CBD Energy Limited

ACN 010 966 793

Appendix 4E

Preliminary Final Report

30 June 2012

Lodged with the ASX under Listing Rule 4.3A

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Contents

Name of Entity: CBD Energy Limited

Details of the reporting period

Current Period: 1 July 2011 – 30 June 2012

Previous Corresponding Period: 1 July 2010 – 30 June 2011

Results for announcement to the market

	Up / down	% movement	Amount of change $A'000	$A'000
Revenues from ordinary activities	down	67%	110,095	54,451
Loss from ordinary activities after tax attributable to members	down	941%	24,261	(21,684)
Net loss for the period attributable to members	down	941%	24,261	(21,684)

Dividends (distributions)

Current Period:

No final or interim dividend has been declared or paid.

Previous Corresponding Period:

No final or interim dividend was declared or paid.

Details of dividends/distributions

No dividends have been paid during the period and the directors do not recommend that a dividend be declared for the period.

Details of dividends/distribution reinvestment plan

The Company does not have a dividend reinvestment plan.

Net tangible assets per security

	Current Period	Previous Corresponding Period
Net asset backing per share	7.3 cents	11.6 cents
Net tangible asset backing per share*	1.8 cents	5.8 cents

*Excludes goodwill on acquisition and other intangibles.

Control gained or lost over entities during the period

In May 2012, CBD Energy Limited acquired the remaining 51% of Asian Renewables Energy Management Limited (AREM) for $97,000. AREM holds an Australian Financial Services Licence (AFSL) which the entity can use in future for energy trading related activities. The goodwill recognised on the acquisition of AREM has been fully impaired at 30 June 2012 as at present no value can be ascribed to the AFSL.

There were no other changes in control over entities during the period.

Details of associates and joint venture entities

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 2012, the joint venture entities did not trade with external parties nor hold any assets directly.

The Consolidated entity has a 50% interest 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 BD (Qld) Project G075 Unit Trust) (ACN 119 969 274);

On 18 April 2011 CBD Energy Limited completed documentation establishing a stapled investment joint venture group named AusChina Energy Group. Parties to the joint venture group are Datang Renewables (Singapore) Pte. Ltd (Datang Renewable), Baoding Tianwei Baobian Electric Co., Ltd (Tianwei Baobian) and CBD Energy Limited. Ownership of the joint venture is Datang Renewable 63.75%, Tianwei Baobian 12.50% and CBD Energy Limited 23.75%.

As at 30 June 2012 these joint venture entities are recognised using the equity method.

Other significant information

Refer to Commentary on Results below for details on other significant matters and information regarding the Consolidated Entity.

Commentary on significant features of operating performance

The net result for the Consolidated Entity attributable to shareholders for the year ended 30 June 2012 is a loss of $21,684,000 (2011: profit of $2,577,000).

Revenue

Total revenue for the year was $54,451,000 (2011: $164,421,000). Refer to Commentary on results for further explanation of the primary causes of the decrease.

Depreciation and amortisation expense

Depreciation and amortisation costs were $939,000 (2011: $681,000). The increase was primarily due to the commencement of amortisation of patent costs.

Other expenses

The group has incurred significant costs during the year in relation to restructuring of the business and establishing diversified divisions as a platform for future growth. Refer to Commentary on results for further explanation.

Segment results

The group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in 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 the entities within the group are solar installations, mechanical services solutions and energy efficiency solutions, which includes renewable energy projects. For further information, please refer to Note 18 – Segment Information.

Commentary on Results

Review and Results of Operations
CBD's operating loss for the year ended 30 June 2012 reflects the challenging conditions faced by companies in the solar industry and the broader renewable energy market in Australia and the steps taken by the company to protect its future performance from these conditions. CBD has undertaken considerable development spending to accelerate diversification of its business into areas of renewable energy besides the Australian market with the intent of reducing reliance on markets that are highly susceptible to ongoing shifts in government policies. In the past year we have seen speculation on a review of the RET which underpins our industry and tariff adjustments in NSW, Western Australia, Queensland and South Australia. Additionally we have had a carbon tax imposed from July 1 and an announced amendment to it this week. All these policy shifts create significant uncertainty and instability in our local market and demonstrate a lack of vision and leadership from all sides of politics.

Our diversification strategy has affected performance and cash flow in FY12 due to a number of one off costs, which have been expensed. However, having established these operating divisions and structures which are capable of delivering significant revenues and contributions to the business in future years the Directors are confident that our business will stabilise and return to profit and growth in FY13. The final implementation of these strategies has been delayed by internal and external factors during the year which has in turn led to delays in recognition of revenues and increased costs while funding these activities. A number non-recurring charges and write downs totalling over $12 million incurred by CBD in the period contributed to the operating loss being reported. Notwithstanding this, the poor performance of the solar business has significantly affected the operating result and reinforced the need for strategic and structural changes across the group. Our International Solar and Australian Wind divisions are currently exploring further development opportunities. Additionally, earning revenues and profits in euros and US Dollars provides CBD with a natural hedge for its currency exposure as most equipment purchased is based on these currencies.

