annual report

2014

mbd

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Corporate Details

ABN 34 087 730 667

Directors

H. Giles	Executive Chairman
J. Nicol	Managing Director
P. Reilly	Non-Executive Non Independent Director
M. Evett	Non-Executive Director

Company Secretaries
H. Giles
P. Reilly

Registered Office
Level 2
409 St Kilda Road
Melbourne VIC 3004

Principal Place of Business
Level 2
409 St Kilda Road
Melbourne VIC 3004

Principal Place of Operating Businesses
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22 Jersey Road
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T: (03) 9729 6777
Email: sales@marbletrend.com.au

Share Registry
Advanced Share Registry
PO Box 1156
Nedlands WA 6909
MBD Corporation Limited shares are listed on the Australian Securities Exchange (ASX: MBD)

Solicitors
Norton Rose Fulbright Australia
Level 24
385 Bourke Street
Melbourne VIC 3000

Bankers
Westpac Banking Corporation

Auditors
Grant Thornton Audit Pty Ltd
The Rialto, Level 30, 525 Collins Street
Melbourne VIC 3000

Website Address
www.marbletrend.com.au

Director's Report

30 September 2014

Dear Shareholder,

MBD Corporation Limited (MBD) recorded an EBITDA loss of $2,573,958 (2013: loss of $4,379,512) and net loss after tax of $3,990,536 on net sales revenue (after discounts and rebates) of $30,676,586. The net loss after tax includes a net loss of $1.3 million from discontinued operations on the sales of the Citywide assets. This represents a decrease of 42.1% on year-on-year net profit after tax and a decrease of 12.0% on year-on-year sales, from continuing operations.

Review of Operations

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

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

Marbletrend will exit the vanities business by the end of 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. This significant repositioning of the business has a renewed focus on more margin friendly product offerings, supplier relationships, logistics, operational efficiencies and product quality and will allow Marbletrend to take better advantage of the opportunities and trends in the market over the long term.

Capital raising

As reported to the ASX on Wednesday 20 August 2014, MBD has successfully completed the raising of an 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. This was initiated in order to reduce 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.

Hamish Giles
Executive Chairman

Director's Report (continued)

Your directors submit their report for the year ended 30 June 2014.

Directors

The names of MBD Corporation Limited's (**Group**) directors in office during the period and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Hamish M Giles LLB, B.Ec. (Executive Chairman and Company Secretary)

Mr Giles is founder and a director of a Melbourne based consultancy firm Salmon Giles Pty Ltd which offers strategic consultancy services specifically in accounting and tax planning services and corporate advisory services. In addition Mr Giles consults in areas including human resource management consulting, strategic industrial relations and remuneration planning incorporating establishment of incentive schemes.

Mr Giles established Salmon Giles Pty Ltd 25 years ago after working with Arthur Andersen and McIntosh Securities. Mr Giles has qualifications in Law and Accounting and provides advice to a wide range of private and public companies and high net worth individuals.

Mr Giles is Chairman of the Nominations Committee and the Strategic Review and Operations Committee and a member of the Audit & Compliance Committee.

Jeff Nicol MBA (Marketing), MAICD (Managing Director and Chief Executive Officer)

Mr Nicol has over 25 years experience in manufacturing, distribution, wholesaling and retailing mainly in building supply and related products. Mr Nicol was appointed in July 2011 and was formerly the General Manager of Trade at Bunnings Group Limited.

Mr Nicol is a member of the Remuneration Committee and the Strategic Review and Operations Committee.

Peter T Reilly BBAc, CA (Non Executive and Non Independent Director and Company Secretary)

Mr Reilly has in excess of 35 years experience and achievement in Senior Executive roles. Mr Reilly has undertaken a number of strategic acquisitions, divestments and business developments and brings to the Board of MBD Corporation Limited, significant commercial experience as a public Company director.

Mr Reilly is Chairman of the Audit & Compliance Committee and a member of the Remuneration Committee and the Nominations Committee.

During the past seven years, Mr Reilly has also served as a director of the following other listed companies:
- MRL Corporation Ltd (Formerly Mongolian Resources Limited- since April 2005)
- CPI Group Limited (from February 2002 up to April 2011)

Michael N Evett B.Sc (Honours) Geology (Non Executive Director)

Mr Evett has more than 20 year's international experience in Senior Executive roles including a number of positions in oil and gas service industries. Since 1997 Mr Evett has held Senior Executive roles including Chief Executive Officer and Director of AUSDOC Information Management Pty Limited and Vice President and General Manager of Recall Australia Limited.

Mr Evett is Chairman of the Remuneration Committee and a member of the Audit & Compliance Committee and the Strategic Review and Operations Committee.

Interests in the shares and options of the Company and related bodies corporate

As at the date of this report (unless indicated otherwise), the interests of the directors in the shares and options of MBD Corporation Limited were:

	Number of Ordinary Shares	Number of Options over Ordinary Shares
H. Giles	21,099,990	-
P. Reilly	46,792,331	-
M. Evett	879,758	-
J Nicol	1,900,000	-

Company Secretaries

Hamish M Giles
Peter T Reilly

Dividends

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

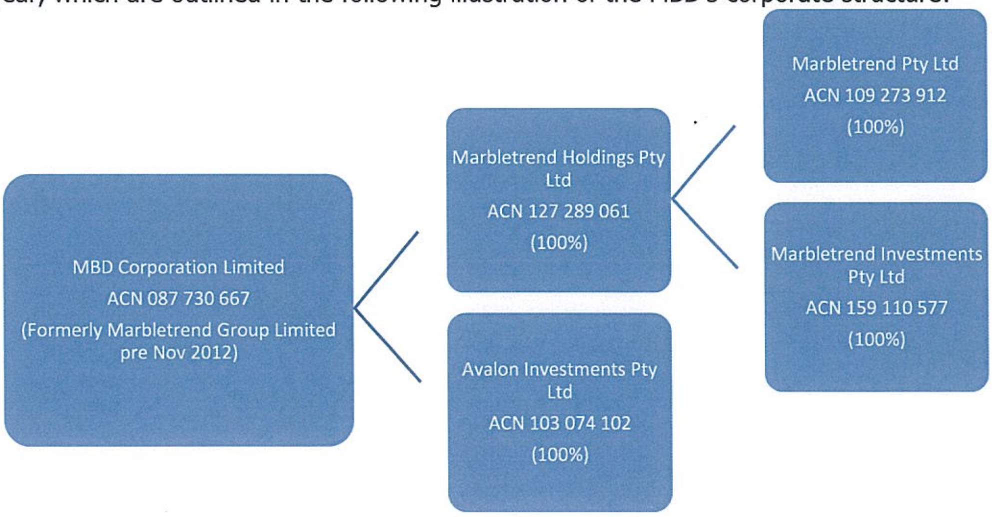
Principal Activities

MBD Corporation Limited is listed on the Australian stock exchange (ASX) under the code 'MBD'. The primary investment is in the key Australian bathroom products brand, Marbletrend, who design, develop and source quality bathroom products to suit residential and commercial applications. Marbletrend also manufactures shower bases in Australia.

The company sells products into the hardware, building and plumbing supplies sectors to all major retailers including Bunnings, Reece, Tradelink, Mitre 10, Plumbing Plus, Plumbtec, BIGA, Hardings, Danks and Samios, as well as a large number of independent outlets. Marbletrend has national distribution capability through it's dedicated company owned branches and appointed agents.

Corporate Structure

MBD Corporation Limited is a Company limited by shares and is incorporated and domiciled in Australia. MBD Corporation Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in the following illustration of the MBD's corporate structure:



Corporate Structure (continued)

MBD Corporation Ltd (ACN 087 730 667) has two wholly owned subsidiaries as follows:

- Marbletrend Holdings Pty Ltd (ACN 127 289 061).
- Avalon Investments (Aust) Pty Ltd (ACN 103 074 102).

Marbletrend Pty Ltd (ACN 109 273 912) and Marbletrend Investments Pty Ltd (ACN 159 110 577) are wholly owned subsidiaries of Marbletrend Holdings Pty Ltd.

Avalon Investments (Aust) Pty Ltd and Marbletrend Investments Pty Ltd have been wholly owned subsidiaries since incorporation of the subsidiary.

Operating and Financial Review

Dynamics of the Business

Marbletrend Pty Ltd (MPL) is a market leading bathroom products supplier and is essentially a fashion and distribution business with particular strength in shower products. Fashion - in the sense that the business provides a range of bathroom products which must reflect the current trends of fashion and consumer sentiment; and distribution - in the sense that the business manufactures and imports its product from China and Europe and must distribute it in full and on time to its customer base. Supply chain management is therefore a strategic and important component of the business. The business has strengths in developing and sourcing products and in distributing its products nationally around Australia.

