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TO: **COMPANY ANNOUNCEMENTS OFFICE**
ASX LIMITED

DATE: **31st August 2010**

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30th JUNE 2010

Attached is the Preliminary Final Report (Appendix 4E) of Cardia Bioplastics Limited and its Controlled Entities pursuant to Listing Rule 4.3B.

REKHA BHAMBHANI
Company Secretary

Australia
Asia
Europe
Americas
Africa

ACN 064 755 237

CARDIA BIOPLASTICS LIMITED

ACN 064 755 237

APPENDIX 4E

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

CONTENTS

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue from ordinary activities	Up	382.81%	2,205,817
Loss from ordinary activities after tax attributable to members	Up	49.89%	5,643,350
Net Loss for the year attributable to members	Up	47.60%	5,556,989

Dividends/Distributions

No interim dividend was paid during the year and it is not proposed to pay a final dividend for the year. A dividend policy will be established when the Company achieves a regular profitable operation.

Brief Explanation of the above figures

In the current financial year the Company's consolidated results include a full year contribution from the Company's wholly owned subsidiary Cardia Bioplastics (Australia) Pty Ltd. Cardia Bioplastics (Australia) Pty Ltd was acquired on 6 March 2009 and the comparative financial results includes a contribution from that time only, a period of approximately four months.

<u>Increase in Revenue</u>

The 383% increase in Revenue for the year is due to

(i) The part year contribution of Cardia Bioplastics (Australia) Pty Ltd in 2009 as referred above, and
(ii) On an annualised basis a 60.93% increase in current year revenue by comparison to 2009 annualised revenue. (Last Year Actual Revenue since 6th March 2009 –$456,875 , Annualised - $1,370,625)

<u>Increase in Loss</u>

The major contributors to the loss for the year were:

(i) A loss of $2,837,365 by Cardia Bioplastics (Australia) Pty Ltd and its controlled entities resulting from

- An increase in corporate development including extending the Product range and developing the distribution network globally,
- the expansion of the manufacturing facilities in Nanjing China,
- a realisation of lower gross margins on sales due to initial entry sales in niche and developing markets,
- the funding of research and development projects undertaken during the year.

(ii) The write down of the Company's Secured Loan to Aquenox Ltd of $1million, and accrued interest thereon of $224,050 together with the amount owing under a fully impaired Convertible Debt Deed for an agreed amount of $80,000. (Refer to Note 4(a) in "Notes to Preliminary Consolidated Financial Statements").

(iii) A share of Bioglobal Limited's (18.44% owned) losses of $354,171 compared with losses of $162,784 in the previous year (27.3% owned).

FOR THE YEAR ENDED 30 JUNE 2010

	Economic Entity 2010 $	2009 $
Continuing Operations		
Revenue	**2,205,817**	456,875
Cost of Sales	**(2,117,905)**	(531,213)
Gross Profit	**87,912**	(74,338)
Other Income	**298,396**	353,615
Administrative Expenses	**(422,192)**	(396,608)
Employment Benefits	**(1,789,546)**	(1,074,425)
Marketing & Distribution Expenses	**(591,680)**	(264,165)
Research & Development Expenses & Patent Costs	**(958,522)**	(60,236)
Depreciation & Amortisation	**(198,967)**	(78,644)
Write Off of Financial Assets	**(1,144,050)**	-
Provision for Impairment in Financial Assets	**-**	(195,771)
Amounts written Off as Bad Debts	**(60,329)**	-
Provision for Impairment in Goodwill	**-**	(1,546,833)
Write off of Investments	**-**	(1,100)
Other Expenses	**(459,939)**	(207,941)
Results from operating activities	**(5,238,917)**	(3,546,446)
Net Finance Costs	**(46,682)**	(51,979)
Share of net profit/(loss) of Associates (net of income tax)	**(354,171)**	(162,784)
Loss before income tax	**(5,639,770)**	(3,761,209)
Income Tax Expense	**-**	-
Loss from continuing operations	**(5,639,770)**	(3,761,209)
Gain on deconsolidation of subsidiary	**86,361**	-
Loss for the period after tax	**(5,553,409)**	(3,761,209)
Other comprehensive income		
Foreign currency translation differences for foreign operations	**(175,158)**	(273,730)
Net change in fair value of available for sale financial assets	**-**	101,645
Gain on dilution of shareholdings in associate	**334,478**	636,468
Foreign currency exchange movements to Capital Reserve	**(768)**	(3,787)
Income tax on other comprehensive income	**-**	-
Total comprehensive income for the period	**(5,394,857)**	(3,300,613)
(Loss)/Profit from continuing operations attributable to:		
Members of the Company	**(5,643,350)**	(3,764,891)
Minority Equity Interest	**3,580**	3,682
Loss from continuing operations	**(5,639,770)**	(3,761,209)

