being in possession of price sensitive information.

A register is maintained to record dealings in the Company's securities by senior executives. Senior executives are required by the Company's Code of Conduct to report to the Company whenever dealings involving the Company's securities occur.

**Principle 4: Safeguard integrity in financial reporting**

*Recommendation 4.1- The Board should establish an Audit Committee*

*Recommendation 4.2 – The Audit Committee should be structured so that it*

- consists only of Non-Executive Directors
- consists of a majority of Independent Directors
- is chaired by an Independent Chair, who is not Chair of the Board
- has at least three members

*Recommendation 4.3 – The Audit Committee should have a formal charter*

The Company does not have an Audit Committee and does not adhere to Recommendation 4.1, 4.2 and 4.3. In view of the size of the Company, the Board considers that establishing a formally constituted audit committee would contribute little to its effective management as matters that may otherwise be dealt with by the committee, are dealt with by the full Board.

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**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

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**Principle 5: Make timely and balanced disclosure**

*Recommendation 5.1 – Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies*

The Company has established procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance. All ASX announcements which are considered commercially sensitive or price sensitive are authorised by the Managing Director. The Company has procedures to ensure that the ASX's continuous disclosure requirements are strictly followed and that unauthorised disclosure of price sensitive information is not made other than through the ASX's Company Announcements Office.

**Principle 6: Respect the rights of shareholders**

*Recommendation 6.1- Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy*

The Board recognises its duty to ensure that its shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders and the market through:

- The Annual Report which is distributed to all shareholders;
- The Annual General Meeting and other shareholder meetings called to obtain approval for Board action as appropriate and as required, which are open for attendance by all shareholders;
- The Half-Yearly Financial report and Quarterly Cash Flow Statements which are placed in the public domain by posting to the ASX website; and
- Other announcements made in accordance with ASX Listing Rules, which are placed in public domain by posting to the ASX website.

The Company's reports and ASX announcements may be viewed and downloaded from the ASX website (stock code: CBD).

The Board encourages participation by shareholders at the Annual General Meeting to ensure a high level of accountability and to ensure that shareholders remain informed about the Company's performance and goals.

It is also Company's policy that the External Auditor attends the Annual General Meeting of the Company and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

**Principle 7: Recognise and manage risk**

*Recommendation 7.1- Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies*

*Recommendation 7.2- The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.*

The Board is committed to the identification and quantification of risk throughout the Company's operations. The major risk faced by the company is Project Risk – projects not completed on time or within budget.

The Company has an organisational structure with clearly drawn lines of responsibility and accountability.

The Board operates to minimise its exposure to project risk and to limit the risk of failure. Senior executives are assigned to monitor the progress of project development and report to the Board on matters such as performance against budgeted costs and project timetables on a regular basis. The Board also engages external consultants in accessing project viability, cost and benefits before a project is undertaken.

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**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

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*Recommendation 7.3- The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the systems is operating effectively in all material respects in relation to financial reporting risks*

The Managing Director and the General Manager - Finance have made the following certifications to the Board in accordance with Section 295A of the Corporations Act:

- That the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Consolidated entity in accordance with all mandatory professional reporting requirements; and
- That the above statement is founded on a sound system of internal control and risk management which implements the policies adopted by the Board, and the Company's risk management and internal control is operating effectively and efficiently, in all material respects, in relation to financial reporting risk.

**Principle 8: Remunerate fairly and responsibly**

*Recommendation 8.1- The Board should establish a Remuneration Committee*

The Company does not have a Remuneration Committee and does not adhere to Recommendation 8.1. In view of the size of the Company, the Board considers that establishing a formally constituted remuneration committee would contribute little to its effective management as matters that may otherwise be dealt with by the committee, are dealt with by the full Board.

*Recommendation 8.2- Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and Senior Executives*

The Board is responsible for determining and reviewing remuneration arrangements for the Directors themselves and the senior executives. It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team members by remunerating Directors and senior executives fairly and appropriately with reference to relevant employment market conditions and their experience and expertise. To assist in achieving this objective, the Board takes account of the Company's financial and operating performance in setting the nature and amount of executive Directors' and executives' remuneration. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of the Company and the performance of the individual during this period.

The expected outcomes of the remuneration structure are:

- Attraction of quality management to the Company.
- Retention and motivation of key executives.
- Performance incentives which allow executives to share the rewards of the success of the Company.

Further details of the Company's remuneration policy, including details of the amount of remuneration and all monetary and non-monetary components for senior executives during the year and for all Directors, are set out in the Directors' Report. There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive Directors. Shareholder approval is required for all equity-based remuneration payable to Board members.

**ASX Corporate Governance Council ("CGC"): Corporate Governance Principles and Recommendations**

The Company's corporate governance practices were in place throughout the year ended 30 June 2010. With the exception of the departures from the Corporate Governance Council recommendations detailed above, namely recommendations 2.4; 4.1; 4.2; 4.3 and 8.1, the corporate governance practices of the Company were compliant with the Council's best practice recommendations.

Due to the nature, size and scale of the Company's operations the CGC principles and recommendations are assessed annually or sooner upon a change in the scale of operations as to their practical application and any changes are reported annually in the Company's Annual Report.

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**DIRECTORS' REPORT**

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Your Directors submit their report for the year ended 30 June 2010.

**Director names and particulars**

The names and particulars of the directors of the Company during or since the end of the financial year are:

- Mark Vaile – Chairman and Non-Executive Director (Appointed 08/09/08)
- Gerry McGowan – Managing Director since 08/09/08
- James Anderson – Non-Executive Director (Appointed 29/03/10)
- James Link – Non-Executive Director (Appointed 08/09/08, deceased 25/05/10)
- David Iverach – Non-Executive Director (Appointed 14/07/10)

**Mr. Mark Vaile – Chairman and Non-Executive Director (Appointed 08/09/08)**

Mr. Vaile was Deputy Prime Minister of Australia from June 2005 to December 2007. He was elected to the Australian Parliament in 1993 and resigned in July 2008. He was Minister for Trade from July 1999 to September 2006 and was responsible for negotiating Australia's free trade agreements with the United States, Singapore and Thailand. He has held the ministerial portfolios of Transport and Regional Development (twice) and Agriculture, Fisheries and Forestry. Mr. Vaile was elected leader of the National Party in June 2005.

During the past three years Mr. Vaile has also served as a director of the following other listed companies:

- Aston Resources Limited
- Virgin Blue Holdings Limited

**Mr. Gerry McGowan – Managing Director since 08/09/08**

Mr. McGowan was appointed to the Board and as Chairman on 5 April 2004. Mr McGowan is a former executive of TNT and Mayne Nickless. Gerry started his own company in 1982 and won the distribution of the John Fairfax product nationally. He launched Impulse Airlines in 1992, and then sold to Qantas in 2001. Currently Gerry is Executive Chairman of Pacific Aviation Pty Limited and TRW Holdings Pty Limited, an investment company with exposure to the energy and aviation industries. Mr McGowan also recently accepted a ministerial appointment to the Board of Air Services Australia.

During the past three years Mr. McGowan has also served as a director of the following other listed companies:

- None

**Mr. James Anderson – Non-Executive Director (Appointed 29/03/10)**

Mr. Anderson is a Chartered Accountant with long and extensive career in accounting, investment banking and funds management. He has held senior executive positions in structured finance with a number of investments banks, including Security Pacific Australia Ltd and Kleinwort Benson Australia Ltd, and was a member of the Council of University of New South Wales.

During the past three years Mr. Anderson has also served as a director of the following other listed companies:

- None

**Mr. James Link – Non-Executive Director (Appointed 08/09/08 deceased 25/05/10)**

Mr. Link was a director of Great Lakes Aviation Limited. He was previously the President of Raytheon Aircraft Finance Corporation, following roles as Vice President & Treasurer, Vice President Worldwide Sales and Special Assistant to the CEO. Mr. Link worked with the Raytheon group from 1985 until retiring in 2001. His qualifications included MBA Finance, MBA Marketing and BSA Accounting.

During the past three years Mr. Link also served as a director of the following other listed companies:

- Air Great Lakes Limited

**DIRECTORS' REPORT (CONTINUED)**

**Dr. David Iverach – Non-Executive Director (Appointed 14/07/10)**

Dr. Iverach is an engineer with a variety of management experience in government and industry. He was Director General of Transport in New South Wales under the governments of Premiers Unsworth and Greiner, coming to the position after having been Principal Engineer with the NSW Department of Environment.

For the past 20 years Dr. Iverach has held various executive positions with Transfield Pty Ltd, including CEO of Transfield Investments, CEO Transfield Energy, CCO of Transfield Construction and Executive GM of Transfield Projects.

Dr. Iverach has a BE (Chem Eng) and a PhD from the University of New South Wales and current board memberships include Perisher Pty Ltd, Airtrain Holdings Limited and BioPower Systems Pty Ltd.

During the past three years Dr. Iverach has also served as a director of the following other listed companies:

- None

**Company Secretary**

**Mr. Richard Pillinger BSc, CA**

Mr. Pillinger was appointed as Company Secretary of CBD Energy Limited on 8 September 2008. Mr. Pillinger is a Chartered Accountant with extensive experience in public practice and commercial finance roles.

**Mrs. Yvonne O'Reilly**

Mrs. O'Reilly is a Chartered Accountant and was appointed as Joint Company Secretary of CBD Energy Limited on 17 November 2008 (resigned 9 September 2009).

**Directors' Meetings**

The number of meetings of Directors held during the financial year and the number of meetings attended by each Director (while they were a Director) were as follows:

Director	Board Meetings	
	Meetings Attended	Meetings Eligible to Attend
Mark Vaile	8	8
Gerry McGowan	8	8
James Anderson	2	3
James Link	5	7

**Principal activities**

The principal activities of the consolidated entity for 2010 are the provision of energy and mechanical services.

**Results of Operations**

The result of operations for the year after income tax was a profit of \$7,879,397 (2009: loss of \$3,695,450).

**Dividends**

The company has not paid or recommended to pay a dividend in respect of the financial year ended 30 June 2010.

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**DIRECTORS' REPORT (CONTINUED)**

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**Managing Director's Review of Operations**

CBD's achievements in financial year 2010 have spanned an important acquisition, a better operating structure, positive earnings, completion of a wind project which now provides recurring earnings and commencement of new international projects.

CBD's turnaround into profitability has been particularly pleasing. Revenue increased 163% above the previous year to \$44.4 million and net profit after tax turned around from a loss in the previous year of \$3.7 million to a profit of \$7.9 million. This represents diluted earnings per share of 2.24 cents. NPAT includes an income tax benefit of \$2.97m resulting from the write back of prior year tax losses. The principal contributor to improved earnings was eco-Kinetics, acquired in January 2010 and now integrated successfully with CBD.

Net assets at 30 June 2010 amounted to \$41,819,025, compared to net assets of \$15,501,507 at 30 June 2009.

**Highlights**

Among key operational highlights in financial year 2010 were:

- Successful acquisition and integration of eco-Kinetics.
- Completion of an agreement with two substantial Chinese companies, Tianwei and Datang, to explore \$2 billion of renewable energy projects in Australia and China
- Completion of the Chatham Islands wind farm, delivering development earnings and ongoing management income for 20 years
- A second half turnaround into profit by mechanical services subsidiary, Parmac
- Initiation of a new business line, with CapTech to manufacture solar inverters
- Establishment of a new office in Beijing
- Completion of planning approval for the King Island project and progress towards finalising approvals for the Adjungbilly and Shannons Flat wind farms

**Operating environment**

Changing social attitudes towards climate change, in Australia and globally, have established favourable business conditions for CBD to achieve organic growth.

In many countries, individuals are more aware of their energy needs and choices and this is driving consumers towards more environmentally friendly solutions. These trends are supported by government incentives and households wanting to secure their future energy costs, at a time in Australia when energy prices are expected to double over the next few years.

The Australian government subsidises the capital cost of photovoltaic equipment through Renewable Energy Certificates, making solar energy affordable for consumers. State governments have also embraced these changing social attitudes and implemented transparent regulatory regimes that support the profitability of the industry. This has led to roof-top solar installations at record levels and fast tracking of approvals for major projects like wind farms.

**Vertically integrated structure**

An advantage of the eco-Kinetics acquisition is that it enabled CBD to implement a vertical integration of its businesses combined with a stronger sense of working together.

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**DIRECTORS' REPORT (CONTINUED)**

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Elements of this have included:

- Establishment of a new solar inverter manufacturing business for CapTech, enabling it to provide the group and external customers with an important solar installation component and, in the process, double the size of its business.
- Opening of a Beijing office and creation of a business plan for it to purchase components for CBD's solar divisions as well as interact with our Chinese partners.
- Establishment of CBD's premium solar business which markets high-end equipment from CBD's major shareholder, SOLON.
- Winning business from Origin and Harvey Norman Commercial for residential solar installations.
- Working with China partners, Datang and Tianwei, to take advantage of their purchasing power in relation to wind turbines and power equipment, such as turbines and sub-stations - which combined can represent some 30% of the cost of a wind farm

As the CBD group projects expand in Australia and other locations, the integrated group structure will achieve a greater efficiency and profitability of operations.

**Review of CBD Businesses**

A review of the operations of CBD's businesses is provided below:

**Solar***Eco-Kinetics*

Eco-Kinetics has experienced increased demand for its solar PV products, from both residential and commercial customers. In addition to selling more units, eco-Kinetics is also selling more profitable units, with demand shifting from the less profitable 1 kW installations to the more profitable larger installations. In six months of ownership eco-Kinetics has installed over 4,000 retail and commercial units across Australia and is currently installing a new system every 30 minutes, 24 hours a day, seven days a week.

After balance date, in August 2010, eco-Kinetics completed contracts for the building of a \$300 million project in Thailand. This will cover the design, supply and installation of a 99W solar plant. Stage 1 involves building an 8MW solar plant by February 2011. On successful completion of Stage 1, eco-Kinetics will then install another 91MW in subsequent stages over several years. This project will be cash flow positive and is a build, transfer, operate and maintain arrangement.

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**DIRECTORS' REPORT (CONTINUED)**

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*CBD Premium Solar*

CBD has leveraged its close relationship with major shareholder SOLON, and created a premium solar business. An agreement with Perth based, Bright Generation, which has technology to enable combined solar hot water and energy systems, has further expanded this business unit.

**Wind***Chatham Islands*

The Chatham Islands wind project comprises two wind turbines and associated control systems which enable reduced reliance on diesel power. The project was completed under budget towards the end of June 2010 and is exceeding output expectations. This is a 20 year build, own and operate project with ownership ultimately transferring to the Chatham Islands Enterprise Trust. CBD estimates it will receive recurring revenue of \$12.3 million from this project over 20 years.

*Adjungbilly & Shannons Flat*

CBD is developing a wind project close to the Snowy Mountains in New South Wales. CBD's China partners, Datang and Tianwei, are to be involved in these projects, with Datang likely to take a 60% interest and Baoding Tianwei supplying wind turbines. Both groups are assisting with project finance. CBD is currently managing the state government approval process.