MPL has focused on understanding its markets and clients with specific focus on developing and enhancing its marketing activities as a means of generating sustained brand recognition and value. Using consumer and market research, MPL is continually identifying and developing new and innovative product opportunities that are managed into the market using lifecycle management strategies.

In addition, the business faces volatility associated with the AUD and continues to take a dynamic and focussed attitude to managing its exposure to the AUD / US Dollar (USD) exchange rate through the taking out of forward contracts against known deliveries. MPL does not speculate in respect to foreign currency but rather purchases foreign currency to meet its known commitments.

MPL generates approximately 35% of its revenue from new dwelling construction, 55% of its revenue from renovations / home improvement and 10% from other projects.

Operating Results for the Year

MBD's result after tax (excluding discontinued operations) for FY 2014 improved to a loss of $2,677,781 from a loss of $6,754,013 last year, a net improvement of $4,076,232. Pre-tax result before discontinued operations, was a loss of $3,925,060 from a loss of $8,442,764, a net improvement of $4,517,704.

Earnings per share including discontinued operations improved 43.0% to (6.04) cents (2013:10.60 cents). There was no goodwill impairment charges (2013: $2,351,162).

The annual result was impacted by continued difficult conditions for new housing and a subdued renovations market impacted by lower discretionary consumer spending. Additionally, following a significant upfront investment in a roll out of new products in late 2013, cash flow was inhibited for several months leading to a decline in core inventory that impacted sales. Importantly, the company has stabilised the cost base and along with improving market conditions, a solid and consistent margin and full implementation of supply chain improvements, the outlook is positive. Finally, the improvements in governance of the business were fully implemented and there is a solid platform built to reposition the business from.

Operating Results for the Year (continued)

	2014	2013	Change
	$	$	%
Net loss from continuing operations	**(2,677,781)**	(6,754,013)	60.4%
Net loss from discontinued operations	**(3,316,644)**	(223,147)	(1,386.3%)
Net loss from total operations	**(5,994,425)**	(6,977,160)	14.1%

Summarised operating results are as follows:

	2014	
	Revenues	**Results**
Business segments	**$**	**$**
Bathroom products	**30,682,374**	**(2,659,574)**
Concrete & Building Supplies	**2,488,902**	**(3,316,644)**
Consolidated entity revenue and profit for the year before income tax	**33,171,276**	**(5,976,218)**

Shareholder Returns

Shareholder returns improved, however remain negative.

	2014	2013	2012	2011
Basic earnings per share (cents)	**(6.0)**	(10.6)	1.3	1.8
Return on assets (%)	**(20.7)**	(30.0)	3.4	5.0
Return on equity (%)	**(145.7)**	(85.6)	7.7	12.7
Net interest bearing debt / equity ratio (%) (note 22)	**(3,629.7)**	174.4	48.2	51.7

Review of Financial Condition

Liquidity and Capital Resources
The consolidated Statement of Cash Flows illustrates that continuing operating activities generated a positive cash flow of $717,606 (2013: -$1,236,439), the improvement is due to increased margins and a reduction in operating expense.

Going Concern
The financial report has been prepared on a going concern basis. This contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Company has experienced losses after tax and before discontinued operations of $2.68million during the financial year ended 30 June 2014 and was in a net current liability position of $4.77million at 30 June 2014.

The Company's forecasts and projections, taking into account the current trading performance demonstrate that the Company should be able to operate within the level of its current banking facilities.

Although financial covenants were breached during the year and subsequently on the renewed facilities, 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.

Review of Financial Condition (continued)

Going Concern (continued)
The ability of the Company to continue as a going concern is dependent upon its ability to have profitable operations and the continued support of its bankers. After making enquiries and considering the Company's forecasts and projections, together with the recent improvement in market conditions and the confirmation of additional ranging in our major customer, the directors have a reasonable expectation that the Company has adequate resources including access to additional capital to continue in operational existence for the foreseeable future. The accompanying consolidated financial statements do not include any adjustments that might be necessary should the Company not continue as a going concern.

Asset and Capital Structure

	2014 Total Operations $	2013 Total Operations $
Debts:		
Bank overdraft	**2,943,017**	2,080,136
Trade and other payables	**7,327,279**	5,684,888
Interest bearing loans and borrowings	**4,890,590**	8,019,964
Cash and short term deposits	**-163,226**	-177,600
Net debt	**14,997,660**	15,607,388
Total equity	**-211,321**	5,689,723
Total capital employed	**14,786,339**	21,297,111
Gearing*	**101.4%**	73.3%

** Includes interest bearing loans and borrowings and trade and other payables*

The level of gearing in MBD is not within acceptable limits set by the directors. Management's policies for determining whether fixed or floating rates of interest are entered into are examined on a regular basis with the assistance of the Audit and Compliance Committee and external advisors where necessary.

Share issues and cancellations during the year
As agreed at the 2008 Annual General Meeting, MBD instigated an Executive Share Plan. During FY 2014 MBD issued no new shares (2013: issued 1,050,000 shares) and bought back and cancelled 93,625 shares (2013: 325,000 shares) pursuant to the Executive Share Plan.

During FY14 no new Convertible notes were issued (2013: $720,000). The terms of the convertible notes are as follows:

- The notes are redeemable after 36 months if not converted to equity at the option of the Company;
- They convert to shares in MBD at 8 cents per New Share;
- They have a coupon of 10% per annum payable monthly in arrears; and
- The notes automatically convert to shares in MBD at 8 cents per New Share 5 days prior to the record date relating to the first dividend declared by the Board of MBD subsequent to the issue of the notes.

Profile of debts
The profile of MBD's interest bearing debt is as follows:

	2014 $	2013 $
Current		
Obligations under hire purchase contracts	**280,052**	571,642
Overdraft	**2,943,017**	2,080,136
Bank loans	**4,088,314**	5,642,583
Other loans - convertible notes	**37,000**	25,000
	7,348,383	8,319,361
Non-current		
Obligations under hire purchase contracts	**166,807**	1,419,489
Other loans - convertible notes	**318,417**	361,250
	485,224	1,780,739
	7,833,607	10,100,100

Review of Financial Condition (continued)

MBD's interest bearing debt has reduced as a result of the Citywide sale.

MBD's currency risk and finance facilities are managed by its Audit and Compliance Committee, which operates within policies set by the Board.

Capital expenditure
$155,029 was spent on capital items during FY14. Budgeted capital commitments for property, plant and equipment and motor vehicles is $120,000, before borrowings for the 2015 financial year.

Risk Management

MBD takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that MBD's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Board convenes an Audit and Compliance Committee monthly to oversee risk management. Additionally, sub-committees are convened as appropriate in response to issues and risks identified by the Board as a whole, and the sub-committee further examines the issue and reports back to the Board.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a 3 year strategic plan, which encompasses MBD's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk;
- Implementation of Board approved operating plans and the Board monitoring the progress against these plans, including the establishment and monitoring of KPIs of both a financial and non-financial nature; and
- The establishment of committees to report on specific business risks as required.

Statement of Compliance

The report is based on the guidelines in The Group of 100 Incorporated publication *Guide to the Review of Operations and Financial Condition.*

Significant Changes in the State of Affairs

Total equity decreased from $5,689,723 to ($211,321), a reduction of $5,901,044. The movement was primarily as a result of the loss on sale of Citywide and operating losses.

The Company

Likely Developments and Expected Results

As a result of the review undertaken by the Managing Director, the Board has implemented a plan which will significantly improve operational performance and earnings, without relying on external cyclical recovery or acquisitions. Marbletrend has a strong core business operating in a growing and changing marketplace.

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

Marbletrend will exit the vanities business by the end of 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. This significant repositioning of the business has a renewed focus on more margin friendly product offerings, supplier relationships, logistics, operational efficiencies and product quality and will allow Marbletrend to take better advantage of the opportunities and trends in the market over the long term.

Likely Developments and Expected Results (continued)

The Board is focused on the repositioning of the business but will continue to look for opportunities to profitably grow the business through either acquisition or organic growth or a combination of the two.

Environmental Regulation and Performance

The Company is not aware of any breaches of any relevant environmental protection legislation in relation to licenses issued to MBD or its subsidiaries. Marbletrend is a signatory to the Australian Packaging Covenant.