As a result of the focus on developing future income streams for the company, CBD has achieved a number of significant milestones during the year:

- The first 5MW solar project in Italy was completed in June 2012. The sale process for this project to a UK Institution is underway subject to their completion of due diligence.
- A Framework Agreement is being negotiated with this same Institution for a further 25MW or 5 additional solar projects in Europe.
- Significant progress in relation to the development of the Taralga wind farm project has been made and this will deliver consultancy and development fees to the company in FY13.
- A merger agreement has been entered into with Westinghouse Solar to give the company a platform to enter the US market. CBD's first commercial scale project has commenced construction in the US.

Solar

Residential

The solar residential installation market in Australia, which represented approximately 70% of CBD's solar revenue in FY11, experienced a dramatic industry-wide downturn resulting from unprecedented changes in government policies and subsidies at both the state and national level. This had an immediate adverse impact on the revenues and operating results of the eco-Kinetics and CBD Solar lines of business within the group.

The residential solar market has started to show signs of normalising after these changes and as a result of continued reduction in hardware costs, solar PV is approaching or has reached grid parity in most areas of Australia. This is a very important milestone in attracting new customers without the need to be reliant on subsidies or feed-in-tariffs. Rising energy prices in the future, in part due to the carbon tax, will also serve to increase the attractiveness of residential solar installations. Industry analysis commissioned by the Office of the Renewable Energy Regulator (ORER) confirms CBD's view that that there will be a sustainable long-term residential solar market in Australia.

The company's expectation is that it can build a sustainable and stable installation business with the prospect of improving performance and increasing market share. In recent months, annualised cost savings of over $2 million have been made in the residential solar business and this process of review and restructure is continuing in order to achieve an optimal operating model and cost structure for this division. The eco-Kinetics brand has been dropped and going forward CBD Solar will be marketed as our solar business. Opportunities for further cost savings and improvements to ensure performance goals are reached are being implemented.

Volatility in the price of Small Scale Technology Certificates (STCs) has continued during the year, which has resulted in trading losses being incurred. The company has made improvements to internal processing speed of STCs in order to reduce the levels held at any time and therefore reduce exposure to price volatility going forward.

Commercial and utility

The company has continued to invest in the growth of the international commercial and utility solar projects division during the year. This is seen as key to diversifying the revenue streams of the business and opening up significant new channels for growth. The European office established during the year has been instrumental in ensuring delivery of the first 5MW Italian project on time and on budget while also progressing the sale process of this project. Due to revenue recognition policies, no earnings have been recognised in FY12 from this project.

The international division has developed a pipeline of projects, which offers the opportunity for CBD to generate an ongoing stream of revenues, cash flow and profits in the future. In May 2012 a US$25M construction financing facility was established to fund the delivery of this pipeline over time. The lack of funding for projects has been a major contributor to delays in constructing projects during the year and with this facility now in place a major barrier to future growth has been removed.

Within Australia, the commercial solar sector is still relatively immature. However, as the cost of solar PV approaches grid parity, this market is beginning to show signs of growth. With its capabilities to undertake system design and engineering, CBD has established itself in this market at an early stage and is positioned to participate in growth in this line of business.

In addition to the robust opportunities in the commercial arena, CBD has developed a strong pipeline of utility scale project opportunities. In most cases, CBD is seeking to partner with long-term owners/financing sponsors for utility-scale projects.

Wind

Taralga

Key milestones for the Taralga site have been met by Taralga Wind Farm Pty Ltd and CBD is providing business consultancy services, working alongside the project's owners and potential equity investors to bring the project to the construction phase. CBD's consultancy role is to put in place the key components of the development process, namely securing a "turnkey" EPC contractor; arranging a PPA for the project's output;

identifying debt and equity investors and other valuable components to enable commercialisation and construction of the project.

The company has funded a significant portion of this progression to date with no revenue recognised in FY12. A significant amount of expenses relating to this project have been written off. Development fees will be earned on successful introduction of equity financing. This is expected to occur prior to the end of September 2012.

Westinghouse Solar

On 10 May 2012, CBD announced that it had signed a definitive merger agreement with Westinghouse Solar, Inc. (NASDAQ: WEST). Both companies are working diligently on progressing the merger process which involves an application by CBD to list the shares of the merged entity on NASDAQ. CBD acquired a common equity interest in Westinghouse Solar Inc. of approximately 10% in December 2011.

Under the terms conditionally approved by the CBD and Westinghouse Solar Boards of Directors and outlined in the merger agreement, CBD shareholders will retain 85% of the shares of the combined business.