*King Island*

On King Island in Bass Strait, CBD is involved in an integrated energy project incorporating solar, wind, energy storage and energy system management. CBD's joint venture partner is Hydro Tasmania. CBD has already installed six dual axis tracking solar photovoltaic systems which have added 100 kW of renewable energy generation to the island's power station. *China business - strategic alliance, Datang & Tianwei*

CBD completed its strategic alliance agreement with China Datang Corporation Renewable Power Co. and Tianwei Wind in May 2010. This agreement relates to the co-development of 800 MW of renewable energy projects in Australia and China. Among the benefits for CBD in this alliance are expansion of its development pipeline, access to debt and equity finance for projects and a broadening of CBD's revenue sources.

Datang Renewable is a subsidiary of China Datang Group and Tianwei Wind is a subsidiary of Baoding Tianwei Group, with both parent entities listed as *Fortune* Global 500 companies. Datang Renewable is a developer of renewable energy projects in China, across wind, solar, biomass and hydro power. It operates the world's largest wind farm in Inner Mongolia, across an area of 3,000 square kilometres with 1,000 MW generation capacity..

Tianwei Group manufactures electricity transmission, transformer and renewable energy products. It has been a pioneer in China for renewable energy and a producer of wind turbines, solar grade silicon, solar PV, solar thin film and thermal equipment as well as being a developer of renewable energy projects. Tianwei is building one of the world's largest solar thermal projects at Liang Shan in northern China, with CBD supplying its energy storage technology to the project. In addition, Tianwei is supplying wind turbines and finance support for CBD's wind farm at Adjungbilly in NSW.

*Development Assets*

CBD's two property development assets in Queensland, at Emerald and Bowen, are progressing.

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**DIRECTORS' REPORT (CONTINUED)**

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CBD has \$2.7 million invested in the Emerald development, with a valuation completed after the global financial crisis attributing a value of \$4.2 million to this development. A facility for Toll Holdings is being constructed at the Emerald Industrial Park and we expect to attract other businesses to the development. CBD expects sales to begin in the third quarter of financial year 2011.

CBD's investment in the Bowen development is \$1.95 million, compared with a current valuation of \$2.25 million conducted before an impending development approval which would add further value.

Both these projects are joint ventures with Buildev, a successful Newcastle based developer, with CBD to supply renewable energy requirements to both sites.

**Energy Services***Captech*

CapTech's power factor correction business operated profitably for financial year 2010. This business is expected to more than double in size when it begins producing inverters under license from German manufacturer Oelmaier Elektronik. There is currently a worldwide shortage of solar inverters which are a key component of solar energy installations. With CapTech becoming established as a manufacturer, it will guarantee CBD group supply of these components as well as being able to achieve external sales. CapTech's inverter production is expected to lead to sales in October 2011 at a rate of 20,000 units a year, implying annual revenue of \$20 million.

*Parmac*

Mechanical services business, Parmac, has benefited from an improving economy and property market. Gaining a significant contract for a Melbourne project enabled Parmac to achieve a turnaround into profit in the second half of financial year 2010.

**Engineering**

CBD Engineering played an important role in bringing the Chatham islands wind project on stream and integrating into the local power grid.

This business unit manages development of CBD's patented graphite block energy storage technology. CBD's system involves the absorption of energy into layers of graphite blocks embedded with heat exchangers. These blocks are contained in an insulated shell, built in the size of an average shipping container. Energy is absorbed into the graphite, storing it as thermal energy for later use. The embedded heat exchangers allow the heat to be extracted when needed, producing steam for electricity generation.

CBD has had its system tested independently by Sinclair Knight and Mertz and has developed it into modular container-sized units.

**Management**

Expansion of CBD's business in 2010 has meant an increase in management resources. Since acquired in January, CBD has extracted a significant increase in performance of the eco-Kinetics business. CBD has also appointed a general manager, boosted its engineering oversight, installed a new management team to drive CBD Premium Solar and added to finance, administrative and governance capabilities.

**Outlook**

CBD considers its 2010 profit achievement not as a one-off but as the establishment of a base from which earnings will continue to grow. Supporting this expectation is that financial year 2011 will include a full year of earnings from eco-Kinetics as well as earnings for the first time from Chatham Islands and CapTech inverter sales.

Progress with projects in Australia, China and Thailand will add to earnings in subsequent periods.

As CBD contributes further to the adoption of renewable energy globally, it is grateful for the contributions of all employees and the support of its business partners and shareholders.

**DIRECTORS' REPORT (CONTINUED)**

As CBD contributes further to the adoption of renewable energy globally, it is grateful for the contributions of all employees and the support of its business partners and shareholders.

**Details of significant changes in the state of affairs**

In the opinion of the directors, there were no significant changes in the state of affairs of the company during the financial period under review not otherwise disclosed in this annual report.

**Likely Developments and Expected Results**

The directors will continue to seek options for the growth of the company and the restoration of shareholder value. Further information as to likely developments in the operations of the economic entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the economic entity.

**Share options on issue**

At the date of this report there are no ASX listed options over unissued ordinary shares in CBD Energy Limited on issue and there are 32,025,000 unlisted share options on issue. Refer to note 15 (Issued capital) of the financial statements for details of options, including issue price and expiry date.

No shares have been issued during or since the end of the year as a result of the exercise of options.

**Convertible notes on issue**

At the date of this report there are 54,260,820 convertible notes on issue. Refer to note 13 (Borrowings) of the financial statements for details and terms of the convertible notes.

No shares have been issued during or since the end of the year as a result of the conversion.

**Subsequent Events**

On the 24th August 2010, CBD Energy limited, through wholly owned subsidiary, eco-Kinetics, has won a significant contract to build a solar power plant in Thailand. The project begins with an initial stage of 8 MW, increasing to a total size of 99 MW, with an overall project value in excess of \$A300 million. eco-Kinetics expects to commence site works and begin installation in September 2010, leading to a completion of stage 1 by early 2011. The total project is expected to be completed approximately 2 years from initial commencement.

On 25 August 2010, a convertible noteholder, Hunter Hall Investment Management Ltd who holds 83.9% of the outstanding notes, has agreed to convert all its Notes into ordinary shares on maturity date. This removes any need to make provision for repayment of the principal amounts when the Notes mature. In consideration for that commitment, the Company has proposed to amend to the terms of the Notes which will have the effect of giving all Noteholders a 5% increase in the number of shares on converting the Notes into shares.

Other than the matters discussed above, no other matters or circumstances have arisen since the end of the financial year which significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future years.

**Environmental regulations**

CBD Energy Limited consolidated entity is in compliance with all its obligations pertaining to environmental regulations.

**Directors Shareholdings**

The following table sets out each director's relevant interest in shares and options of CBD Energy Limited:

	<b>Ordinary Shares</b>	<b>Unlisted options over Ordinary Shares</b>	<b>Convertible Notes</b>
Mr. Mark Vaile – Chairman and Non-Executive Director	100,000	3,000,000	25,000
Mr. Gerry McGowan – Managing Director	12,738,789	20,500,000	4,454,281
Mr. James Anderson – Non-Executive Director	1,000,000	-	-
Dr. David Iverach – Non-Executive Director	1,470,000	-	55,000

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**DIRECTORS' REPORT (CONTINUED)**

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**Remuneration Report****(i) Remuneration Policy**

All key management personnel may receive a base salary, superannuation, fringe benefits, options and performance incentives.

Performance incentives are generally only paid once predetermined key performance indicators have been met.

Key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to key management personnel is valued at the cost to the company and expensed.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities.

The employment terms and conditions of key management personnel and Group executives are formalised in contracts of employment.

Terms of employment require that the relevant group entity provide an executive contracted person with a minimum of 3 months notice prior to termination of contract. A contracted person deemed employed on a permanent basis may terminate their employment by providing at least 3 months notice.

Termination payments are not payable on resignation or under the circumstances of unsatisfactory performance.

**(ii) Key Management Personnel Remuneration**

Remuneration packages contain the following key elements:

- (a) Primary benefits – salary/fees, bonuses and non-monetary benefits including the provision of a motor vehicle or the payment of a car allowance where necessary.
- (b) Post employment benefits including superannuation.
- (c) Other benefits

**DIRECTORS' REPORT (CONTINUED)**

**Remuneration Report (Continued)**

(iii) The following table discloses the remuneration of the key management personnel of the Consolidated Entity

	Year	Primary	Primary Bonus	Superannuation	Equity	Total
Mark Vaile	2010	\$ 73,395	\$ -	\$ 6,605	\$ -	\$ 80,000
	2009	59,671	-	5,370	-	65,041
Gerry McGowan	2010	655,000	-	4,950	-	659,950
	2009	537,500	-	4,950	-	542,450
James Anderson	2010	9,762	-	879	-	10,641
	2009	-	-	-	-	-
James Link	2010	42,049	-	3,785	-	45,834
	2009	37,295	-	3,357	-	40,652
Mark Fogarty	2010	230,757	-	18,743	-	249,500
	2009	108,424	-	40,243	-	148,667
Yury Brodsky	2010	177,531	-	15,077	-	192,608
	2009	142,063	-	38,045	-	180,108
Alan McClaren	2010	196,851	-	33,125	-	229,976
	2009	109,672	-	107,355	-	217,027
Edwin Cywinski	2010	98,077	-	8,827	-	106,904
	2009	-	-	-	-	-
Richard Pillinger	2010	-	-	-	-	-
	2009	2,416	-	-	-	2,416
Yvonne O'Reilly (resigned 09/09/09)	2010	55,893	-	4,541	-	60,434
	2009	147,737	-	13,296	-	161,033
John de Gouveia (resigned 30/09/08)	2010	-	-	-	-	-
	2009	75,981	-	5,863	-	81,844
Michael Warczak (resigned 30/09/08)	2010	-	-	-	-	-
	2009	-	-	9,407	-	9,407
Total Remuneration	2010	1,539,315	-	96,532	-	1,635,847
	2009	1,220,759	-	227,886	-	1,448,645

**DIRECTORS' REPORT (CONTINUED)**

**Remuneration Report (Continued)**

**(iv) Contracts of employment**

**Directors**

All the directors of the Company are engaged under an appointment that does not contain specified incentive entitlements including options.

**Current Executives**

<p><b>Gerry McGowan</b> <i>Managing Director CBD Energy Limited</i></p>	<p><b>Consulting Agreement with TRW Pty Ltd</b></p> <p>Gerry McGowan is engaged by CBD Energy Limited under a consulting agreement with TRW Pty Ltd to provide the full-time executive services of Gerry McGowan as the Managing Director of the company.</p> <p>The length of the contract is 4 years from 1 September 2008 to 31 August 2012, with a period of notice of 3 months required to terminate the contract.</p> <p>The base contract amount is \$500,000 pa. Indexed annually by CBD.</p> <p><b>Performance Conditions</b></p> <p>CBD will, upon the Company achieving an EBIT of \$10,000,000 for the year 2011 financial year, grant options to TRW to subscribe for 10 million shares in CBD exercisable at \$0.25 per option. TRW may exercise some or all of the options from date of grant of option until 1 July 2016. The options will expire on 1 July 2016. These options were subject to shareholder approval.</p> <p>A performance bonus of an amount equal to 100% of the Base Fee if CBD achieves EBIT of \$10,000,000 for the 2011 financial year.</p>
<p><b>Mark Fogarty</b> <i>CEO CBD Wind Development</i></p>	<p><b>Contract of Employment</b></p> <p>Mark Fogarty is employed by CBD Energy Limited under a contract of employment. A new contract was signed on 21<sup>st</sup> July 2009. The contract is an ongoing employment contract.</p> <p>The contract amount is \$ 200,000 pa, inclusive of superannuation. This will be reviewed on July 1 each year.</p> <p>In 2010, additional remuneration was paid under contractual arrangements related to the 2009 financial year which was not previously paid.</p> <p><b>Performance Conditions</b></p> <p>A bonus payment will be payable on financial close of each wind development site based on 10% of CBD's share of profits and will be paid by way of options at a 20% premium to market.</p>
<p><b>Alan McClaren</b> <i>Managing Director/CEO Parmac Airconditioning</i></p>	<p><b>Contract of Employment</b></p> <p>Alan McClaren is employed by Parmac Airconditioning and Mechanical Services Pty Ltd under a contract of employment. The length of the contract was 3 years from 1 January 2004 to 1 January 2007, with a period of notice of 3 months required to terminate the contract. The contract was renewed on 1 January 2007 and will continue to 1 January 2012.</p> <p>The contract amount is \$ 220,000 pa, inclusive of superannuation, plus a company car.</p> <p><b>Performance Conditions</b></p> <p>The contract does not provide for the payment of a bonus. Bonus payments (if any) are discretionary and determined annually by the Board upon satisfactory achievement of KPI's and meeting operating budgets.</p>

**DIRECTORS' REPORT (CONTINUED)**

**Remuneration Report (Continued)**

**(iv) Contracts of employment - Continued**

**Executives - Continued**

<p><b>Yury Brodsky</b> <i>Managing Director/CEO CapTech</i></p>	<p><b>Contract of Employment</b></p> <p>Yury Brodsky is employed by Capacitor Technologies Pty Ltd under a continuing contract of employment. The length of the initial contract was for 1 year from 1 December 2003 to 1 December 2004, with a period of notice of 1 month required to terminate the contract. A new contract was signed on 1 January 2007 and will continue until 30 June 2012.</p> <p>The base contract amount is \$170,000pa plus superannuation guarantee levy, plus a car allowance of 10,000pa (total annual package \$192,600).</p> <p><b>Performance Conditions</b></p> <p>The contract does not provide for the payment of a bonus. Bonus payments (if any) are discretionary and determined annually by the Board upon satisfactory achievement of KPI's and meeting operating budgets.</p> <p>In addition the company utilises electrical contracting services offered by Brodpower Pty Ltd , a company in which Yury Brodsky has a ownership interest.</p> <p>The service contract with Brodpower Pty Ltd operates on a revenue share basis whereby CapTech makes a 25% margin on all electrical installation work outsourced to Brodpower Pty Ltd.</p>
<p><b>Edwin Cywinski</b> <i>Managing Director/CEO eco-Kinetics</i></p>	<p><b>Contract of Employment</b></p> <p>Edwin Cywinski is employed by eco-Kinetics Group Pty Limited under an ongoing contract of employment. The contract started 1 February 2010, with a period of notice of 3 months required to terminate the contract.</p> <p>The base contract amount is \$ 200,000 pa plus superannuation guarantee levy (total package \$215,200).</p> <p><b>Performance Conditions</b></p> <p>The contract does not provide for the payment of a bonus, bonus payment is discretionary and determined annually by the Board upon satisfactory achievement of KPI's and meeting operating budgets.</p>

**Non-audit Services**

The board of directors is satisfied that the provision of non-audit services during the year by Hall Chadwick Chartered Accountants is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services provided did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the board of directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid to the external auditors Hall Chadwick Chartered Accountants during the year ended 30 June 2010:

Taxation services	\$ 25,000
Corporate services	\$ 5,153
Total	<u>\$ 30,153</u>

**DIRECTORS' REPORT (CONTINUED)****Indemnification and Insurance of Directors and Officers and Auditors**

The Company has agreed to indemnify all directors and officers of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has insured against amounts which it may be liable to pay on behalf of directors and officers or which it otherwise agrees to pay by way of indemnity.