(Loss)/Profit attributable to :		
Members of the Company	**(5,556,989)**	(3,764,891)
Minority Equity Interest	**3,580**	3,682
Loss for the period after tax	**(5,553,409)**	(3,761,209)
Total comprehensive income attributable to :		
Members of the Company	**(5,398,437)**	(3,304,295)
Minority Equity Interest	**3,580**	3,682
Total comprehensive income for the period	**(5,394,857)**	(3,300,613)

Earnings per share		
From continuing and discontinued operations		
-Basic earnings per share (cents per share)	**(0.0085)**	(0.0107)
-Diluted earnings per share (cents per share)	**(0.0085)**	(0.0107)
From continuing operations		
-Basic earnings per share (cents per share)	**(0.0085)**	(0.0107)
-Diluted earnings per share (cents per share)	**(0.0085)**	(0.0107)

AS AT 30 JUNE 2010

	Notes	2010 $	2009 $
CURRENT ASSETS			
Cash and cash equivalents	3	**1,718,012**	3,820,677
Trade and other receivables		**627,759**	368,910
Inventories		**595,696**	536,228
Financial assets	4	**80,000**	-
TOTAL CURRENT ASSETS		**3,021,467**	4,725,815
NON-CURRENT ASSETS			
Investments accounted for using the equity method	9	**916,148**	935,840
Financial assets	4	**210,000**	1,145,473
Plant and equipment		**926,166**	665,173
Intangible Assets		**6,776,704**	6,902,749
Other non current assets		**-**	473,681
TOTAL NON-CURRENT ASSETS		**8,829,018**	10,122,916
TOTAL ASSETS		**11,850,485**	14,848,731
CURRENT LIABILITIES			
Trade and other payables		**717,710**	1,101,990
Short-term provisions		**125,373**	114,953
TOTAL CURRENT LIABILITIES		**843,083**	1,216,943
TOTAL LIABILITIES		**843,083**	1,216,943
NET ASSETS		**11,007,402**	13,631,788
EQUITY			
Issued capital		**33,749,092**	30,978,621
Reserves		**1,979,192**	1,820,640
Accumulated Losses		**(24,776,679)**	(19,219,690)
Parent interest		**10,951,605**	13,579,571
Minority equity interest		**55,797**	52,217
TOTAL EQUITY		**11,007,402**	13,631,788

	Issued Share Capital	Accumulated Losses	Option Issue Reserve	Foreign Currency Translation Reserve	Revaluation Reserve	Diluting Gain Reserve	Capital Reserve	Minority Interests	Total Equity
	$	$	$	$	$	$	$	$	$
Balance at *1.7.2008*	22,427,510	(15,454,799)	-	-	(101,645)	-	-	48,535	6,919,601
Shares/Options issued during the period	8,659,111	-	-	-	-	-	-	-	8,659,111
Cost of Capital	(108,000)	-	(62,892)	-	-	-	-	-	(170,892)
Options Expired	-	-	1,524,581	-	-	-	-	-	1,524,581
Total comprehensive income for the year	-	(3,764,891)	-	(273,730)	101,645	636,468	(3,787)	3,682	(3,300,613)
Balance at *30.06.2009*	30,978,621	(19,219,690)	1,461,689	(273,730)	-	636,468	(3,787)	52,217	13,631,788
Balance at *1.7.2009*	30,978,621	(19,219,690)	1,461,689	(273,730)	-	636,468	(3,787)	52,217	13,631,788
Shares/Options issued during the period	2,797,720	-	-	-	-	-	-	-	2,797,720
Cost of Capital	(27,249)	-	-	-	-	-	-	-	(27,249)
Total comprehensive income for the year	-	(5,556,989)	-	(175,158)	-	334,478	(768)	3,580	(5,394,857)
Balance at *30.06.2010*	**33,749,092**	**(24,776,679)**	**1,461,689**	**(448,888)**	**-**	**970,946**	**(4,555)**	**55,797**	**11,007,402**

