

Carbon Polymers Limited

ABN 42 000 764 572

Consolidated Financial Statements

For the Year Ended 30 June 2011

Carbon Polymers Limited

ABN 42 000 764 572

Contents

For the Year Ended 30 June 2011

	Page
Consolidated Financial Statements	
Directors' Report	1
Corporate Governance Statement	9
Auditors Independence Declaration under Section 307C of the Corporations Act 2001	14
Consolidated Statement of Comprehensive Income	15
Consolidated Statement of Financial Position	16
Consolidated Statement of Changes in Equity	17
Consolidated Statement of Cash Flows	19
Notes to the Financial Statements	20
Directors' Declaration	56
Independent Auditors' Report	57
Additional Information for Listed Public Companies	59

Carbon Polymers Limited

ABN 42 000 764 572

Directors' Report

For the Year Ended 30 June 2011

Your directors present their report, together with the statement of the Group, being the company and its controlled entities, for the financial year ended 30 June 2011.

1. General information

Information on directors

The names of each person who has been a director during the year and to the date of this report are:

A. D. Howard

Qualifications	Registered Representative - Sydney Futures Exchange.
Experience	Extensive experience in capital markets with local and international investment banks over many years.
Interest in shares and options	Beneficial interest in 2,000,000 ordinary shares
Special responsibilities	Managing Director
Other current directorships in listed entities	Allmine Group Limited (ASX:AZG)

P. De Prima

Qualifications	Finance Broker by profession.
Experience	More than 40 years of experience in the finance and banking industry.
Interest in shares and options	Beneficial interest in 16,200,000 ordinary shares

C. A. Grady

Qualifications	Resigned on 10 May 2011 Chartered Accountant by profession
Experience	Extensive experience in the management and audit of companies
Interest in shares and options	Beneficial interest in 95,000 ordinary shares

Dr K. C. W. Wong

Qualifications	Medical Practitioner by profession
Experience	Fellow of the Australian Institute of Company Directors
Interest in shares and options	Beneficial interest in 821,852 ordinary shares

P J Merhi

Qualifications	Appointed on 7 March 2011 Accountant by profession
Experience	Extensive experience in the management of companies.
Interest in shares and options	Beneficial interest in 2,000,000 ordinary shares and 400,000 convertible notes

G Vella

Experience	Appointed on 29 November 2010 Extensive experience in the management of companies, property development and investment.
Interest in shares and options	Beneficial interest in 1,770,578 ordinary shares and 2,000,000 convertible notes

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Carbon Polymers Limited

ABN 42 000 764 572

Directors' Report

For the Year Ended 30 June 2011

1. General information continued

Company secretary

The company secretary at the end of the financial year was Mr C A Grady CA:

Mr Colin Grady(CA) has been the company secretary since July 1990.

Principal activities and significant changes in nature of activities

The principal activities of the Group during the financial year were general investment and the development of the rubber tyre processing facility in Australia.

There were no significant changes in the nature of the Group's principal activities during the financial year.

Meetings of directors

During the financial year, 9 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
A. D. Howard	9	9
P. De Prima	9	9
C. A. Grady	8	7
Dr K. C. W. Wong	9	9
P J Merhi	3	3
G Vella	6	6

2. Operating Results and Review of Operations for the Year

Operating results

The consolidated profit of the Group for the financial year amounted to \$ 2,771,129, after providing for income tax.

Dividends paid or recommended

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

Carbon Polymers Limited

ABN 42 000 764 572

Directors' Report

For the Year Ended 30 June 2011

2. Operating Results and Review of Operations for the Year continued Review of operations

A review of the operations of the Group during the financial year and the results of those operations show the following:

Flight Focus:

As previously advised to the market, the Company received approval at the general meeting of shareholders held on 10 October 2010 to sell its investment in Simultech Pte Ltd to Central Pathology Services Pty Limited, in consideration of the cancellation of the obligations of the Company under the convertible notes issued by the Company, and the release of the Company from the unsecured debt owing by the Company to Central Pathology Services Pty Limited. The result of this decision was a profit from discontinued operations of \$2,685,109.

Rubber Processing:

As previously reported to the market the Company has successfully completed the development and construction of the rubber plant located at Smithfield NSW. The commissioning phase of the rubber plant took much longer to achieve than was originally expected with the result that commercial operations were not commenced until April 2011. Sales of finished product commenced in May 2011.

In May 2011 the Company successfully negotiated the acquisition of the Reclaim Industries plant and equipment from the administrators for a final cost of \$925,000. During the period to the date of this report the Company has invested significant time and effort on improving the efficiencies of the plant to enable the planned increased production capacity to be achieved. To that end the Company was also successful in employing key personal, previously employed by Reclaim and involved in the production and distribution network of the business.

3. Financial review

Financial position

The net assets of the Group have increased by \$ 18,873,682 from 30 June 2010 to \$ 18,462,729 at 30 June 2011. This increase is largely due to the profit achieved from the discontinued operations of \$2,685,109, profit from continuing operations of \$86,020, the revaluation of the assets acquired from Reclaim of \$1,881,393, goodwill of \$11,610,000 created by the acquisition of the remaining equity interest in Oakturn and the capitalisation of the development costs of the Oakturn Rubber plant.

Variance from Appendix 4E Lodged with ASX

The directors have amended the Consolidated Financial Statements for year ended 30 June 2011 against the Preliminary Financial report, in consultation with the auditors. The directors have agreed to exclude income of \$1,200,000 from the 2011 financial year and recognise this income in the 2012 financial year, matching the recording of the income with the date of delivery of the stock to the customer and with the timing of the receipt of these cashflows. Inventories on hand at year end which were applied to that sale invoice have now been included in the balance sheet at year end. Recognising this income in the 2012 financial year does not change the cashflow position of the company or the value of this income to shareholders. This revision was prompted due to a differing view of Australian accounting standards with the auditors and internal policies of Carbon Polymers in the recognition of income from sales.

To this end, the Directors have agreed to amend the statements in line with the recommendations of the auditors. This change has resulted in a reduction of the reported profit of \$5,174,614 to \$4,652,522 and the recognition of this income in the subsequent financial year.

Carbon Polymers Limited

ABN 42 000 764 572

Directors' Report

For the Year Ended 30 June 2011

4. Other items

Significant changes in state of affairs

There have been no significant changes in the state of affairs of entities in the Group during the year, other than as mentioned above.

After balance date events

No other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Future developments and results

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

Environmental issues

The Group's operations are regulated in NSW, WA and SA by the respective State Environmental Protection Acts. There were no breaches of the various State Environmental protection Acts during the year.

5. Indemnifying Officers or Auditors

No indemnities have been given, during or since the end of the financial year, for any person who is or has been an officer or auditor of the Group.

The company has paid premiums to insure the directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company.

6. Options

Option holders do not have any rights to participate in any issues of shares or other interests in the company or any other entity.

For details of options issued to directors and other key management personnel as remuneration, refer to the remuneration report.

At the date of this report, the unissued ordinary shares of Carbon Polymers Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
8 April 2011	8 April 2014	\$0.30	10,350,000
			<u>10,350,000</u>

During the year ended 30 June 2011, no ordinary shares of Carbon Polymers Limited were issued on the exercise of options granted.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Carbon Polymers Limited

ABN 42 000 764 572

Directors' Report

For the Year Ended 30 June 2011

7. Proceedings on Behalf of Company

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

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

8. Auditor's Independence Declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2011 has been received and can be found on page 14 of the financial report.

9. Remuneration Report

Remuneration policy

The remuneration policy of Carbon Polymers Limited has been designed to align key management personnel (KMP) objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The Board of Carbon Polymers Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the Group is as follows:

- The remuneration policy has been developed by the Board following professional advice from independent external consultants.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, and performance incentives.
- Performance incentives are based on predetermined key performance indicators.
- Incentives paid in the form of options or rights are intended to align the interests of the KMP and company with those of the shareholders. In this regard, key management personnel are prohibited from limiting risk attached to those instruments by use of derivatives or other means.
- The Board reviews key management personnel packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors.

The performance of key management personnel is measured against criteria agreed bi-annually with each executive and is based predominantly on the forecast growth of the Group's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Key management personnel receive a superannuation guarantee contribution required by the law, 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.

Upon retirement, key management personnel are paid employee benefit entitlements accrued to the date of retirement.

Carbon Polymers Limited

ABN 42 000 764 572

Directors' Report

For the Year Ended 30 June 2011

9. Remuneration Report continued

Remuneration policy continued

Any options not exercised before or on the date of termination will lapse.

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 Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

Key management personnel are also entitled and encouraged to participate in the employee share and option arrangements to align their interests with shareholders' interests.

Options granted under these arrangements do not carry dividend or voting rights. Each option is entitled to be converted into one ordinary share and is valued using the Black-Scholes methodology.

Key management personnel who are subject to these arrangements are subject to a policy governing the use of external hedging arrangements. Such personnel are prohibited from entering into hedge arrangements, i.e. put options, on unvested shares and options which form part of their remuneration package. Terms of employment signed by such personnel contain details of such restrictions.

Relationship between remuneration policy and company performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Two methods have been applied to achieve this aim, the first being a performance-based bonus based on key performance indicators, and the second being the issue of options to directors and executives to encourage the alignment of personal and shareholder interests. The company believes this policy has been effective in increasing shareholder wealth over the past 4 years.

Performance conditions linked to remuneration

The key performance indicators (KPIs) are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for Group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the Remuneration Committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year.

The satisfaction of the performance conditions are based on a review of the audited financial statements of the Group, as such figures reduce any risk of contention relating to payment eligibility. The Board does not believe that performance conditions should include a comparison with factors external of the Group at this time.