**Insurance Premiums**

During the year, the Company paid insurance premiums for directors' and officers' liability insurance policies, which cover all directors and officers of the Company. Details of the nature of the liabilities covered, and the amount of the premium paid in respect of, the directors' and officers' insurance policies are not disclosed, as such disclosure is prohibited under the terms of the insurance contracts.

**Auditor's Independence Declaration**

The auditor's independence declaration for the year ended 30 June 2010 has been received and is included on page 23.

Signed in accordance with a resolution of the Directors



**Gerry McGowan**  
**Managing Director**  
**Dated: 30<sup>th</sup> September 2010**

**HALLCHADWICK** 

Chartered Accountants and Business Advisers

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2010 there have been:

- i. no contraventions of the auditor's 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.

*Hall Chadwick*

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

*Audit*

**GRAHAM WEBB**  
 Partner  
 Date: 30 September 2010

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**PARTNERS**

Drew Townsend  
 David Kenney  
 Richard Albarran  
 Gino Malacco  
 Paul Leroy  
 Steven Gladman  
 Brent Kijurina  
 Blair Pleash  
 David Ross  
 Graham Webb  
 Domenic Calabretta  
 Bill Petrovski

**ASSOCIATES**

Sally Saad  
 David Ingram  
 Lyle Vallance

[www.hallchadwick.com.au](http://www.hallchadwick.com.au)

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**CBD ENERGY LIMITED AND CONTROLLED ENTITIES  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2010**

		<b>Consolidated Group</b>	
	Note	2010 \$	2009 \$
<b>Continuing Operations</b>			
Revenue	2	<b>44,828,463</b>	16,937,866
Raw materials & consumables used	3(a)	<b>(27,713,017)</b>	(10,228,313)
Depreciation and amortisation expense	3(a)	<b>(426,351)</b>	(299,759)
Finance costs	3(a)	<b>(873,959)</b>	(100,593)
Salaries and employee benefits expense	3(c)	<b>(4,502,996)</b>	(5,169,530)
Compliance & consultants	3(d)	<b>(2,143,898)</b>	(1,569,013)
Office occupancy	3(d)	<b>(542,953)</b>	(429,451)
Other expenses	3(d)	<b>(3,342,101)</b>	(717,674)
Impairment of assets	3(b)	-	(2,118,983)
Bad debts		<b>(31,488)</b>	-
Provision for impairment of receivables		<b>(213,560)</b>	-
Share of net loss of associate		<b>(131,384)</b>	-
Profit / (loss) before income tax expense		<b>4,906,756</b>	(3,695,450)
Income tax benefit	4(a,b)	<b>2,972,641</b>	-
<b>Net profit/(loss) attributable to members of CBD Energy Limited</b>		<b>7,879,397</b>	(3,695,450)
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>7,879,397</b>	(3,695,450)
<b>Overall operations</b>			
Basic earnings per share (cents per share)	21	<b>2.77 cents</b>	(1.70 cents)
Diluted earnings per share (cents per share)	21	<b>2.24 cents</b>	(1.70 cents)

The above Statement of Comprehensive Income is to be read in conjunction with the accompanying notes.

**CBD ENERGY LIMITED AND CONTROLLED ENTITIES  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2010**

		<b>Consolidated Group</b>	
	Note	<b>2010</b>	<b>2009</b>
		<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	17(b)	<b>4,814,709</b>	948,276
Trade and other receivables	5	<b>17,025,396</b>	3,341,341
Inventories	6	<b>8,122,724</b>	1,153,582
Other assets	7	<b>33,075</b>	4,782
<b>TOTAL CURRENT ASSETS</b>		<b>29,978,642</b>	5,447,981
<b>NON-CURRENT ASSETS</b>			
Financial assets	8	<b>9,169,355</b>	3,951,959
Investments accounted for using equity method	9	<b>1,268,616</b>	-
Plant and equipment	10	<b>2,086,920</b>	3,302,824
Deferred tax assets	4(e)	<b>3,098,923</b>	-
Intangibles assets	11	<b>24,472,535</b>	7,791,947
Other non current assets	7	<b>336,575</b>	108,993
<b>TOTAL NON-CURRENT ASSETS</b>		<b>40,450,186</b>	15,155,723
<b>TOTAL ASSETS</b>		<b>70,428,828</b>	20,603,704
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	<b>10,076,619</b>	1,972,274
Borrowings	13	<b>9,389,776</b>	1,440,822
Current tax liabilities	4(d)	<b>105,917</b>	-
Short term provisions	14	<b>358,655</b>	294,957
<b>TOTAL CURRENT LIABILITIES</b>		<b>19,930,967</b>	3,708,053
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	12	<b>8,196,555</b>	-
Borrowings	13	<b>253,833</b>	1,238,113
Deferred tax liabilities	4(f)	<b>42,884</b>	-
Provisions	14	<b>185,564</b>	156,031
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>8,678,836</b>	1,394,144
<b>TOTAL LIABILITIES</b>		<b>28,609,803</b>	5,102,197
<b>NET ASSETS</b>		<b>41,819,025</b>	15,501,507
<b>EQUITY</b>			
Issued capital	15	<b>97,975,017</b>	79,536,896
Reserves	16	<b>52,339</b>	52,339
Retained earnings		<b>(56,208,331)</b>	(64,087,728)
<b>TOTAL EQUITY</b>		<b>41,819,025</b>	15,501,507

The above Statement of Financial Position is to be read in conjunction with the accompanying notes.

**CBD ENERGY LIMITED AND CONTROLLED ENTITIES  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR TO 30 JUNE 2010**

Economic Entity	\$	\$	\$	\$
	Share Capital	Share Option Reserve	Retained Earnings	Total
<b>Balance at 30.06.2009</b>	79,536,896	52,339	(60,392,278)	19,196,957
Shares issued	-	-	-	-
Share issue costs	-	-	-	-
(Loss) attributable to members of parent entity	-	-	(3,695,450)	(3,695,450)
<b>Sub-total</b>	<b>79,536,896</b>	<b>52,339</b>	<b>(64,087,728)</b>	<b>15,501,507</b>
Dividends paid or provided for	-	-	-	-
<b>Balance at 30.06.2009</b>	<b>79,536,896</b>	<b>52,339</b>	<b>(64,087,728)</b>	<b>15,501,507</b>
Shares issued	20,069,999	-	-	20,069,999
Share issue costs	(1,631,878)	-	-	(1,631,878)
Profit attributable to members of parent entity	-	-	7,879,397	7,879,397
<b>Sub-total</b>	<b>97,975,017</b>	<b>52,339</b>	<b>(56,208,331)</b>	<b>41,819,025</b>
Dividends paid or provided for	-	-	-	-
<b>Balance at 30.06.2010</b>	<b>97,975,017</b>	<b>52,339</b>	<b>(56,208,331)</b>	<b>41,819,025</b>

The above Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

**CBD ENERGY LIMITED AND CONTROLLED ENTITIES  
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010**

Consolidated Group

	Note	2010 \$	2009 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		40,148,352	18,263,220
Payments to suppliers and employees		(45,166,341)	(18,520,707)
Interest received		111,366	124,918
Finance costs		(704,859)	(28,762)
<b>NET CASH FLOWS (USED IN) OPERATING ACTIVITIES</b>	17(a)	<b>(5,611,482)</b>	<b>(161,331)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property, plant and equipment		-	12,364
Proceeds from sale of financial assets		90,911	-
Payments for investments		(5,607,326)	(3,936,956)
Payment for investment in associates		(340,000)	-
Payment for development costs		(500,954)	(80,258)
Payment for licence agreement		(163,214)	-
Purchase of controlled entities net of cash acquired	8(e)	(5,206,138)	-
Purchase of property, plant and equipment		(322,329)	(2,333,858)
<b>NET CASH FLOWS (USED IN) INVESTING ACTIVITIES</b>		<b>(12,049,050)</b>	<b>(6,338,708)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of ordinary shares		18,980,616	-
Share issue costs		(1,431,878)	-
Repayment of finance leases		(85,424)	(85,668)
Proceeds from borrowings –		5,434,076	2,440,911
Repayment of borrowings		(1,317,380)	(186,568)
<b>NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</b>		<b>21,580,010</b>	<b>2,168,675</b>
<b>NET INCREASE / (DECREASE) IN CASH HELD</b>		<b>3,919,478</b>	<b>(4,331,364)</b>
Cash and cash equivalents at beginning of financial year		948,276	5,272,955
Effect of exchange rates on cash held in foreign currency		(394,636)	6,685
<b>Cash and cash equivalents at end of financial year</b>	17(b)	<b>4,473,118</b>	<b>948,276</b>

The above Statement of Cash Flows is to be read in conjunction with the accompanying notes.

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**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This financial report includes the consolidated financial statements and notes of CBD Energy Limited and controlled entities ('Consolidated Group' or 'Group').

**Basis of Preparation**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

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. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

**Adoption of new Accounting Standards and Interpretations**

The following new and revised Standards and Interpretations have been adopted in the current financial year and have affected the amounts reported in these financial statements:

**AASB 8 Operating Segments**

In February 2007 the Australian Accounting Standards Board issued AASB 8 which replaced AASB 114: Segment Reporting. As a result, some of the required operating segment disclosures have changed with the addition of a possible impact on the impairment testing of goodwill allocated to the cash generating units (CGUs) of the entity. Below is an overview of the key changes and the impact on the Group's financial statements.

**Measurement impact**

Identification and measurement of segments — AASB 8 requires the 'management approach' to the identification measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments. Under AASB 114, segments were identified by business and geographical areas, and only segments deriving revenue from external sources were considered.

The adoption of the 'management approach' to segment reporting has resulted in the identification of new reportable segment from the previous financial year. This has been largely due to the acquisition of eco-Kinectics and segment reporting during the financial year on the performance of the CapTech and Parmac businesses.

Under AASB 8, operating segments are determined based on management reports using the 'management approach', whereas under AASB 114 financial results of such segments were recognised and measured in accordance with Australian Accounting Standards. This has resulted in changes to the presentation of segment results, with inter-segment sales and expenses such as depreciation and impairment now being reported for each segment rather than in aggregate for total group operations, as this is how they are reviewed by the chief operating decision maker.

The Company has adopted AASB8 Operating Segments from 1 July 2009. AASB 8 requires the 'management approach' to the identification measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance.

The adoption of AASB8 has had no impact on the reported results or financial position of CBD

**AASB101 (revised) Presentation of Financial Statements**

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Group's financial statements.

**Disclosure impact**

Terminology changes — the revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Reporting changes in equity — the revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income — the revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The Group's financial statements now contain a statement of comprehensive income.

Other comprehensive income — The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

The Company has applied the revised AASB 101 Presentation of Financial Statements which requires the separate presentation of a Statement of Comprehensive Income and a Statement of Changes in Equity. All non owner changes in equity must now be presented in the Statement of Comprehensive Income.

However, the revised Standard has had no impact on the reported results or financial position of CBD.

**AASB 3 Business Combination**

In March 2008 the Australian Accounting Standards Board revised AASB 3 and as a result, some aspects of business combination accounting have changed. The changes apply only to business combinations which occur from 1 July 2009.

*Recognition and measurement impact*

Recognition of acquisition costs — The revised version of AASB 3 requires that all costs associated with a business combination be expensed in the period in which they were incurred. Previously such costs were capitalised as part of the cost of the business combination.

Measurement of contingent considerations — The revised AASB 3 requires that contingent considerations associated with a business combination be included as part of the cost of the business combination. They are recognised at the fair value of the payment calculated having regard to probability of settlement. Any subsequent changes in the fair value or probability of payment are recognised in the statement of comprehensive income except to the extent where they relate to conditions or events existing at acquisition date, in which case the consideration paid is adjusted. The previous version of AASB 3 allowed such changes to be recognised as a cost of the combination impacting goodwill.

In accounting for the acquisition of eco-Kinetics Pty Ltd, a contingent consideration of \$11.4 million has been recognised. There has been no current year impact on the statement of comprehensive income. However, as the probability of payment changes, some impact may be noted in future reporting periods.

Recognition of contingencies — The revised AASB 3 prohibits entities from recognising contingencies associated with a business combination, unless they meet the definition of a liability.

*Disclosure impact*

The revised AASB 3 contains a number of additional disclosure requirements not required by the previous version of AASB 3. The revised disclosures are designed to ensure that users of the Group's financial statements are able to understand the nature and financial impact of any business combinations on the financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Accounting Policies****a. Principles of Consolidation**

A controlled entity is any entity CBD Energy Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 8(e) to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased. Subsidiaries are fully consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the group

**Business Combinations**

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (ie parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill (refer to Note 1(i)) or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

**b. Income Tax**

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

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**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Accounting Policies (continued)**

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognized to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilized.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with conditions of deductibility imposed by the law.

CBD Energy Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime. CBD Energy Limited is responsible for recognizing the current and deferred tax assets and liabilities for the tax consolidated group. The group notified the ATO on 2 January 2003 that it had formed an income tax consolidated group to apply from 1 July 2002. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

**c. Inventories**

Inventories are measured at the lower of cost and net realizable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

**d. Construction Contracts and Work in Progress**

Construction work in progress is valued at cost, plus profit recognized to date less and provision for anticipated future losses. Cost includes both variable and fixed costs relating to specific contracts, and those costs that are attributable to the contract activity in general and that can be allocated on a reasonable basis.

Construction profits are recognized on the stage of completion basis and measured using the proportion of costs incurred to date as compared to expected actual costs. Where losses are anticipated they are provided for in full.

Construction revenue has been recognized on the basis of the terms of the contract adjusted for any variations or claims allowable under the contract.

**e. Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

**Depreciation**

Property, plant and equipment is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

## NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

## Accounting Policies (continued)

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Leasehold improvements	4-5%
Plant and Equipment	5-33%
Leased plant and equipment	15%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

## f. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to ownership of the asset are transferred to the lessee are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, and charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognized as a liability and amortised on a straight-line basis over the life of the lease term.

## g. Investments in Associates

Associate companies are companies in which the Group has significant influence through holding, directly or indirectly, 20% or more of the voting power of the company. Investments in associates are accounted for in the financial statements by applying the equity method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate company. In addition the Group's share of the profit or loss of the associate company is included in the Group's profit or loss.

The carrying amount of the investment includes goodwill relating to the associate. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the investor's share of the associate's profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the relation to the Group's investment in the associate.

When the reporting dates of the Group and the associate are different, the associate prepares, for the Group's use, financial statements as of the same date as the financial statements of the Group with adjustments being made for the effects of significant transactions or events that occur between that date and the date of the investor's financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Accounting Policies (continued)**

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume the recognition of its share of those profits once its share of the profits equals the share of the losses not recognised.