	Notes	2010 $	2009 $
Cash Flows from continuing operations			
Receipts from customers (inclusive of goods and services tax)		**2,069,112**	456,875
Payments to suppliers and employees (inclusive of goods and services tax)		**(6,138,199)**	(3,392,546)
Interest received		**25,025**	223,946
Export Marketing Development Rebate received		**91,213**	-
Net Cash Outflow from continuing operations	**5**	**(3,952,849)**	(2,711,725)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		**(416,346)**	(119,600)
Exploration Expenditure		**-**	(155,712)
Acquisition of Financial Assets		**(210,000)**	-
Cash on deconsolidation of subsidiary		**(703,935)**	-
Cash on acquisition		**-**	585,541
Cost of Business Purchase		**-**	(179,985)
Net Cash Outflow from Investing Activities		**(1,330,281)**	130,244
Cash Flows from Financing Activities			
Repayment of Borrowings		**-**	(1,418,891)
Loan repaid by other parties		**601,352**	-
Proceeds from issues of ordinary shares and options		**2,612,720**	2,644,723
Payment of share issue costs		**(27,249)**	(170,892)
Net Cash Inflow from Financing Activities		**3,186,823**	1,054,940
Net Decrease in Cash Held		**(2,096,307)**	(1,526,541)
Cash at the Beginning of the Financial Year		**3,820,677**	**5,442,550**
Effect of exchange rates on cash holding in foreign currencies		**(6,358)**	(95,332)
Cash at the End of the Financial Year		**1,718,012**	3,820,677

Non-Cash Financing and Investing Activities

	2010	2009
2010: In August 2009, the Company issued 6,700,000 fully paid ordinary shares to the employees as per the terms of their employment contracts.	**185,000**	-
2009: On 6th March 2009 the Supreme Court of Victoria approved a Scheme of Arrangement between Biograde Limited and its shareholders under which Cardia acquired all the issued capital of Biograde Limited by the issue of 259,964,442 ordinary shares and 259,964,442 options (exercisable at $0.10 per share at or before 30 June 2011) to Biograde members on 20th March 2009.	-	7,538,969

1. Revenue from Ordinary Activities

	2010 $	2009 $
Revenue from continuing operations		
Revenue from sale of goods and services	**2,205,817**	456,875
Total	**2,205,817**	456,875
Other Income		
Export Marketing Grant	**115,996**	-
Interest	**104,843**	340,181
Payables Written back	**52,395**	-
Brokerage Received	**10,500**	-
Royalty Income	**14,662**	13,434
Total	**298,396**	353,615
Revenue from continuing operations (excluding share of Equity accounted net losses of associates)	**2,504,213**	810,490

2. Comparison of Half –Year Results

	2010 $	2009 $
Consolidated loss from continuing operations after tax attributable to members reported for the first half-yearly report	**(3,531,136)**	(147,453)
Consolidated loss from continuing operations after tax attributable to members for the second half-year	**(2,112,214)**	(3,617,438)

3. Reconciliation of Cash

	2010 $	2009 $
Cash at bank and on hand	**1,718,012**	3,281,540
Deposits at Call	**-**	539,137
	1,718,012	3,820,677

4. Financial Assets

		2010 $	2009 $
Current Financial Assets			
Receivables			
From related party		5,161,864	5,161,864
Provision for impairment of receivables		-	(5,161,864)
		5,161,864	-
Secured Loans			
To related party		1,000,000	-
Interest Accrued thereon		224,050	-
		1,224,050	-
Total Receivables & Secured Loans with Interest Accrued		**6,385,914**	-
Write Off of Receivables & Secured Loan with Accrued Interest		(6,305,914)	-
	(a)	**80,000**	-

Non Current Financial Assets			
Available for sale financial assets			
Shares in listed corporation at fair value		**94,126**	94,126
Provision for impairment		(94,126)	(94,126)
	(b)	-	-
Other Investments			
Shares in unlisted corporation at cost		**210,000**	-
		210,000	-
Secured Loans			
To Related party		-	1,000,000
Interest Accrued thereon		-	145,473
		-	1,145,473
Total		**210,000**	1,145,473

(a) In May 2010, Cardia and Aquenox Ltd reached agreement that Cardia would accept $80,000 from Aquenox in full settlement of its amounts owing under the Convertible Debt Deed and the Secured Loan inclusive of accrued interest.

