



29 August 2014

Company Announcements Office  
ASX Limited  
Level 4  
20 Bridge Street  
SYDNEY NSW 2000

## **PRELIMINARY FINAL REPORT**

### **Results**

MBD Corporation Limited (**ASX: MBD**) recorded an EBITDA loss of \$2,573,958 (2013: loss of \$4,379,512) and a net loss after tax of \$3,990,536 on net sales revenue (after discounts and rebates) of \$30,682,373. The net loss after tax includes a net loss of circa \$1.3 million on the sale of the Citywide assets, and Citywide's operations up to the date of disposal. This represents a decrease of 42.1% on year-on-year net loss after tax and a decrease of 12.0% on year-on-year sales.

### **Review of Operations**

As announced to the market on 8 August 2014, in light of the material losses incurred by its fully owned subsidiary Marbletrent, a comprehensive review was undertaken by the Board and Managing Director, with a view to refocus and recapitalise the business. As a result of the review, the Board has implemented a plan that will significantly improve operational performance and earnings, without relying on external cyclical recovery or acquisitions. Marbletrent has a strong core business operating in a growing and changing marketplace.

Marbletrent has decided to strategically withdraw from the vanity category. After exploring the vanity category in Australia, Europe and the USA over the past two years, the reality is that the vanity category is becoming commoditised. The vanity category is already a high volume, marginal return business and we foresee continued price competitiveness inhibiting our ability to achieve adequate returns.

Marbletrent's strength has always been in shower systems where we have significant expertise and competitive advantages and this is where we believe there are material margin and market opportunities available to us to be able to focus on.

Marbletrent will exit the vanities business by the end of calendar 2014 resulting in reduced annual revenues to the business in FY15 of circa \$ 6.0 million and on an annualized basis of circa \$9.0 million. This repositioning of our category focus, together with a reduced fixed cost base is expected to generate additional earnings of in excess of \$1.0 million EBITDA over FY15 and supported by the current capital raising, new finance facilities and greater capital being devoted to more margin friendly product is anticipated to provide a material earnings uplift, particularly in the latter half of FY15 and thereafter. Strategically, the business now has a renewed focus on more margin friendly product offerings, supplier relationships, logistics, operational efficiencies and product quality which will allow Marbletrent to take better advantage of the opportunities and trends in the market over the long term.



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## **Capital raising**

As reported to the ASX on Wednesday 20 August 2014, MBD has successfully completed the raising of additional capital via a rights issue of \$1,284,193.60. The additional capital allows the company to recapitalise the balance sheet and ensure adequate working capital to drive the next phase of the restructure and focus on the shower category.

## **Citywide**

As announced to the ASX in May 2014, MBD sold the assets of the Citywide business, and later its 50% shareholding in Citywide. This was undertaken in order to reduce existing bank debt and ensure the focus was on driving the core Marbletrend investment.

## **Outlook**

The pipeline for new housing and construction projects is growing with the view that 2015 calendar year will see increased commencements of projects. Renovations are forecast to be stable. Marbletrend will be in a stronger position to take advantage of improved market conditions with the completion of the capital raising in August 2014 augmented by the new Trade Finance Facility and a new Debtor Finance Facility which generates additional working capital and assists in reducing bank debt. The Board of MBD are positive about the repositioning of the business and the opportunities it presents over FY15.

Enquiries contact:

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Executive Chairman  
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## **Appendix 4E**

### **Preliminary final report**

**Financial year ended 30 June 2014**  
(previous corresponding period: year ended 30 June 2013)

### **RESULTS FOR ANNOUNCEMENT TO THE MARKET**

**Information given to ASX under listing rule 4.2A.3**

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|  |  |
|--|--|
| <b>Revenue from ordinary activities (after rebates, discounts and excluding discontinued operations)</b> | <b>Down 12.0% to \$30,682,373</b>      |
| <b>Profit / (loss) from ordinary activities after tax attributable to members</b>                        | <b>Improved 60.4% to (\$2,677,781)</b> |
| <b>Net Profit/(loss) attributable to members</b>   | <b>Improved 42.1% to (\$3,990,536)</b> |

#### **Dividends**

No final dividend has been declared for FY14 (2013: 0.00 cents) and no FY14 interim dividend (2013: 0.00 cents) was paid.