Details of the Group's investments in associates are shown at Note 9.

**h. Interests in Joint Ventures**

The consolidated group's share of the assets, liabilities, revenue and expenses of jointly controlled assets have been included in the appropriate line items of the consolidated financial statements. Details of the consolidated group's interests are shown at Note 8(b).

The consolidated group's interests in joint venture entities are brought to account using the equity method of accounting (refer to Note 1(g) for details) in the consolidated financial statements. The parent entity's interests in joint venture entities are brought to account at cost.

Where the Group contributes assets to the joint venture or if the Group purchases assets from the joint venture, only the portion of the gain or loss that is not attributable to the Group's share of the joint venture shall be recognised. The Group however will recognise the full amount of any loss when the contribution results in a reduction in the net realisable value of current assets or an impairment loss.

**i. Intangibles****Goodwill**

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- a) the consideration transferred;
- b) any non-controlling interest; and
- c) the acquisition date fair value of any previously held equity interest, over the acquisition date fair value of net identifiable assets acquired.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash generating units or groups of cash generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

**Licences**

Licence fees are recognised at cost of acquisition. Licence fees have a finite life and are amortised on a systematic basis, matched to the future economic benefits over the life of the asset, less any impairment losses.

**Development Costs**

Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably. Development costs are amortised on a systematic basis, matched to the future economic benefits over the life of the asset, less any impairment losses.

**j. Employee Benefits***Wages and salaries and annual leave*

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

*Superannuation*

The amount charged to the Income Statement in respect of superannuation represents the contributions made by the economic entity to the employees' nominated superannuation funds.

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**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Accounting Policies (continued)****k. Provisions**

Provisions are recognized 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.

**l. Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

**m. Trade and other receivables**

Receivables are recognised as the amounts due. Collectability of receivables is reviewed on an ongoing basis. Debts which are believed to be uncollectible are written off. A provision is raised for amounts for which collection is considered doubtful.

**n. Trade and other payables**

Liabilities are recognised for amounts to be paid subsequent to the reporting date for goods and services received, whether or not billed, by the consolidated entity prior to the reporting date.

**o. Financial liabilities**

Financial liabilities, where there is a compound financial instrument, are classified so the liability component and equity component are shown separately on the Statement of Financial Position from the time of their initial recognition. Interest, where applicable, is charged as an expense as it accrues and is included in interest-bearing liabilities.

**p. Borrowings**

Commercial bills are recognised in the financial statements on the basis of the nominal amounts outstanding at balance date plus accrued interest.

**q. Share capital**

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising from the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

**r. Foreign currencies***Translation of foreign currency transactions*

Transactions in foreign currencies of entities within the consolidated entity are converted to local currency at the rate of exchange ruling at the date of the transaction.

Amounts payable to and by the entities within the consolidated entity that are outstanding at the reporting date and are denominated in foreign currencies have been converted to local currency using rates of exchange ruling at the end of the financial year.

All resulting exchange differences arising on settlement or restatement are brought to account in determining the net profit or loss for the financial year.

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**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****s. Revenue**

Revenue from domestic solar installations is recognized once installation is completed

Revenue from the sale of other goods is recognized upon the delivery of goods to customers.

Interest revenue is recognized on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of service is recognized upon delivery of the service to the customers.

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

**t. Finance Costs**

Borrowing costs are recognised in income in the period in which they are incurred.

**u. Goods and Services Tax (GST)**

Revenues, expenses and assets are recognized net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognized as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows

**v. Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

*Key Estimate – Impairment*

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

During the year ended 30 June 2010, no impairment has been recognised in respect of goodwill; license and development costs. The group assessed recoverability of these amounts based on present value cash flow projection over a 5 year period. Should any of the controlled entities fail to perform, an impairment loss would be recognised up to the maximum carrying value of intangibles at 30 June 2010 of \$24,652,076.

## NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Australian Accounting Standards not yet effective**

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

•AASB 9: Financial Instruments and AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

The 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; and
- reclassifying financial assets 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.

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

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

•AASB 2009–4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

•AASB 2009–8: Amendments to Australian Accounting Standards — Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

•AASB 2009–9: Amendments to Australian Accounting Standards — Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their

## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Australian Accounting Standards not yet effective (continued)

previous accounting policies would have given the same outcome. These amendments are not expected to impact the Group.

•AASB 2009–10: Amendments to Australian Accounting Standards — Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.

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

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

•AASB 2009–13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Group.

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

This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

•AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

The Group does not anticipate the early adoption of any of the above Australian Accounting Standards

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated Group	
	2010 \$	2009 \$
<b>NOTE 2 - REVENUE</b>		
Revenues from operating activities		
Revenue from sales and services	44,267,439	16,571,855
Total revenues from operating activities	<u>44,267,439</u>	<u>16,571,855</u>
Revenues from non-operating activities		
Interest – other persons	111,366	124,918
Other revenue	14,848	206,574
Unrealised gains on foreign exchange	-	34,519
Gains on sale of assets	434,810	-
Total revenues from non-operating activities	<u>561,024</u>	<u>366,011</u>
Total revenues	<u><u>44,828,463</u></u>	<u><u>16,937,866</u></u>

**NOTE 3 - PROFIT FOR THE YEAR**

(a) Expenses

Depreciation of non-current assets		
Property, plant and equipment	(342,903)	(294,277)
Total depreciation of non-current assets	<u>(342,903)</u>	<u>(294,277)</u>
Amortisation of non-current assets		
Leasehold improvements	(83,448)	(5,482)
Total amortisation of non-current assets	<u>(83,448)</u>	<u>(5,482)</u>
Total depreciation and amortisation expense of non-current assets	<u>(426,351)</u>	<u>(299,759)</u>
Total depreciation and amortisation expenses	<u><u>(426,351)</u></u>	<u><u>(299,759)</u></u>
Raw materials and consumables used	<u>(27,713,017)</u>	<u>(10,228,313)</u>
Finance costs		
Interest expense	(873,959)	(100,593)
Total finance costs	<u>(873,959)</u>	<u>(100,593)</u>

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NOTES TO THE FINANCIAL STATEMENTS

	Consolidated Group	
NOTE 3 – PROFIT FOR THE YEAR (continued)	2010	2009
	\$	\$
(b) Impairment of assets		
Land and building	-	(383,354)
Plant and equipment – capital work in progress	-	(1,111,054)
Intangibles – development costs and licence	-	(624,575)
Total impairment of assets	-	(2,118,983)
	<b>(4,502,996)</b>	<b>(5,169,530)</b>
(c) Salaries and employee benefits expense		
(d) Administration and other expenses		
Compliance and consultants	<b>(2,143,898)</b>	(1,569,013)
Office occupancy	<b>(542,953)</b>	(429,451)
Travel costs	<b>(721,896)</b>	(175,686)
Communications costs	<b>(253,946)</b>	(90,624)
Realised losses on foreign exchange	<b>(394,182)</b>	(27,834)
Unrealised losses on foreign exchange	<b>(454)</b>	
Other expenses	<b>(1,971,623)</b>	(423,530)
Total administration and other expenses	<b>(6,028,952)</b>	(2,716,138)
<b>NOTE 4 - INCOME TAX</b>		
(a) The components of tax benefit comprise:		
Current tax	<b>(83,398)</b>	-
Deferred tax	<b>3,056,039</b>	-
	<b>2,972,641</b>	-
(b) The prima facie tax on Profit / (loss) before income tax differs from the income tax provided in the financial statements as follows:		
Operating profit / (loss) before income tax	<b>4,906,756</b>	(3,695,450)
Prima facie tax on profit /(loss) at statutory income tax rate of 30% (2009: 30%)	<b>(1,472,027)</b>	1,108,635
Tax effect of permanent differences:		
- Non-deductible/(non-assessable items)	<b>(16,804)</b>	-
- Consolidation adjustment	<b>77,842</b>	-
- Recognition of prior year tax losses not previously brought to account	<b>3,739,772</b>	-
- Recognition of prior year timing difference not previously brought to account	<b>643,858</b>	-
Income tax benefit	<b>2,972,641</b>	1,108,635
Future tax benefit (not recognised)	-	(1,108,635)
Income tax benefit	<b>2,972,641</b>	-
Balance of franking account at balance date	<b>523,709</b>	523,709

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 - INCOME TAX (continued)

Consolidated Group

	2010 \$	2009 \$
<b>(c) Income tax losses</b>		
The following deferred tax assets have not been brought to account as assets:		
Tax losses – revenue	-	3,739,772
Tax losses – capital	<b>4,684,450</b>	4,684,450
<b>Total tax losses</b>	<b>4,684,450</b>	8,424,222

Deferred tax assets have been brought to account in the year ending 30 June 2010. No deferred tax assets were brought to account for 2009.

Deferred tax assets will only be brought to account if:

- (i) Future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (ii) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (iii) No changes in tax legislation adversely affect the consolidated entity in realising the benefit.

**(d) Current Tax Liabilities**

Consolidated Group

	2010 \$	2009 \$
Income tax payable	<b>105,917</b>	-
<b>Total current tax liabilities</b>	<b>105,917</b>	-

**(e) Deferred Tax Assets**

	Opening Balance	Credited/ (charged) to Income	Credited to Equity	Closing Balance
Components of deferred tax assets are:				
Provisions	-	235,569	-	235,569
Transaction costs on equity issue	-	(46,712)	-	(46,712)
Investment in associates	-	39,415	-	39,415
Tax losses	-	2,098,712	-	2,098,712
Movement in equity	-	429,563	-	429,563
Other	-	342,376	-	342,376
<b>Balance at 30 June 2010</b>	-	<b>3,098,923</b>	-	<b>3,098,923</b>

**(f) Deferred Tax Liabilities**

	Opening Balance	Credited/ (charged) to Income	Credited to Equity	Closing Balance
Components of deferred tax liabilities are:				
Depreciation	-	(21,507)	-	(21,507)
Lease	-	31,656	-	31,656
Other	-	(53,033)	-	(53,033)
<b>Balance at 30 June 2010</b>	-	<b>(42,884)</b>	-	<b>(42,884)</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 5 – TRADE AND OTHER RECEIVABLES**

	Consolidated Group	
	2010 \$	2009 \$
<b>Current</b>		
Trade receivables	14,873,252	3,341,341
Other receivables*	2,370,360	-
Provision for impairment	(218,216)	-
<b>Total current receivables</b>	<u>17,025,396</u>	<u>3,341,341</u>

\*Other receivables includes \$2,007,500 from the sale of the property at Blackburn, Victoria which settled on 16th August 2010,

**NOTE 6 - INVENTORIES**

<b>Current</b>		
Raw materials, at cost	6,137,906	888,597
Work in progress, at cost	1,984,818	264,985
<b>Total inventories</b>	<u>8,122,724</u>	<u>1,153,582</u>

**NOTE 7 – OTHER ASSETS**

<b>Current</b>		
Prepayments	10,467	4,782
Borrowing costs	5,346	-
Renewable energy certificates	17,262	-
	<u>33,075</u>	<u>4,782</u>
<b>Non-current</b>		
Deposits	336,575	108,993
<b>Total other assets</b>	<u>336,575</u>	<u>108,993</u>

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NOTES TO THE FINANCIAL STATEMENTS

		Consolidated Group	
		2010	2009
		\$	\$
<b>NOTE 8 - FINANCIAL ASSETS</b>	<b>Note</b>		
Investments in Singleton Green	8(a)	<b>534,361</b>	532,359
Investments in joint ventures at cost	8(b)	<b>4,688,079</b>	3,287,870
Investment in CBD Wind	8(c)	<b>160,636</b>	116,727
Investments in wind projects	8(d)	<b>3,731,590</b>	-
Shares in other corporations at cost		<b>54,689</b>	15,003
Total other financial assets		<b>9,169,355</b>	3,951,959

**a) INVESTMENTS IN SINGLETON GREEN**

Signing fee	<b>500,000</b>	500,000
Other costs	<b>34,361</b>	32,359
	<b>534,361</b>	532,359

The Singleton Co-Venture Deed required CBD Energy Limited to pay a signing fee of \$500,000. The Deed is also subject to a condition precedent that required CBD to complete a capital raising of at least \$AUD 25 Million by 19 December 2008. The company has negotiated an extension to the Singleton Co-Venture Deed to complete the capital raising by 30 June 2011. If the condition is not satisfied by 30 June 2011, Buildev will be entitled to retain the signing fee of \$500,000. In the event that Buildev receives an offer from a third party in respect of all or part of the Project to either joint venture or acquired the Project at any price, Buildev may give CBD notice in writing that it intends to terminate this deed.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 - FINANCIAL ASSETS (continued)

b) INVESTMENTS IN JOINT VENTURE ENTITIES

	Consolidated Group	
	2010	2009
	\$	\$
Investment in joint venture – Emerald project at cost	2,736,752	1,604,685
Investment in joint venture – Bowen project at cost	1,951,327	1,683,185
	<b>4,688,079</b>	<b>3,287,870</b>

The Consolidated entity has a 50% interest in Bowen Co-Venture Deed a joint venture between the Company and BD (Qld) Project G061 Pty Ltd (as trustee of the BD (Qld) Project G061 Unit Trust) (ACN 124 718 707). The Consolidated entity has a 50% interest in Emerald Co-Venture Deed a joint venture between the Company and BD (Qld) Project G075 Pty Ltd (as trustee of the DB (Qld) Project G075 Unit Trust) (ACN 119 969 274);

The Buildev joint venture projects aim to install renewable and energy efficiency technologies in its projects at Emerald and Bowen. The carrying amounts of investments in the Emerald and Bowen joint ventures represent the cost value to the economic entity. The recoverable amount of these costs was assessed by reference to independent 3<sup>rd</sup> party valuations conducted during March 2010.

The Consolidated entity has a 50% interest in RE Storage Pty Ltd and Integrated Energy Solutions Pty Ltd with Hydro Tasmania, acquired as part of the asset acquisition agreement with Lloyd Energy Systems on 7th December 2006. As at 30 June 2010, the joint venture entities did not trade with external parties nor hold any assets directly.

The joint venture assets are accounted for in the consolidated accounts using the equity method of accounting.

The Consolidated entity share of Joint Venture entities results, assets and liabilities are:

	Consolidated Group	
	2010	2009
	\$	\$
Current assets	6,237,722	581,763
Current liabilities	2,194,971	581,763
Revenues	-	-
Expenses	-	-
Profit before tax	-	-

c) INVESTMENT IN CBD WIND

CBD is pursuing a development strategy on wind projects. The expenditure incurred at balance date represents payments for licence fees which will compensate for land access and the acquisition of any intellectual property.

d) INVESTMENTS IN WIND PROJECTS

	Consolidated Group	
	2010	2009
	\$	\$
Investment in Chatham Islands project at cost	2,521,935	-
Investment in Adjungbilly project at cost	1,209,655	-
	<b>3,731,590</b>	<b>-</b>

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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 8 - FINANCIAL ASSETS (continued)**

The Chatham Islands project involves the construction and installation of two wind turbines and associated control and ancillary systems on the Chatham Islands, 800 km east of Christchurch, New Zealand. The recoverable amount of costs for the Chatham Islands project 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 project discounted at a rate of 15%. Commissioning of the system commenced in June 2010, and the project is now completed and operating, providing revenue for CBD Energy.