(b) Available for sale financial assets consist of 156,877 ordinary shares in Pallane Medical Limited (formerly Dia-B Tech Investments Limited). The investment in those shares had been fully impaired as at 30 June 2009.

5. Reconciliation of Loss After Income Tax to Net Cash Flows from Continuing Operations

	2010 $	2009 $
Operating Loss after income tax	**(5,553,409)**	(3,761,209)
Depreciation & Amortisation	**198,967**	78,644
Impairment of Goodwill	-	1,546,833
Impairment of Financial Assets	-	195,771
Write Off of Financial Assets	**1,144,050**	-
Bad Debts	**60,329**	-
Issue of Shares to Employees	**185,000**	-
Loss on write down of Investments	-	1,100
Equity accounting of associates' operating loss	**354,171**	162,784
Changes in operating assets and liabilities		
(Increase)/decrease in receivables	**300,894**	(182,814)
(Increase)/decrease in other operating assets	**(1,031,515)**	(864,085)
Increase/(decrease) in creditors	**331,275**	19,785
Increase in provisions and other operating liabilities	**57,389**	91,466
Net cash outflow from operating activities	**(3,952,849)**	(2,711,725)

6. Events Occurring After Reporting Date

Other than the matters discussed below, there has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect the operations of the consolidated entity, the results of these operations or the state of affairs of the consolidated entity in subsequent years.

Company Secretary Appointment/Resignation

Mr John Wilson, Company Secretary retired on 10th August 2010 and Miss Rekha Bhambhani was appointed as Company Secretary with effect from 10th August 2010.

Proposed Sale of Bioglobal Limited Shares

The Company announced to the market on 18th August 2010 that it proposed to dispose of its' investment in Bioglobal Limited, either in part or in full. The Company has entered into an Option Deed with an interested party to acquire the shares. The Deed involves a series of short dated back –to-back options to acquire the shares.

Under the Deed, if all the options are exercised in full, Cardia will receive in excess of $3 million during the period of 15th September 2010 to 31st December 2010.

Should the first option be exercised on the 15th September 2010, Cardia will receive $1 million. If the first option is not exercised by 15th September 2010, the Deed will terminate.

In the event the first option is exercised, the remaining shares in Bioglobal Limited, may be exercised through a further two tranches or in single tranche by December 2010.There is no obligation for the other party to exercise the second or third option.

Non Renounceable Rights Issue to Cardia Shareholders

On 19 August 2010 the Company announced a non-renounceable rights issue to Cardia shareholders on the basis of 1 ordinary share for every 3 shares in Cardia at 1.5cents per share.

If fully subscribed by the shareholders, the issue will raise approximately $3.7 million (before costs of issue). The issue is not underwritten. The subscription shortfall, if any, will first be offered to Cardia shareholders with the remaining balance, if any, to be placed by Directors within 2 months from the date of closure of issue in accordance with section 708AA of Corporations Act 2001 and ASIC class order 08/35.

The Funds raised through the Rights Issue will provide additional working capital required for Cardia's Bioplastics business.

7. Issued and Listed Securities

The Company had 741,596,587 fully paid ordinary shares and 581,992,197 options on issue at 30 June 2010, (2009: 616,136,591 shares and 522,612,199 options) all of which were listed.

No other securities have been issued.

8. NTA Backing

	2010 $	2009 $
Net tangible asset backing per ordinary share	**$0.006**	$0.019

9. Associate Entity

Name	Ownership interest		Aggregate share of profits/(losses), where material		Carrying amount of Investments	
	2010 %	2009 **%**	**2010 $**	2009 **$**	**2010 $**	2009 **$**
Shares in Bioglobal Ltd	**18.44**	27.30	**(354,171)**	(162,784)	**916,148**	935,840

10. Deconsolidation of subsidiary

Following the successful completion of a capital raising of approx $1.8million through a non-renounceable offer of shares in Cam Bow Limited to Cardia shareholders, Cam Bow Limited was deconsolidated from Cardia.