#### **Earnings per share attributable to the ordinary equity holders of the parent**

|                                  | <b>2014</b> | <b>2013</b> |
|----------------------------------|-------------|-------------|
| Basic Earnings per share (cents) | (6.04)      | (10.36)     |

#### **Net Tangible Assets attributable to the ordinary equity holders of the parent**

|   |             |           |
|---|-------------|-----------|
| Net Tangible Assets (\$)  | (3,527,414) | 2,815,931 |
| Net Tangible Assets per share (cents)                                     | (5.34)      | 4.26      |
| Net Tangible Assets per share adjusted for Intellectual property (cents)* | (5.34)      | 4.26      |

\* The Net Tangible Assets do not include the investment made by the Company during FY13 in the Citywide business which amounts to \$2,000,000.

## Highlights Summary

| <b><u>Selected financial information</u></b>  | <b><u>2014</u></b> | <b><u>2013</u></b> | <b><u>% change</u></b> |
|---|--------------------|--------------------|------------------------|
| Revenue (after discount and rebates and excluding discontinued operations ) (\$)                      | <b>30,682,373</b>  | 34,863,980         | (12.0%)                |
| Profit /(loss) before tax, interest, depreciation, amortisation and impairment (\$)                   | <b>(2,573,958)</b> | (4,379,512)        | 41.2%                  |
| Profit /(loss) before Non-Controlling Interest and after tax (\$) (excluding discontinued operations) | <b>(2,677,781)</b> | (6,754,013)        | 60.4%                  |
| Profit/(loss) attributable to members (\$)  | <b>(3,990,536)</b> | (6,889,993)        | 42.1%                  |
| Return to members of MBD as a % of Average Assets (%)   | <b>(20.67%)</b>    | (29.96%)           |                        |
| Return to members of MBD as a % of Average Equity (%)   | <b>(145.68%)</b>   | (85.60%)           |                        |

### 1. Financial Performance

The Group's result after tax attributable to owners of the parent for FY 2014, was a loss of \$(3,990,536) from a loss of \$(6,889,954) last year, a net improvement of \$(42.08%). Pre-tax result before discontinued operations, was a loss of \$(3,925,060) from a loss of \$(8,442,764) a net improvement of 53.51%.

Earnings per share attributable to continuing operations improved 60.4% to (4.05) cents (2013: -10.23 cents). No goodwill impairment was recorded this year (2013: \$2,351,162).

Loss on sale of the Citywide Group consisting of Citywide Building Supplies Pty Ltd, Citywide Concrete Pty Ltd and Citywide Holdings (Aust) Pty Ltd amounted to \$(3,316,644) including non-controlling interest of \$(2,003,889) (2013: -\$87,206).

Shareholder returns are negative due to operating losses sustained this year. Returns on assets employed in FY 2014 improved to (20.67%) (2013: -29.96%). The average return on equity decreased to (145.68%) (2013: -85.60%).

The consolidated Statement of Cash Flows illustrates that continuing operating activities generated a positive cash flow of \$304,717 (2013: -\$1,236,439), the improvement due to increase in gross margins and reduction in operating expenses.

Sales and profitability were materially impacted by the difficult market conditions, together with the sell through of slow moving stock and the product mix sold during the year, with a particular emphasis on the lower margin vanity business. In addition, tight working capital impinged on Marbletrend's ability to source stock in a timely manner which impacted sales adversely during the year. The Company's results were also impacted by adverse exchange rates.

### 2. Balance Sheet

Total equity decreased from \$5,689,723 to \$(211,321) a decrease of (104%). The movement was primarily as a result of the Citywide operating losses and loss on sale, and operating losses at Marbletrend.