For some time CBD has been looking for a point of entry into the United States market and it considers a merger with Westinghouse Solar to be an ideal fit with CBD's operations. Westinghouse has a number of patents that reduce installation time and increase safety and performance of solar panels through the use of an innovative panel mounting system and incorporating "micro-inverters" on each panel. This approach has made the Westinghouse solar panels effectively "plug and play", and CBD believes this innovative design has application in Australia and in other regions in which it operates.

The early collaborative efforts between the two companies have led to some significant achievements in FY12:

- The receipt of a 5MW order from Harvey Norman Commercial Division to supply Westinghouse solar equipment into the Australian market
- CBD has been awarded its first solar PV project in New Jersey with a contract value of approximately US$3.8m. The project has commenced since the end of FY12

A significant amount of legal, accounting and other costs pertaining to this merger have been expensed in our accounts.

Corporate

The company's performance during FY12 has been affected by capital constraints in a number of areas which have delayed the delivery of strategic objectives and the completion of a number of projects. This has resulted in sub-optimal performance of some operating divisions and consequently the delay in achieving revenues which the business is capable of delivering.

The company has taken a prudent view on the carrying value and recoverability of a number of assets at 30 June 2012 which has led to write downs and impairments being recorded in the profit and loss account in 2012.

The company incurred significant legal fees pertaining to its successful defence of its energy storage patents during the year. These costs have been expensed.

In May 2012 the company raised US6.25m from the issue of convertible notes from predominantly US based investors who support the future objectives and plans of the business. The company sees access to US capital markets as a major advantage of the transition to a NASDAQ listing.

Outlook

During FY12, CBD has succeeded in establishing diversified divisions each capable of profitable growth in the renewable energy markets in Australia and overseas. The increased focus on renewable energy internationally on a consumer and political level points to a future expansion of the industry and with the continued support of investors, shareholders and our business partners, CBD believes it is now positioned where it can take advantage of this growth and deliver a more sustainable future for its business. Given these factors and the timing of revenue mentioned above, CBD expects to return to profitability in 2013.

Consolidated Statement of Comprehensive Income

CBD ENERGY LIMITED AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Economic Entity **2012 $'000**	2011 $'000 Restated
Revenue	2	**54,451**	164,421
Cost of sales of goods		**(45,378)**	(132,652)
Depreciation and amortisation expenses	3(a)	**(939)**	(681)
Finance costs		**(1,980)**	(1,161)
Salaries and employee benefits expense		**(12,908)**	(10,336)
Compliance & consultants		**(9,181)**	(5,671)
Office occupancy		**(1,468)**	(1,310)
Other expenses	3(b)	**(7,391)**	(6,179)
Share based payments		**(152)**	-
Share option expenses		**(555)**	(1,118)
Bad debts		**(2,538)**	(79)
Provision for impairment of receivables		**(803)**	(106)
Break fee from terminated acquisition		**(2,475)**	-
Impairment of investments		**(375)**	-
Impairment loss on financial assets	3(d)	**(44)**	(1,938)
Impairment loss on intangible assets	3(c)	**(696)**	-
Share of net loss of associates		**(54)**	(50)
(Loss)/Profit for the year before income tax		**(32,486)**	3,140
Income tax benefit / (expense)		**10,802**	(593)
(Loss)/Profit after income tax		**(21,684)**	2,547
Other comprehensive income		-	-
Total comprehensive income for the year		**(21,684)**	2,547
Loss attributable to non-controlling interests		**-**	(30)
Net (loss)/profit attributable to members of CBD Energy Limited		**(21,684)**	2,577
Basic earnings per share (cents per share)		**(4.65) cents**	0.63 cents
Diluted earnings per share (cents per share)		**(4.65) cents**	0.53 cents

This Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes

Consolidated Statement of Financial Position

CBD ENERGY LIMITED AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Note	**Economic Entity** **2012** **$'000**	2011 $'000 Restated
CURRENT ASSETS			
Cash and cash equivalents		**2,522**	9,796
Trade and other receivables	4	**5,898**	21,875
Inventories	5	**17,911**	34,565
Other assets	6	**1,259**	185
TOTAL CURRENT ASSETS		**27,590**	66,421
NON-CURRENT ASSETS			
Financial assets	7	**7,621**	4,837
Plant and equipment	8	**5,377**	5,056
Investments accounted for using the equity method	9	**-**	234
Deferred tax assets		**13,419**	2,997
Intangible assets	10	**25,741**	26,239
Other non-current assets	6	**192**	1,061
TOTAL NON-CURRENT ASSETS		**52,350**	40,424
TOTAL ASSETS		**79,940**	106,845
CURRENT LIABILITIES			
Trade and other payables	11	**16,692**	36,037
Financial liabilities	12	**27,084**	12,961
Provisions	13	**1,032**	555
TOTAL CURRENT LIABILITIES		**44,808**	49,553
NON-CURRENT LIABILITIES			
Trade and other payables	11	**-**	3,670
Financial liabilities	12	**334**	230
Deferred tax liabilities		**70**	451
Non-current provisions	13	**295**	258
TOTAL NON-CURRENT LIABILITIES		**699**	4,609
TOTAL LIABILITIES		**45,507**	54,162
NET ASSETS		**34,433**	52,683
EQUITY			
Issued capital	14	**108,079**	106,354
Reserves	15	**2,879**	1,170
Retained earnings	16	**(76,525)**	(54,841)
TOTAL EQUITY		**34,433**	52,683