Employment details of members of key management personnel and other executives

The following table provides employment details of persons who were, during the financial year, members of key management personnel of the Group, and to the extent different, among the five Group executives or company executives receiving the highest remuneration. The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options.

Service agreements

Carbon Polymers Limited

ABN 42 000 764 572

Directors' Report

For the Year Ended 30 June 2011

9. Remuneration Report continued

Employment details of members of key management personnel and other executives continued

On appointment to the Board, all non-executive directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of director.

The remuneration and other terms of employment for the Managing Director and senior executives are set out in formal service agreements as summarised below.

All service agreements are for an unlimited duration.

In cases of resignation, no separation payment is made to the executive, except for amounts due and payable up to the date of ceasing employment, including accrued leave entitlements.

Remuneration details for the year ended 30 June 2011

The following table of benefits and payment details, in respect to the financial year, the components of remuneration for each member of the key management personnel of the Group and, to the extent different, the five Group executives and five company executives receiving the highest remuneration:

Table of benefits and payments

	short term		
	Salary	Consulting fees	
2011	\$	\$	\$
Directors			
A. D. Howard	15,000	90,000	105,000
P. De Prima	-	-	-
C. A. Grady	-	15,000	15,000
Dr K. C. W. Wong	-	-	-
G Vella	-	-	-
P J Merhi	-	-	-
KMP			
J Gordon	-	472,864	472,864
	<u>15,000</u>	<u>577,864</u>	<u>592,864</u>

Carbon Polymers Limited

ABN 42 000 764 572

Directors' Report

For the Year Ended 30 June 2011

9. Remuneration Report continued

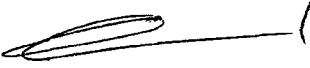
Remuneration details for the year continued ended 30 June 2011
short term

2010	Salary \$	Consulting fees \$	\$
Directors			
A. D. Howard	-	-	-
P. De Prima	-	-	-
C. A. Grady	-	79,000	79,000
Dr K. C. W. Wong	-	9,000	9,000
Dr C. K. Wong	-	50,000	50,000
KMP			
J Gordon	-	250,000	250,000
	<hr/>	<hr/>	<hr/>
	-	388,000	388,000

Securities Received that are not Performance Related

No members of key management personnel are entitled to receive securities which are not performance-based as part of their remuneration package.

This director's report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

Director: 
A. D. Howard

Dated 30 September 2011

Carbon Polymers Limited

ABN 42 000 764 572

Corporate Governance Statement

This statement on the corporate governance of the Company is based on the principles of corporate governance set out in the ASX Principles of Corporate Governance and Recommendations.

Principle 1: Laying Solid Foundations for Management and Oversight

The role of the Board of Directors is to set goals and policies for the operation of the Company, to oversee the Company's management, to regularly review performance and to generally monitor the Company's affairs in the best interests of shareholders.

The board of directors comprises:

A Howard	(Chairman and Managing Director) - appointed as a Director in June 2010 and Chairman and Managing Director in August 2010
Dr K. C. W. Wong	- appointed 2001
P De Prima	- appointed June 2010
G Vella	- appointed 29 November 2010
P Merhi	- appointed 9 March 2011

The composition of the board is determined by the shareholders.

The specific role of the Board and directors is to:

- ensure compliance in legal, statutory, and other ethical matters;
- monitor the business environment;
- identify business risk areas;
- identify business opportunities; monitor systems established to ensure prompt responses to shareholders complaints and enquiries.

Principle 2: Structuring the Board to Add Value

Board Composition

The Board is comprised of a Chairman and four independent directors. All directors have a personal financial interest in the Company. The Company is small and the Board considers that a financial interest is desirable and does not compromise independence. Four of the directors are regarded as independent and the Board is comprised of a balance of directors. The board considers this composition is appropriate for a Company of this size. Details of the skills, experience and expertise of the directors is set out in the Directors Report.

The directors, other than the Managing Director, are subject to rotation in accordance with the Company's Constitution.

The directors have the right to seek independent professional advice in the furtherance of their duties as directors at the company's expense. Written approval must be obtained from the chairman prior to incurring any expense on behalf of the company.

Audit Committee

As the Company was not within the ASX top 500 at the 1st July 2011, an audit committee is not mandatory. The board considers that a formal audit committee would not provide improved efficiencies. The managing director is involved in the day to day management and control of the company.

Carbon Polymers Limited

ABN 42 000 764 572

Corporate Governance Statement

The Board periodically reviews the Company's accounting policies; the content of financial statements; issues relating to the controls applied to the Company's activities, the content, effectiveness of the external audit; risk management issues; compliance issues and other related matters.

Remuneration Committee

The remuneration of the directors is determined by the board subject to the limits set by the Company's Constitution and/or the shareholders in general meeting.

The Company has a small Board of Directors. The Board considers that a formal remuneration committee would not provide improved efficiencies.

Nomination Committee

The Company has a small Board of Directors. The Board considers that a formal nomination committee would not provide improved efficiencies.

Independence of Directors

The Company has a majority of independent Director's on the Board.

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the director's report.

Consideration is also given to the issue of Director Independence in any situation where an individual Director may be a partner in, controlling shareholder of, or executive of an entity which has a material commercial relationship with the Company. The Board would consider whether the relevant Director remained independent in any situation where, as a result of the commercial relationship with the Company, an amount is paid or received and the Director had a direct or indirect material interest.

Principle 3: Promotion of Ethical and Responsible Decision-making

The Company maintains high standards of ethical conduct to ensure all its activities are undertaken with efficiency, honesty and fairness.

Because of its size the Company does not consider a written statement of the Principles of Conduct will provide greater efficiency.

Dealings by Directors and Officers in Company Securities

Specific policies have been adopted by the Board in relation to buying or selling by Directors and employees, of securities in the Company itself. Directors and officers must not buy or sell the Company's securities if they possess information which is not generally available and which may materially affect the value of the Company's securities until that information has been released to the market and adequate time has been given for this to be reflected in the securities prices.

Details of all securities transactions by Directors are publicly reported to the Australian Stock Exchange within five business days of their occurrence as required by the Listing Rules.

Principle 4: Safeguarding Integrity in Financial Reporting

The Company is not required to establish an Audit Committee. (Refer to Principle 2).

The Board has obtained from the Managing Director/CEO and the Company Secretary/CFO written affirmation that to the best of their knowledge and belief the Company's financial reports present a true and fair view, in all material respects, of

Carbon Polymers Limited

ABN 42 000 764 572

Corporate Governance Statement

the Company's financial condition and operational results are in accordance with relevant accounting standards.

Principle 5: Timely and Balanced Disclosure

As a listed entity, the Company has an obligation under the ASX Listing Rules to maintain an informed market with respect to its securities. Accordingly, we keep the market advised of all information required to be disclosed under the Rules which we believe would have material effect on the price or value of the Company's securities.

The Company Secretary and the Managing Director have responsibility for compliance with ASX Listing Rules.

Because of its size, the Company does not consider a written statement of policies and procedures designed to give effect to obligations under the ASX Listing Rules will provide greater efficiency.

Principle 6: Respecting the Rights of Shareholders

Our shareholders own the Company, and the Board's primary responsibility to them is to do its utmost to meet the Company's objectives and so increase the Company's value for all shareholders. As owners of the Company, the Board maintains active communication with shareholders as often as is practicable.

Each year the Company asks its external auditor to attend the Annual General Meeting to answer any shareholders' questions regarding the audit.

Principle 7: Recognising and Managing Risk

The Company is committed to the establishment and maintenance of a sound system of risk oversight, management and internal control. The Company has recognised and addressed material risks to the business since its inception. The Company does not consider a formal statement of risk management procedures would result in improved efficiency.

The Managing Director/CEO and Company Secretary/CFO have stated in writing that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects and the statement given at Principle 4 is founded on a sound system of risk management and internal compliance and control.

Principle 8: Remunerate fairly and responsibly

Carbon Polymers Limited is a small company. The Board does not consider that formal performance evaluation procedures would improve efficiencies. An informal annual performance evaluation of the board and all board members was conducted by the Board for the financial year ended 30 June 2011. The chairman also speaks to each director individually regarding their role as a director and to identify ways to improve performance.

The Board sets the remuneration of executive directors. The Company does not employ any non director executives. The Board does not consider that a formal Remuneration Committee would improve efficiencies when the Company has a small Board of Directors and no non director executives.

The constitution of Carbon Polymers Limited requires approval by the shareholders in general meeting of a maximum amount of remuneration to be allocated between non-executive Directors as they determine. In proposing the maximum amount for consideration in general meeting, and in determining the allocation, the Board takes account of the time demands made on Directors, together with such factors as the general level of fees paid to Australian corporate Directors.

Non-executive directors do not receive any performance based remuneration. Non-executive Directors' remuneration comprises solely of Directors' fees and allowances plus payments pursuant to the Superannuation Guarantee Contribution.

Further information on Directors' remuneration is set out in the Financial Report.

Executives are also entitled to participate in the employee share and option arrangements.

The amount of remuneration for all directors and other key management personnel, including all monetary and non

Carbon Polymers Limited

ABN 42 000 764 572

Corporate Governance Statement

monetary components, are detailed in the financial report. All remuneration paid to executives is valued at the cost to the company and expensed. Shares given to executives are valued as the difference between the market price of those shares and the amount paid by the executive. Options are valued using the Black Scholes methodology.

The board expects that the remuneration structure implemented will result in the company being able to attract and retain the best executives to run the economic entity. It will also provide executives with the necessary incentives to work to grow long term shareholder value.

The payment of bonuses, options and other incentive payments are reviewed by the directors annually as part of the review of executive remuneration and a recommendation is put to the board for approval. All bonuses, options and incentives must be linked to predetermined performance criteria.