The Group's interest bearing debt as at 30 June 2014 has decreased to \$7,833,607 from \$9,875,100 in FY13. Debt has decreased due to repayment of all Citywide Bank loans and Hire purchase loans.

### 3. Statement of Comprehensive Income

|  | <b>Consolidated</b> |              |
|--|---------------------|--------------|
|  | <b>2014</b>         | 2013         |
|  | <b>\$</b>           | <b>\$</b>    |
| <b>Continuing operations</b>                                       |                     |              |
| Sale of goods (net of rebates and discounts)                       | <b>30,676,586</b>   | 34,857,577   |
| Other revenue  | <b>5,787</b>        | 6,403        |
| <b>Revenue</b>   | <b>30,682,373</b>   | 34,863,980   |
| Cost of Sales  | <b>(19,042,178)</b> | (22,996,561) |
| <b>Gross profit</b>  | <b>11,640,195</b>   | 11,867,419   |
| Distribution expenses  | <b>(3,395,808)</b>  | (4,221,073)  |
| Marketing expenses   | <b>(1,517,611)</b>  | (1,105,252)  |
| Occupancy expenses   | <b>(1,826,792)</b>  | (1,951,804)  |
| Administrative expenses  | <b>(8,039,818)</b>  | (8,358,617)  |
| Finance costs  | <b>(554,118)</b>    | (558,766)    |
| Other expenses   | <b>(190,958)</b>    | (127,509)    |
| Impairment loss on revaluation                                     | <b>(40,150)</b>     | (2,351,162)  |
| Stock write down   | -                   | (1,636,000)  |
| <b>Profit/(loss) from continuing operations before income tax</b>  | <b>(3,925,060)</b>  | (8,442,764)  |
| Income tax (expense)/gain  | <b>1,247,279</b>    | 1,688,751    |
| <b>Net profit/(loss) for the period from continuing operations</b> | <b>(2,677,781)</b>  | (6,754,013)  |
| Loss for the year from discontinued operations                     | <b>(3,316,644)</b>  | (223,147)    |
| Profit for the year from sale of discontinued operations           | -                   | -            |
| <b>Other comprehensive income</b>                                  |                     |              |
| Items that may be classified to profit and loss                    | -                   | -            |
| Items that will not be classified to profit and loss               | -                   | -            |
| <b>Total other comprehensive income</b>                            | -                   | -            |
| <b>Total comprehensive income/(loss) for the period</b>            | <b>(5,994,425)</b>  | (6,977,160)  |
| Net loss for the period is attributable to:                        |                     |              |
| Non-controlling interest   | <b>(2,003,889)</b>  | (87,206)     |
| Owners of the parent   | <b>(3,990,536)</b>  | (6,889,954)  |
|  | <b>(5,994,425)</b>  | (6,977,160)  |
| Total comprehensive income for the period is attributable to:      |                     |              |
| Non-controlling interest   | <b>(2,003,889)</b>  | (87,206)     |
| Owners of the parent   | <b>(3,990,536)</b>  | (6,889,954)  |
|  | <b>(5,994,425)</b>  | (6,977,160)  |
| <b>Earnings per share attributable to the owners:</b>              |                     |              |
| <b>Basic Earnings per share/Diluted Earnings per share</b>         |                     |              |
| Loss from continuing operations                                    | (4.05)              | (10.23)      |
| Loss from discontinued operations                                  | (1.99)              | (0.13)       |
| <b>Total</b>   | <b>(6.04)</b>       | (10.36)      |