Share Options

As at the date of this report, there were no unissued ordinary shares under options issued to executives pursuant to the Long Term Incentive Plan of the Company. Refer to the Remuneration Report for further details of the options outstanding.

Option holders do not have any right, by virtue of the option, to participate in any share issue of Group or any related body corporate.

Indemnification and Insurance of Directors and Officers

During the financial year, MBD undertook a Directors and Officers Indemnity policy to insure the Directors of Group. The insurance policy does not allow the disclosure of the premium and coverage limits of this policy.

Directors' Meetings

The number of meetings of directors (including meetings of Committees of directors) held and attended during the year are as follows:

	Director's Meetings	Meetings of Committees			
		Audit & Compliance	Strategic Review & Operations	Nominations	Remuneration
Number of meetings held:	**11**	**12**	**1**	**1**	**2**
Number of meetings attended:					
H. Giles	11	12	1	1	na
P. Reilly	11	12	na	1	2
M. Evett	11	12	1	na	2
J. Nicol	11	na	1	na	2

Committee membership

As at the date of this report, the Company had an Audit & Compliance Committee, a Strategic Review and Operations Committee, a Nominations Committee and a Remuneration Committee, with Board agreed charters all constituted as sub-committees of the Board. Members acting on the Committees of the Board during the year were:

Audit & Compliance	**Strategic Review and Operations**	**Nominations**	**Remuneration**
P. Reilly (c)	H. Giles (c)	H. Giles (c)	M. Evett (c)
H. Giles	M. Evett	P. Reilly	P. Reilly
M. Evett	J. Nicol		J. Nicol

(c) Designates the chairman of the committee.

Auditor Independence and Non-Audit Services

The Directors received the independence declaration from the auditor of MBD Corporation Limited, which immediately follows this Directors Report.

Non-Audit Services

No non-audit services were provided by the entity's auditor, Grant Thornton Audit Pty Ltd, during the year ended 30 June 2014.

Proceedings on behalf of the Company

No proceedings of a material nature have been brought or intervened in or on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001.*

Remuneration Report (Audited)

This Remuneration Report outlines the director and executive remuneration arrangements of the Company in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report, Key Management Personnel (KMP) of MBD are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and MBD, directly or indirectly, including any director (whether executive or otherwise) of the parent Company.

For the purposes of this report, the term 'executive' encompasses the Managing Director and Chief Executive Officer, senior executives, general managers and secretaries of the parent and the consolidated entity.

The performance of MBD depends upon the quality of its directors and executives. To prosper, MBD must attract, motivate and retain highly skilled directors and executives.

To this end, MBD embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives
- Link executive rewards to shareholder value

There is no direct correlation between Company performance and remuneration.

Remuneration Committee

The Remuneration Committee is responsible for determining and reviewing compensation arrangements for the directors and senior management.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of directors and senior managers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and senior manager remuneration is separate and distinct.

Non-Executive Director Remuneration

Objective
The Board seeks to set aggregate remuneration at a level which provides MBD with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure
The remuneration policy for non-executive directors is designed to remunerate non-executive directors for their time, commitment and responsibilities. The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. No external remuneration consultants were engaged in financial year 2014.

It is the Board's policy that no employment contracts are entered into with non-executive Directors and that no additional fees are payable to non-executive Directors for occupying a position on a sub-committee of the Board.

Non-Executive Director Remuneration (continued)

Each director receives a fee for being a director of Group. Total remuneration for non-executive directors consists of remuneration of up to $200,000 as approved at the General Meeting of Shareholders held on 23 November 2007.

Non-executive directors are encouraged by the Board to hold shares in Group (purchased by the director on market). It is considered good governance for directors to have a stake in the Company on whose Board he or she sits.

The non-executive directors do not receive retirement benefits, nor do they participate in any incentive programs.

The remuneration of non-executive directors for the years ended 30 June 2014 and 30 June 2013 is detailed in table 1 and 2 respectively of this report.

Executive Remuneration

Objective
MBD aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within MBD and so as to:

- align the interests of executives with those of shareholders by requiring a portion of their remuneration to be paid as shares in the Company (refer below);
- link reward with the strategic goals and performance of MBD (with regard to previously issued options of the Company); and
- ensure total remuneration is competitive by market standards.

Structure
MBD has entered into detailed contracts of employment with the Executives. Details of these contracts are provided below.

Remuneration consists of the following key elements:

- Fixed remuneration (base salary, superannuation and non-monetary benefits);
- Variable remuneration comprising:
  - short term incentive (STI); and
  - long term incentive (LTI).

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) for each executive is set out in table 1.

Fixed Remuneration

Objective
The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Directors and the process consists of a review of MBD and individual performance, relevant comparative remuneration in the market, internally and, where appropriate, external advice on policies and practices and ratified at the Annual General Meeting. As noted above, the Board has access to external advice independent of management.

Details of the remuneration including salary, allowances, superannuation (as prescribed by law), fringe benefits tax and other costs incurred on benefits provided directly to these executives are reflected in this Remuneration Report.

Variable Remuneration – Long Term Incentive Plan

MBD has established a Long Term Incentive Plan in order to retain and motivate MBD's management team.

Under the Incentive Plan, the Board has the discretion to grant Options or Rights to participants selected by the Board. All options and rights issued under the Incentive Plan are subject to the terms summarised below:

Variable Remuneration – Long Term Incentive Plan (continued)

a) A grant of options or rights may be in such form and in such terms and conditions including exercise price applicable to options, disposal or restrictions (if any) and vesting conditions (if any) as the Board determines at its discretion;
b) The grant of options or rights does not confer any right or interest whether legal or equitable in shares in MBD until the vesting conditions have been satisfied or waived by the Board at its discretion;
c) Unless the Board otherwise determines, the Company will not grant an option or a right if the total number of shares that will be issued on exercise of that option or right is greater than 5% of issued capital of MBD at the time the offer is provided;
d) A Participant is not entitled to participate in any dividend in respect to a share subject of the options or rights unless he or she is a registered holder of that share before the record date;
e) MBD may at any time by resolution of the Board amend all or any of the rules of the incentive plan; and
f) Where the rules of the plan are subject to the Listing Rules of the ASX, the rules are only subject to the Listing Rules while MBD remains admitted to the official list of the ASX.

During the Financial Year, the Group did not issue any new shares (2013: issued 1,050,000) and bought back and cancelled 93,625 (2013:325,000) fully paid shares to senior executives pursuant to the Executive Share Plan approved at the 2008 Annual General Meeting. These shares were granted on a non recourse basis, rank *pari passu* for dividend and voting entitlements, with any dividend able to be either utilized to reduce the outstanding non recourse loan by Group to the executive, or paid to the executive, as determined by the Board in its absolute discretion. The Board determined that executives granted shares in the Plan were required to offset their respective outstanding non recourse loan in FY 2013 with 100% of fully franked dividends received.

The Executive Share Plan will provide for the issue of shares to members of the Senior Management team (including Executive Directors) nominated by the Board (Participant). Shares will be issued at market price and MBD will offer interest free, non recourse loans to Participants to assist them acquire the shares offered.

Shares are offered subject to certain performance conditions, which must be satisfied if a Participant is to retain ownership of the Shares. If a Participant fails to meet the performance conditions attached to his or her Shares during the relevant performance period, he or she will forfeit those shares to Group.

Forfeiture event	No. of Shares forfeited	Explanation
Failure to meet performance conditions	All	If Participants fail to meet performance conditions they will forfeit all shares received.
Failure to pay back loan	Depends on amount outstanding under loan	If at the end of the loan period, Participants have not repaid the outstanding amount of the loan, the Group may buy-back or sell those shares to which the loan still applies. The proceeds from a sale or buy-back by the Group will be applied in the following order: (a) in payment of any costs and expenses of the sale or buy-back incurred by Group; (b) in reduction of the outstanding amount of the loan; and (c) the balance (if any) to the Participant.
Cease employment with MBD as a Bad Leaver	All	If a Participant ceases employment with MBD prior to completion of the performance period, any rights relating to shares immediately lapse and Participants will forfeit those shares.
Cease employment with MBD as a Good Leaver	Depend on performance conditions	If a Participant ceases employment with MBD prior to completion of the performance period, Participants will be entitled to retain ownership of a number of Shares, depending on the nature of the performance criteria attached to those Shares. The remaining shares will be forfeited by way of buy-back or sale. Where the buy-back consideration or sale price (net of sales expenses) exceeds the existing loan balance, the excess will be paid to the Participant.
Capital Event occurs prior to completion of performance period	Depend on time of the event	If a Capital Event occurs prior to the completion of the performance period, the Participant will retain ownership of the shares.