The Gain on Deconsolidation of the Subsidiary of $ 86,361 disclosed in the Income Statement is the accumulated losses of Cam Bow Limited which have been consolidated in Cardia's Financial Statements to 22 September 2009 after elimination of intra-group transactions. The details are produced below

	2010 $	**2009 $**
Revenue	126	-
Expenses	(83,803)	(2,684)
Loss before income tax	**(83,677)**	**(2,684)**

The net cash flows of the deconsolidated subsidiary which have been incorporated into the statement of cash flows are as follows

	2010 $	**2009 $**
Net cash outflow from operating activities	(24,221)	116
Net cash outflow from investing activities	(983)	(473,681)
Net cash inflow from financing activities	601,352	-
Net cash increase/(decrease) in cash generated by deconsolidated subsidiary	576,148	(473,565)
Cash at the Beginning of the Financial Year	127,787	-
Cash held at disposal date	**703,935**	**-**

Assets and Liabilities of subsidiary held at disposal date were:

		2010
		$
Assets		
Cash & Bank Balance		**703,935**
Trade & Other Receivables		**16,535**
Non Current assets-Exploration Expenditure		**468,278**
Plant & Equipment		**954**
Total Assets		**1,189,702**
Liabilities		
Payables		**1,276,063**
Total Liabilities		**1,276,063**
Net Assets		**(86,361)**

11. Operating segments

Segment Information

Identification of reportable segments

The business segments of the consolidated entity continued to be five business divisions namely:

- **Environmental Technology**
- **Biotechnology Medical**
- **Biotechnology Agricultural**
- **Natural Pharmaceuticals**
- **Mineral Exploration**

Cardia Bioplastics (Australia) Pty Ltd (formerly Biograde Limited) was acquired by Cardia on 6th March 2009.That Company's operations are in Bioplastics and is classified under "Environmental Technology" business segment of the Group.Bioplastics is the current focus of business, and the Group has identified its operating segments to accord with that business .

Operating segments are premised on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources.

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

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

-the products sold and/or services provided by the segment;

- the manufacturing process;
-the type or class of customer for the products or services;
-the distribution method; and
-any external regulatory requirements.

The following operating segments have been identified

(i) Manufacturing Division
(ii) Distribution Division
(iii) Corporate Division

Types of products and services by segment

(i) Manufacturing Division

The manufacturing segment develops, manufactures sustainable resins derived from renewable resources for the global packaging and plastic products industries.

Manufacturing segment, which includes manufacturing unit in China, is responsible for distribution and sales of products locally due to better management of logistics and knowledge of local market.

The manufacturing segment also sales products to the distribution segment.

(ii) Distribution Division

The distribution segment distributes Company's manufactured stock items both domestically and internationally.

(iii) Corporate Division

Corporate Division serves manufacturing and distribution divisions on financial, administrative and legal matters and also holds and manages portfolio of investments and interests held or acquired under five division business model of the Group.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

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

Inter-segment transactions

An internally determined transfer price is set for all inter-segment sales. This price 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.

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.

Segment assets

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

Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Segment liabilities include trade and other payables.

Unallocated items

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

- Non –recurring items of revenue or expense
- Goodwill on acquisition

Comparative information

This is the first annual reporting period in which AASB 8 has been adopted. Due to change in structure of the entity's internal organisation resulting from Cardia's merger in March 2009 with its now wholly owned subsidiary Cardia Bioplastics (Australia) Pty Ltd, the above reportable segments have been identified for the first time and consequently comparative information for the corresponding period of 12 months to June 2009 has been restated to conform to the requirements of the Accounting Standard- AASB 8.

Segment Information

Year ended 30.06.2010	**Manufacturing Division** $	**Distribution Division** $	**Corporate** $	**Total** $
Revenue				
External Sales	1,559,992	645,825	-	2,205,817
Inter –segment sales	655,712	-	-	655,712
Interest revenue	1,115	-	103,728	104,843
Other Income	52,381	116,010	25,162	193,533
Total Segment Revenue	**2,269,200**	**761,835**	**128,890**	**3,159,925**
Reconciliation of segment revenue to group revenue				
Inter-segment elimination	-	-	-	(655,712)
Total Group Revenue	-	-	-	**2,504,213**
Segment Net Loss before Tax	**(743,583)**	**(1,925,428)**	**(1,213,242)**	**(3,882,253)**
Reconciliation of segment result to group net loss before tax				
-Amount not included in segment result but reviewed by Board				
- Depreciation & amortisation	(149,249)	(46,076)	(3,642)	(198,967)
- Write down of Financial Assets	-	-	(1,144,050)	(1,144,050)
- Bad Debts	-	-	(60,329)	(60,329)
- Share of loss of associates using Equity Accounting	-	-	(354,171)	(354,171)
Net Loss before tax from continuing operations				**(5,639,770)**
- Gain on Deconsolidation of subsidiary	-	-	86,361	86,361
Net Loss for the Period				**(5,553,409)**