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

Consolidated Statement of Cash Flows

CBD ENERGY LIMITED AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Economic Entity **2012** **$'000**	2011 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**83,717**	129,798
Payments to suppliers and employees		**(99,537)**	(131,852)
Interest received		**64**	137
Finance costs		**(1,875)**	(682)
Income tax paid		**-**	(552)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	17(b)	**(17,631)**	(3,151)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for investments		**(1,270)**	(227)
Payment for the purchase of controlled entities		**(345)**	(1,888)
Payment for development costs		**(1,543)**	(332)
Proceeds from sale of property, plant and equipment		**43**	2,008
Purchase of property, plant and equipment		**(437)**	(1,000)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(3,552)**	(1,439)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		**-**	1,276
Share issue costs		**-**	(77)
Proceeds from issue of convertible notes		**7,362**	-
Convertible note issue costs		**(187)**	-
Repayment of finance leases		**(202)**	(255)
Proceeds from borrowings		**16,252**	13,610
Repayment of borrowings		**(8,489)**	(5,189)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		**14,736**	9,365
NET INCREASE/(DECREASE) IN CASH HELD		**(6,447)**	4,775
Cash and cash equivalents at beginning of year		**8,969**	4,474
Effect of exchange rates on cash held in foreign currency		**-**	(280)
CASH AND CASH EQUIVALENTS AT END OF YEAR	17(a)	**2,522**	8,969

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

Consolidated Statement of Changes in Equity

CBD ENERGY LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR TO 30 JUNE 2012

	$'000 Share Capital	$'000 Share Option Reserve	$'000 Non-Controlling Interests	$'000 Retained Earnings	$'000 Total
Balance at 01.07.2010	**97,976**	**52**	**-**	**(57,418)**	**40,610**
Shares issued	8,372	-	-	-	8,372
Share issue costs	(77)	-	-	-	(77)
Tax benefit on share issue costs	83	-	-	-	83
Share based payments	-	1,118	-	-	1,118
Profit attributable to members of parent entity	-	-	-	2,577	2,577
Balance at 30.06.2011	**106,354**	**1,170**	**-**	**(54,841)**	**52,683**
Shares issued	1,725	-	-	-	1,725
Value of conversion rights on convertible notes	-	1,154	-	-	1,154
Share based payments	-	555	-	-	555
Loss attributable to members of parent entity	-	-	-	(21,684)	(21,684)
Balance at 30.06.2012	**108,079**	**2,879**	**-**	**(76,525)**	**34,433**

Notes to the consolidated financial statements

Note 1 – Summary of Significant Accounting Policies

The financial report covers the economic entity of CBD Energy Limited and its controlled entities (the economic entity). CBD Energy Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of the economic entity complies with International Financial Reporting Standards (IFRS) in their entirety.

The financial reports are presented in Australian dollars, unless otherwise stated.

Reporting Basis and Conventions

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.

Going Concern

The economic entity has reported an operating loss for the year ended 30 June 2012 of $21,684,000 as described in the review of operations which includes a number of significant expense items which are non-operating in nature. Cash flows from operations were negative $17,579,000 for the year, which includes $10,830,000 expended on the construction of a 5MW solar plant in Italy during June 2012. This outflow was directly funded from the construction financing facility the Company has in place. The entity has net current liabilities of $17,218,000. Included in these liabilities is the amount of $8,453,000 relating to convertible notes classified as current borrowings. Prima facie these convertible notes have a maturity date in May 2015, however, until such time as the Company has reset covenants and obtained the requisite shareholder approvals required under the terms of the notes they are classified as current. The Company is in the process of seeking the necessary approvals to enable their classification as non-current borrowings.

As a result of these matters there is uncertainty whether the Group will continue as a going concern and whether it will realize its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report.

At the date of this report, the Directors are of the opinion that there are reasonable grounds to expect that the economic entity's operational and financial performance will significantly improve and that the economic entity will be able to continue as a going concern. As such the financial report is prepared on a going concern basis. In arriving at this conclusion, the Directors considered that:

- The sale process of a recently completed 5MW solar project in Italy is well progressed and is expected to close in the near future subject to satisfactory completion of due diligence. On completion of this sale the economic entity will receive reimbursement of costs paid by the company in part funding construction of the project plus the profit element of the project. As part of this transaction short-term borrowings at 30 June 2012 of $10,763,000 will also be repaid.
- The Company expects to receive cost reimbursement from the investment to date in progressing the Taralga wind project on finalisation of the equity financing for the project during the first quarter of 2013 financial year.
- The results for the year were negatively impacted by significant one off expenses and write downs relating to a terminated acquisition process, revaluation of STCs and legal fees incurred in successfully defending claims on the Company's patents over storage technology. These are non-recurring expenses. A number of significant costs have also been incurred and expensed in relation to Westinghouse Solar merger activity and capital raising activities, which are non-operating in nature.
- A strong pipeline of international solar projects is in place, which coupled with the company's construction financing facility is expected to enable company to complete and sell international commercial solar projects in the future. This is expected to add an ongoing profitable revenue stream to the Company's operations. The Company has entered into a joint venture agreement with Westinghouse Solar Inc. whereby Westinghouse Solar will obtain a 25% stake (with the option to take up to a 50% stake) in the

profits from CBD's commercial project pipeline in Italy, in exchange for an investment of $1.5 million (with option to invest up to a further $1.5 million).

- The Company has successfully raised US$8.65 million in convertible notes during the year and is currently in advanced discussions with further investors regarding the issue of additional convertible notes.
- The Company's budgets and projections indicate a return to profitability for the 2013 financial year on the back of further cost reduction programs and increased revenues from the sources described in the review of operations.

On that basis the Directors believe that the economic entity will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis. At this time, the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 30 June 2012. This financial report does not include any adjustments relating to the recoverability and classification of recorded assets amounts, or to the amounts and classification of liabilities, that might be necessary, should the economic entity not be able to continue as a going concern.

Changes in Accounting Policy and Correction of Error

During the year ended 30 June 2012 the economic entity changed its accounting policy regarding the treatment and recognition of Small-scale Technology Certificates (STCs). Refer to note 5 for further information.

The Company has undertaken a detailed review of the basis under which it has previously capitalised expenditure on development projects. As a consequence, it was determined that costs in relation to the Adjungbilly wind project had previously been capitalised in error. This has been corrected by restating the affected financial statement line items for prior periods.

Refer to Note 20 for more detail on the restatements.

Comparative Figures

As a result of the change in accounting policy and correction of an error noted above, comparative figures have been restated. When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Further disclosure of changes and corrections will be included in the Annual Report.

Rounding of Amounts

The economic entity is within the class specified in ASIC Class Order 98/100 dated 10 July 1998 relating to the "rounding off" of amounts. Amounts in the Financial Report have been rounded off to the nearest hundred thousand dollars, in accordance with ASIC Class Order 98/100, except where stated otherwise.

Note 2 - Revenue

	Economic Entity 2012 $'000	2011 $'000 Restated
Revenues from operating activities		
Revenue from sales or services	**50,402**	161,702
Total revenues from operating activities	**50,402**	161,702
Revenues from non-operating activities		
Interest - other persons	**64**	137
Other revenue	**456**	287
Gains on foreign exchange – realised	**-**	103
Gain on re-measurement of contingent consideration	**3,529**	2,192
Total revenues from non-operating activities	**4,049**	2,719
Total revenues	**54,451**	164,421

Note 3 – Expenses and losses

	Economic Entity 2012 $'000	2011 $'000
(a) Depreciation and amortisation of non-current assets		
Property, plant and equipment – depreciation	**(758)**	(596)
Leasehold improvements – amortisation	**(99)**	(85)
Amortisation of patents	**(82)**	-
Total depreciation and amortisation of non-current assets	**(939)**	(681)
(b) Other expenses		
Travel costs	**(1,587)**	(1,222)
Communications costs	**(517)**	(522)
Advertising & Marketing	**(2,289)**	(1,554)
Bank charges	**(478)**	(605)
Printing, Postage & Delivery	**(50)**	(267)
Insurance	**(361)**	(305)
Office Supplies	**(512)**	(349)
Training	**(59)**	(212)
Provision for warranty costs	**(273)**	-
Unrealised losses on foreign exchange	**(289)**	(280)
Losses on sale of assets	**(5)**	-
Other Expenses	**(971)**	(863)
	(7,391)	(6,179)

Note 3 – Expenses and losses (continued)

	Economic Entity 2012 $'000	2011 $'000 Restated
(c) Impairment loss on intangibles		
Impairment loss on goodwill	**(225)**	-
Impairment loss on licence costs	**(471)**	-
	(696)	-

	Economic Entity 2012 $'000	2011 $'000 Restated
(d) Impairment loss on financial assets		
Investments in solar and wind projects	**(44)**	(248)
Investments in Singleton Green	**-**	(534)
Investments in CBD Wind	**-**	(170)
Investment in associated entity - Planet Power	**-**	(986)
Total impairment loss on financial assets	**(44)**	(1,938)

Note 4 – Trade and other receivables

	Economic Entity 2012 $'000	2011 $'000 Restated
Trade receivables	**5,504**	17,767
Other receivables	**1,281**	3,987
Provision for impairment	**(887)**	(324)
Total current receivables	**5,898**	21,430

Note 5 – Inventories

	Economic Entity	
	2012	2011
	$'000	$'000
		Restated
Raw materials and stores	**4,707**	10,400
Work in progress[#]	**11,125**	1,474
STCs*	**2,079**	22,691
Total inventories	**17,911**	34,565

[#] Work in progress at 30 June 2012 includes $10,498,000 in relation to costs incurred in constructing the 5MW solar project in Italy.