Variable Remuneration – Long Term Incentive Plan (continued)

'Bad Leaver' means a Participant who:

(a) resigns (or is deemed to have resigned) from or otherwise leaves employment with MBD with or without notice other than in the circumstances specified in any of paragraphs (a) to (e) of the definition of Good Leaver;

(b) ceases to be an employee of MBD in circumstances where the Participant
  - (i) has engaged in an act or omission constituting serious misconduct;
  - (ii) is summarily terminated pursuant to any contract of employment;
  - (iii) has committed a serious or persistent breach or non-observance of any terms of any employment agreement with any member of MBD; or
  - (iv) has refused or neglected to comply with any lawful and responsible order given to the Participant by the Board or any other person duly authorised by the Board;

(c) has provided any Company or other member of MBD with information about the Participant's qualifications, experiences, character or reputation which is false or misleading or was intended to be false or misleading;

(d) is convicted of a criminal offence which, in the responsible opinion of the Board, might injure the reputation of the Company or MBD; or

(e) in the Board's reasonable opinion, has brought a member of MBD into serious dispute.

'Good Leaver' means a Participant who ceases to be an employee of MBD and is not a Bad Leaver. For the avoidance of doubt, in the following circumstances a Participant will be a Good Leaver:

(a) where the Board makes a determination of redundancy in respect of a Participant;

(b) where a member of MBD, pursuant to the terms of the Participants contract of employment, terminates the employment of the Participant without cause and upon giving the relevant period of notice (or payment in lieu) as required by the contract;

(c) the death, total and permanent disability of the Participant as determined by the Board in its absolute discretion;

(d) the Participant ceases to be employed by a member of MBD as a result of an entity ceasing to be a member of MBD, or a member in MBD selling a business it conducts other than to another entity in MBD; or

(e) any other reason as determined by the Board in its absolute discretion.

'Capital Event' means any of:

(a) a person acquiring a relevant interest in more than 50% of the Shares in Group as a result of a takeover bid;

(b) a person acquiring a relevant interest in more than 50% of the Shares in Group through a scheme of arrangement; or

(c) any other similar event which the Board determines to be a Capital Event.

Buy-back and *sale of forfeited shares* – Where Shares are forfeited MBD may buy-back those Shares or procure that they are sold on-market or to third party. Generally, the buy-back consideration or sale proceeds will be set off against the outstanding loan balance. If the participant is a Good Leaver, any excess consideration or sale proceeds will be paid to the Participant.

Performance conditions – The following performance conditions apply to the issue of shares to the following people:

Name of Participant	Year Options Issued	No. of Shares Issued	Service and Performance Condition	Performance Period	Vesting Period Remaining	Type of Performance Condition	Fair Value per share at grant date	Total fair value ($)(*)	Amount Payable per Share
Jeff Nicol	Jul-11	100,000	Continued employment	2 years	0 months	Retention criteria	$0.05	$5,012.30	$0.12
	JUL-11	250,000	Continued employment	3 years	1 month	Retention criteria	$0.05	$12,530.75	$0.12
	Jul-11	500,000	Earnings per Share equal or exceed 4.5 cents	3 years	1 month	Performance criteria	$0.03	$17,395.79	$0.12
	Jul-12	125,000	Continued employment	2 years	1 month	Retention criteria	$0.05	$5,757.57	$0.11
	Jul-12	125,000	Continued employment	3 years	12 months	Retention criteria	$0.05	$6,265.14	$0.11
	Jul-12	250,000	Earnings per share equal or exceeds 4.5 cents	3 years	12 months	Performance criteria	$0.04	$9,003.27	$0.11
Jason Baxter	Nov-12	50,000	Continued employment	2 years	6 months	Retention criteria	$0.04	$2,182.40	$0.093
	Nov-12	50,000	Continued employment	3 years	18 months	Retention criteria	$0.05	$2,362.97	$0.093
	Nov-12	100,000	Earnings per Share equal or exceed 4.5 cents	3 years	18 months	Performance criteria	$0.03	$3,408.99	$0.093

The performance condition will be satisfied if, during any financial year in the performance period, the earnings per share (as calculated and noted in Group's audited financial statements) equal or exceed 4.5 cents per share. Some share options issued with only a retention criteria are used to attract and retain high performing staff.

*Fair value was determined using an option-pricing model.

Ordinary shares held by Key Management Personnel in MBD Corporation Ltd is as follows:

30 June 2014	Balance at Beginning of Period 1 July 2013	Granted as Remuneration	On Exercise of Options	Net change Other	Balance 30 June 2014
Directors					
H. Giles	5,476,864	-	-	23,586	**5,500,450**
P. Reilly	15,798,262	-	-	23,586	**15,821,848**
M. Evett	377,379	-	-	-	**377,379**
J. Nicol	1,625,000	-	-	-	**1,625,000**
Executives					
P.Taylor (Resigned 31 Jan 2014)	375,000	-	(62,500)	(23,125)	**289,375**
W. Jewell (Resigned 26 Oct 2012)	8,000	-	-	(8,000)	**-**
J. Baxter	200,000	-	-	-	**200,000**
	23,860,505	**-**	**(62,500)**	**16,047**	**23,814,052**

Share Options held by Key Management Personal is as follows:

30 June 2014	Balance at Beginning of Period 1 July 2013	Granted as Remuneration	Options Exercised	Net change other	**Balance at end of period 30 June 2014**	Vested at 30 June 2014 Total	Exercisable	Not Exercisable
Directors								
H. Giles	-	-	-	-	-	-	-	-
P. Reilly	-	-	-	-	-	-	-	-
M. Evett	-	-	-	-	-	-	-	-
Executives								
J. Nicol	1,500,000	-	(150,000)	-	**1,350,000**	-	-	-
J.Baxter	200,000	-	-	-	**200,000**	-	-	-
P Taylor (Terminated 31 Jan 14)	375,000	-	(62,500)	(23,125)	**289,375**	-	-	39,375
	-	-	-	-	-	-	-	-
	2,075,000	-	(212,500)	(23,125)	**1,839,375**	-	-	39,375

Variable Remuneration – Short Term Incentive Plan

MBD has also sought to provide performance bonuses to each Executive pursuant to their Executive Services Agreement and bonuses were accrued for payment as at reporting date.

The Board has resolved pursuant to recommendations provided by the Remuneration Committee to establish a Short Term Incentive Plan for key executives of MBD effective 1 July 2012. Subject to the achievement of two (2) key performance hurdles being the achievement of budgeted EBIT and inventory management, the key components of this Short Term Incentive Plan are as follows:

- 50% of the bonus is tied to the achievement of MBD's budgeted NPAT each financial year;
- Various weightings are attributed to other measures within the specific key performance indicator profile of the executive; and
- The executives are able to over achieve subject to their personal performance and that of MBD.

No performance bonus was paid for FY 2014.

Employment Contracts

Executive (*Standard Contracts*)
The Executive contracts are consistent in nature for the Leadership Team. The executive may resign from their position and thus terminate the contract or MBD may terminate the contract by providing three (3) months written notice.

MBD may also elect to pay salary in lieu of providing notice. MBD may terminate the contract at any time without notice if serious misconduct occurs in which case MBD is not obliged to make any payment of salary or any other termination payment other than for work performed.