Segment Performance

	Manufacturing Division	Distribution Division	Corporate	Total
Year ended 30.06.2009	**$**	**$**	**$**	**$**
Revenue				
External Sales	220,363	236,512	-	456,875
Inter –segment sales	187,517	-	-	187,517
Interest revenue	1,036	-	352,579	353,615
Total Segment Revenue	408,916	236,512	352,579	998,007
Reconciliation of segment revenue to group revenue				
Inter-segment elimination	-	-	-	(187,517)
Total Group Revenue	-	-	-	810,490
Segment Net Loss before Tax	(300,156)	(812,586)	(664,435)	(1,777,177)
Reconciliation of segment result to group net profit/loss before tax				
-Amount not included in segment result but reviewed by Board				
- Depreciation & amortisation	(69,752)	(5,067)	(3,825)	(78,644)
- Provision for impairment of Financial Assets	-	-	(195,771)	(195,771)
- Impairment of Goodwill	-	-	(1,546,833)	(1,546,833)
- Share of loss of associates using Equity Accounting	-	-	(162,784)	(162,784)
Net Loss before tax from continuing operations				**(3,761,209)**

Segment Assets

As at 30.06.2010	Manufacturing Division $	Distribution Division $	Corporate $	Total $
Segment Assets	1,555,569	5,875,182	12,899,683	20,330,434
Reconciliation of segment assets to group assets				
Inter-segment eliminations	-	-	-	(14,838,791)
Segment Assets after inter-segment eliminations				
Unallocated assets				
- Goodwill	-	-	-	6,358,842
Total Group Assets				**11,850,485**
Segment asset increases for the period				
- Capital expenditure	336,877	79,107	362	416,346
Included in segment assets are				
- Equity accounted associates	-	-	916,148	916,148

As at 30.06.2009	Manufacturing Division $	Distribution Division $	Corporate $	Total $
Segment Assets	1,940,206	5,440,761	15,990,142	23,371,109
Reconciliation of segment assets to group assets				
Inter-segment eliminations	-	-	-	(14,881,220)
Segment Assets after inter-segment eliminations				**8,489,889**
Unallocated assets				
- Goodwill	-	-	-	6,358,842
Total Group Assets				**14,848,731**
Segment asset increases for the period				
- Capital expenditure	11,792	107,808	-	119,600
- Acquisitions	-	-	7,718,954	7,718,954
Included in segment assets are				
- Equity accounted associates	-	-	935,840	935,840

Segment Liabilities

	Manufacturing Division	Distribution Division	Corporate	Total
As at 30.06.2010	**$**	**$**	**$**	**$**
Segment Liabilities	332,630	7,226,572	274,063	7,833,265
Reconciliation of segment liabilities to group liabilities				
Inter-segment eliminations	-	-	-	(6,990,182)
Total Group Liabilities				**843,083**

	Manufacturing Division	Distribution Division	Corporate	Total
As at 30.06.2009	**$**	**$**	**$**	**$**
Segment Liabilities	290,416	4,527,624	1,085,195	5,903,235
Reconciliation of segment liabilities to group liabilities				
Inter-segment eliminations	-	-	-	(4,686,292)
Total Group Liabilities				**1,216,943**

Revenue by geographical region	**2010**	**2009**
	$	**$**
Revenue attributable to external customers is disclosed below, based on the location of the external customer		
Australia	**457,378**	206,744
China	**1,559,992**	220,367
Rest of Asia	**-**	893
USA	**39,048**	14,905
Europe	**149,399**	13,966
Total Revenue	**2,205,817**	456,875

Assets by geographical region	2010	2009
	$	$
The location of segment assets by geographical location of assets is disclosed below:		
Australia	**10,502,024**	12,625,202
Africa	**-**	473,681
Asia	**1,348,461**	1,749,848
Total Assets	**11,850,485**	14,848,731

Major customers

The Group has a number of customers to whom it provides products. The Group has supplied a single external customer in the manufacturing segment who accounted for 11.19% (2009: 2.89%) of external revenue. The next two significant customers accounted for 9.05% (2009: 6.95%) and 7.60% (2009: NIL) of external revenue respectively.