The Adjungbilly project involves the installation of wind turbines at Adjungbilly, 350km SW of Sydney between Yass and Gundagai, and is currently in the DA approval process. 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 project, discounted at a rate of 25%.

**e) INVESTMENTS IN CONTROLLED ENTITIES**

**Controlled entities of CBD Energy Limited**

Name	Country of Incorporation	Percentage of equity held by the economic entity	
		2010 %	2009 %
Capacitor Technologies Pty Ltd	Australia	100	100
Parmac Airconditioning & Mechanical Services Pty Ltd	Australia	100	100
Remote Area Power Systems Pty Ltd	Australia	100	100
Eco-Kinetics Group Pty Ltd	Australia	100	-
CBD Project Holdings Pty Ltd	Australia	100	100
Lloyd Energy Australia Pty Ltd	Australia	100	100
KI Solar Pty Ltd	Australia	100	100
CBD Labs Pty Ltd	Australia	100	100
Larkden Pty Ltd	Australia	100	100

All entities operated solely in their place of incorporation.

**Acquisition of Controlled entities**

In January 2010, the company acquired eco-Kinetics Group Pty Limited ("eco-Kinetic") and Eco-Kinetics became a wholly owned subsidiary. Eco-Kinetics is a provider of engineering design, supply and installation services to the renewable and sustainable energy markets.

Details of assets and liabilities acquired are as follows:

	\$
Cash and cash equivalents	793,863
Trade and other receivables	7,424,807
Inventory	3,425,598
Other assets	82,963
Fixed assets	117,010
Trade and other payables	(10,637,388)
Net assets acquired	1,206,853
Goodwill on acquisition	16,195,962
Purchase consideration	17,402,815

The directors believe the receivables are fully recoverable and no provision for impairment is required.

The goodwill is attributable to the high profitability of the acquired business and the significant synergies that are expected to arise after the Group's acquisition of eco-Kinetics.

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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 8 - FINANCIAL ASSETS (continued)**

**e) INVESTMENTS IN CONTROLLED ENTITIES (continued)**

**Acquisition of Controlled entities (continued)**

The eco-Kinetics acquisition was satisfied with a cash payment of \$6,000,001 and a contingent consideration of \$11,402,814 which would be a combination of cash and shares, subject to earn out over the next two and a half years. Contingent consideration has been calculated based on the present value of projected cash flows discounted at a rate of 12.5%.

Contingent consideration is expected to be fulfilled:

Year	\$
2010 – 2011	3,206,259
2011 – 2012	4,856,028
2012 – 2013	3,340,527
	11,402,814

As of 30 June 2010, net cash payment used in the acquisition of eco-Kinetic was:

	\$
Purchase consideration	6,000,001
Cash acquired on acquisition date	(793,863)
Net cash payment	5,206,138

Revenue of eco-Kinetics included in the consolidated revenue of the Group since the acquisition date on 1<sup>st</sup> January 2010 amounted to \$28,394,020. Profit of eco-Kinetics included in consolidated profit of the Group since the acquisition date amounted to \$6,892,146.

Included within Administration and other expenses in the statement of comprehensive income are acquisition related costs totalling \$92,921. The costs include advisory, legal, accounting and other professional fees.

Had the results of eco-Kinetics been consolidated from 1 July 2009, revenue of the consolidated group would have been \$45,250,892 and consolidated profit would have been \$8,153,073 for the year ended 30 June 2010.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 – INVESTMENT IN ASSOCIATES ACCOUNTED FOR USING EQUITY METHOD

	Interest		Consolidated Group	
	2010 %	2009 %	2010 \$	2009 \$
Investment in Planet Power Energy Ltd	20.0	-	968,616	-
Asian Renewable Energy Management Ltd	49.0		300,000	
Total Investments accounted for using equity method			<u>1,268,616</u>	-

There was no significant trading in Asian Renewable Energy Management Ltd during the period ending 30 June 2010

Movement during the year in equity accounted investment:

	Carrying value 01/07/2009	Additions	Share of loss	Carrying value 30/06/2010
Investment in Planet Power Energy Ltd	-	1,100,000	(131,384)	968,616
Investment in Asian Renewable Energy Management Ltd	-	300,000	-	300,000
				<u>1,268,616</u>

Equity accounted loss of associate is broken down as:	2010 \$	2009 \$
Share of associate's profit before income tax expense	(131,384)	-
Share of associate's loss after income tax	(131,384)	-

There was no material trading in Asiian Renewable Energy Management Ltd

Summarised presentation of aggregate assets, liabilities and performance of associate:

Current assets	921,419	-
Non current assets	3,397,723	-
Total assets	<u>4,319,172</u>	-
Current liabilities	352,469	-
Non current liabilities	-	-
Total liabilities	<u>352,469</u>	-
Net assets	<u>3,966,703</u>	-
Revenues	<u>1,858,748</u>	-

The carrying value of investment in associates has been assessed based on present value cash flow projection. Whilst significant initial costs in the first years of operation impacted the 2010 result for Planet Power, the company is expected to return a profit in the final quarter of FY 2010. With store opening accelerating through FY 2011 and direct selling channel implemented, a significant turnaround is expected in FY2011

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 10 - PLANT AND EQUIPMENT**

	<b>Consolidated Group</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<i>Computer hardware &amp; software</i>		
At cost	<b>262,230</b>	133,802
Accumulated depreciation	<b>(129,711)</b>	(62,418)
Total computer hardware & software	<b>132,519</b>	71,384
<i>Motor vehicles</i>		
At cost	<b>492,998</b>	295,459
Accumulated depreciation	<b>(132,397)</b>	(66,334)
Total motor vehicles	<b>360,601</b>	229,125
<i>Plant and equipment</i>		
At cost	<b>1,404,430</b>	1,201,322
Accumulated depreciation	<b>(418,648)</b>	(318,147)
Total plant and equipment	<b>985,782</b>	883,175
<i>Furniture, fittings &amp; office equipment</i>		
At cost	<b>253,735</b>	171,929
Accumulated depreciation	<b>(64,771)</b>	(33,310)
Total furniture, fittings & office equipment	<b>188,964</b>	138,619
<i>Leased motor vehicles</i>		
At cost	<b>498,741</b>	524,418
Accumulated amortisation	<b>(219,521)</b>	(184,298)
Total leased motor vehicles	<b>279,220</b>	340,120
<i>Leasehold improvements</i>		
At cost	<b>255,887</b>	256,898
Accumulated amortisation	<b>(116,053)</b>	(48,792)
Total leasehold improvements	<b>139,834</b>	208,106
<i>Capital work in progress</i>		
At cost	<b>1,111,054</b>	1,111,054
Accumulated Impairment loss	<b>(1,111,054)</b>	(1,111,054)
Total capital work in progress	<b>-</b>	-
<i>Land and building</i>		
At cost	-	1,833,354
Accumulated impairment loss	-	(383,354)
Accumulated depreciation	-	(17,708)
Total land and building	<b>-</b>	1,432,292
<i>Total plant and equipment</i>		
At cost	<b>4,279,075</b>	5,528,236
Impairment loss	<b>(1,111,054)</b>	(1,494,408)
Accumulated amortisation/depreciation	<b>(1,081,101)</b>	(731,007)
Total plant and equipment	<b>2,086,920</b>	3,302,821

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (continued)

Assets pledged as security: the property at Blackburn, Victoria, that the economic entity purchased in 2008 was pledged to Westpac to secure a loan. The property was sold in June 2010 and the loan would be paid off on settlement. Apart from this, none of the consolidated entity's assets were pledged as security under financial arrangement during the years ended 30 June 2010 and 30 June 2009.

Reconciliations

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.	Carrying amount at 1 July 2009 \$	Acquired through acquisition of controlled entity \$	Consolidated Group		Depreciation / Amortisation expense \$	Carrying amount at 30 June 2010 \$
			Additions \$	Disposals \$		
Computer Hardware & Software	71,384	26,348	85,547	-	(50,760)	132,519
Motor Vehicles	229,125	45,575	158,189	(17,954)	(54,334)	360,601
Plant and Equipment	883,175	-	212,108	(1,008)	(108,493)	985,782
Furniture, fittings & office equipment	138,619	28,847	53,994	-	(32,496)	188,964
Leased motor vehicles	340,121	-	3,850	-	(64,751)	279,220
Leasehold improvements	208,105	16,240	-	(1,063)	(83,448)	139,834
Capital work in progress	-	-	-	-	-	-
Land and building	1,432,292	-	-	(1,400,223)	(32,069)	-
	<b>3,302,821</b>	<b>117,010</b>	<b>513,688</b>	<b>(1,420,248)</b>	<b>(426,351)</b>	<b>2,086,920</b>

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NOTES TO THE FINANCIAL STATEMENTS

	Consolidated Group	
	2010 \$	2009 \$
<b>NOTE 11 - INTANGIBLES</b>		
Goodwill –at cost	17,703,501	1,507,539
Patent costs	6,284,408	6,284,408
Licence costs	163,214	
Development costs	321,412	-
<b>Total intangibles</b>	<b>24,472,535</b>	<b>7,791,947</b>
Reconciliation		
<i>Goodwill</i>		
Balance at beginning of the year	1,507,539	1,507,539
Additions	16,195,962	-
Impairment writedown	-	-
Balance at end of the year	17,703,501	1,507,539
<i>Patent costs</i>		
Balance at beginning of the year	6,284,408	6,578,024
Additions	-	-
Impairment writedown	-	(293,616)
Balance at end of the year	6,284,408	6,284,408
<i>Licence costs</i>		
Balance at beginning of the year	-	-
Additions	163,214	-
Impairment writedown	-	-
Balance at end of the year	163,214	-
<i>Development costs</i>		
Balance at beginning of the year	-	250,701
Additions	321,412	80,258
Impairment writedown	-	(330,959)
Balance at end of the year	321,412	-

Intangibles are allocated to cash-generating units based on the group's reporting segments.

	2010 \$	2009 \$
Energy services		
Goodwill – Captech	340,895	340,895
Goodwill – Eco-Kinetics	16,195,962	-
License costs	163,214	-
Patents – Larkden	6,284,408	6,284,408
Development costs	321,412	-

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## NOTES TO THE FINANCIAL STATEMENTS

Mechanical services		
Goodwill – Parmac	1,166,644	1,166,644
Total	<u>24,472,535</u>	<u>7,791,947</u>
Total Intangible Assets		
At cost	8,416,522	8,336,264
Additions	16,680,588	80,258
Accumulated Impairment loss	(624,575)	(624,575)
	<u>24,472,535</u>	<u>7,791,947</u>

**NOTE 11 - INTANGIBLES (continued)****Impairment testing for cash-generating units containing goodwill**

For the purpose of impairment testing, goodwill is allocated to the Group's operating segments (divisions).

During the 30 June 2010 financial year, the Group assessed the recoverable amount of goodwill for Captech, Parmac and eco-Kinetics and determined that goodwill associated with each company is not impaired. The recoverable amount of the cash-generating unit, being the assets of the Group, 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 5-year period with a terminal value based on year 5 projections. The cash flows are discounted using a rate of 25% and annual growth rates of between 1% to 5%.

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 license costs, development costs and capital works in progress**

During the year ended 30 June 2010, eco-Kinetics paid \$163,214 for the Climate Well licence agreement. The group assessed the recoverability of this amount and determined that no impairment is required. The recoverable amount was assessed by reference to the expected future profit to be generated.

During the year ended 30 June 2010, the Group incurred total development costs \$321,412 of which \$66,318 was in relation to the King Island Power Station project, and acquired \$255,094 of development projects (Portasol Tracker) through controlled entity eco-Kinetics Group Pty Ltd. The Group assessed these recoverable amounts and determined that no amount is impaired based on the expected future profits to be generated.

**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 graphite energy storage technology.

During the year ended 30 June 2010 financial, the Group assessed the recoverable amount of patents and determined that this patents amount associated with Larkden is not impaired. The recoverable amount 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 a 5 year period using a discount rate of 15%.

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 the cash-generating unit.

## NOTES TO THE FINANCIAL STATEMENTS

	Consolidated Group	
	2010	2009
	\$	\$
<b>NOTE 12 - TRADE AND OTHER PAYABLES</b>		
<b>Current</b>		
<b>Unsecured liabilities</b>		
Trade creditors	4,280,213	1,603,473
Other payables	30,617	-
Accruals	2,559,530	368,801
Contingent consideration*	3,206,259	-
<b>Total current payables</b>	<b>10,076,619</b>	<b>1,972,274</b>
<b>Non current</b>		
<b>Unsecured liabilities</b>		
Contingent consideration*	8,196,555	-
<b>Total non current payables</b>	<b>8,196,555</b>	<b>-</b>
<i>*Contingent consideration is the amount payable in relation to the purchase of controlled entities, refer to note 8(e)</i>		
<b>NOTE 13 – BORROWINGS</b>		
<b>Current</b>		
<b>Unsecured liabilities</b>		
Bank overdraft	341,591	-
Convertible notes*	5,426,082	-
<b>Secured liabilities</b>		
Loans**	1,014,673	1,370,979
Trade finance***	2,508,000	-
Finance leases	99,430	69,843
<b>Total current borrowings</b>	<b>9,389,776</b>	<b>1,440,822</b>
<b>Non-current</b>		
<b>Secured liabilities</b>		
Loans**	-	953,080
Finance leases	253,833	285,033
<b>Total non-current borrowings</b>	<b>253,833</b>	<b>1,238,113</b>
<b>Total borrowings</b>	<b>9,643,609</b>	<b>2,678,935</b>

\* 54,260,820 convertible notes of 10 cents each were issued on 29 July 2009 with the following terms and conditions:

- interest of 12.5% per annum payable quarterly in arrears until the earlier of redemption or conversion of convertible notes into ordinary shares
- a 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

\*\* The bank loan is secured by the economic entity's property at Blackburn, Victoria. The property was sold in June 2010 and the loan repaid in August 2010.

\*\*\*Trade finance facility secured by purchased stock.

Details of fair value of the group's borrowings are set out in note 25.

Details of finance lease commitments are disclosed in note 18.