Remuneration of key management personnel

Table 1: Remuneration for the year ended 30 June 2014

	Short-term			Post employment		Long-term		Share-based Payment			
	Salary, Fees & Annual Leave $	Incentive Plans $	Non-monetary benefits $	Super-annuation $	Retirement benefits $	Incentive Plans $	Long service leave $	Shares $	Options $	Total	% perfor-mance related
Non-executive directors											
P. Reilly	45,000	-	-	-	-	-	-	-	-	45,000	-
M. Evett	45,000	-	-	-	-	-	-	-	-	45,000	-
Sub-total non-executive directors	**90,000**	-	-	-	-	-	-	-	-	**90,000**	-
Executive directors											
H. Giles	55,000	-	-	-	-	-	-	-	-	55,000	
Managing Director											
J. Nicol	267,721		21,219	24,976	-	-	4,310	4,819		323,045	1.5
Other executives											
J. Baxter	152,574	-	15,663	14,326	-	-	2,472	921	-	185,956	0.5
K.Martin	142,364	-	-	13,097	-	-	2,260	-	-	157,721	-
P Taylor (Resigned 31 January 2014)	156,332	-	6,713	13,030	-	-	(9,620)	-	-	166,455	-
Sub-total executives	**773,991**	-	**43,595**	**65,429**	-	-	**(578)**	**5,740**	-	**888,177**	**0.6**
Total key management personnel	**863,991**	-	**43,595**	**65,429**	-	-	**(578)**	**5,740**	-	**978,177**	**0.6**

Directors

H. Giles	Chairman and Company Secretary
J. Nicol	Managing Director and Chief Executive Officer
P. Reilly	Director (non-executive) and Company Secretary
M. Evett	Director (non-executive)

Executives

P. Taylor	Chief Operating Officer of Marbletrend Pty Ltd (Resigned 31 January 2014)
J.Baxter	General Manager Sales & Marketing of Marbletrend Pty Ltd
K.Martin	Group Chief Financial Officer of MBD Corporation Ltd

Remuneration of key management personnel (continued)

	Short-term			Post employment		Long-term		Share-based Payment			
	Salary, Fees & Annual Leave $	Incentive Plans $	Non-monetary benefits $	Super-annuation $	Retirement benefits $	Incentive Plans $	Long service leave $	Shares $	Options $	Total $	% performance related
Non-executive directors											
P. Reilly	45,000	-	-	-	-	-	-	-	-	45,000	-
M. Evett	45,000	-	-	-	-	-	-	-	-	45,000	-
Sub-total non-executive directors	**90,000**	-	-	-	-	-	-	-	-	**90,000**	-
Executive directors											
H. Giles	55,000	-	-	-	-	-	-	-	-	55,000	-
Managing Director											
J. Nicol	279,303		21,222	24,327	-	-	5,350	11,907		342,109	3.5
Other executives											
P. Taylor	158,159	-	14,608	14,044	-	-	3,468	2,330	-	192,609	1.2
J. Baxter	151,750	-	5,048	13,194	-	-	2,464	1,053	-	173,509	0.6
W. Jewell (Resigned 26 October 2012)	62,573	-	2,643	7,853	-	-	(18,346)	-	-	54,723	-
K.Martin (Joined 06 October 2012)	102,719	-	-	8,935	-	-	1,678	-		113,332	-
Sub-total executives	**809,504**	-	**43,521**	**68,353**	-	-	**(5,386)**	**15,290**	-	**931,282**	**1.6**
Total key management personnel	**899,504**	-	**43,521**	**68,353**	-	-	**(5,386)**	**15,290**	-	**1,021,282**	**1.5**

Related Party Information

During the year, accounting, taxation and administrative services were provided by Salmon Giles Pty Ltd and corporate advisory services were provided by Salmon Giles Corporate Pty Ltd, both of which H Giles is a director, together totalling $197,008 for the year (2013: $441,433). These services were charged at normal market prices. On 31 May 2014, MBD Corporation's 50% shareholding in Citywide was sold to a related party (Ahtpad Pty Ltd solely owned by H Giles) for $10 resulting in a profit of $15K (refer to Note 33).

This is the end of the audited remuneration report.

Signed in accordance with a resolution of the directors.

Hamish Giles
Chairman
30 September 2014

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Auditor's Independence Declaration
To the Directors of MBD Corporation Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of MBD Corporation Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A. Pititto

A.J. Pititto
Partner - Audit & Assurance

Melbourne, 30 September 2014

Corporate Governance Statement

The Board of Directors of MBD Corporation Limited is responsible for the corporate governance of MBD. The Board guides and monitors the business and affairs of MBD Corporation Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

MBD Corporation Limited's Corporate Governance Statement is structured with reference to the Corporate Governance Council's principles and recommendations, which are as follows:

Principle 1 Lay solid foundations for management and oversight
Principle 2 Structure the Board to add value
Principle 3 Promote ethical and responsible decision making
Principle 4 Safeguard integrity in financial reporting
Principle 5 Make timely and balanced disclosure
Principle 6 Respect the rights of shareholders
Principle 7 Recognise and manage risk
Principle 8 Remunerate fairly and responsibly

MBD Corporation Limited's corporate governance practices were in place throughout the year ended 30 June 2014 and were fully compliant with the Council's best practice recommendations with the exception that the executive director holds positions on all Committees, except the Remuneration Committee and is chairman of the Board. This is due to the nature and size of MBD's activities that all executive functions are carried out by the Board.

For further information on corporate governance policies adopted by MBD Corporation Limited, refer to our website: www.marbletrend.com.au

Board Functions

The Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

To ensure that the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the Board. The responsibility for the operation and administration of MBD is delegated, by the Board, to the executive management team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the executive management team.

Whilst at all times the Board retains full responsibility for guiding and monitoring MBD, in discharging its stewardship it makes use of sub-committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board.

To this end the Board has established the following committees:
- Audit & Compliance;
- Nomination;
- Remuneration; and
- Strategic Review and Operations.

The roles and responsibilities of these committees are discussed throughout this Corporate Governance Statement. The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risk identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including:

- Board approval of a strategic plan designed to meet stakeholders' needs and manage business risk;
- ongoing development of the strategic plan and approving initiatives and strategies designed to ensure the continued growth and success of the entity; and
- implementation of budgets by management and monitoring progress against budget - via the establishment and reporting of both financial and non financial key performance indicators.

Board Functions (continued)

Other functions reserved to the Board include:

- approval of the annual and half-yearly financial reports;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored; and
- reporting to shareholders.

Structure of the Board

The skills, experience and expertise relevant to the position of the director held by each director in office at the date of the annual report is included in the Director's Report. Directors of MBD Corporation Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with - or could be reasonably be perceived to materially interfere with - the exercise of their unfettered and independent judgement.

In the context of director independence, "materiality" is considered from both MBD and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary), if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the director in question to shape the direction of MBD's loyalty.

The Board considers that given the size of the Company at present that whilst gender diversity is a stated objective of the Board, it is not appropriate at this time to seek to nominate new Board members. There are no women on the Board or holding executive roles in the Business. The Board considers that for a Company of this size, the size of the Board is adequate. The Board accordingly does not conform to Recommendations 3.2 and 3.5 of the ASX Corporate Governance Principles.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of MBD Corporation Limited are considered to be independent:

Name	**Position**
M. Evett	Non-Executive Director

There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties to seek independent professional advice at MBD's expense.

Share Trading Policy

Subject to law, directors and senior group executives should not deal in MBD's securities at a time when they possess confidential price sensitive information. Directors and senior group executives should never actively trade in MBD's securities. The windows when directors and senior group executives may deal in MBD's securities are the periods:

(a) one to a maximum of thirty days after the release of MBD's half yearly results (Appendix 4D);
(b) one to a maximum of thirty days after the release of MBD's preliminary final results (Appendix 4E);
(c) one to a maximum of thirty days after the date of release of MBD's Annual Report;
(d) one to a maximum of thirty days after the Annual General Meeting; or
(e) one day after the date of issue of a prospectus for any new share or debt issue until the closing date.

Dealings outside these windows are subject to the existence of exceptional circumstances.

The above windows should also govern decisions by directors and senior group executives to enter or withdraw from MBD's Dividend Reinvestment Plan and Bonus Share Plan. Directors and senior group executives should not deal in MBD's securities during a closed period unless exceptional circumstances exist.

Dealings outside a window or in a closed period are to be decided for directors (other than the Chairman) by the Chairman, for the Chairman by the Audit Committee Chairman and for senior group executives by the MBD Chief Executive Officer in each case in their sole discretion and in each case notified to the Company Secretary, or in his absence, the Deputy Company Secretary.

Share Trading Policy (continued)

Any prior written clearance to trade in exceptional circumstances must specify the duration of such clearance and must be in writing (which includes email).

Before any director or senior group executive deals in MBD's securities, he or she must at all times comply with the notification procedures. Where he or she is not otherwise prohibited in dealing in MBD's securities, a director may deal in those securities subject to having first given written notification of any intended transaction to the Board. Notification by a director (other than in the case of the Chairman) should be given to the Chairman or, in his absence, the Chairman of the Audit & Compliance Committee. As required by the ASX Listing Rules, MBD notifies the ASX of any transaction conducted by directors in the securities of MBD.

Nomination Committee

The Board has established a Nomination Committee, which meets at least annually, to ensure that the Board continues to operate within the established guidelines, including when necessary, selecting candidates for the position of the Director. The Nomination Committee comprises executive and non-executive directors. The Nomination Committee comprised of the following members throughout the year:

H. Giles (Committee Chairman)
P. Reilly

Audit & Compliance Committee

The Board has established an Audit & Compliance Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment and maintaining a framework of internal control and ethical standards to the Audit & Compliance Committee.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit & Compliance Committee are executive and non-executive directors and the Company secretary.