#### 4. Statement of Financial Position

|  | <b>Consolidated</b> |              |
|--|---------------------|--------------|
|  | <b>30 June 2014</b> | 30 June 2013 |
|  | \$                  | \$           |
| <b>ASSETS</b>  |                     |              |
| <b>Current assets</b>                                      |                     |              |
| Cash and cash equivalents                                  | 163,226             | 177,600      |
| Trade and other receivables                                | 4,407,772           | 5,330,213    |
| Inventories  | 5,866,767           | 6,878,525    |
| Derivative financial assets                                | -                   | 45,940       |
| <b>Total current assets</b>                                | <b>10,437,765</b>   | 12,432,278   |
| <b>Non-current assets</b>                                  |                     |              |
| Available for sale financial assets                        | 24,750              | 64,900       |
| Property, plant and equipment                              | 1,766,756           | 5,202,216    |
| Deferred tax assets  | 3,291,343           | 2,287,770    |
| Intangible assets  | -                   | 3,098,792    |
| <b>Total non-current assets</b>                            | <b>5,082,849</b>    | 10,653,678   |
| <b>TOTAL ASSETS</b>  | <b>15,520,614</b>   | 23,085,956   |
| <b>LIABILITIES</b>   |                     |              |
| <b>Current liabilities</b>                                 |                     |              |
| Bank overdraft   | 2,943,017           | 2,080,136    |
| Trade and other payables                                   | 7,327,279           | 5,684,888    |
| Interest-bearing loans and borrowings                      | 4,405,366           | 6,239,225    |
| Derivative financial liabilities                           | 125,937             | -            |
| Provisions   | 410,561             | 456,811      |
| <b>Total current liabilities</b>                           | <b>15,212,160</b>   | 14,461,060   |
| <b>Non-current liabilities</b>                             |                     |              |
| Interest-bearing loans and borrowings                      | 485,224             | 1,780,739    |
| Deferred tax liability                                     | 2,487               | 1,113,427    |
| Provisions   | 32,064              | 41,007       |
| <b>Total non-current liabilities</b>                       | <b>519,775</b>      | 2,935,173    |
| <b>TOTAL LIABILITIES</b>                                   | <b>15,731,935</b>   | 17,396,233   |
| <b>NET ASSETS/(LIABILITIES)</b>                            | <b>(211,321)</b>    | 5,689,723    |
| <b>EQUITY</b>  |                     |              |
| <b>Equity attributable to equity holders of the parent</b> |                     |              |
| Contributed equity   | 14,120,505          | 14,102,505   |
| Retained Earnings / (Accumulated losses)                   | (14,363,447)        | (10,372,911) |
| Non Controlling interest                                   | -                   | 1,912,794    |
| Reserves   | 31,621              | 47,335       |
| <b>Parent Interests</b>                                    | <b>(211,321)</b>    | 5,689,723    |
| <b>TOTAL EQUITY</b>  | <b>(211,321)</b>    | 5,689,723    |

## 5. Statement of Cash Flows

|  | <b>Consolidated</b> |              |
|--|---------------------|--------------|
|  | <b>2014</b>         | 2013         |
|  | \$                  | \$           |
| <b>Cash flows from operating activities</b>                    |                     |              |
| Receipts from customers (inclusive of GST)                     | <b>34,155,812</b>   | 40,397,746   |
| Payments to suppliers, employees and others (inclusive of GST) | <b>(33,302,764)</b> | (41,061,125) |
| Interest received  | <b>5,787</b>        | 4,630        |
| Interest paid  | <b>(554,118)</b>    | (577,690)    |
| Net cash from continuing operations                            | <b>304,717</b>      | (1,236,439)  |
| Net cash from discontinued operations                          | <b>(280,309)</b>    | (111,639)    |
| <b>Net cash flows from/ (used in) operating activities</b>     | <b>24,408</b>       | (1,348,078)  |
| <b>Cash flows from investing activities</b>                    |                     |              |
| Investment in Citywide - payment to vendor                     | -                   | (250,000)    |
| Purchase of property, plant and equipment                      | <b>(155,029)</b>    | (3,609,798)  |
| Proceeds from sale of property, plant and equipment            | <b>60,779</b>       | 96,612       |
| Proceeds from disposal of Citywide business, net of cash       | <b>2,321,960</b>    | -            |
| <b>Net cash flows from/ (used in) investing activities</b>     | <b>2,227,710</b>    | (3,763,186)  |
| <b>Cash flows from financing activities</b>                    |                     |              |
| Repayment of borrowings  | <b>(3,129,374)</b>  | (650,225)    |
| Proceeds from borrowings                                       | -                   | 3,420,616    |
| SPP share issue  | -                   | 52,500       |
| Issue of Convertible Notes                                     | -                   | 720,000      |
| Dividends paid   | -                   | (161,677)    |
| <b>Net cash flows from/ (used in) financing activities</b>     | <b>(3,129,374)</b>  | 3,381,214    |
| <b>Net increase/ (decrease) in cash and cash equivalents</b>   | <b>(877,256)</b>    | (1,730,050)  |
| <b>Cash and cash equivalents at beginning of period</b>        | <b>(1,902,535)</b>  | (172,485)    |
| <b>Cash and cash equivalents at end of period</b>              | <b>(2,779,791)</b>  | (1,902,535)  |