Explanations for Departures from Best Practice Recommendations

The Board has adopted corporate governance practices that are commensurate with the size and scope of the Company and its activities. The Company has therefore adopted policies, procedures and structures which have been designed with the best interests of the Company and its shareholders in mind, and which are practical and efficient to implement, notwithstanding that these are not in all instances consistent with the specific recommendations of the ASX Corporate Governance Council. To the extent that the Company's practises did not conform with the ASX Principles and Recommendations during the reporting period, and explanation for departure from the respective Principles and Recommendations is provided below:

Principle - Ref / Notification of Departure - Explanation For Departure

Principle 1

1.1 Formalise the functions reserved to the Board and those delegated to management

As the Company currently has limited numbers of fulltime employees it is not possible to delegate any functions to management. The Company's business is controlled by the directors.

Principle 2

2.3 The roles of the Chairman and Chief Executive Officer should not be the same person.

Given the size and scope of the Company's operations the Board considers that there is no real benefit to be gained by appointing a Chief Executive Officer in addition to the Chairman.

2.4 A separate Nomination Committee has not been formed.

The role of the Nomination Committee is carried out by the full Board. The Board considers that given its size, no efficiencies or other benefits would be gained by establishing a separate Nomination Committee.

Principle 4

4.1 to 4.4 The board should establish an audit committee.

The Company is not required to establish an Audit Committee. (Refer to Principle 2).

The Board has obtained from the Managing Director/CEO and the Company Secretary/CFO written affirmation that to the best of their knowledge and belief the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results are in accordance with relevant accounting standards.

Principle 7

Carbon Polymers Limited

ABN 42 000 764 572

Corporate Governance Statement

7.1 *The Board should establish policies on risk oversight and management.*

Due to the size and scope of the Company's operations the full Board is responsible for the risk oversight and management issues. All acquisitions and disposals are approved by the Board.

Principle 8

8.1 *The Board should establish a remuneration committee.*

The Company has a small Board of Directors. The Board considers that a formal remuneration committee would not provide improved efficiencies.

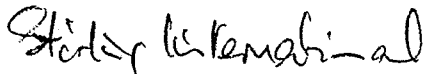
Carbon Polymers Limited

ABN 42 000 764 572

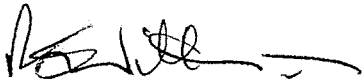
Auditors Independence Declaration under Section 307C of the Corporations Act 2001 To the Board Carbon Polymers Limited and Controlled Entities

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there have been:

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



Stirling International
Chartered Accountants



Roger Williams
Partner

30 September 2011

Sydney

Carbon Polymers Limited

ABN 42 000 764 572

Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2011

	Note	Consolidated		Parent	
		2011	2010	2011	2010
		\$	\$	\$	\$
Revenue	2	179,014	-	-	-
Other income	2	13,543	7,487	12,276	1,257
Raw materials and consumables used		522,830	-	-	-
Employee benefits expense		(46,842)	(50,000)	199,473	(50,000)
Depreciation and amortisation expense		(133,183)	(22,292)	-	2,708
Other expenses	3	(462,368)	(364,098)	(370,725)	(289,098)
Finance costs		(24,252)	(344,196)	(24,209)	(344,196)
Fair value adjustments		37,278	(2,841,734)	37,278	(2,841,734)
Profit/(loss) before income tax		86,020	(3,614,833)	(145,907)	(3,521,063)
Income tax expense		-	-	-	-
Profit from continuing operations		86,020	(3,614,833)	(145,907)	(3,521,063)
Profit/(loss) from discontinued operations	4	2,685,109	-	2,680,113	-
Profit/(loss) for the year		2,771,129	(3,614,833)	2,534,206	(3,521,063)
Other comprehensive income:					
Net gain on revaluation of plant and equipment		1,881,393	-	-	-
Other comprehensive income for the year, net of tax		1,881,393	-	-	-
Total comprehensive income/(loss) for the year		4,652,522	(3,614,833)	2,534,206	(3,521,063)
Earnings per share					
From continuing and discontinued operations:					
Basic earnings per share (cents)	24	2.42	(4.86)	-	-
Diluted earnings per share (cents)	24	2.59	(4.89)	-	-

The accompanying notes form part of these financial statements.

Carbon Polymers Limited

ABN 42 000 764 572

Consolidated Statement of Financial Position

As At 30 June 2011

	Note	Consolidated		Parent	
		2011	2010	2011	2010
		\$	\$	\$	\$
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	6	310,538	80,587	23,299	62,082
Trade and other receivables	7	55,079	128,451	249	2,018,442
Inventories	8	579,183	-	-	-
Other financial assets	9	-	2,041,644	-	29,463
Current tax receivable	16	198,256	2,285	117,522	13,194
Other assets	12	243,000	-	160,000	-
TOTAL CURRENT ASSETS		1,386,056	2,252,967	301,070	2,123,181
NON-CURRENT ASSETS					
Trade and other receivables	7	-	-	6,305,093	3,565,257
Financial assets	9	-	-	11,610,400	402
Property, plant and equipment	10	5,738,581	1,920,149	-	-
Intangible assets	11	13,877,037	1,735,200	-	-
TOTAL NON-CURRENT ASSETS		19,615,618	3,655,349	17,915,493	3,565,659
TOTAL ASSETS		21,001,674	5,908,316	18,216,563	5,688,840
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	13	878,602	2,669,578	116,904	2,343,839
Borrowings	14	-	2,700,000	-	2,700,000
Short-term provisions	15	10,343	49,691	-	49,691
TOTAL CURRENT LIABILITIES		888,945	5,419,269	116,904	5,093,530
NON-CURRENT LIABILITIES					
Trade and other payables	13	-	-	-	2
Borrowings	14	1,650,000	900,000	1,650,000	900,000
TOTAL NON-CURRENT LIABILITIES		1,650,000	900,000	1,650,000	900,002
TOTAL LIABILITIES		2,538,945	6,319,269	1,766,904	5,993,532
NET ASSETS		18,462,729	(410,953)	16,449,659	(304,692)
EQUITY					
Issued capital	17	31,890,028	17,669,883	31,890,028	17,669,883
Reserves	18	2,292,713	410,205	411,320	411,320
Accumulated losses		(15,720,012)	(18,491,141)	(15,851,689)	(18,385,895)
Total equity attributable to equity holders of the company		18,462,729	(411,053)	16,449,659	(304,692)
Non-controlling interest		-	100	-	-
TOTAL EQUITY		18,462,729	(410,953)	16,449,659	(304,692)

The accompanying notes form part of these financial statements.

Carbon Polymers Limited

ABN 42 000 764 572

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2011

2011

	Ordinary Shares	Retained Earnings	Parent Capital Profits Reserve	Option Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2010	17,669,883	(18,385,895)	219,462	191,858	(304,692)
Profit or loss attributable to members of the parent entity	-	2,534,206	-	-	2,534,206
Shares issued during the year	14,490,000	-	-	-	14,490,000
Transaction costs	(269,855)	-	-	-	(269,855)
Balance at 30 June 2011	<u>31,890,028</u>	<u>(15,851,689)</u>	<u>219,462</u>	<u>191,858</u>	<u>16,449,659</u>

2010

	Ordinary Shares	Retained Earnings	Parent Capital Profits Reserve	Option Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2009	17,568,008	(14,864,832)	219,462	191,858	3,114,496
Profit or loss attributable to members of the parent entity	-	(3,521,063)	-	-	(3,521,063)
Shares issued during the year	104,000	-	-	-	104,000
Transaction costs	(2,125)	-	-	-	(2,125)
Balance at 30 June 2010	<u>17,669,883</u>	<u>(18,385,895)</u>	<u>219,462</u>	<u>191,858</u>	<u>(304,692)</u>

The accompanying notes form part of these financial statements.

Carbon Polymers Limited

ABN 42 000 764 572

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2011

2011

	Consolidated							
	Ordinary Shares	Retained Earnings	Capital Profits Reserve	Asset Revaluation Reserve	Foreign Currency Translation Reserve	Option Reserve	Non-controlling Interests	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2010	17,669,883	(18,491,141)	219,462	-	(1,115)	191,858	100	(410,953)
Profit attributable to members of the parent entity	-	2,771,129	-	-	-	-	-	2,771,129
Shares issued during the year	14,490,000	-	-	-	-	-	-	14,490,000
Transaction costs	(269,855)	-	-	-	-	-	-	(269,855)
Revaluation of property, plant and equipment	-	-	-	1,881,393	-	-	-	1,881,393
De-recognition of non-controlling interests	-	-	-	-	-	-	(100)	(100)
Adjustments from translation of foreign controlled entities	-	-	-	-	1,115	-	-	1,115
Balance at 30 June 2011	31,890,028	(15,720,012)	219,462	1,881,393	-	191,858	-	18,462,729

2010

	Consolidated							
	Ordinary Shares	Retained Earnings	Capital Profits Reserve	Asset Revaluation Reserve	Foreign Currency Translation Reserve	Option Reserve	Non-controlling Interests	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2009	17,568,008	(14,876,308)	219,462	-	(797)	191,858	100	3,102,323
Profit attributable to members of the parent entity	-	(3,614,833)	-	-	-	-	-	(3,614,833)
Shares issued during the year	104,000	-	-	-	-	-	-	104,000
Transaction costs	(2,125)	-	-	-	-	-	-	(2,125)
Adjustments from translation of foreign controlled entities	-	-	-	-	(318)	-	-	(318)
Balance at 30 June 2010	17,669,883	(18,491,141)	219,462	-	(1,115)	191,858	100	(410,953)

The accompanying notes form part of these financial statements.