The Committee also undertakes the following:

- To establish a risk management process which objectively assesses the risks of MBD in their business activities;
- To provide quantitative and qualitative assessment of risks;
- To develop risk action plans and ensure that management responds to these plans and reports to this Committee as to their response;
- To liaise with the external auditors in respect to their assessment of risks encountered by MBD in its ongoing business activities; and
- To assess the business plans developed by management and independently determine risks associated with those business plans.

The members of the Audit & Compliance Committee during the year were:

P. Reilly (Committee Chairman)
H. Giles
M. Evett

Qualifications of the Audit and Compliance Committee members
P. Reilly has qualifications in accounting and has served as an executive and non-executive director of numerous companies where as part of his role, he serves as Chairman of the Audit & Compliance Committee.

H. Giles has significant experience as both as an executive and non-executive director of numerous listed and unlisted companies. He has served as the managing director of Salmon Giles Pty Ltd which incorporates a corporate advisory and accounting and taxation practice. He is a member of the Australian Association of Taxation and Management Accountants and is a registered tax agent. He is also a director of a number of companies where as part of his role, he serves as a member on the Audit & Compliance Committee.

Audit & Compliance Committee (continued)

M. Evett has qualifications in geology and has served as a director and senior executive of numerous companies, including a number of positions in the oil & gas service industry.

Risk

The Board determines MBD's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. MBD's process of risk management and internal compliance and control includes:

- establishing MBD's goals and objectives, and implementing and monitoring strategies and policies to achieve these goals and objectives;
- continuously identifying and measuring risks that might impact upon the achievement of MBD's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;
- formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls; and
- monitoring the performance of, and continuously improving the effectiveness of, risk management systems and internal compliance and controls, including an annual assessment of the effectiveness of risk management and internal compliance and control.

To this end, comprehensive practices are in place that are directed towards achieving the following objectives:

- effectiveness and efficiency in the use of MBD's resources;
- compliance with applicable laws and regulations; and
- preparation of reliable published financial information.

The Board oversees a regular assessment of the effectiveness of risk management and internal compliance and control from the Audit and Compliance Committee of the Board. The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required by the Board to assess risk management and associated internal compliance and control procedures and report back on the efficiency and effectiveness of risk management.

Strategic Review and Operations Committee

The Board has established a Strategic Review and Operations Committee ("Committee") to review the operational activities of MBD. The Committee has the right to seek independent professional advice, when considered necessary. The Committee should not, under any circumstances, accept the delegation of executive power in respect to the operations of MBD or undertake activities in a manner which could be construed to impinge on the Executive role of MBD.

The objectives of the Committee are as follows:

- Provide an interface to the Board on the operational activities of MBD;
- Develop the business plan and budgets for review by the Board;
- To keep the Board appraised of variances against the business plan and budgets;
- To liaise with the Audit & Compliance Committee and assess and determine any risks that may become apparent from an operational stand point; and
- To meet on a regular basis in order to provide executive management to the activities of MBD or in the event of a Managing Director being appointed to support the Managing Director's activities.

The members of the Strategic Review and Operations Committee during the year were:

H. Giles (Committee Chairman)
M. Evett
J Nicol

Performance

The performance of the Board and key executives is reviewed against both measurable and qualitative indicators. During the reporting period, the Nomination Committee conducted a performance evaluation which involved an assessment of each board member's and key executive's performance against specific and measurable qualitative and quantitative performance criteria. The performance criteria against which directors and executives are assessed are aligned with the financial and non-financial objectives of MBD Corporation Limited. Directors whose performance is consistently unsatisfactory may be asked to retire.

Remuneration

It is MBD's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration Committee links the nature and amount of executive directors' and officers' emoluments to MBD's financial and operational performance. The expected outcomes of the remuneration structure are:

- retention and motivation of key executives;
- attraction of quality management to MBD; and
- performance incentives which allow executives to share the rewards of the success of MBD Corporation Limited.

A full discussion of MBD's remuneration philosophy and framework and the remuneration received by directors and executives in the current period please refer to the Remuneration Report, which is contained within the Directors' Report.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the chief executive officer and the executive team. The Board has established a Remuneration Committee, comprising two non-executive directors.

Members of the Remuneration Committee throughout the year were:

M. Evett (Committee Chairman)
P. Reilly
J. Nicol

The Board considers, given its size and the size of the Company that the appointment of two non-executive directors to this Committee and the Managing Director is appropriate and in addition it consults with and obtains advice from Hamish Giles – Chairman of MBD as necessary. Accordingly the Remuneration Committee conformed to Recommendation 8.2 of the ASX Corporate Governance Principles during the year.

For details on the number of meeting of the Remuneration Committee held during the year and the attendees at those meetings, refer to the Directors' Report.

Statement of Financial Position

As at 30 June 2014

	Note	Consolidated 30 June 2014 $	Consolidated 30 June 2013 $
ASSETS			
Current assets			
Cash and cash equivalents	11	163,226	177,600
Trade and other receivables	12	4,407,772	5,330,213
Inventories	13	5,866,767	6,878,525
Derivative financial assets		-	45,940
Total current assets		**10,437,765**	**12,432,278**
Non-current assets			
Available for sale financial assets	15	24,750	64,900
Property, plant and equipment	16	1,766,756	5,202,216
Deferred tax assets	9(d)	3,291,343	2,287,770
Intangible assets	17	-	3,098,792
Total non-current assets		**5,082,849**	**10,653,678**
TOTAL ASSETS		**15,520,614**	**23,085,956**
LIABILITIES			
Current liabilities			
Bank overdraft	11	2,943,017	2,080,136
Trade and other payables	18	7,327,279	5,684,888
Interest-bearing loans and borrowings	22	4,405,366	6,239,225
Derivative financial liabilities		125,937	-
Provisions	19	410,561	456,811
Total current liabilities		**15,212,160**	**14,461,060**
Non-current liabilities			
Interest-bearing loans and borrowings	22	485,224	1,780,739
Deferred tax liability	9(d)	2,487	1,113,427
Provisions	20	32,064	41,007
Total non-current liabilities		**519,775**	**2,935,173**
TOTAL LIABILITIES		**15,731,935**	**17,396,233**
NET ASSETS/(LIABILITIES)		**(211,321)**	**5,689,723**
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	23	14,120,505	14,102,505
Retained Earnings (Accumulated losses)	24	(14,363,447)	(10,372,911)
Non controlling interest		-	1,912,794
Reserves	24	31,621	47,335
Parent Interests		(211,321)	5,689,723
TOTAL EQUITY		**(211,321)**	**5,689,723**

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of Profit or Loss and other Comprehensive Income

For the year ended 30 June 2014

	Note	Consolidated 2014 $	2013 $
Continuing operations			
Sale of goods (net of rebates and discounts)		30,676,586	34,857,577
Other revenue	6	5,787	6,403
Revenue		**30,682,373**	34,863,980
Cost of Sales		(19,042,178)	(22,996,561)
Gross profit		**11,640,195**	11,867,419
Distribution expenses		(3,395,808)	(4,221,073)
Marketing expenses		(1,517,610)	(1,105,251)
Occupancy expenses		(1,826,792)	(1,951,804)
Administrative expenses		(8,039,818)	(8,358,617)
Other expenses	7(a)	(190,958)	(127,509)
Impairment loss on revaluation		(40,150)	(2,351,162)
Stock write down		-	(1,636,000)
Finance costs	7(b)	(554,118)	(558,766)
Profit/(loss) from continuing operations before income tax		**(3,925,060)**	(8,442,764)
Income tax revenue/(expense)	9	1,247,279	1,688,751
Net profit/(loss) for the period		**(2,677,781)**	(6,754,013)
Loss for the year from discontinued operations	33	(3,316,644)	(223,147)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the period		**(5,994,425)**	(6,977,160)
Net profit/(loss) for the period is atributable to:			
Non-controlling interest	25	(2,003,889)	(87,206)
Owners of the parent		(3,990,536)	(6,889,954)
		(5,994,425)	(6,977,160)
Total comprehensive income for the period is			
Non-controlling interest		(2,003,889)	(87,206)
Owners of the parent		(3,990,536)	(6,889,954)
		(5,994,425)	(6,977,160)
Earnings per share attributable to the owners:			
Basic Earnings per share/Diluted Earnings per share (cents)			
Loss from continuing operations	10	(4.05)	(10.39)
Loss from discontinued operations	10	(1.99)	(0.21)
Total		**(6.04)**	(10.60)