## 6. Retained Earnings

### Statement of Changes in Equity

### Consolidated

|   | Contributed Equity |                   | Retained earnings   | Employee equity benefits | Owners of the parent | Non-controlling interest | Total            |
|---|--------------------|-------------------|---------------------|--------------------------|----------------------|--------------------------|------------------|
|   | Ordinary shares    | Convertible Notes |                     |                          |                      |                          |                  |
|   | \$                 | \$                | \$                  | \$                       | \$                   | \$                       | \$               |
| <b>At 1 July 2013</b>                                       | 13,787,505         | 315,000           | (10,372,911)        | 47,335                   | 3,776,929            | 1,912,794                | 5,689,723        |
| Profit / (loss) for the period                              | -                  | -                 | (3,990,536)         | -                        | (3,990,536)          | (2,003,889)              | (5,994,425)      |
| Other comprehensive income                                  | -                  | -                 | -                   | -                        | -                    | -                        | -                |
| <b>Total comprehensive income for the period</b>            | -                  | -                 | (3,990,536)         | -                        | (3,990,536)          | (2,003,889)              | (5,994,425)      |
| <b>Transactions with owners in their capacity as owners</b> |                    |                   |                     |                          |                      |                          |                  |
| Share based payment   | 18,000             | -                 | -                   | (15,714)                 | 2,286                | -                        | 2,286            |
| Dividend paid/ proposed                                     | -                  | -                 | -                   | -                        | -                    | -                        | -                |
| Shares Issued   | -                  | -                 | -                   | -                        | -                    | -                        | -                |
| Convertible notes issued                                    | -                  | -                 | -                   | -                        | -                    | -                        | -                |
| Sale of investment  | -                  | -                 | -                   | -                        | -                    | 91,095                   | 91,095           |
| <b>At 30 June 2014</b>                                      | <b>13,805,505</b>  | <b>315,000</b>    | <b>(14,363,447)</b> | <b>31,621</b>            | <b>(211,322)</b>     | <b>-</b>                 | <b>(211,322)</b> |
| <b>At 1 July 2012</b>                                       | 13,542,456         | -                 | (3,173,666)         | 38,788                   | 10,407,578           | -                        | 10,407,578       |
| Profit / (loss) for the period                              | -                  | -                 | (6,889,954)         | -                        | (6,889,953)          | (87,206)                 | (6,977,159)      |
| Other comprehensive income                                  | -                  | -                 | -                   | -                        | -                    | -                        | -                |
| <b>Total comprehensive income for the period</b>            | -                  | -                 | (6,889,954)         | -                        | (6,889,953)          | (87,206)                 | (6,977,159)      |
| <b>Transactions with owners in their capacity as owners</b> |                    |                   |                     |                          |                      |                          |                  |
| Share based payment   | 6,377              | -                 | (3)                 | 8,547                    | 14,921               | -                        | 14,921           |
| Dividend paid/ proposed                                     | -                  | -                 | (309,289)           | -                        | (309,289)            | -                        | (309,289)        |
| Shares Issued   | 238,672            | -                 | -                   | -                        | 238,672              | -                        | 238,672          |
| Convertible notes issued                                    | -                  | 315,000           | -                   | -                        | 315,000              | -                        | 315,000          |
| Transferred to/ from non-controlling interest               | -                  | -                 | -                   | -                        | -                    | 2,000,000                | 2,000,000        |
| <b>At 30 June 2013</b>                                      | <b>13,787,505</b>  | <b>315,000</b>    | <b>(10,372,911)</b> | <b>47,335</b>            | <b>3,776,929</b>     | <b>1,912,794</b>         | <b>5,689,723</b> |