Carbon Polymers Limited

ABN 42 000 764 572

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2011

	Note	Consolidated		Parent	
		2011	2010	2011	2010
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		261,836	6,230	-	-
Payments to suppliers and employees		(1,150,906)	(116,299)	(678,801)	(309,610)
Dividends received		932	696	932	696
Interest received		12,611	561	11,344	561
Interest paid		(24,252)	(344,196)	(24,209)	(344,196)
Net cash provided by (used in) operating activities	20	<u>(899,779)</u>	<u>(453,008)</u>	<u>(690,734)</u>	<u>(652,549)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from disposal of shares		31,643	-	31,643	-
Payment for subsidiary, net of cash acquired		-	-	-	(200)
Acquisition of property, plant and equipment		(2,012,092)	(216,876)	-	-
Development expenditure		(589,966)	(1,272,382)	-	-
Loan from controlled entity		-	-	-	6,011
Loans to related parties		-	-	(741,532)	(1,243,589)
Net cash provided by (used in) investing activities		<u>(2,570,415)</u>	<u>(1,489,258)</u>	<u>(709,889)</u>	<u>(1,237,778)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		2,610,045	101,875	2,610,145	101,875
Proceeds from the issue of convertible notes		750,000	-	750,000	-
Proceeds from borrowings		338,985	1,658,305	(1,998,305)	1,658,305
Net cash provided by (used in) financing activities		<u>3,699,030</u>	<u>1,760,180</u>	<u>1,361,840</u>	<u>1,760,180</u>
OTHER ACTIVITIES					
Effect of exchange rates on cash holdings in foreign currencies		1,115	(318)	-	-
Net cash provided by (used in) other activities		<u>1,115</u>	<u>(318)</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents held		229,951	(182,404)	(38,783)	(130,147)
Cash and cash equivalents at beginning of financial year		80,587	262,991	62,082	192,229
Cash and cash equivalents at end of financial year	6	<u>310,538</u>	<u>80,587</u>	<u>23,299</u>	<u>62,082</u>

The accompanying notes form part of these financial statements.

Carbon Polymers Limited

ABN 42 000 764 572

Notes to the Financial Statements

For the Year Ended 30 June 2011

This financial report includes the consolidated financial statements and notes of Carbon Polymers Limited and Controlled Entities (the 'group').

Carbon Polymers Limited is a company domiciled in Australia.

1 Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements are general purpose financial statements that have 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*.

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 these financial statements are presented below and have been consistently applied unless otherwise stated.

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

(b) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Carbon Polymers Limited at the end of the reporting period. A controlled entity is any entity over which Carbon Polymers Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period that they were controlled. A list of controlled entities is contained in Note 25 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the Group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the consolidated consolidated statement of financial position and consolidated statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses which 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 (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is

Carbon Polymers Limited

ABN 42 000 764 572

Notes to the Financial Statements

For the Year Ended 30 June 2011

1 Summary of Significant Accounting Policies continued

(b) Principles of Consolidation continued

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 Note 1(h)) 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 comprises 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 consolidated 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 consolidated statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

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

(c) Inventories

Inventories are measured at the lower of cost and net realisable 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. Costs of purchased inventory are determined after deducting rebates and discounts.

(d) Comparative Figures

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

When the Group applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a consolidated statement of financial position as at the beginning of the earliest comparative period will be presented.

(e) Property, Plant and Equipment

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

Carbon Polymers Limited

ABN 42 000 764 572

Notes to the Financial Statements

For the Year Ended 30 June 2011

1 Summary of Significant Accounting Policies continued

(e) Property, Plant and Equipment continued

Plant and equipment

Plant and equipment are measured on the cost basis. Cost includes expenditure that is directly attributable to the asset.

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

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a reducing balance basis over the asset's useful life to the Group 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. Land is not depreciated.

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

Plant and Equipment	2.5% - 12.5%
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The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 consolidated statement of comprehensive income.

(f) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is the equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in arm's length transaction. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Carbon Polymers Limited

ABN 42 000 764 572

Notes to the Financial Statements

For the Year Ended 30 June 2011

1 Summary of Significant Accounting Policies continued

(f) Financial Instruments continued

Amortised cost is calculated as:

- (a) the amount at which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments;
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- (d) less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The classification of financial instruments depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and at the end of each reporting period for held-to-maturity assets.

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost .

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period.

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to be realised within 12 months after the end of the reporting period, which will be classified as current assets.

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity

Carbon Polymers Limited

ABN 42 000 764 572

Notes to the Financial Statements

For the Year Ended 30 June 2011

1 Summary of Significant Accounting Policies continued

(f) Financial Instruments continued

investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

The Group did not hold any held-to-maturity investments in the current or comparative financial year.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be realised within 12 months after the end of the reporting period.

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Fees payable on the establishment of loan facilities are recognised as transaction costs of the loan.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Derivative instruments

The Group designates certain derivatives as either:

- (i) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- (ii) hedges of highly probable forecast transactions (cash flow hedges).

At the inception of the transaction the relationship between hedging instruments and hedged items, as well as the Group's risk management objective and strategy for undertaking various hedge transactions is documented.

Assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items, are also documented.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated statement of comprehensive income, together with any changes in the fair value of hedged assets or liabilities that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred to a hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of comprehensive income.

Carbon Polymers Limited

ABN 42 000 764 572

Notes to the Financial Statements

For the Year Ended 30 June 2011

1 Summary of Significant Accounting Policies continued

(f) Financial Instruments continued

Derivative instruments continued

Amounts accumulated in the hedge reserve in equity are transferred to the consolidated statement of comprehensive income in the periods when the hedged item will affect profit or loss.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

Objective evidence that a financial asset is impaired includes default by a debtor, evidence that the debtor is likely to enter bankruptcy or adverse economic conditions in the stock exchange. At the end of each reporting period, the Group assess whether there is objective evidence that a financial asset has been impaired through the occurrence of a loss event. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to indicate that an impairment has arisen.

Where a subsequent event causes the amount of the impairment loss to decrease (e.g. payment received), the reduction in the allowance account (provision for impairment of receivables) is taken through profit and loss.

However, any reversal in the value of an impaired available for sale asset is taken through other comprehensive income rather than profit and loss.

Impairment losses are recognised through an allowance account for loans and receivables in the consolidated statement of comprehensive income.

Financial guarantees

Where material, financial guarantees issued which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as financial liabilities at fair value on initial recognition.

Carbon Polymers Limited

ABN 42 000 764 572

Notes to the Financial Statements

For the Year Ended 30 June 2011

1 Summary of Significant Accounting Policies continued

(f) Financial Instruments continued

Financial guarantees continued

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118 'Revenue.'

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

When available-for-sale investments are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

(g) Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information and dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying value. Value in use is calculated by discounting the estimated future cash flows of the asset or cash-generating unit (CGU) at a pre-tax discount rate reflecting the specific risks in the asset / CGU. Any excess of the asset's carrying value over its recoverable amount is expensed to the consolidated statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Carbon Polymers Limited

ABN 42 000 764 572

Notes to the Financial Statements

For the Year Ended 30 June 2011

1 Summary of Significant Accounting Policies continued

(h) Intangibles

Goodwill

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

- i) the consideration transferred;
- ii) any non-controlling interest; and
- iii) the acquisition-date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The value of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the aforementioned non-controlling interest. The Group can elect to measure the non-controlling interest in the acquiree either at fair value ('full goodwill method') or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets ('proportionate interest method'). The Group determines which method to adopt for each acquisition.

Under the 'full goodwill method', the fair values of the non-controlling interests are determined using valuation techniques which make the maximum use of market information where available.

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

Goodwill is not amortised but 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.

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful lives.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. 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.

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and accumulated impairment losses.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project which is 10 years.

Carbon Polymers Limited

ABN 42 000 764 572

Notes to the Financial Statements

For the Year Ended 30 June 2011

1 Summary of Significant Accounting Policies continued

(i) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less which are convertible to a known amount of cash and subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the consolidated statement of financial position.

(j) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. 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.

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. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

Equity-settled compensation

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The amount to be expensed is determined by reference to the fair value of the options or shares granted, this expense takes in account any market performance conditions and the impact of any non-vesting conditions but ignores the effect of any service and non-market performance vesting conditions.

Non-market vesting conditions are taken into account when considering the number of options expected to vest. At the end of each reporting period, the Group revises its estimate of the number of options which are expected to vest based on the non-market vesting conditions. Revisions to the prior period estimate are recognised in profit or loss and equity.

(k) Provisions

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

(l) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(m) Income Tax

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

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using

Carbon Polymers Limited

ABN 42 000 764 572

Notes to the Financial Statements

For the Year Ended 30 June 2011

1 Summary of Significant Accounting Policies continued

(m) Income Tax continued

applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

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

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. 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.

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

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

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

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

(n) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Group 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.

Carbon Polymers Limited

ABN 42 000 764 572

Notes to the Financial Statements

For the Year Ended 30 June 2011

1 Summary of Significant Accounting Policies continued

(n) Leases continued

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. The lease is not recognised in the consolidated statement of financial position.

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

(o) Revenue and Other Income

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as discussed below.

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Sale of goods

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

In certain circumstances, in agreement with the customer, revenue will be recognised when an invoice is issued, and the transfer of significant risks and rewards of ownership of the goods will be assumed to have occurred even though the goods have not yet been delivered to the customer. In this instance the goods relating to these transactions will be held on the company's premises as consignment stock for the customer.

Interest revenue

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

Dividend revenue

Dividends are recognised as revenue when the right to receive the dividend has been established. Where the dividend is paid out of pre-acquisition profits, it is taken to revenue; however this may be considered an impairment indicator causing an impairment review of the value of the investment.

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

(p) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Carbon Polymers Limited

ABN 42 000 764 572

Notes to the Financial Statements

For the Year Ended 30 June 2011

1 Summary of Significant Accounting Policies continued

(p) Borrowing Costs continued

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(q) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised 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 recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the consolidated statement of financial position are shown inclusive of GST.