The above statement of profit and loss and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

As at 30 June 2014

Statement of Changes in Equity	Consolidated						
	Contributed Equity						
	Ordinary shares	Convertible Notes	Retained earnings	Employee equity benefits	Owners of the parent	Non-controlling interest	Total
	$	$	$	$	$	$	$
At 1 July 2013	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	-	-		-	-	-	-
Total comprehensive income for the period	-	-	(3,990,536)	-	(3,990,536)	(2,003,889)	(5,994,425)
Transactions with owners in their capacity as owners							
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
At 30 June 2014	**13,805,505**	**315,000**	**(14,363,447)**	**31,621**	**(211,321)**	**-**	**(211,321)**
At 1 July 2012	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	-	-		-	-	-	-
Total comprehensive income for the period	-	-	(6,889,954)	-	(6,889,953)	(87,206)	(6,977,159)
Transactions with owners in their capacity as owners							
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
At 30 June 2013	**13,787,505**	**315,000**	**(10,372,911)**	**47,335**	**3,776,929**	**1,912,794**	**5,689,723**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 30 June 2014

	Note	Consolidated 2014 $	2013 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**34,155,812**	40,397,746
Payments to suppliers, employees and others (inclusive of GST)		**(32,889,875)**	(41,061,125)
Interest received		**5,787**	4,630
Interest paid		**(554,118)**	(577,690)
Income tax paid		**-**	-
Net cash from continuing operations		**717,606**	(1,236,439)
Net cash from discontinued operations		**(693,198)**	(111,639)
Net cash flows from/ (used in) operating activities	**26**	**24,408**	(1,348,078)
Cash flows from investing activities			
Investment in Citywide-payment to vendor		**-**	(250,000)
Purchase of property, plant and equipment		**(155,029)**	(3,609,798)
Proceeds from sale of property, plant and equipment		**60,779**	96,612
Proceeds from disposal of Citywide business, net of cash	**33(b)**	**2,321,960**	-
Net cash flows from/ (used in) investing activities		**2,227,710**	(3,763,186)
Cash flows from financing activities			
Repayment of borrowings		**(3,129,374)**	(650,225)
Proceeds from borrowings		**-**	3,420,616
SPP share issue		**-**	52,500
Issue of Convertible Notes		**-**	720,000
Dividends paid		**-**	(161,677)
Net cash flows from/ (used in) financing activities		**(3,129,374)**	3,381,214
Net increase/ (decrease) in cash and cash equivalents		**(877,256)**	(1,730,050)
Cash and cash equivalents at beginning of period		**(1,902,535)**	(172,485)
Cash and cash equivalents at end of period	**11**	**(2,779,791)**	(1,902,535)

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 30 June 2014

1. Corporate information

The financial report of MBD Corporation Limited (**Group**) for the year ended 30 June 2014 was authorised for issue with resolution of the directors on 17 September 2014.

MBD Corporation Limited (the parent) is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of MBD are described in the Directors' Report.

2. Summary of significant accounting policies

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Basis of preparation

MBD Corporation limited is a for-profit entity for the purpose of preparing the financial statements.

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical costs basis, except for available-for-sale investments, which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise stated.

Comparatives

Where necessary the comparative information has been reclassified and repositioned for consistency with current period disclosures.

a) Compliance with IFRS

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

b) New accounting standards and interpretation

The following accounting standards were adopted for the first time during the financial year ended 30 June 2014:

AASB 10 Consolidated Financial Statements

AASB 10 supersedes AASB 127 *Consolidated and Separate Financial Statements* (AASB 127) and revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

Management has reviewed its control assessments in accordance with AASB 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's investees held during the period or comparative periods covered by these financial statements.

AASB 12 Disclosure of interests in Other Entities

AASB 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

AASB 13 Fair Value Measurement

AASB 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of AASB 13 is broad and it applies for both financial and non-financial items for which other Australian Accounting Standards require or permit fair value measurements or disclosures about fair value measurements, except in certain circumstances.

AASB 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application. There was no material effect in the current year of applying this new standard.

Amendments to AASB 119 Employee Benefits

The 2011 amendments to AASB 119 made a number of changes to the accounting for employee benefits.

Under the amendments, employee benefits 'expected to be settled wholly' (as opposed to 'due to be settled' under the superseded version of AASB 119) within 12 months after the end of the reporting period are short-term benefits, and are therefore not discounted when calculating leave liabilities. As the Group does not expect all annual leave for all employees to be used wholly within 12 months of the end of reporting period, annual leave is included in 'other long-term benefit' and discounted when calculating the leave liability. This change has had no impact on the presentation of annual leave as a current liability in accordance with AASB 101 *Presentation of Financial Statements*.

AASB 119 must be applied retrospectively in accordance with its transitional provisions. However the impact of doing so is not material, therefore the Group has not restated its reported results in the comparative period presented.

Accounting Standards and Interpretations issued but not yet effective
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting year ending 30 June 2014 are listed below:

Standard / Interpretation	Summary	Application date of standard*	Likely impact on initial application
AASB 9 Financial Instruments (December 2010)	AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities.	1 January 2018	No impact on the entity
AASB 2012-3 Offsetting Financial Assets and Financial Liabilities	This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	No impact on the entity
AASB 2013-3 Recoverable Amount Disclosure for Non-Financial Assets	These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal	1 January 2014	Unlikely to have any significant impact on the entity.
AASB 1031 Materiality	The revised AASB 1031 is an interim standard that cross-references to other *Standards and the Framework for the Preparation and Presentation of Financial Statements* that contain guidance on materiality.	1 January 2014	Unlikely to have any significant impact on the entity.
AASB 2014-1 (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles)	Part A makes amendments to various Australian Accounting Standards: (a) clarify that the definition of a 'related party' includes a management entity that provides key management personnel services to the reporting entity (either directly or through a group entity); and (b) amend AASB 8 *Operating Segments* to explicitly require the disclosure of judgements made by management in applying the aggregation criteria (c) deletes reference to AASB 1031 Materiality. (d) makes consequential amendments arising from the issuance of AASB 14.	1 July 2014	No material impact on the entity.

*Designates the beginning of the applicable annual reporting period unless otherwise stated

c) Basis of consolidation

The consolidated financial statements comprise the financial statements of MBD Corporation Limited and its subsidiaries (as outlined in note 27) as at 30 June each year (**MBD**).

The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

c) Basis of consolidation (continued)

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

d) Operating segments – refer note 5

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

MBD aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar each of the following respects:

- Nature of the products and services,
- Nature of the production processes,
- Type or class of customer for the products and services,
- Methods used to distribute the products or provide the services, and if applicable
- Nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

e) Foreign currency translation

Functional and presentation currency
Both the functional and presentation currency of MBD Corporation Limited and its subsidiaries are Australian dollars (AUD).

Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

f) Cash and cash equivalents – refer note 11

Cash and cash equivalent in the statement of financial position comprise cash at bank and in hand, and short term deposits with an original maturity of three months or less that are readily convertible to a known amount of cash which is subject to an insignificant risk of changes in value.

f) Cash and cash equivalents – refer note 11 (continued)

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the statement of financial position.

g) Trade and other receivables– refer note 12

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that MBD will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

h) Derivative financial instruments and hedging – refer note 21

MBD uses derivative financial instruments (including forward currency contracts) to hedge its risks associated with foreign currency. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value.

These derivatives do not qualify for hedge accounting and changes in fair value are recognised immediately in profit or loss in income or expenses.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to profit or loss for the year.

The fair values of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. For the purposes of hedge accounting, hedges are classified as:

- fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability;
- cash flow hedges when they hedge the exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction; or
- hedges of a net investment in a foreign operation.

i) Inventories– refer note 13

Inventories including raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

Raw materials – purchase cost on a first-in, first-out basis. The cost of purchase comprises the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), transport, handling and other costs directly attributable to the acquisition of raw materials.

Finished goods and work-in-progress – cost of direct materials and labour and a proportion of variable and fixed manufacturing overheads based on normal operating capacity. Costs are assigned on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

j) Investment and other financial assets – refer note 15

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purchase for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Recognition and De-recognition
All regular purchases and sales of financial assets are recognised on the trade date i.e. the date that MBD commits to purchase the asset. Regular purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

Loans and receivables
Loans and receivables including loan notes and loans to key management personnel are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process. These are included in current assets, except for those with maturities greater than 12 months after reporting date, which are classified as non-current.