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated Group	
	2010 \$	2009 \$
<b>NOTE 14 - PROVISIONS</b>		
Employee entitlements	358,655	294,957
<b>Total current provisions</b>	<b>358,655</b>	<b>294,957</b>
Employee entitlements	185,564	156,031
<b>Total non current provisions</b>	<b>185,564</b>	<b>156,031</b>

	Consolidated Group
Reconciliation:	
Balance at 1 July 2009	450,988
Additional provisions	258,970
Amounts used	(165,739)
Balance at 30 June 2010	544,219

**NOTE 15 - ISSUED CAPITAL**

	Notes	Consolidated Group	
		2010 \$	2009 \$
<b>(a) Share capital</b>			
Ordinary shares fully paid	15(b)	97,975,017	79,536,896

**(b) Movements in ordinary shares on issue**

	2010		2009	
	No of shares	\$	No of shares	\$
Beginning of the financial year	217,043,281	79,536,896	217,043,281	79,536,896
Issue of shares	156,907,681	20,069,999	-	-
Transaction costs relating to shares issued	-	(1,631,878)	-	-
End of the financial year	<b>373,950,962</b>	<b>97,975,017</b>	217,043,281	79,536,896

Details of share issues:

- i) On 6<sup>th</sup> August 2009 the Company issued 2,000,000 at 8 cents each to satisfy the financial advisory fees in relation to non-renounceable rights issue in July 2009, value of shares issued \$160,000;
- ii) On 19<sup>th</sup> November 2009 the Company issued 7,600,000 shares at 10 cents each through share placement in consideration of the Company's purchase of 20% of Planet Power Energy; value of shares issued \$760,000
- iii) On 21<sup>st</sup> December 2009 the Company issued 22,956,492 shares at 13 cents each raising \$2,984,344 to a) facilitate the purchase of eco-Kinetics Pty Ltd; b) fund development at King Island, Chatham Island, Adjungbilly and Shannon's Flat; and c) meet working capital requirements.
- iv) On 29 January 2010 the Company issued 19,572,096 shares at 13 cents each through Share Purchase Plan raising \$2,544,372;
- v) On 29 January 2010 the Company issued 95,932,939 shares at 13 cents each pursuant to Extraordinary General Meeting held on 20 January 2010 raising \$12,471,282; and
- vi) On 18 June 2010 the Company issued 8,846,154 shares at 13 cents each raising \$1,150,000 to provide working capital.

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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 15 - ISSUED CAPITAL (continued)**

**(b) Movements in ordinary shares on issue (continued)**

The Company did not issue any shares during the financial year 2009.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

**(c) Share options**

Options over ordinary shares:

The Company did not issue any options, listed or unlisted during the year ended 30 June 2010.

The following options to purchase fully paid ordinary shares in the Company were outstanding at 30 June 2010:

Date Granted	Opening Balance 01/07/09	Number of Options		Closing Balance 30/06/10	Exercise Price \$	Exercise Period
		Granted/ (exercised)	Lapsed			
<b>Unlisted Options</b>						
29 November 2006	7,500,000	-	-	7,500,000	\$0.10	30 June 2011
15 June 2007	15,000,000	-	-	15,000,000	\$0.25	30 June 2011
28 Nov 2008	9,300,000	-	-	9,300,000	\$0.20	27 Nov 2013
01 Dec 2008	475,000	-	-	475,000	\$0.20	01 Dec 2010
01 May 2009	50,000	-	-	50,000	\$0.20	01 Dec 2010
Total	32,325,000		-	32,325,000		

**(d) 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 and 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.

**(e) Capital management**

Management controls the capital of the group in order to maintain a good debt to equity ratio, provide the shareholders with adequate return and ensure that the group can fund its operations and continue as a going concern.

The group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

**NOTE 16 – RESERVES**

	Consolidated Group	
	2010 \$	2009 \$
<b>Reserves</b>		
Share option reserve	<b>52,339</b>	52,339

The share option reserve records items recognised as expense on valuation of employee share options. No options were granted during the year.

## NOTES TO THE FINANCIAL STATEMENTS

## NOTE 17 - CASH FLOW STATEMENT

## (a) Reconciliation of net profit / (loss) after tax to the net cash flows from operations

	Consolidated Group	
	2010 \$	2009 \$
<b>Net profit / (loss) after tax</b>	<b>7,879,397</b>	<b>(3,695,450)</b>
<b>Non-cash items</b>		
Depreciation and amortisation of non-current assets	426,351	299,759
Impairment loss of fixed assets	-	2,118,983
Share of loss of associates	131,384	-
(Profit)/ on sale of assets	(434,810)	-
Realised loss on foreign exchange	394,182	27,834
Unrealised (gains) / loss on foreign exchange	454	(34,519)
Bad debts written off	31,488	-
Provision for impairment of receivables	213,560	-
<b>Changes in assets and liabilities:</b>		
(Increase) / decrease in trade and other receivables	(4,496,795)	1,484,791
(Increase) / decrease in inventories	(3,543,544)	24,542
(Increase) / decrease in other assets	(155,650)	(80,986)
(Increase) in deferred tax assets	(3,098,923)	-
Increase / (decrease) in trade and other payables	(5,792,419)	(503,764)
Increase / (decrease) in borrowings	2,591,811	72,061
Increase in current tax liabilities	105,917	-
Increase / (decrease) in provisions	93,231	125,418
Increase in deferred tax liabilities	42,884	-
<b>Net cash flow from operating activities</b>	<b>(5,611,482)</b>	<b>(161,331)</b>

## (b) Reconciliation of cash

	Note		
Cash and cash equivalents balance comprises:			
- cash at bank		4,814,709	948,276
- bank overdraft	13	(341,591)	-
Closing cash and cash equivalents balance		4,473,118	948,276

## (c) Financing facilities available

At balance date, the following financing facilities had been negotiated and were available:

Total facilities – third parties	2,849,591	2,324,059
Facilities used at balance date – third parties	2,849,591	2,324,059
Facilities unused at balance date – third parties	-	-

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17 - CASH FLOW STATEMENT (continued)

(d) Acquisition of entities

In January 2010, the company acquired eco-Kinetics Group Pty Limited ("eco-Kinetics") and eco-Kinetics became a wholly owned subsidiary. Eco-Kinetics is a provider of engineering design, supply and installation services to the renewable and sustainable energy markets.

Information regarding the acquisition, including cash payment and profit since acquisition, is disclosed in Note 8(e)

(e) Non cash financing and investing activities - Acquisition of entities

On 19<sup>th</sup> November 2009 the Company issued 7,600,000 shares at 10 cents each through share placement in consideration of the Company's purchase of 20% of Planet Power Energy.

The Company did not issue any shares to acquire new entities in the financial year ended 30 June 2009.

NOTE 18 – LEASING COMMITMENTS

	Consolidated Group	
	2010	2009
	\$	\$
(a) Finance lease commitments		
The economic entity has acquired motor vehicles by means of finance leases. Leases do not exceed 4 years in duration		
Minimum lease payments		
- not later than one year	132,850	97,718
- later than one year but not later than five years	303,455	318,853
Total minimum lease payments	<u>436,305</u>	<u>416,571</u>
Future finance charges		
- not later than one year	33,420	27,875
- later than one year but not later than five years	49,622	33,821
Total future finance charges	<u>83,042</u>	<u>61,696</u>
Total finance lease liabilities	<u>353,263</u>	<u>354,875</u>
Split of lease liabilities:		
- Current liability	99,430	69,843
- Non current liability	253,833	285,033
Total finance lease liabilities	<u>353,263</u>	<u>354,876</u>
 (b) Operating lease commitments		
Non-cancellable operating lease contracted for but not capitalised in this financial statements:		
Minimum lease payments		
- not later than one year	404,128	342,677
- later than one year but not later than five years	804,142	501,381
	<u>1,208,270</u>	<u>844,058</u>

Operating leases relate to the lease of offices and warehouses for periods not greater than 5 years under non-cancellable leases.

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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 19 – CONTINGENT LIABILITIES**

**Controlled entities**

The parent entity has provided a commitment to its subsidiary entities to support those companies' ongoing operations for at least the next 12 months.

**NOTE 20 - SUBSEQUENT EVENTS**

On the 24th August 2010, CBD Energy limited, through wholly owned subsidiary, eco-Kinetics, has won a significant contract to build a solar power plant in Thailand. The project begins with an initial stage of 8 MW, increasing to a total size of 99 MW, with an overall project value in excess of \$A300 million. eco-Kinetics expects to commence site works and begin installation in September 2010, leading to a completion of stage 1 by early 2011. The total project is expected to be completed approximately 2 years from initial commencement.

On 25 August 2010, a convertible noteholder, Hunter Hall Investment Management Ltd who holds 83.9% of the outstanding notes, has agreed to convert all its Notes into ordinary shares on maturity date. This removes any need to make provision for repayment of the principal amounts when the Notes mature. In consideration for that commitment, the Company has proposed to amend to the terms of the Notes which will have the effect of giving all Noteholders a 5% increase in the number of shares on converting the Notes into shares.

Other than the matters discussed above, no other matters or circumstances have arisen since the end of the financial year which significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future years.

**NOTE 21 - EARNINGS PER SHARE**

	<b>Consolidated Group</b>	
	<b>2010</b>	2009
	\$	\$
The following reflects the income and share data used in the calculations of basic earnings per share:		
Earnings used in calculating basic earnings per share	<b>7,879,397</b>	(3,695,450)
The following reflects the income and share data used in the calculations of diluted earnings per share:		
Net profit /(loss)	<b>7,879,397</b>	(3,695,450)
Interest on Notes	<b>680,917</b>	-
Earnings used in calculating diluted earnings per share	<b>8,560,314</b>	(3,695,450)
	<b>Number of</b>	Number of
	<b>Shares</b>	Shares
	<b>2010</b>	2009
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	<b>284,318,122</b>	217,043,281
Weighted average number of options and convertible notes outstanding	<b>97,553,440</b>	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	<b>381,871,562</b>	217,043,281
Overall operations:		
Basic earnings per share (loss) - cents	<b>2.77¢</b>	(1.70)¢
Diluted earnings per share (loss) - cents	<b>2.24¢</b>	(1.70)¢

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 21 - EARNINGS PER SHARE (CONTINUED)**

**Conversions, calls, subscription or issues after 30 June 2010**

Since the end of the financial year, there have been no conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report, other than for those listed at note 20.

**NOTE 22 - AUDITORS' REMUNERATION**

**Consolidated Group**

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Amounts received or due and receivable by the auditors for:		
Auditing or reviewing the financial reports of the entity and any other entity in the consolidated entity	<b>87,500</b>	60,000
Taxation services	<b>5,153</b>	8,000
Corporate services	<b>25,000</b>	3,250
Total remuneration of auditors	<b>117,653</b>	71,250

**NOTE 23 - RELATED PARTY DISCLOSURES**

**(a) Transactions with related parties**

CBD Energy Limited is the ultimate parent entity in the wholly owned group comprising the Company and its wholly owned controlled entities. The Company was incorporated in Australia.

During the current and previous financial year, the Company advanced and was repaid loans and provided management and administrative assistance to other entities in the wholly owned group. Any loans within the consolidated entity were provided interest free. Management and administrative assistance have been provided without charge.

Transactions with related parties were made on normal commercial terms and conditions unless otherwise stated.

- (i) At balance date the parent entity owed Capacitor Technologies Pty Ltd \$1,733,742 (2009: \$1,381,618). The movement in the loan amount related to working capital advances by the subsidiary to its parent entity.
- (ii) At balance date the parent entity owed Parmac Airconditioning & Mechanical Services Pty Ltd \$734,855 (2009: \$1,318,674). The movement in the loan amount related to working capital advances by the parent entity to its subsidiary.
- (iii) At balance date, Remote Area Power Systems Pty Ltd owed the parent entity \$4,273,999 (2009: \$4,009,617). The movement in the loan amount related to working capital advances by the parent entity to its subsidiary.
- (iv) At balance date, CBD Labs Pty Ltd owed the parent entity \$6,284,408 (2009: \$6,284,408). The movement in the loan amount related to working capital advances by the parent entity to its subsidiary.
- (v) At balance date, Larkden Pty Ltd owed the parent entity \$5,477 (2009: \$5,200). The movement in the loan amount related to working capital advances by the parent entity to its subsidiary.
- (vi) At balance date, the parent entity owed KI Solar Pty Ltd \$26,089 (2009: 26,400). The movement in the loan amount related to working capital advances by the subsidiary to its parent entity.
- (vii) At balance date, eco-Kinetics Pty Ltd owed the parent entity \$5,850,612 (2009: nil). The movement in the loan amount related to working capital advances by the parent entity to its subsidiary.

**(b) Ultimate parent**

CBD Energy Limited is the ultimate parent company.

**(c) Director related transactions**

- (i) During the financial year ending 30 June 2010, TRW Holdings Pty Ltd, an entity in which a Director, Gerry McGowan has a direct interest, received payments for executive services provided by Mr Gerry McGowan and for the reimbursement of travel expenses and other operating disbursements incurred on behalf of the company. The total amount paid or payable to TRW Holdings Pty Ltd including GST was \$672,619. (2009: \$598,415).

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**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 23 - RELATED PARTY DISCLOSURES (CONTINUED)**

(ii) During the financial year ending 30 June 2010, the Company received from Vaile & Associates, an entity in which a Director, Mark Vaile has a direct interest, total payment of \$2,965 (2009: \$1,511) for rental of office space and reimbursement of expenses.

**(d) Key management personnel's remuneration**

Details of key management personnel's remuneration and their share and option holdings in the company are disclosed in note 26 – Key Management Personnel Compensation.

**(e) Key management related transactions**

Details of key management related transactions in convertible notes are disclosed in note 26 – Key Management Personnel Compensation

**NOTE 24 - SEGMENT INFORMATION****Identification of reportable segments**

The consolidated entity 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 serving different markets.

The principal activities of entities within the consolidated entity were:

- **CapTech** manufacture energy saving products (power factor correction equipment) and energy quality products (reactors and filters), and also supply components (capacitors) and 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.
- **eco-Kinetics** provides engineering design, supply and installation services to retail and commercial customers with professional engineering solutions to make effective use of wind and solar power.
- **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.
- **CBD (corporate)** provides administrative and back office services required to support the CBD group. This includes the Corporate Executive Team, Finance, Human Resources and Legal departments.
- **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 to 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.

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 24 - SEGMENT INFORMATION (continued)****Segment accounting policies**

Segment accounting policies are the same as the consolidated entity's policies described in Note 1. During the financial year, there were no changes in segment accounting policies that had a material effect on the segment information.