* During the year the company reviewed its accounting policy in regard to STCs and determined that, in accordance with general industry accepted practice it was more appropriate to consider the nature of STCs as inventory. STCs are measured at the lower of cost and net realisable value. Costs are determined based on the estimated STC price when quoting a product price to customers. Net realisable value for STCs is the estimated selling price in the normal course of business.

Where inventory is revised to a lower value it is initially recorded as a provision against the asset and expensed in the Statement of Comprehensive Income during the period. When STC inventories are sold at a value higher than carrying value, the excess above the carrying value is recorded as other income in the Statement of Comprehensive Income in period in which the sale occurred.

Previously these assets had been recognised as a current receivable and valued at fair value with reference to market values as determined by reference to the STC clearing house managed by the Office of the Renewables Energy Regulator (ORER). The fair value of STCs held by the entity at 30 June 2011 was determined to be $24,731,000 based on a STC price of $36 per certificate.

As a result of this accounting policy change, receivables valued at $24,731,000 in the accounts as at 30 June 2011 have been revalued to $21,791,000 net of provision for impairment and reclassified as inventories. This policy change has resulted in an additional cost of sales of goods of $2,940,000 in the comparative year.

Note 6 – Other assets

	Economic Entity	
	2012	2011
	$'000	$'000
Current		
Prepayments	**1,259**	177
Borrowing costs	**-**	8
Total current other assets	**1,259**	185
Non-current		
Deposits	**192**	1,061
Total non-current other assets	**192**	1,061

Note 7 – Available-for-sale and Other Financial assets

	Economic Entity	
	2012	2011
	$'000	$'000
		Restated
Available-for-sale financial Assets		
Investment in Westinghouse Solar	**603**	-
Shares in other corporations	**15**	55
Total available-for-sale financial assets	**618**	55
Other financial assets		
Interest in Joint Ventures at cost	**4,471**	4,471
Investments in wind projects	**2,514**	249
Investment in Solar projects	**18**	62
Total other financial assets	**7,003**	4,782
Total available-for-sale and other financial assets	**7,621**	4,837

Note 8 – Property, plant and equipment

	Economic Entity	
	2012	2011
	$'000	$'000
Computer hardware & software		
At cost	**638**	523
Accumulated depreciation	**(484)**	(224)
Total computer hardware & software	**154**	299
Motor vehicles		
At cost	**661**	596
Accumulated depreciation	**(322)**	(239)
Total motor vehicles	**339**	357
Plant and equipment		
At cost	**4,945**	4,133
Accumulated depreciation	**(934)**	(656)
Total plant and equipment	**4,011**	3,477
Furniture, fittings & office equipment		
At cost	**581**	551
Accumulated depreciation	**(206)**	(153)
Total furniture, fittings & office equipment	**375**	398
Leased motor vehicles		
At cost	**616**	504
Accumulated amortisation	**(330)**	(289)
Total leased motor vehicles	**286**	215
Leasehold improvements		
At cost	**512**	512
Accumulated amortisation	**(300)**	(202)
Total leasehold improvements	**212**	310
Capital work in progress		
At cost	**1,111**	1,111
Impairment loss	**(1,111)**	(1,111)
Total capital work in progress	**-**	-
Total property, plant and equipment		
At cost	**9,064**	7,930
Impairment loss	**(1,111)**	(1,111)
Accumulated amortisation/depreciation	**(2,576)**	(1,764)
Total property plant and equipment	**5,377**	5,056

Note 9 – Investments accounted for using the equity method

	Economic Entity	
	2012 **$'000**	2011 $'000
Investment in associates b/f carrying value	**234**	1,269
less share of loss of associates	**(54)**	(50)
Purchase of further investments net of cash acquired	**45**	-
Impairment write down of investments	**(225)**	(985)
	-	234

Note 10 – Intangible assets

	Economic Entity	
	2012 **$'000**	2011 $'000
Goodwill	**19,138**	19,138
Patent costs	**6,203**	6,284
Licence costs	**-**	163
Development costs	**400**	654
Total intangibles	**25,741**	26,239

Note 11 – Trade and other payables

	Economic Entity	
	2012 **$'000**	2011 $'000
Current		
Trade creditors	**10,889**	31,957
Accruals and other payables	**5,200**	1,745
Contingent consideration*	**603**	2,335
Total trade and other payables - current	**16,692**	36,037
Non-current		
Contingent consideration*	**-**	3,670
Total other payables - non-current	**-**	3,670

* Contingent consideration represents the amount payable in relation to the purchase of eco-Kinetics.