Earnings per Share

	2010 $	2009 $
o Basic Earnings (Loss) Per Share	**(0.0085)**	(0.0107)
o Diluted Earnings (Loss) Per Share	**(0.0085)**	(0.0107)

Returns to Shareholders

Not applicable.

Material Factors Affecting the Preliminary Consolidated Financial Statements

a) Revenue and Expenses

The revenue and expenses for the year were affected mainly by the consolidation of the first full year of operations of the Company's wholly owned subsidiary-Cardia Bioplastics (Australia) Pty Ltd, acquired on 6th March 2009.

Major items affecting the operating performance for the year were:

Employee Benefits	$	(1,789,546)
R & D Expenses & Patent Costs	$	(958,522)
Write Off of Financial Assets	$	(1,144,050)
Administrative Expenses	$	(422,192)
Travel, Distribution & Marketing Expenses	$	(591,680)

b) Assets and Liabilities

The Company maintained its policy of writing off all R&D and Patent expenditure relating to the development of its business units.

Investment in the associated entity has been accounted for in the consolidated financial statements using the equity method in accordance with Accounting Standards.

Available-for-Sale Financial assets are required to be assessed for impairment at each reporting date and the impairment loss if any shall be recognised in profit or loss in accordance with the requirements of AASB 139: Financial Instruments: Recognition and Measurement. Accordingly the investment in Pallane Medical Limited has been fully impaired as at 30th June 2009 as disclosed in Note 4 and the loss had been recognised in Profit and Loss Account.

c) Cash Flows

The following was received during the year:

		2010 $	2009 $
1.	Issue of Ordinary Shares	2,612,720	2,052,000
2.	Issue of New Series of Options	-	421,831
3.	Interest Received	25,025	223,946
4.	Export Marketing Grant	91,213	-
5.	Loan repayment by Cam Bow Limited	601,352	-

d) Segment Results

This is the first annual reporting period in which AASB 8 has been adopted. Due to change in structure of the entity's internal organisation resulting from Cardia's merger in March 2009 with its now wholly owned subsidiary Cardia Bioplastics (Australia) Pty Ltd, the above reportable segments have been identified for the first time and consequently comparative information for the corresponding period of 12 months to June 2009 has been restated to conform to the requirements of the Accounting Standard- AASB 8.

The Consolidated Entity's segment results by operating segments have been disclosed in Note-11 above.

e) Trends

There were no significant performance trends during the period.

Other Factors that Affected Results for the Year or which are likely to affect Results in the Future

There were no other factors which have affected the results in the period or which are likely to affect results in the future.

ACCOUNT AND AUDIT

There were no changes in accounting policies during the year and this report is based on accounts which are in the process of being audited.

Going Concern Assumption

The economic entity's revenue from sales has been insufficient to cover operational costs of the business. As a result, the company experienced operating losses during the year ended 30 June 2010 however its continuing viability and its ability to continue as a going concern and able to meet its debts and commitments as they fall due are subject to the company being successful in:

Going Concern Assumption

The economic entity's revenue from sales has been insufficient to cover operational costs of the business. As a result, the company experienced operating losses during the year ended 30 June 2010. The Company's continuing viability, its ability to continue as a going concern and to meet its debts and commitments as they fall due, are subject to the company being successful in:

- accessing additional capital through a non–renounceable rights issue to its shareholders on a one for three basis, as announced to the market on 19th August 2010. If fully subscribed, the issue will raise approximately $3.7 million.
- selling either all or part of its non-core investment in Bioglobal Limited. As announced to the market on 18th August 2010, Cardia has entered into an Option Deed with a party interested in acquiring the shares. Under the Deed, if all the options are exercised in full, Cardia will receive in excess of $3 million over the period of 15th September 2010 to 31st December 2010.

In addition to the above the company will continue to seek an increase in revenues and gross margins from current activities and a reduction of operating costs.

Rekha Bhambhani
Company Secretary
Dated: 31st August 2010