Comparative figures for year 2009 are restated in line with current segment accounting policies.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 24 - SEGMENT INFORMATION (continued)

Primary Reporting – Business Segments

2010	Captech	Eco-Kinetics	Parmac	CBD (Corporate)	Project Development	Eliminations	Consolidated
	\$	\$	\$	\$	\$	\$	\$
Revenue outside the economic entity	5,056,220	28,376,665	10,103,536	1,260,778	-	-	44,797,199
Inter-segment revenue	20,959	17,357	-	-	-	(38,316)	-
Other revenue	-	-	-	-	31,264	-	31,264
<b>Total revenue</b>	<b>5,077,179</b>	<b>28,394,022</b>	<b>10,103,536</b>	<b>1,260,778</b>	<b>31,264</b>	<b>(38,316)</b>	<b>44,828,463</b>
Segment operating profit/(loss)	616,190	9,762,787	127,966	(5,085,453)	(409,449)	(105,285)	4,906,756
Income tax (expense)/benefit	(127,678)	(2,870,641)	178,259	5,506,980	338,754	(53,033)	2,972,641
Operating profit after tax	488,512	6,892,146	306,225	421,527	(70,695)	(158,318)	7,879,397
Depreciation, Amortisation and Impairment loss	79,693	30,374	162,874	106,883	46,527	-	426,351
Segment Assets	5,135,244	19,579,111	7,039,153	52,164,873	14,306,978	(27,796,531)	70,428,828
Unallocated Assets	-	-	-	-	-	-	-
<b>Total Assets</b>							<b>70,428,828</b>
Segment Liabilities	603,600	11,480,112	4,084,758	20,725,805	11,291,754	(19,576,226)	28,609,803
Unallocated Liabilities	-	-	-	-	-	-	-
<b>Total Liabilities</b>							<b>28,609,803</b>
Acquisition of non current assets	60,184	117,766	31,741	124,456	-	-	334,147

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 24 - SEGMENT INFORMATION (continued)**

2009 (restated)	Captech \$	Eco- Kinetics \$	Parmac \$	CBD (Corporate) \$	Project Development \$	Eliminations \$	Consolidated \$
Revenue outside the economic entity	6,105,380	-	10,420,906	325,725	51,335	-	16,903,346
inter-segment revenue	204,710	-	-	-	-	(204,710)	-
Other revenue	-	-	-	34,519	-	-	34,519
<b>Total revenue</b>	<b>6,310,090</b>	<b>-</b>	<b>10,420,906</b>	<b>360,245</b>	<b>51,335</b>	<b>(204,710)</b>	<b>16,937,866</b>
Segment operating profit/(loss)	1,011,318	-	37,530	(2,597,150)	(2,121,046)	(26,102)	(3,695,450)
Income tax (expense)/benefit	-	-	-	-	-	-	-
<b>Operating loss after tax</b>	<b>1,011,318</b>	<b>-</b>	<b>37,530</b>	<b>(2,597,150)</b>	<b>(2,121,046)</b>	<b>(26,102)</b>	<b>(3,695,450)</b>
Depreciation, Amortisation and Impairment loss	74,438	-	516,041	44,231	1,784,032	-	2,418,742
Segment Assets	4,671,677	-	5,621,238	16,842,800	14,103,772	(20,635,783)	20,603,704
Unallocated Assets	-	-	-	-	-	-	-
<b>Total Assets</b>							<b>20,603,704</b>
Segment Liabilities	628,544	-	2,973,067	4,263,380	11,017,852	(13,780,646)	5,102,197
Unallocated Liabilities	-	-	-	-	-	-	-
<b>Total Liabilities</b>							<b>5,102,197</b>
Acquisition of non current assets	142,407	-	2,058,786	292,413	2,400	-	2,496,006

**Secondary Reporting – Geographic Segments**

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 25 - FINANCIAL RISK MANAGEMENT

The consolidated group's financial instruments include trade and other receivables, payables, convertible notes, bank overdraft, finance leases, cash and short term deposits.

As a result of the group's operations and sources of finance, it is exposed to credit risk, liquidity risk and market risk.

(a) Credit risk

The credit risk on financial assets of the consolidated entity which have been recognised in the Balance Sheet is generally the carrying amount, net of any provisions. Credit risk refers to the risk that a counter party will default on the contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with credit worthy counterparts as a means of mitigating the risk of financial loss from defaults. The consolidated entity measures credit risk on a fair value basis. The maximum credit risk exposure for each class of financial assets is represented by the carrying amount of those assets as disclosed in the balance sheet and notes to the financial statements.

Maximum exposure to credit risk	June 2010	June 2009
Cash	4,814,709	948,276
Net trade receivables	14,655,036	3,341,341
Other receivables	2,370,360	-
	<b>21,840,105</b>	<b>4,289,617</b>

Aging of trade receivables

	Economic Entity			
	Gross 2010	Impairment 2010	Gross 2009	Impairment 2009
	\$	\$	\$	\$
Current				
Due: 1 – 30 days	9,753,376	-	1,394,557	-
Due: 31 – 60 days	1,792,154	-	1,537,808	-
Due: 60 days to one year	1,717,344	(112,615)	408,976	-
Due more than one year	1,610,378	(105,601)	-	-
Total trade receivables	<b>14,873,252</b>	<b>(218,216)</b>	<b>3,341,341</b>	<b>-</b>

Based on historical default rates, the Group believes that impairment allowance is sufficient in respect of trade receivables, as detailed in the above aging analysis. For the CapTech and Parmac businesses, amounts for periods ranging from 31 days to 180 days represent retention sums payable at various project stages and all customers have a good credit history with the Group.

For the eco-Kinetics business as at 30 June 2010 amounts for periods past due but not impaired totalled \$3,121,842.

(b) Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

Maturity analysis for financial liabilities:

30 June 2010	Due within 1 year	Due between 1 to 5 years	Total
	\$	\$	\$
Payables	10,076,619	8,196,555	18,273,174
Borrowings	9,389,776	253,833	9,643,609
Tax liabilities	105,917	-	105,917
Provisions	-	544,219	544,219
<b>Total financial liabilities</b>	<b>19,572,312</b>	<b>8,994,607</b>	<b>28,566,919</b>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 25 - FINANCIAL INSTRUMENTS (continued)

Maturity analysis for financial liabilities: (continued)

30 June 2009	Due within 1 year \$	Due between 1 to 5 years \$	Total \$
Payables	1,972,274	-	1,972,274
Borrowings	1,440,822	1,238,113	2,678,935
Provisions	-	450,988	450,988
<b>Total financial liabilities</b>	<b>3,413,096</b>	<b>1,689,101</b>	<b>5,102,197</b>

**Payables**

The Group's trade payables are typically settled between 30 to 60 days and represent amounts due to established suppliers of goods and services.

**Borrowings**

As at 30 June 2010, the Group's borrowings represent amounts due under motor vehicle finance lease, convertible notes, trade finance and short term loan from other party (refer to note 13).

**Provisions**

The Group's provisions represent amounts due for employee entitlements to annual leave and long services.

**(c) Market risk**

Market risk is the risk that changes in market prices such as interest rates will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

**(i) Interest rate risk**

The group's exposure to market interest rates relates primary to the group's long-term debt obligations. The level of debt is disclosed in note 13. As the nature of the debt is finance leasing; convertible notes and trade finance; no interest rate swap had been entered into during the term of the debt.

The consolidated entity's exposure to interest rate risks and the effective weighted average interest rates of financial assets and financial liabilities are as follows:

30 June 2010 Financial assets and liabilities	Note	Weighted Average Interest Rate %	Interest bearing \$	Non-interest bearing \$	Total \$
<b>Financial assets</b>					
Cash – current	17(b)	3.58%	4,814,709	-	4,814,709
Trade and other receivables	5	-	-	17,025,396	17,025,396
<b>Total financial assets</b>			<b>4,814,709</b>	<b>17,025,396</b>	<b>21,840,105</b>
<b>Financial liabilities</b>					
Payables	12	-	-	18,273,174	18,273,174
Borrowings	13	10.76%	9,643,609	-	9,643,609
Tax liabilities				105,917	105,917
Provisions	14	-		544,219	544,219
<b>Total financial liabilities</b>			<b>9,643,609</b>	<b>18,923,310</b>	<b>28,566,919</b>
<b>Net financial assets/(liabilities)</b>			<b>(4,828,900)</b>	<b>(1,897,914)</b>	<b>(6,726,814)</b>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 25 - FINANCIAL INSTRUMENTS (CONTINUED)

(i) Interest rate risk (continued)

30 June 2009 Financial assets and liabilities	Note	Weighted Average Interest Rate %	Interest bearing \$	Non-interest bearing \$	Total \$
Financial assets					
Cash – current	17(b)	1.89%	948,276	-	948,276
Trade and other receivables	5	-	-	3,341,341	3,341,341
Total financial assets			948,276	3,341,341	4,289,617
Financial liabilities					
Payables	12	-	-	1,972,274	1,972,274
Borrowings	13	5.56%	2,678,935	-	2,678,935
Provisions	14	-	-	450,988	450,988
Total financial liabilities			2,678,935	2,423,262	5,102,197
Net financial assets/(liabilities)			(1,730,659)	918,079	(812,580)

At 30 June 2010, if interest rates had moved, with all other variables held constant, post tax profit and equity would have been affected as below:

	Post tax profit		Equity	
	Higher/(lower)		Higher/(lower)	
	2010	2009	2010	2009
+1.0% (100 basis points)	(33,801)	(12,120)	(33,801)	(12,120)
-1.0% (100 basis points)	33,801	12,120	33,801	12,120

(ii) Foreign exchange risk

The group operates predominately in Australia and reports in Australian dollars. The group also made purchases for materials at different currencies. As a result, the group is exposed to foreign currency risks arising from movements in foreign currency exchange rates and no hedge is taken for foreign currency risk.

The group's exposure to foreign currency risk at reporting date was:

2010

	Euro	USD	YEN
Cash and cash equivalent	711	-	-
Payables	(14,057)	-	-
Net exposure	(13,346)	-	-

2009

	Euro	USD	YEN
Cash and cash equivalent	833	-	-
Payables	(25,889)	-	-
Net exposure	(25,056)	-	-

At 30 June 2010, if foreign exchange rates had moved, with all other variables held constant, post tax profit and equity would have been affected as below:

	Post tax profit		Equity	
	Higher/(lower)		Higher/(lower)	
	2010	2009	2010	2009
Foreign exchange +10%	(1,453)	(3,389)	(1,453)	(3,389)
Foreign exchange -10%	1,189	2,773	1,189	2,773

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 26 – KEY MANAGEMENT PERSONNEL COMPENSATION**

**(a) Details of key management personnel**

<b>Name of individual</b>	<b>Position held</b>	<b>Period of responsibility</b>
Mark Vaile	Chairman and non-executive director	01 Jul 09 – 30 Jun 10
Gerry McGowan	Managing director	01 Jul 09 – 30 Jun 10
James Anderson	Non-executive director	29 Mar 10 – 30 Jun 10
James Link	Non-executive director	01 Jul 09 – 25 May 10 (i)
Mark Fogarty	Commercial director	01 Jul 09 – 30 Jun 10
Alan McClaren	Managing director/CEO: Parmac	01 Jul 09 – 30 Jun 10
Yury Brodsky	Managing director/CEO: CapTech	01 Jul 09 – 30 Jun 10
Edwin Cywinski	Managing director/CEO: eco-Kinetics	01 Jan 10 – 30 Jun 10

Note (i) these individuals do not hold office at 30 June 2010

**(b) Remuneration of key management personnel**

**(i) Remuneration Policy**

The Board is responsible for determining and reviewing remuneration arrangements for the Directors themselves, the Managing Director and the executive management team. It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive management team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions and their experience and expertise.

**(ii) Remuneration of key management personnel**

Please refer to pages 13 – 16 in the Directors' Report for detailed remuneration and contracts of employment for key management personnel.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 26 – KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

(b) Remuneration of key management personnel (continued)

(iii) Shareholdings of key management personnel

2010	Opening balance 1 July 2009	Granted as remuneration	On exercise of options	Net change other	Closing balance 30 June 2010
Mark Vaile	100,000	-	-	-	100,000
Gerry McGowan	17,817,119	-	-	(5,078,330)	12,738,789
James Anderson	-	-	-	1,000,000	1,000,000
James Link	-	-	-	-	-
Mark Fogarty	314,500	-	-	-	314,500
Yury Brodsky	212,000	-	-	-	212,000
Alan McClaren	200,000	-	-	99,175	299,175
Edwin Cywinski	-	-	-	-	-
<b>Total</b>	<b>18,643,619</b>	<b>-</b>	<b>-</b>	<b>(3,979,155)</b>	<b>14,664,464</b>

2009	Opening balance 1 July 2008	Granted as remuneration	On exercise of options	Net change other	Closing balance 30 June 2009
Mark Vaile	-	-	-	100,000	100,000
Gerry McGowan	17,588,925	-	-	228,194	17,817,119
James Link	-	-	-	-	-
Mark Fogarty	314,500	-	-	-	314,500
Yury Brodsky	212,000	-	-	-	212,000
Alan McClaren	200,000	-	-	-	200,000
<b>Total</b>	<b>18,315,425</b>	<b>-</b>	<b>-</b>	<b>328,194</b>	<b>18,643,619</b>

(iv) Option holdings of key management personnel (ASX Listed “CBDO”)

The Company did not have listed options on issue during the year ended 30 June 2010

NOTES TO THE FINANCIAL STATEMENTS

NOTE 26 – KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

(b) Remuneration of key management personnel (continued)

(v) Unlisted option holdings of key management personnel

(i) expiring 30 June 2011 exercisable at 10 cents

2010	Opening balance 1 July 2009	Granted as remuneration	Net change other	Closing balance 30 June 2010
Mark Vaile	-	-	-	-
Gerry McGowan	2,500,000	-	-	2,500,000
James Anderson	-	-	-	-
James Link	-	-	-	-
Mark Fogarty	-	-	-	-
Yury Brodsky	-	-	-	-
Alan McClaren	-	-	-	-
Edwin Cywinski	-	-	-	-
<b>Total</b>	<b>2,500,000</b>	<b>-</b>	<b>-</b>	<b>2,500,000</b>

2009	Opening balance 1 July 2008	Granted as remuneration	Net change other	Closing balance 30 June 2009
Mark Vaile	-	-	-	-
Gerry McGowan	2,500,000	-	-	2,500,000
James Link	-	-	-	-
Mark Fogarty	-	-	-	-
Yury Brodsky	-	-	-	-
Alan McClaren	-	-	-	-
<b>Total</b>	<b>2,500,000</b>	<b>-</b>	<b>-</b>	<b>2,500,000</b>

(ii) expiring 30 June 2011 exercisable at 25 cents

2010	Opening balance 1 July 2009	Granted as remuneration	Net change other	Closing balance 30 June 2010
Mark Vaile	-	-	-	-
Gerry McGowan	15,000,000	-	-	15,000,000
James Anderson	-	-	-	-
James Link	-	-	-	-
Mark Fogarty	-	-	-	-
Yury Brodsky	-	-	-	-
Alan McClaren	-	-	-	-
Edwin Cywinski	-	-	-	-
<b>Total</b>	<b>15,000,000</b>	<b>-</b>	<b>-</b>	<b>15,000,000</b>

2009	Opening balance 1 July 2008	Granted as remuneration	Net change other	Closing balance 30 June 2009
Mark Vaile	-	-	-	-
Gerry McGowan	15,000,000	-	-	15,000,000
James Link	-	-	-	-
Mark Fogarty	-	-	-	-
Yury Brodsky	-	-	-	-
Alan McClaren	-	-	-	-
<b>Total</b>	<b>15,000,000</b>	<b>-</b>	<b>-</b>	<b>15,000,000</b>

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 26 – KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

(b) Remuneration of key management personnel (continued)

(v) Unlisted option holdings of key management personnel (continued)

(iii) expiring 27 November 2013 exercisable at 20 cents

2010	Opening balance 1 July 2009	Granted as remuneration	Net change other	Closing balance 30 June 2010
Mark Vaile	3,000,000	-	-	3,000,000
Gerry McGowan	3,000,000	-	-	3,000,000
James Anderson	-	-	-	-
James Link (i)	-	-	-	-
Mark Fogarty	-	-	-	-
Yury Brodsky	100,000	-	-	100,000
Alan McClaren	100,000	-	-	100,000
Edwin Cywinski	-	-	-	-
Yvonne O'Reilly (i)	-	-	-	-
<b>Total</b>	<b>6,200,000</b>	<b>-</b>	<b>-</b>	<b>6,200,000</b>

Note (i) these individuals do not hold office at 30 June 2010

2009	Opening balance 1 July 2008	Granted as remuneration	Net change other	Closing balance 30 June 2009
Mark Vaile	-	3,000,000	-	3,000,000
Gerry McGowan	-	3,000,000	-	3,000,000
James Link	-	3,000,000	-	3,000,000
Mark Fogarty	-	-	-	-
Yury Brodsky	-	100,000	-	100,000
Alan McClaren	-	100,000	-	100,000
Yvonne O'Reilly	-	100,000	-	100,000
<b>Total</b>	<b>-</b>	<b>9,300,000</b>	<b>-</b>	<b>9,300,000</b>

On 28 November 2008, the Company held an AGM which approved the issue of 3,000,000 unlisted options expiring 27 November 2013 exercisable at 20 cents to each of the 3 directors as an incentive for future involvement with commitment to the Company. These unlisted options were issued on 4 December 2008.