Note 12 – Financial liabilities

	Economic Entity 2012 $'000	2011 $'000
Current		
Secured		
Bank overdraft	**-**	827
Trade finance	**2,500**	2,500
Loans*	**17,263**	9,500
Convertible Notes **	**8,453**	-
Finance leases	**160**	134
Borrowing costs	**(1,292)**	-
Total current financial liabilities	**27,084**	12,961
Non-current		
Secured		
Finance leases	**334**	230
Total non-current financial liabilities	**334**	230
Total financial liabilities	**27,418**	13,191

* The loans balance includes $10,763,000 drawn on the entity's construction finance facility in relation to the 5MW Italy solar project completed in June 2012. This loan is secured over the project and will be repaid in full on its sale.

** Convertible notes with a face value of US$8.65 million were issued in the year. The maturity date of these notes is 36 months after the date of issue, however, until such time as shareholder approval for their issue has been obtained they can be redeemed within a 12 month period so are classified as current at 30 June 2012.

Note 13 – Provisions

	Economic Entity 2012 $'000	2011 $'000
Employee entitlements	**759**	555
Provision for warranty costs	**273**	-
Total current provisions	**1,032**	555
Employee entitlements	**295**	258
Total non-current provisions	**295**	258

Note 14 – Issued capital

	Economic Entity	
	2012	2011
	$'000	$'000
(a) Share capital		
Ordinary shares fully paid	**108,079**	106,354
	108,079	106,354

(b) Movements in ordinary shares on issue	**2012**		2011	
	No of shares	**$'000**	No of shares	$'000
Beginning of the financial year	**453,336,666**	**106,354**	373,950,962	97,975
Issue of shares	**19,167,394**	**1,725**	79,385,704	8,372
Transaction costs relating to shares issued	**-**	**-**	-	(77)
Tax benefits on issue costs	**-**	**-**	-	83
End of the financial year	**472,504,060**	**108,079**	453,336,666	106,354

Note 15 – Reserves

	Economic Entity	
	2012	2011
	$'000	$'000
Reserves		
Share option reserve	**2,879**	1,170

The share option reserve records items recognised as expenses on valuation of employee share options and options granted as part of borrowing agreements.

Note 16 – Accumulated losses

	Economic Entity	
	2012	2011
	$'000	$'000
		Restated
Opening balance	**(54,841)**	(57,418)
Profit/(Loss) attributable to members of Parent entity	**(21,684)**	2,577
Closing balance	**(76,525)**	(54,841)

Note 17 – Cash flow information

	Economic Entity 2012 $'000	2011 $'000
(a) Reconciliation of cash		
Cash and cash equivalents balance comprises:		
- cash assets at bank	**2,522**	9,796
- bank overdraft	**-**	(827)
Closing cash and cash equivalents balance	**2,522**	8,969

(b) Operating cash outflows includes an amount of $10,830,000 in relation to construction costs of the 5MW Italy project completed in June 2012. This was funded through the drawdown from the construction finance facility established during the year ended 30 June 2012.

Note 18 – Segment information

Primary Reporting – Business Segments

2012	Captech $'000	Eco-Kinetics $'000	Parmac $'000	CBD Solar $'000	CBD (Corporate) $'000	Project Development $'000	Eliminations $'000	Consolidated $'000
Revenue outside the economic entity	5,554	30,318	10,372	3,648	483	27	-	50,402
Inter-segment revenue	754	4,644	-	266	-	-	(5,664)	-
Other revenue	24	73	102	7	3,843	-	-	4,049
Total revenue	6,332	35,035	10,474	3,921	4,326	27	(5,664)	**54,451**
Segment operating profit/(loss)	397	(15,069)	(560)	(2,061)	(14,783)	(184)	(226)	(32,486)
Income tax (expense)/ benefit	(120)	4,771	169	618	5,241	55	68	10,802
Operating profit after tax	277	(10,298)	(391)	(1,443)	(9,542)	(129)	(158)	**(21,684)**
Depreciation, Amortisation and Impairment loss	84	323	127	12	263	130	-	939
Segment Assets	5,654	28,117	4,829	(664)	48,110	13,894	(20,000)	79,940
Unallocated Assets								-
Total Assets								**79,940**
Segment Liabilities	463	25,735	1,440	930	18,625	11,041	(12,727)	45,507
Unallocated Liabilities								-
Total Liabilities								**45,507**

Note 18 – Segment information (continued)