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

(r) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the consolidated statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the consolidated statement of comprehensive income.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period where the average rate approximates the rate at the date of the transaction; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the consolidated statement of financial position. These differences are recognised in the consolidated statement of comprehensive income in the period in which the operation is

Carbon Polymers Limited

ABN 42 000 764 572

Notes to the Financial Statements

For the Year Ended 30 June 2011

1 Summary of Significant Accounting Policies continued

(r) Foreign Currency Transactions and Balances continued

Group companies continued
disposed.

(s) Parent Entity Disclosures

The company has applied the relief available to it under ASIC Class Order 10/654 and accordingly, parent entity disclosures in the financial report have been retained.

(t) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial statements 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 estimates - impairment of plant and equipment

The Group assesses impairment at the end of each reporting period by evaluating conditions specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

(u) Adoption of New and Revised Accounting Standards

During the current year, the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these Standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these Standards and Interpretations has had on the financial statements of Carbon Polymers Limited.

Standard Name	Impact
AASB 2010-3 / AASB 2009-5 Amendments and further Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions	No significant changes on adoption of these standards.
AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions	No significant changes on adoption of these standards.
AASB 2009-9 Amendments to Australian Accounting Standards – Additional Exemption for First-time Adopters / AASB 2010-1 Limited exemption from comparative AASB 7 disclosures for first-time adopters	No impact since the entity is not a first-time adopter of IFRS.
AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues	No significant changes on adoption of this standard.
Interpretation 19 Extinguishing liabilities with equity instruments	No significant changes on adoption of this standard.

Carbon Polymers Limited

ABN 42 000 764 572

Notes to the Financial Statements

For the Year Ended 30 June 2011

1 Summary of Significant Accounting Policies continued

(v) New accounting standards for application in future periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. The following table summarises those future requirements, and their impact on the Group:

Standard name	Effective date for entity	Requirements	Impact
AASB 124 Related Party Disclosures and amending standard AASB 2009-12	30 June 2012	<ul style="list-style-type: none"> - Clarification of the definition of a related party - Requirement to disclose commitments to related parties - Disclosure exemptions for government-related entities 	Minimal impact expected
AASB 9 Financial Instruments and amending standards AASB 2009-11 / AASB 2010-7	30 June 2014	<ul style="list-style-type: none"> - Changes to the classification and measurement requirements for financial assets and financial liabilities. - New rules relating to derecognition of financial instruments. 	The impact of AASB 9 has not yet been determined.
AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	30 June 2012	Changes where the entity is subject to minimum funding requirements and makes an early payment to cover these requirements in relation to defined benefit plans.	No significant impact expected.
AASB 2010-4 / 2010-5 Amendments and further amendments to Australian Accounting Standards arising from the Annual Improvements Project	30 June 2012	Makes changes to a number of standards / interpretations including: <ul style="list-style-type: none"> - Clarification of the content of the statement of changes in equity - Financial instrument disclosures - Fair value of award credits 	No impact expected.
AASB 2010-6 Amendment to Australian Accounting Standards – Disclosures on transfers of financial assets	30 June 2012	Requires additional disclosures regarding for example, remaining risks where an entity has transferred a financial asset	No impact expected.
AASB 2010-8 Amendment to Australian Accounting Standards – Deferred tax: Recovery of underlying assets	30 June 2013	Adds a presumption to AASB 112 that the recovery of the carrying amount of an investment property at fair value will be through sale.	No impact expected.
AASB 2010-9 / 2010-10 Amendment to Australian Accounting Standards – Severe hyperinflation and removal of fixed dates for first-time adopters	30 June 2012	Makes amendments to AASB 1	No impact since the entity is not a first-time adopter of IFRS.

Carbon Polymers Limited

ABN 42 000 764 572

Notes to the Financial Statements

For the Year Ended 30 June 2011

1 Summary of Significant Accounting Policies continued

(v) New accounting standards for application in future periods continued

Standard name	Effective date for entity	Requirements	Impact
AASB 1054 Additional Australian disclosures / AASB 2011-1 Amendments to Australian Accounting Standards arising from Trans-Tasman convergence	30 June 2012	Collates the Australian specific disclosures into one Accounting Standard rather than including them within a number of different standards.	Little impact since most of the disclosures required by AASB 1054 are already included within the financial statements.
AASB 2011-2 Amendments to Australian Accounting Standards arising from Trans-Tasman convergence – Reduced Disclosure Requirements	30 June 2014	Highlights the disclosures not required in AASB 1054 for entities applying the RDR.	The entity is not adopting the RDR and therefore this standard is not relevant.
AASB 2011-3 Amendments to Australian Accounting Standards – Orderly Adoption of Changes to ABS GFS Manual and Related Amendments	30 June 2013	Standard is applicable for whole of government and general government financial statements only. AASB 2011 provides details of changes in accounting treatment due to the Government Finance Statistics manual.	Standard is not applicable and therefore there will be no impact on adoption.
AASB 10 Consolidated Financial Statements / AASB 11 Joint Arrangements / AASB 12 Disclosures of Interests in Other Entities, AASB 127 Separate Financial Statements and AASB 128 Investments in Associates. [These are expected to be released by the AASB in July / August].	30 June 2014	<p>AASB 10 includes a new definition of control, which is used to determine which entities are consolidated, and describes consolidation procedures. The Standard provides additional guidance to assist in the determination of control where this is difficult to assess.</p> <p>AASB 11 focuses on the rights and obligations of a joint venture arrangement, rather than its legal form (as is currently the case). IFRS 11 requires equity accounting for joint ventures, eliminating proportionate consolidation as an accounting choice.</p> <p>AASB 12 includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.</p>	<p>The Group will review its controlled entities to determine whether they should be consolidated under AASB 10, no changes are anticipated.</p> <p>All joint ventures of the group are equity accounted and therefore minimal impact is expected due to the adoption of AASB 11.</p> <p>Additional disclosures will be required under AASB 12 but there will be no changes to reported position and performance.</p>

Carbon Polymers Limited

ABN 42 000 764 572

Notes to the Financial Statements

For the Year Ended 30 June 2011

1 Summary of Significant Accounting Policies continued

(v) New accounting standards for application in future periods continued

Standard name	Effective date for entity	Requirements	Impact
AASB 13 Fair Value Measurement [expected to be released by AASB in July / August 2011].	30 June 2014	<p>AASB 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Accounting Standards but does not change when fair value is required or permitted.</p> <p>There are a number of additional disclosure requirements.</p>	<p>Fair value estimates currently made by the entity will be revised and potential changes to reported values may be required.</p> <p>The entity has not yet determined the magnitude of any changes which may be needed.</p> <p>Some additional disclosures will be needed.</p>

Carbon Polymers Limited

ABN 42 000 764 572

Notes to the Financial Statements

For the Year Ended 30 June 2011

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
2 Revenue and Other Income				
Revenue from continuing operations				
Sales revenue				
- sale of goods	179,014	-	-	-
Other revenue				
- interest received	12,611	561	11,344	561
- dividend received	932	696	932	696
	<u>13,543</u>	<u>1,257</u>	<u>12,276</u>	<u>1,257</u>
Total Revenue	<u>192,557</u>	<u>1,257</u>	<u>12,276</u>	<u>1,257</u>
(a) Other Income				
Other income	-	6,230	-	-
Gain and loss on exchange differences	-	(562)	-	(562)
(Loss) on disposal of non-current assets	(35,098)	-	(35,098)	-
Fair value adjustment to investment property	37,278	(2,841,734)	37,278	(2,841,734)
	<u>2,180</u>	<u>(2,836,066)</u>	<u>2,180</u>	<u>(2,842,296)</u>
(b) Interest Revenue				
Interest revenue from:				
- bank	12,611	561	11,344	561
Total interest revenue on financial assets not at fair value through profit or loss	<u>12,611</u>	<u>561</u>	<u>11,344</u>	<u>561</u>

3 Profit for the Year

The result for the year includes the following specific expenses

Interest expense				
- external	24,252	-	24,209	-
- related entities	-	344,196	-	344,196
Total finance costs	<u>24,252</u>	<u>344,196</u>	<u>24,209</u>	<u>344,196</u>
Rental expense on operating leases:				
- Minimum lease payments	127,337	-	131,831	-

Carbon Polymers Limited

ABN 42 000 764 572

Notes to the Financial Statements

For the Year Ended 30 June 2011

Consolidated		Parent	
2011	2010	2011	2010
\$	\$	\$	\$

4 Discontinued Operations

On 11 October 2010 the Group announced its decision to dispose of Simultech Pte Limited, thereby discontinuing its operations in this business segment.

The subsidiary was sold on 10 October 2010 and the subsidiary disposed of is reported in these financial statements as a discontinued operation.

Financial information relating to the discontinued operation to the date of disposal is set out below.