(vi) Convertible note holdings of key management personnel

2010	Opening balance 1 July 2009	Granted as remuneration	Net change other	Closing balance 30 June 2010
Mark Vaile	-	-	25,000	25,000
Gerry McGowan	-	-	4,454,281	4,454,281
James Anderson	-	-	-	-
James Link	-	-	-	-
Mark Fogarty	-	-	500,000	500,000
Yury Brodsky	-	-	-	-
Alan McClaren	-	-	-	-
Edwin Cywinski	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>4,979,281</b>	<b>4,979,281</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 27 – SHARE BASED PAYMENTS**

The Company did not issue any shares or options to key management personnel or employees during the year 2010. Unlisted options were issued to key management personnel in 2009.

**NOTE 28 - ASSETS PLEDGED AS SECURITY**

The economic entity does not hold title to the equipment under finance lease pledged as security.

The economic entity has pledged its property at Blackburn, Victoria, to Westpac as security for a loan. The property was sold in June 2010 and the loan was repaid on settlement in August 2010. Apart from this, the economic entity did not have any other assets pledged as security in relation to borrowings at balance date.

**NOTE 29 – PARENT ENTITY FINANCIAL INFORMATION**

**a) Summarised financial data**

The individual financial statements of the Parent entity show the following aggregate amounts:

	<b>2010</b>	2009
	\$	\$
Profit/(loss) for the year	<b>290,143</b>	(2,597,152)
Other comprehensive income/(loss) for the year	-	-
Total comprehensive income	<b>290,143</b>	(2,597,152)
Current assets	<b>19,237,497</b>	10,477,760
Non-current assets	<b>32,927,376</b>	6,365,040
Total assets	<b>52,164,873</b>	16,842,800
Current liabilities	<b>12,527,263</b>	4,263,380
Non-current liabilities	<b>8,198,542</b>	-
Total Liabilities	<b>20,725,805</b>	4,263,380
Net assets	<b>31,439,068</b>	12,579,420
Contributed equity	<b>97,975,017</b>	79,536,896
Option Reserve	<b>52,339</b>	52,339
Retained earnings	<b>(66,588,288)</b>	(67,009,815)
Total equity	<b>31,439,068</b>	12,579,420

**b) Guarantees and contingent liabilities**

The parent entity did not have any guarantees or contingent liabilities outstanding at 30 June 2010 and 30 June 2009.

**c) Contractual commitments**

The parent entity did not have any contractual commitments for the acquisition of property, plant and equipment at 30 June 2010 and 30 June 2009.

**NOTE 30 – AUTHORISATION**

The financial report was authorised for issue on 30 September 2010 by the Board of Directors.

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**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 31 – COMPANY DETAILS**

The registered office of the company is:

Suite 2  
Level 2  
53 Cross Street  
Double Bay  
NSW 2028

The principal places of business are:

CBD Energy Limited  
Suite 2  
Level 2  
53 Cross Street  
Double Bay  
NSW 2028

Capacitor Technologies Pty Limited  
Unit 13  
40 Edina Road  
Ferntree Gully  
VIC 3156

Parmac Air Conditioning & Mechanical Services Pty Ltd  
160-162 Pakington Street  
Kew  
VIC 3156

Remote Area Power Systems Pty Ltd  
54 Skarratt Street  
Silverwater  
NSW 2265

KI Solar Pty Ltd  
Suite 2  
Level 2  
53 Cross Street  
Double Bay  
NSW 2028

CBD Labs Pty Ltd  
Suite 2  
Level 2  
53 Cross Street  
Double Bay  
NSW 2028

Eco-Kinetics Group Pty Ltd  
Unit 6  
6 Quinns Hill Road East  
Stapylton,  
QLD 4207

**DIRECTORS' DECLARATION**

---

In accordance with a resolution of the Directors of the Company, the Directors declare that:

the financial statements and notes, as set out on pages 24 to 70, are in accordance with the *Corporations Act 2001* and:

comply with Accounting Standards; and

give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the consolidated group;

the Managing Director and General Manager - Finance have each declared that:

- A. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
- B. the financial statements and notes for the financial year comply with the Accounting Standards; and
- C. the financial statements and notes for the financial year give a true and fair view.

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**  
Managing Director  
Dated: 30<sup>th</sup> September 2009

INDEPENDENT AUDIT REPORT



Chartered Accountants and Business Advisers

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

**SYDNEY**

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Sydney NSW 2000 Australia

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Sydney NSW 2001

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**GOLD COAST**

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**PARTNERS**

Drew Townsend  
David Kenney  
Richard Albarran  
Gino Malacco  
Paul Leroy  
Steven Gladman  
Brent Kijurina  
Blair Pleash  
David Ross  
Graham Webb  
Domenic Calabretta  
Bill Petrovski

**ASSOCIATES**

Sally Saad  
David Ingram  
Lyle Vallance

**Report on the Financial Report**

We have audited the accompanying financial report of CBD Energy Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 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 and fair presentation of the 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 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

*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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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 controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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.

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

*Auditor's Opinion*

In our opinion:

- a) the financial report of CBD Energy Limited is in accordance with the Corporations Act 2001, including:
  - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date;
  - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b) the financial report also complies with International Reporting Standards as disclosed in Note 1.

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

*Significant Uncertainty Regarding the Carrying Value of Investment in Singleton Green*

We draw attention to Note 8(a) to the financial report. The group has assessed the carrying value of the signing fee amounting to \$500,000 based on the condition precedent requiring the group to undertake further capital raising. If further capital raising is not obtained, the signing fee will be forfeited.

*Significant Uncertainty Regarding the Carrying Value of Investments in Wind Projects*

We draw attention to Note 8(d) to the financial report. The group has assessed the carrying value of its investment in the Adjungbilly wind project based on value in use calculations, which indicate that the balance of this investment amounting to \$1,209,655 is recoverable. If the cash flow projections used in the value in use calculation are not met, the carrying value of this investment may be impaired.

*Significant Uncertainty Regarding the Carrying Value of Equity Accounted Investment in Planet Power*

We draw attention to Note 9 to the financial report. The group has assessed the carrying value of its investment in Planet Power based on value in use calculations, which indicates that the balance of this investment amounting to \$968,616 is recoverable. If the cash flow projections used in the value in use calculation are not met, the carrying value of this investment may be impaired.

*Significant Uncertainty Regarding the Carrying Value of Patents*

We draw attention to Note 11 to the financial report. The group has assessed the carrying value of the patents based on value in use calculations, which indicates that the balance of the patents amounting to \$6,284,408 is recoverable. If the cash flow projections used in the value in use calculation are not met, the carrying value of the patents may be impaired.

*Report on the Remuneration Report*

We have audited the Remuneration Report included on page 18 to 21 of the directors' report for the year ended 30 June 2010. 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.

*Auditor's Opinion*

In our opinion, the Remuneration Report of CBD Energy Limited for the year ended 30 June 2010 complies with section 300A of the Corporations Act 2001.

*Hall Chadwick*

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

*Graham Webb*

**GRAHAM WEBB**  
 Partner  
 Date: 30 September 2010

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**ASX ADDITIONAL INFORMATION**

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 22 September 2010.

**(a) Distribution of equity securities**

The number of shareholders, by size of holding, in each class of share are:

<b>Ordinary Fully Paid Shares</b>		
<b>Distribution of Shareholdings</b>	<b>Number of Holders</b>	<b>Number of Shares</b>
1-1,000	748	227,023
1,001-5,000	460	1,306,081
5,001-10,000	284	2,371,731
10,001-100,000	819	32,842,507
100,001 and over	267	337,203,620
<b>Total Number of Shareholders</b>	<b>2,578</b>	<b>373,950,962</b>
The number of shareholders holding less than a marketable parcel of shares are:	1,049	846,492

**(b) Twenty largest shareholders**

The names of the twenty largest holders of quoted shares are:

	<b>Name of Holder</b>	<b>Listed Ordinary Shares</b>	
		<b>Number of Shares</b>	<b>Percentage of Ordinary Shares</b>
1	SOLON SE	69,545,294	18.60
2	WASHINGTON H SOUL PATTINSON & COMPANY LIMITED	39,384,824	10.53
3	SOULS PRIVATE EQUITY LIMITED	23,071,429	6.17
4	COGENT NOMINEES PTY LIMITED	18,549,155	4.96
5	CITICORP NOMINEES PTY LIMITED	17,233,577	4.61
6	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	14,315,385	3.83
7	WARCZAK ENTERPRISES PTY LTD <WARCZAK SUPER FUND A/C>	13,805,061	3.69
8	TRW HOLDINGS PTY LIMITED	10,227,695	2.74
9	J P MORGAN NOMINEES AUSTRALIA LIMITED	8,070,027	2.16
10	ANZ NOMINEES LIMITED <CASH INCOME A/C>	7,390,000	1.98
11	NATIONAL NOMINEES LIMITED	6,853,935	1.83
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,736,023	1.80
13	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	4,680,061	1.25
14	BOND STREET CUSTODIANS LIMITED <MACQUARIE SMALLER CO'S A/C>	4,438,923	1.19
15	MICHAEL HUGHES	3,421,052	0.91
16	GERARD MCGOWAN <MCGOWAN FAMILY SF A/C>	3,225,518	0.86
17	BOND STREET CUSTODIANS LIMITED <MACQ AUST MICROCAP FUND A/C>	2,933,933	0.78
18	AUSTOCK NOMINEES PTY LTD <CUSTODIAN A/C>	2,671,180	0.71
19	GREGORY ARTHUR RECTOR	2,100,000	0.56
20	LEWIS FAMILY INVESTMENTS PTY LTD	2,000,000	0.53
	Total Top 20	<b>260,653,072</b>	<b>69.70</b>
	<b>Total issued capital</b>	<b>373,950,962</b>	<b>100.00</b>

**ASX ADDITIONAL INFORMATION (CONTINUED)**

**(c) SUBSTANTIAL SHAREHOLDERS**

The names of the substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Number of Shares	Percentage Held
SOLON SE	69,545,294	18.60
WASHINGTON H SOUL PATTINSON & COMPANY LIMITED	39,384,824	10.53
SOULS PRIVATE EQUITY LIMITED	23,071,429	6.17

**(d) Distribution of convertible notes**

The number of convertible noteholders, by size of holding, are:

Convertible notes		
Distribution of holdings	Number of Holders	Number of notes
1-1,000	69	19,181
1,001-5,000	68	177,514
5,001-10,000	17	138,765
10,001-100,000	30	994,281
100,001 and over	10	52,931,079
<b>Total Number of noteholders</b>	<b>194</b>	<b>54,260,820</b>

**(e) Twenty largest noteholders**

The names of the twenty largest holders of listed convertible notes are:

	Name of Holder	Listed Convertible Notes	
		Number of Notes	Percentage of Convertible Notes
1	COGENT NOMINEES PTY LIMITED	45,411,101	83.69
2	TRW HOLDINGS PTY LIMITED	3,959,628	7.30
3	CITICORP NOMINEES PTY LIMITED	1,576,108	2.90
4	M FOGARTY	500,000	0.92
5	DIXSON TRUST PTY LTD	481,932	0.89
6	BAMSKY PTY LTD <MCGOWAN FAMILY SUPERFUND AC>	438,854	0.81
7	ANDREW WINSTON DOYLE	199,379	0.37
8	ANZ NOMINEES LIMITED <CASH INCOME A/C>	156,250	0.29
9	TATMARNI PTY LTD	107,827	0.20
10	PHASCOLOMIS NOMINEES PTY LTD	100,000	0.18
11	M J SCANLAN & B H SCANLAN	90,075	0.17
12	D LOOKER & C TURNER	75,000	0.14
13	WALTHIRE PTY LIMITED <PHILLIPS SUPERFUND A/C>	75,000	0.14
14	GERARD MCGOWAN <MCGOWAN FAMILY SF A/C>	55,799	0.10
15	DONALD G BEATON & JENNIFER A BEATON	55,000	0.10
16	D & T SUPERANNUATION PTY LTD	55,000	0.10
17	GREG BURTON	51,401	0.09
18	EMLAU PTY LTD	50,000	0.09
19	JOHN F BURTON	47,000	0.09
20	CYLEMORE PTY LTD <KYLEMORE A/C>	34,250	0.06
	Total Top 20	<b>53,519,604</b>	<b>98.63</b>
	<b>Total issued notes</b>	<b>54,260,820</b>	<b>100.00</b>

**ASX ADDITIONAL INFORMATION (CONTINUED)**

**(f) Voting rights**

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

➤ Ordinary shares

Subject to any special rights or restrictions for the time being attaching to any class of Shares and Articles 14.3, 14.6, 14.7, 14.8 and 15.10:

- (a) on a show of hands at a meeting of Members, every Eligible Voter present has one vote; and
- (b) on a poll at a meeting of Members, every Eligible Member (not being a Corporation) present in person or by proxy or attorney, and every Eligible Member (being a Corporation) present by a Representative or by proxy or attorney, has one vote for each Share that Eligible Member holds, but:
  - (i) if at any time there is on issue any Share which has not been fully Paid Up that Share on a poll will confer only that fraction of one vote which the amount paid (not credited) on that Share, excluding any amounts paid up in advance of the applicable due date for payment, bears to the total amounts paid and payable (excluding amounts credited) on that Share; and
  - (ii) if the total number of votes to which an Eligible Member is entitled on a poll does not constitute a whole number, then the Company will disregard the fractional part of that total.

➤ Convertible notes

At every meeting of Noteholders each voter is:

- (i) on a show of hands, entitled to one vote; and
- (ii) on a poll, entitled to one vote in respect of each Note held by the Noteholder or by the person for whom he is the proxy or attorney.

**(g) Other Information**

There is no current on-market buy back in place,

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