## 7. Subsidiaries, Associates and Investments

The assets of the operating companies of the Citywide Group, Citywide Concrete Pty Ltd and Citywide Building Supplies Pty Ltd were tendered for sale on 20 January 2014. Subsequently on 13 May 2014, the fixed assets, stock and license were sold for \$2,500,000 plus GST. Final payment was received on 23 May 2014 and funds were allocated as follows:

|                                       |                           |
|---------------------------------------|---------------------------|
| Payment Received                      | \$2,750,000 including GST |
| Payment to settle Hire Purchase loans | \$1,163,134               |
| Payment of Bank Loan                  | \$1,205,937               |
| Payment of Citywide creditors         | \$40,510                  |
| Payment of Sale costs                 | \$90,419                  |
| GST on transaction                    | \$250,000                 |

On 31 May 2014, MBD Corporation's 50% shareholding in Citywide was sold to a related party (Ahtpad Pty Ltd) for \$10.

A summary of the financial results is as follows:

### Normal Trading summary income statement of discontinued operations

|  | 2014<br>\$'000 | 2013<br>\$'000 |
|--|----------------|----------------|
| Revenue                                      | 2,489          | 1,788          |
| Cost of materials                            | (1,813)        | (1,075)        |
| Depreciation & Amortisation                  | (516)          | (172)          |
| Salaries & Wages                             | (491)          | (301)          |
| Other expenses                               | (818)          | (468)          |
| <b>Operating Profit</b>                      | <b>(1,149)</b> | <b>(228)</b>   |
| Finance costs                                | (158)          | (19)           |
| Loss from discontinued operations before tax | (1,308)        | (247)          |
| Tax expense (income)                         | 42             | (24)           |
| <b>Loss for the year</b>                     | <b>(1,350)</b> | <b>(223)</b>   |

| <b>Loss on Disposal</b>   | <b>2014</b>   |
|---|---------------|
|   | <b>\$'000</b> |
| Loss on sale of assets  | (1,982)       |
| Loss on operations  | (1,350)       |
| Profit on sale of shares to related party                                     | 15            |
| <hr/>   |               |
| Loss on discontinued operations as shown in statement of comprehensive income | (3,317)       |

## 8. Events after the reporting date

Although financial covenants were breached, Westpac have continued to support Marbletrend during a difficult year, and renewed all facilities for a one year period on 4 July 2014. The renewed facilities include an increased line for Debtor financing of \$4.0 million replacing the existing \$3.0 million overdraft facility.

MBD Corporation announced a fully underwritten non-renounceable 1:1 rights issue at an issue price of 2.0 cents per share on 11 July 2014 which concluded on 15 August 2014 raising \$1,284,194 which will be utilized to retire debt and for working capital purposes with an emphasis on stock purchases.

The Realstar Trade Finance Facility was finalized in July 2014, which provides Realstar with a priority secured position over Westpac of up to \$500,000 for the purpose of supporting specific stock purchases from China, subject to the terms of the Facility.

MBD Corporation announced that Marbletrend would exit the vanities business by the end of calendar year 2014, focusing on its more margin friendly product offerings.

## 9. Audit

The preliminary final report of MBD Corporation Limited for the year ended 30 June 2014 has been prepared in accordance with ASX listing rule 4.3A and has been based on the annual report which is in the process of being audited. This report and the financial statements, upon which it is based, use the same accounting policies.

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