The financial performance of the discontinued operation to the date of sale which is included in profit / (loss) from discontinued operations is as follows:

Revenue	-	-	-	-
Expenses	-	-	-	-
Profit from discontinued operations	<u>2,685,109</u>	-	<u>2,680,113</u>	-
Profit before income tax	<u>2,685,109</u>	-	<u>2,680,113</u>	-
Profit attributable to members of the parent entity	<u>2,685,109</u>	-	<u>2,680,113</u>	-
Total profit after tax attributable to the discontinued operation	<u><u>2,685,109</u></u>	-	<u><u>2,680,113</u></u>	-

Details of the sale

Cancellation of Simultech debt	<u>4,698,305</u>	-	<u>4,698,305</u>	-
Foreign currency adjustment	<u>4,997</u>	-	<u>-</u>	-
Net cash flow	<u>4,703,302</u>	-	<u>4,698,305</u>	-
Carrying amount of non-cash assets sold	<u>(2,018,193)</u>	-	<u>(2,018,192)</u>	-
Profit from disposal of interest in Simultech Pte Limited	<u><u>2,685,109</u></u>	-	<u><u>2,680,113</u></u>	-

5 Income Tax Expense

(a) The components of tax expense comprise:

Current tax expense				
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total income tax expense	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as

Carbon Polymers Limited

ABN 42 000 764 572

Notes to the Financial Statements

For the Year Ended 30 June 2011

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
5 Income Tax Expense continued				
follows:				
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2010: 30%)				
- economic entity	1,395,756	(1,084,450)	760,261	(1,056,318)
Add:				
Tax effect of:				
- other non-allowable items	-	(578,463)	-	(578,463)
- deferred tax benefits not brought to account	(1,395,756)	1,662,913	(760,261)	1,634,781
Income tax expense	-	-	-	-
6 Cash and Cash Equivalents				
Cash at bank and in hand	310,538	80,587	23,299	62,082
	<u>310,538</u>	<u>80,587</u>	<u>23,299</u>	<u>62,082</u>
7 Trade and Other Receivables				
CURRENT				
Trade receivables	55,079	-	-	-
	<u>55,079</u>	-	-	-
Related party receivables	-	-	249	2,018,442
Other receivables	-	203,451	-	-
Impairment	-	(75,000)	-	-
Total current trade and other receivables	<u>55,079</u>	<u>128,451</u>	<u>249</u>	<u>2,018,442</u>
NON-CURRENT				
Related party receivables	-	-	6,305,093	3,565,257
Total non-current trade and other receivables	<u>-</u>	<u>-</u>	<u>6,305,093</u>	<u>3,565,257</u>
8 Inventories				
CURRENT				
At cost:				

Carbon Polymers Limited

ABN 42 000 764 572

Notes to the Financial Statements

For the Year Ended 30 June 2011

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
8 Inventories continued				
Finished goods	579,183	-	-	-
	<u>579,183</u>	<u>-</u>	<u>-</u>	<u>-</u>
9 Other Financial Assets				
Available for sale financial assets (a)	-	2,041,644	-	29,463
Other investments (b)	-	-	11,610,400	402
Total financial assets	<u>-</u>	<u>2,041,644</u>	<u>11,610,400</u>	<u>29,865</u>
CURRENT				
Available for sale financial assets (a)	-	2,041,644	-	29,463
Total current assets	<u>-</u>	<u>2,041,644</u>	<u>-</u>	<u>29,463</u>
NON-CURRENT				
Other investments (b)	-	-	11,610,400	402
Total non-current assets	<u>-</u>	<u>-</u>	<u>11,610,400</u>	<u>402</u>
(a) Available-for-sale financial assets comprise:				
Listed investments, at cost				
- shares in listed corporations	-	66,741	-	66,741
- Less: impairment provision	-	(37,278)	-	(37,278)
	<u>-</u>	<u>29,463</u>	<u>-</u>	<u>29,463</u>
Unlisted investment, at recoverable amount				
- shares in other corporations at cost	-	4,860,884	-	-
Less: impairment provision	-	(2,848,702)	-	-
	<u>-</u>	<u>2,012,182</u>	<u>-</u>	<u>-</u>
Total available-for-sale financial assets	<u>-</u>	<u>2,041,645</u>	<u>-</u>	<u>29,463</u>

Available-for-sale financial assets comprise of investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity dates attached to these investments.

The fair value of unlisted available-for-sale financial assets cannot be reliably measured as variability in the range of reasonable fair value estimates is significant. As a result, all unlisted investments are reflected at cost.

Carbon Polymers Limited

ABN 42 000 764 572

Notes to the Financial Statements

For the Year Ended 30 June 2011

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
9 Other Financial Assets continued				
(b) Other investments				
Shares in subsidiaries	-	-	12,060,400	450,402
impairment provision	-	-	(450,000)	(450,000)
	-	-	<u>11,610,400</u>	<u>402</u>

10 Property, Plant and Equipment

PLANT AND EQUIPMENT

Plant and equipment

At directors' valuation

2,887,549 - - -

At cost

2,951,085 1,945,149 - -

Accumulated depreciation

(100,053) (25,000) - -

Total plant and equipment

5,738,581 1,920,149 - -

Total property, plant and equipment

5,738,581 1,920,149 - -

(a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Plant and Equipment	Total
	\$	\$
Balance at 30 June 2011		
Balance at the beginning of year	1,920,149	1,920,149
Additions	2,012,092	2,012,092
Depreciation expense	(75,053)	(75,053)
Revaluation increase recognised in equity	1,881,393	1,881,393
Balance at 30 June 2011	<u>5,738,581</u>	<u>5,738,581</u>
Balance at 30 June 2010		
Balance at the beginning of year	1,728,273	1,728,273
Additions	216,876	216,876
Depreciation expense	(25,000)	(25,000)
Balance at 30 June 2010	<u>1,920,149</u>	<u>1,920,149</u>

Carbon Polymers Limited

ABN 42 000 764 572

Notes to the Financial Statements

For the Year Ended 30 June 2011

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
11 Intangible Assets				
Goodwill				
Cost	11,610,000	-	-	-
Net carrying value	11,610,000	-	-	-
Development costs				
Cost	2,325,166	1,735,200	-	-
Accumulated amortisation and impairment	(58,129)	-	-	-
Net carrying value	2,267,037	1,735,200	-	-
Intangible assets				
Cost	450,000	450,000	-	-
Accumulated amortisation and impairment	(450,000)	(450,000)	-	-
Net carrying amount	-	-	-	-
Total Intangibles	13,877,037	1,735,200	-	-

Intangible assets, other than goodwill have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense in the consolidated statement of comprehensive income. Goodwill has an indefinite life and is not amortised.

12 Other Assets

CURRENT

Other asset	243,000	-	160,000	-
	243,000	-	160,000	-

13 Trade and Other Payables

CURRENT

Unsecured liabilities

Trade payables	355,600	292,410	67,595	195,434
Sundry payables and accrued expenses	181,452	378,863	49,309	150,100
Shareholders' loans	340,000	1,998,305	-	1,998,305
Other payables	1,550	-	-	-
	878,602	2,669,578	116,904	2,343,839

NON-CURRENT

Unsecured liabilities

wholly-owned subsidiaries	-	-	-	2
	-	-	-	2
	-	-	-	2

Carbon Polymers Limited

ABN 42 000 764 572

Notes to the Financial Statements

For the Year Ended 30 June 2011

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
14 Borrowings				
CURRENT				
Unsecured liabilities:				
Convertible notes	-	2,700,000	-	2,700,000
	-	2,700,000	-	2,700,000
Total current borrowings	-	2,700,000	-	2,700,000
NON-CURRENT				
Unsecured liabilities:				
Convertible notes	1,650,000	900,000	1,650,000	900,000
	1,650,000	900,000	1,650,000	900,000
Total non-current borrowings	1,650,000	900,000	1,650,000	900,000
(a) Convertible Notes				
<p>There are five convertible notes on issue. The first note being 3,000,000 notes convertible at 30 cents per note, carries interest calculated at 7% per annum and the other notes being 3,000,000 notes in total convertible at 25 cents per note carry interest calculated at 10% per annum.</p>				
15 Provisions				
Analysis of total provisions				
Current	10,343	49,691	-	49,691
	10,343	49,691	-	49,691
16 Tax				
GST receivable	198,256	2,285	117,522	13,194
Current tax receivable	198,256	2,285	117,522	13,194
17 Issued Capital				
- 114,575,576 (2010: 74,388,909)				
Ordinary shares	31,890,028	17,669,883	31,890,028	17,669,883
Total	31,890,028	17,669,883	31,890,028	17,669,883

Carbon Polymers Limited

ABN 42 000 764 572

Notes to the Financial Statements

For the Year Ended 30 June 2011

Consolidated		Parent	
2011	2010	2011	2010
\$	\$	\$	\$

17 Issued Capital continued

(a) Ordinary shares

	Consolidated		Parent	
	2011	2010	2011	2010
	No.	No.	No.	No.
At the beginning of the reporting period	74,388,909	74,228,909	74,388,909	74,228,909
Shares issued during the year				
Issued 31 August 2009	-	160,000	-	160,000
Issued 9 July 2010	3,520,000	-	3,520,000	-
Issued 14 October 2010	30,000,000	-	30,000,000	-
Issued 15 April 2011	5,826,667	-	5,826,667	-
Issued 18 April 2011	840,000	-	840,000	-
At the end of the reporting period	<u>114,575,576</u>	<u>74,388,909</u>	<u>114,575,576</u>	<u>74,388,909</u>

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the company. On a show of hands at meetings of the company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The company does not have authorised capital or par value in respect of its shares.

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.

(b) Options

- (i) For information relating to the Carbon Polymers Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note Share-based payments.
- (ii) For information relating to share options issued to key management personnel during the financial year, refer to Note .

(c) Capital Management

Management controls the capital of the Group in order to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Capital consists of share capital, non-redeemable preference shares, retained profit and non-controlling interests of the Group.

The Group's debt and capital includes issued shares and convertible notes.

Carbon Polymers Limited

ABN 42 000 764 572

Notes to the Financial Statements

For the Year Ended 30 June 2011

Consolidated		Parent	
2011	2010	2011	2010
\$	\$	\$	\$

17 Issued Capital continued

(c) Capital Management continued

There are no externally imposed capital requirements.

The Group monitors capital through the gearing ratio, which is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is defined as equity per the statement of financial position plus net debt.

There have been no changes in the strategy adopted by management during the year.