2011	Captech	Eco-Kinetics	Parmac	CBD Solar	CBD (Corporate)	Project Development	Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue outside the economic entity	4,499	125,874	15,393	14,238	479	1,094	-	161,577
Inter-segment revenue	1,340	-	-	-	-	-	(1,340)	-
Other revenue	20	304	27	240	2,321	1	(69)	2,844
Total revenue	5,859	126,302	15,420	14,478	2,800	1,095	(1,408)	**164,546**
Segment operating profit/(loss)	506	7,769	1,185	35	(7,200)	(120)	1,025	3,140
Income tax (expense)/ benefit	(154)	(2,477)	(359)	(15)	2,376	36	-	(593)
Operating profit after tax	352	5,292	826	20	(4,884)	(84)	1,025	**2,547**
Depreciation, Amortisation	71	163	137	8,372	239	63	-	681
Impairment Loss	-	-	-	-	1,938	-	-	1,938
Segment Assets	6,436	53,078	6,583	7,830	57,259	14,841	(39,182)	106,844
Unallocated Assets								-
Total Assets								**106,845**
Segment Liabilities	1,522	39,687	2,802	7,810	22,548	11,910	(32,117)	54,162
Unallocated Liabilities								-
Total Liabilities								**54,162**

Secondary Reporting – Geographic Segments

The consolidated group's business segments operated predominately in one geographic segment located within the States and Territories of Australia. No material trading by overseas segments occurred.

Note 19 – Subsequent Events

No 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 going forward.

Note 20 – Restatement of Comparatives

During the year ended 30 June 2012 the economic entity changed its accounting policy regarding the treatment and recognition of Small-scale Technology Certificates (STCs). Refer to note 5 for further information.

The Company has undertaken a detailed review of the basis under which it has previously capitalised expenditure on development projects. As a consequence, it was determined that costs in relation to the Adjungbilly wind project had previously been capitalised in error.

These amendments have been made by restating the affected financial statement line items for prior periods as follows:

Balance sheet (extract)

	2011 $'000	Change in policy $'000	Correction of an error $'000	2011 $'000 Restated
CURRENT ASSETS				
Cash and cash equivalents	9,796	-	-	9,796
Trade and other receivables	47,506	(25,631)	-	21,875
Inventories	11,873	22,692	-	34,565
Other assets	185	-	-	185
TOTAL CURRENT ASSETS	69,360	(2,939)	-	66,421
NON-CURRENT ASSETS				
Financial assets	6,295	-	(1,458)	4,837
Plant and equipment	5,056	-	-	5,056
Investments accounted for using the equity method	234	-	-	234
Deferred tax assets	2,040	882	75	2,997
Intangible assets	26,239	-	-	26,239
Other non current assets	1,061	-	-	1,061
TOTAL NON-CURRENT ASSETS	40,925	882	(1,383)	40,424
TOTAL ASSETS	110,285	(2,057)	(1,383)	106,845
TOTAL LIABILITIES	54,162	-	-	54,162
NET ASSETS	56,125	(2,057)	(1,383)	52,683
EQUITY				
Issued capital	106,354	-	-	106,354
Reserves	1,170	-	-	1,170
Retained earnings	(51,399)	(2,057)	(1,383)	(54,841)
TOTAL EQUITY	56,125	(2,057)	(1,383)	52,683

Note 20 – Restatement of Comparatives (continued)

Income statement (extract)

	2010 $'000	Correction of an error $'000	2010 $'000 Restated
Revenue	44,828	-	44,828
Cost of sales of goods	(27,313)	-	(27,313)
Impairment loss on assets	-	(1,210)	(1,210)
Other expenses and revenue	(12,609)	-	(12,609)
Profit before income tax expense	4,906	(1,210)	3,696
Income tax (expense) / benefit	2,972	-	-
Net profit / (loss) attributable members of CBD Energy Limited	7,879	(1,210)	6,669

Equity statement (extract)

EQUITY			
Issued capital	97,975	-	97,975
Reserves	52	-	52
Retained earnings	(56,208)	(1,210)	(57,418)
TOTAL EQUITY	41,819	(1,210)	40,609

Income statement (extract)

	2011 $'000	Correction of an error $'000	Change in policy $'000	2011 $'000 Restated
Revenue	164,546	-	(121)	164,421
Cost of sales of goods	(127,179)	-	(5,476)	(136,652)
Impairment loss on assets	(1,689)	(248)	-	(1,938)
Loss on sale of RECs	(2,657)	-	2,657	-
Other expenses and revenue	(26,693)	-	-	(22,691)
Profit before income tax expense	6,328	(248)	(2,940)	3,140
Income tax (expense) / benefit	(1,549)	74	882	(593)
Net profit / (loss) attributable members of CBD Energy Limited	4,779	(174)	(2,058)	2,547

Equity statement (extract)

EQUITY				
Issued capital	106,354	-	-	106,354
Reserves	1,170	-	-	1,170
Retained earnings (Restated)	(52,609)	(174)	(2,058)	(54,841)
TOTAL EQUITY	54,915	(174)	(2,058)	52,683

Audit/review of accounts upon which this report is based

This report is based on accounts to which one of the following applies (tick one):

☐	The accounts have been audited (refer attached financial statements).	☐	The accounts have been subject to review (refer to attached financial statements)
☐	The accounts are in the process of being audited or subject to review.	☒	The accounts have not been audited or reviewed.