The gearing ratios for the year ended 30 June 2011 and 30 June 2010 are as follows:

		Consolidated		Parent	
		2011	2010	2011	2010
		\$	\$	\$	\$
	Note				
Total borrowings	14	1,650,000	3,600,000	1,650,000	3,600,000
Trade and other payables	13	878,601	2,669,578	116,904	2,343,840
Less Cash and cash equivalents	6	(310,538)	(80,587)	(23,299)	(62,082)
Net debt		2,218,063	6,188,991	1,743,605	5,881,758
Total equity		18,462,729	(410,954)	16,449,659	(304,692)
Total capital		20,680,792	5,778,037	18,193,264	5,577,066
Gearing ratio		11	107	10	105

18 Reserves

(a) Asset revaluation reserve

The asset revaluation reserve records realised gains on revaluation of property, plant and equipment recorded at fair value.

(b) Capital profits reserve

The capital profits reserve records non-taxable profits on sale of investments.

(c) Option reserve

The option reserve records amounts recognised as expense on the valuation of share options issued. The balance of the option reserve was transferred to retained earnings at year end, as the options have lapsed.

19 Auditors' Remuneration

Remuneration of the auditor of the parent entity, Stirling International, for:

- auditing or reviewing the financial report	25,000	14,500	25,000	14,500
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Carbon Polymers Limited

ABN 42 000 764 572

Notes to the Financial Statements

For the Year Ended 30 June 2011

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
20 Cash Flow Information				
Reconciliation of net income to net cash provided by operating activities:				
Profit for the year	2,771,129	(3,614,833)	2,534,206	(3,521,063)
Cash flows excluded from profit attributable to operating activities				
Non-cash flows in profit:				
- depreciation	133,183	25,000	-	-
- fair value adjustments	(37,278)	2,839,026	(37,278)	2,839,026
- profit from discontinued operations	(2,685,109)	-	(2,680,113)	-
- gain on disposal of non-current assets held for sale	35,098	-	35,098	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:				
- (increase)/decrease in trade and other receivables	148,372	(203,451)	-	-
- (increase)/decrease in other assets	(243,000)	-	(160,000)	-
- (increase)/decrease in inventories	(579,183)	-	-	-
- increase/(decrease) in trade and other payables	(328,643)	426,250	(332,956)	29,487
- increase/(decrease) in provisions	(114,348)	75,000	(49,691)	-
Cashflow from operations	<u>(899,779)</u>	<u>(453,008)</u>	<u>(690,734)</u>	<u>(652,550)</u>

21 Capital and Leasing Commitments

Operating lease commitments - property leases

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease payments:

- no later than 1 year	362,814	360,000	-	-
- between 1 year and 5 years	1,016,084	960,000	-	-
	<u>1,378,898</u>	<u>1,320,000</u>	<u>-</u>	<u>-</u>

Operating leases have been taken out for the group's operating premises. Lease payments are increased on an annual basis to reflect market rentals.

Capital Expenditure Commitments

The group has entered into a contract to purchase a commercial property located in Lisbon Street, Fairfield NSW for \$3,200,000. It is expected that the purchase will be completed in November 2011.

Carbon Polymers Limited

ABN 42 000 764 572

Notes to the Financial Statements

For the Year Ended 30 June 2011

Consolidated		Parent	
2011	2010	2011	2010
\$	\$	\$	\$

21 Capital and Leasing Commitments continued

Operating lease commitments - property leases continued

The group has entered into a contract to purchase a commercial property located in Woodpark Road, Smithfield NSW for \$4,590,000. It is expected that the purchase will be completed in November 2011. This purchase can be effected through a direct transfer or assumption of the existing debt facility.

22 Financial Risk Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and equity price risk.

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, bank loans and overdrafts, loans to and from subsidiaries, bills, leases, preference shares, and derivatives.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

Financial Assets

Cash and cash equivalents	310,538	80,587	23,299	62,082
Total financial assets	310,538	80,587	23,299	62,082

Financial Liabilities

Financial liabilities at amortised cost				
- Trade and other payables	878,601	2,669,578	116,904	2,343,840
Total financial liabilities	878,601	2,669,578	116,904	2,343,840

Specific financial risk exposures and management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk and equity price risk.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

i. Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period, whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

ii. Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

Carbon Polymers Limited

ABN 42 000 764 572

Notes to the Financial Statements

For the Year Ended 30 June 2011

22 Financial Risk Management continued (b) Interest Rate Risk

Financial instrument composition and maturity analysis

The company's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Maturing within 1 Year		Non-interest Bearing		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	%	%	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets:										
Cash and cash equivalents	4.00	1.00	310,538	80,587	-	-	-	-	310,538	80,587
Receivables	-	-	-	-	-	-	55,079	128,451	55,079	128,451
Total Financial Assets			310,538	80,587	-	-	55,079	128,451	365,617	209,038
Financial Liabilities:										
Trade and sundry payables	-	-	-	-	635,777	668,989	-	-	635,777	668,989
Amounts payable to related parties	-	-	-	-	340,000	1,873,495	-	-	340,000	1,873,495
Total Financial Liabilities			-	-	975,777	2,542,484	-	-	975,777	2,542,484

Carbon Polymers Limited

ABN 42 000 764 572

Notes to the Financial Statements

For the Year Ended 30 June 2011

23 Operating Segments

Segment Information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of corporate identity as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Basis of accounting for purposes of reporting by operating segments

(a) Accounting policies adopted

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

Income tax expense

Income tax expense is calculated based on the segment operating net profit using a notional charge of 30%. The effect of taxable or deductible temporary difference is not included for internal reporting purposes.

An internally determined transfer price is set for all inter-entity sales. This price is reset quarterly and is based on what would be realised in the event the sale was made to an external party at arm's-length. All such transactions are eliminated on consolidation of the Group's financial statements.

Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

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

(b) Segment assets

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

(c) Segment liabilities

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

(d) Unallocated items

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

Carbon Polymers Limited

ABN 42 000 764 572

Notes to the Financial Statements

For the Year Ended 30 June 2011

23 Operating Segments continued

(d) Unallocated items continued

- derivatives
- net gains on disposal of available-for-sale investments
- impairment of assets and other non-recurring items of revenue or expense
- income tax expense
- deferred tax assets and liabilities
- current tax liabilities
- other financial liabilities
- intangible assets
- discontinuing operations
- retirement benefit obligations

Carbon Polymers Limited

ABN 42 000 764 572

Notes to the Financial Statements

For the Year Ended 30 June 2011

23 Operating Segments continued (e) Segment performance

	Tyre & Plastics Processing		Airline Technology		Other operations		Elimination		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
REVENUE										
Sales	179,014	-	-	-	-	-	-	-	179,014	-
Revenue - investment	1,266	-	-	1,257	12,277	1,257	-	-	13,543	1,257
Total segment revenue	180,280	-	-	1,257	12,277	1,257	-	-	192,557	1,257
Profit for the year	231,926	(100,000)	-	(3,514,833)	(145,906)		-	-	86,020	(3,614,833)
(f) Segment assets										
Segment assets	\$ 9,109,418	\$ 3,802,204	\$ -	\$ 4,923,285	\$ 18,216,416	\$ 5,675,745	\$ (6,324,160)	\$(8,495,203)	\$ 21,001,674	\$ 5,906,031
- Capital expenditure	2,012,092	216,876	-	-	-	-	-	-	2,012,092	216,876
(g) Segment liabilities										
Segment liabilities	\$10,737,320	\$ 3,902,004	\$ -	\$ 4,305,440	\$ 1,649,383	\$ 8,694,587	\$ (9,847,758)	\$(0,585,046)	\$ 2,538,945	\$ 6,316,985
Total segment liabilities	10,737,320	3,902,004	-	4,305,440	1,649,383	8,694,587	(9,847,758)	(10,585,046)	2,538,945	6,316,985

Carbon Polymers Limited

ABN 42 000 764 572

Notes to the Financial Statements

For the Year Ended 30 June 2011

24 Earnings per Share

(a) Reconciliation of earnings to profit or loss from continuing operations

	Consolidated	
	2011	2010
	\$	\$
Profit from continuing operations	86,020	(3,614,833)
Earnings used to calculate basic EPS from continuing operations	<u>86,020</u>	<u>(3,614,833)</u>
Earnings used in the calculation of dilutive EPS from continuing operations	<u>86,020</u>	<u>(3,614,833)</u>

(b) Reconciliation of earnings to profit or loss from discontinuing operations

Profit from discontinuing operations	<u>2,685,109</u>	-
Earnings used to calculate basic EPS from discontinuing operations	<u>2,685,109</u>	-

(c) Earnings used to calculate overall earnings per share

Earnings used to calculate overall earnings per share	<u>2,771,129</u>	<u>(3,614,833)</u>
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(d) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS

	Consolidated	
	2011	2010
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	<u>114,575,576</u>	<u>73,982,772</u>
Weighted average number of dilutive options outstanding	10,350,000	-
Weighted average number of dilutive convertible notes on issue	<u>6,000,000</u>	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	<u>130,925,576</u>	<u>73,982,772</u>

Carbon Polymers Limited

ABN 42 000 764 572

Notes to the Financial Statements

For the Year Ended 30 June 2011

25 Controlled Entities

(a) Controlled entities

	Country of Incorporation	Percentage Owned (%) [*] 2011	Percentage Owned (%) [*] 2010
Parent Entity:			
Carbon Polymers Limited	Australia	100	100
Subsidiaries:			
Oakturn Pty Limited	Australia	100	50
Tyre Collections Pty Limited	Australia	100	100
Avon Plastics Pty Limited	Australia	100	100
Reclaim Holdings Pty Limited	Australia	100	-
Composite Polymers Pty Limited	Australia	100	100
Electra Energy Pte Limited	Singapore	-	100
Simultech Pte Limited	Singapore	-	100

* Percentage of voting power is in proportion to ownership

(b) Acquisitions of controlled entities

Reclaim Holdings Pty Limited was incorporated during the year. At year end it was dormant company .

(c) Disposal of controlled entities

On 10 October 2010, the parent company disposed of its 100% interest in Simultech Pte Limited. An operating profit of \$ 2,680,112 after income tax was attributable to members of the parent company from the disposal. No remaining interest in the entity was held by any member of the Group.

The carrying amount of the net assets of at the date of disposal were:

	\$
Receivables	2,018,193
Total current assets	<u>2,018,193</u>
Trade payables	4,698,305
Total current liabilities	<u>4,698,305</u>
Net assets	<u>(2,680,112)</u>
Net profit / (loss) on disposal	<u>2,680,112</u>

Carbon Polymers Limited

ABN 42 000 764 572

Notes to the Financial Statements

For the Year Ended 30 June 2011

Consolidated		Parent	
2011	2010	2011	2010
\$	\$	\$	\$

26 Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Key management personnel:

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity are considered key management personnel.

For details of remuneration disclosures relating to key management personnel, refer to Note 27: Interests of Key Management Personnel (KMP) and the remuneration report in the Directors' Report.

Other transactions with KMP and their related entities are shown below.

(a) Balances from related parties

CURRENT

Amounts receivable from:

- wholly-owned subsidiaries	-	-	3,524,249	8,391,144
- provision for impairment of receivable from wholly-owned subsidiaries	-	-	(3,524,000)	(6,372,702)
Total	-	-	249	2,018,442

NON-CURRENT

Amounts receivable from:

- wholly-owned subsidiaries	-	-	6,305,093	3,565,257
Total	-	-	6,305,093	3,565,257

(b) Balances to related parties

CURRENT

Amount payable to:

- shareholders' loans	340,000	1,998,305	-	1,998,305
Total	340,000	1,998,305	-	1,998,305

Carbon Polymers Limited

ABN 42 000 764 572

Notes to the Financial Statements

For the Year Ended 30 June 2011

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
26 Related Party Transactions continued				
(b) Balances to related parties continued				
NON-CURRENT				
Amount payable to:				
- wholly-owned subsidiaries	-	-	-	2
Total	-	-	-	2
(c) Amounts paid to associated parties				
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.				
The following transactions occurred with related parties:				
Consulting fees paid to Kevin Wong Pty Limited, a company controlled by Dr K C W Wong	-	9,000	-	9,000
Secretarial and Accounting fees paid to DFK Laurence Varnay, a firm in which Mr C A Grady is a partner	15,000	79,000	15,000	44,000
Consulting fees paid to Central Pathology Services Pty Limited, a company controlled by Dr C K Wong	-	50,000	-	50,000
Consulting fees paid to a private company, which is controlled by Mr J Gordon	472,865	250,000	-	-

27 Interests of Key Management Personnel

The Remuneration Report contained in the Directors' Report contains details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2011.

28 Events After the End of the Reporting Period

Subsequent to balance date the company has lodged a Statement of Claim against the Administrators of Reclaim Industries Limited. Assets purchased from the administrators were on the basis that they were unencumbered. Subsequent to the acquisition some of the purchased assets were found to be encumbered and were repossessed by the finance company. The amount of the claim is \$235,000.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Carbon Polymers Limited

ABN 42 000 764 572

Notes to the Financial Statements

For the Year Ended 30 June 2011

Consolidated		Parent	
2011	2010	2011	2010
\$	\$	\$	\$

29 Company Details

The registered office of the company is:

Carbon Polymers Limited
Level 7
131 York Street
SYDNEY NSW 2000

The principal place of business is:

150 - 166 Woodpark Road, Smithfield, NSW.

30 Superannuation Commitments

The economic entity contributes to various contribution superannuation plans for the purpose of superannuation guarantee payments and payments to other superannuation benefits on behalf of employees. Benefits provided under the various plans are based on accumulated contributions and earnings for each employee.

31 Net results for the financial year

The net profit of the economic entity was \$4,652,522. The extent to which each corporation in the economic entity contributed to that profit is as follows:

Carbon Polymers Limited	2,534,206	(3,521,063)	2,534,206	(3,521,063)
Tyre Collections Pty Limited	-	-	-	-
Osleach Developments Pty Limited	-	-	-	-
Simultech Pte Limited	-	-	-	-
Electra Energy Pte Limited	-	6,230	-	-
NLB Commodities Pty Limited	-	-	-	-
Oakturn Pty Limited	2,118,316	(100,000)	-	-
Reclaim Holdings Pty Limited	-	-	-	-
Total	4,652,522	(3,614,833)	2,534,206	(3,521,063)

32 Variance from Appendix 4E Lodged with ASX

The directors have amended the Consolidated Financial Statements for year ended 30 June 2011 against the Preliminary Financial report, in consultation with the auditors. The directors have agreed to exclude income of \$1,200,000 from the 2011 financial year and recognise this income in the 2012 financial year, matching the recording of the income with the date of delivery of the stock to the customer and with the timing of the receipt of these cashflows. Inventories on hand at year end which were applied to that sale invoice have now been included in the balance sheet at year end. Recognising this income in the 2012 financial year does not change the cashflow position of the company or the value of this income to shareholders. This revision was prompted due to a differing view of Australian accounting standards with the auditors and internal policies of Carbon Polymers in the recognition of income from sales.

To this end, the Directors have agreed to amend the statements in line with the recommendations of the auditors. This change has resulted in a reduction of the reported profit of \$5,174,614 to \$4,652,522 and the recognition of this income in the subsequent financial year

Carbon Polymers Limited

ABN 42 000 764 572

Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 15 to 55, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards, which, as stated in accounting policy note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the company and consolidated group;
2. the Chief Executive Officer and Chief Finance Officer 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.
3. 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.

Director 

Dated 30 September 2011



STIRLING INTERNATIONAL

CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the members of Carbon Polymers Limited

Report on the Financial Report

We have audited the accompanying financial report of Carbon Polymers Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity.

Director's Responsibility for the Financial Report

The Directors and Management are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as directors and management determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 directors and management, 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 qualified audit opinion.

Basis for Qualified Opinion

Carbon Polymers Limited acquired plant and equipment and stock of processed material from the recycling of tyres in New South Wales, South Australia and Western Australia from the administrators of Reclaim Industries Limited for a total price of \$925,000. The plant and equipment was subsequently revalued from cost of \$925,000 to \$2,393,890 and the stock, acquired at no cost, following reprocessing, was brought to account at \$579,183. We were unable to obtain sufficient appropriate evidence about the carrying amount of these assets at 30 June 2011 for the following reasons:

- a. No stock take audit was conducted of the acquired stock as it had been recorded as sold and we were not aware of its existence.

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- b. Carbon Polymers Limited has not yet established a costing system to enable the input cost of reprocessing the stock of \$579,183 to be reliably measured. This is demonstrated by the presentation of "Raw materials and consumables used \$522,830" disclosed in the Consolidated Statement of Comprehensive Income as a net income figure after crediting the entire cost of reprocessing the stock, \$579,183, against raw materials cost instead of against the cost accounts which bore the costs of reprocessing the stock. These reprocessing costs could not be identified in the records or the financial statements and the cost of inventories was considered to be materially overstated.
- c. The valuation of the plant equipment was received on 30 September 2011 and could not be appropriately reviewed and did not appear to be prepared by a licensed valuer.

Carbon Polymers Limited had developed its own tyre processing plant and announced that it commenced operations in January 2011. Costs of \$468,000 were capitalised as development costs during the period January, February and March 2011 on the grounds that the plant did not commence production until April 2011. These costs included insurance and other overhead costs. We were unable to obtain sufficient evidence that the capitalisation of these costs was appropriate and the costs related directly to the development of the asset.

We, accordingly, express no opinion on the carrying values of the following assets:

Property Plant and Equipment	\$5,738,581
Inventories	\$579,183
Development costs included in Intangibles	\$2,267,037

And, as a consequence, we can express no opinion on the Profit from continuing operations of \$86,020 and particularly as the Consolidated Statement of Comprehensive income does not include an interest cost of \$63,000 that should have been accrued on convertible notes which is material to the disclosed profit.

Inherent Uncertainty Regarding Recoverability of Intangible Assets

Included in non-current assets in Note 11 to the Consolidated Statement of Financial Position is Intangibles at book value of \$13,877,037. The ultimate recovery of the value of this asset is dependent upon the success of the group's future operations. Our opinion is not modified in respect of this matter.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial report presents fairly, in all material respects, the financial position of Carbon Polymers Limited as at 30 June 2011, and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards and the Corporations Act 2001.

Report on the Remuneration Report

We have audited the Remuneration Report in pages 5 to 8 of the report of the directors for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with s 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 Carbon Polymers Limited for the year ended 30 June 2011, complies with s 300A of the *Corporations Act 2001*.

Stirling International
RC Williams
Partner
Level 11, St James Centre
111 Elizabeth Street
Sydney NSW 2011
30 September 2011

Carbon Polymers Limited

ABN 42 000 764 572

Additional Information for Listed Public Companies

The following additional information is required by the Australian Stock Exchange Ltd in respect of listed public companies only.

1. Shareholding

a. Distribution of Shareholders Category (size of holding)

		Number	Number of Shares
1	- 1,000	356	222,295
1,001	- 5,000	388	909,606
5,001	- 10,000	91	717,882
10,001	- 100,000	178	6,910,285
100,001	- and over	<u>83</u>	<u>105,815,508</u>
		<u>1,096</u>	<u>114,575,576</u>

b. The number of shareholdings held in less than marketable parcels is 548.

Shareholder:

c. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