Available-for-sale investments
Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of other comprehensive income until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent engineering report; and discounted cash flow analysis making as much use of available and supportable market data as possible and keeping judgmental inputs to a minimum.

k) Impairment of financial assets

MBD assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Financial assets carried at amortised cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced either directly or through use of an allowance. The amount of loss is recognised in profit or loss.

Available-for-sale investments
If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income to the profit or loss. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

l) Property, plant and equipment – refer note 16

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line or diminishing value basis over the estimated useful life of the specific assets as follows:

Plant and equipment – 2.5 to 7 years
Leasehold improvements – 6.5 to 10 years
Motor vehicles – 4 to 5 years
Display Stock –2 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year end. Depreciation is included in cost of sales and administrative expenses within the Statement of Profit or Loss and Other Comprehensive Income.

De-recognition
An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

m) Leases– refer note 30

The determination of whether an arrangement is or containing a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee
Finance leases, which transfer to MBD substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that MBD will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the profit and loss on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

n) Impairment of non-financial assets other than goodwill

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

MBD conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators or impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any information of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised as the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

o) Goodwill and intangibles– refer note 17

Goodwill
Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over MBD's interest in the net fair value of the acquirers identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of MBD's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of MBD are assigned to those units or groups of units. The group of units to which the goodwill is so allocated includes:

- Marbletrend Holdings Pty Ltd; and
- Marbletrend Pty Ltd.

Impairment is determined by assessing the recoverable amount of MBD of cash-generating units, to which the goodwill relates.

MBD Corporation Limited performs its impairment testing as at 30 June each year using a discounted cash flow methodology for Marbletrend Holdings Pty Ltd and its wholly-owned subsidiary to which goodwill has been allocated.

When the recoverable amount of a cash-generating unit is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a group of cash-generating units and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

Intangibles
Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

A summary of the policies applied to MBD's intangible assets is as follows:

Intellectual Property – Registered Design

	Intellectual Property	License
Useful lives	5 years (or such lesser period as determined by management)	15 years
Amortisation method used	Straight-line over useful lives	Straight line
Internally generated or acquired	Acquired	Acquired
Impairment testing	At each reporting date	At each reporting date

o) Goodwill and intangibles– refer note 17 (continued)

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

p) Trade and other payables – refer note 18

Trade payables and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to MBD prior to the end of the financial year that are unpaid and arise when MBD becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

q) Interest-bearing loans and borrowings– refer note 22

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

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

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. MBD Corporation Limited does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs, directly attributable to the borrowing and temporary investment income earned on the borrowing).

r) Convertible Notes

Convertible notes are part equity and part interest payable. The equity component is shown as equity in the balance sheet. The interest component is shown as current liability and non-current liability. The component of convertible notes that exhibits characteristics of debt is recognised as a liability in the Statement of Financial Position, net of transaction costs. On issue of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds is allocated to the equity component and is recognised in shareholders' equity. The carrying amount of the equity component is not remeasured in subsequent years.

s) Provisions and employee benefits – refer note 19 & 20

Provisions are recognised when MBD has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When MBD expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of the management's best estimate of the expenditure required to settle the present obligation at the reporting date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

s) Provisions and employee benefits – refer note 19 & 20 (continued)

Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for sick leave are recognised when the leave is taken and are measured at the rates paid or payable. Liabilities expected to be settled in more than one year are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit cost credit method.

(ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to anticipated future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

t) Share-based payment transactions – refer note 29

MBD provides benefits to Directors of MBD in the form of share-based payment transactions, whereby directors render services in exchange for shares ('equity-settled transactions').

The cost of these equity-settled transactions with Directors is measured by reference to the Volume Weighted Average closing price of the shares as listed on the Australian Securities Exchange over the proceeding five (5) days prior to allotment of the shares.

In valuing equity-settled transactions, no account is taken of any vesting conditions and performance conditions, other than conditions linked to the price of the shares of MBD Corporation Limited ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of MBD, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 10)

u) Contributed equity – refer note 23

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

v) Revenue recognition– refer note 6

Sale of goods
Revenue from the sale of goods is recognised when there is persuasive evidence, usually in the form of an executed sales agreement at the time of delivery of the goods to customer, indicating that there has been a transfer of risks and rewards to the customer, no further work or processing is required, the quantity and quality of the goods has been determined, the price is fixed and generally title has passed (for shipped goods this is the bill of lading date).

Interest revenue
Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Distribution
Revenue is recognised when MBD's right to receive the payment is received.

w) Income tax and other taxes– refer note 9

Income taxes
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets, including research and development tax offsets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.
Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

w) Income tax and other taxes– refer note 9 (continued)

Other taxes
Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

x) Earnings per share– refer note 10

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share are calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

y) Going Concern

The financial report has been prepared on a going concern basis which contemplates the continuity of normal trading operations and the realisation of assets and settlement of liabilities in the ordinary course of business.

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. Subsequent to year end the new banking facilities covenants (Debt Service ratio) have been breached.

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.

The Group has sustained a loss of $2,677,781 from continuing operations for the year ended 30 June 2014. The Group has a working capital (current assets less current liabilities) deficiency of $4,774,395 and a net asset deficiency of $211,321 at balance date.

The ability of the group to continue to pay its debts as and when they fall due is dependent upon the following factors:

- Continued support of the Group's external financier, Westpac Bank, of which the directors are confident will be forthcoming.
- Successful implementation of current business plans and 2015 budget which shows a return to profitability.
- A return to positive cash flows, as per the current business plan and budget.

y) Going Concern (continued)

The financial statements of the Group do not include any adjustments relating to the recoverability or classification of recorded asset amounts or classification of liabilities, which might be necessary should the Group not be able to continue as a going concern.

3. Financial risk management objectives and policies

MBD's principal financial instruments comprise receivables, payables, bank loans and overdrafts, asset purchase contracts, available for sale investments and cash and short-term deposits, derivatives and non-controlling interest financial liability.

MBD manages its exposure to key financial risks, including interest rate and currency risk in accordance with MBD's financial risk management policy. The objective of the policy is to support the delivery of MBD's financial targets whilst protecting future financial security.

MBD enters into derivative transactions, principally forward currency contracts. The purpose is to manage the currency risks arising from MBD's operations and its sources of finance. These derivatives provide economic hedges, but do not qualify for hedge accounting and are based on limits set by the Board. The main risk arising from MBD's financial instruments is foreign currency risk. MBD uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to foreign exchange risk and assessments of market forecasts for foreign exchange.

Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through the development of monthly rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Audit & Compliance Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for trading in derivatives, hedging cover of foreign currency, credit allowances, and future cash flow forecast projections.

Risk Exposures and Responses

Interest rate risk
MBD's exposure to market interest rates relates primarily to MBD's long-term debt obligations.

The level of debt is disclosed in note 22

At reporting date, MBD had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated as cash flow hedges:

	Consolidated	
	2014	2013
	$	$
Financial Assets		
Cash and cash equivalents	**163,226**	177,600
	163,226	177,600
Financial Liabilities		
Bank overdraft	**2,943,017**	2,080,136
Bank loans	**4,088,314**	5,642,633
	7,031,331	7,722,769
Net exposure	**(6,868,105)**	(7,545,169)

MBD's policy is to manage its finance costs using variable rate debt, through its existing overdraft facility and commercial bank bill facility.

MBD constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

Risk Exposures and Responses (continued)

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. At 30 June 2014, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

The movements in profit are due to lower interest costs from variable rate debt versus a lower increase in interest earned on cash balances. The sensitivity is higher in FY 2014 because of an increase in borrowings during FY 2014.

Foreign currency risk
As a result of purchases of inventory denominated in USD and EURO, MBD's statement of financial position can be affected by movements in the USD/AUD and EURO/AUD exchange rates. MBD seeks to mitigate the effect of its foreign currency exposure by acquiring forward currency contracts in USD and EURO. At year end MBD has USD and EURO forward contracts in place which provide either put or call options to purchase USD/EURO depending on the movement of exchange rates during a determined period of time.

MBD also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency.

Approximately 1% of MBD's sales are denominated in currencies other than the functional currency of the operating entity making the sale, whilst almost 95% of costs are denominated in the Group's functional currency.

MBD uses forward currency contracts to eliminate the currency exposures on any individual transactions in excess of $10,000 for which payment is anticipated more than one month after MBD has entered into a firm commitment for a sale or purchase.

It is MBD's policy not to enter into forward contracts until a firm commitment is in place and to negotiate the terms of the hedge derivatives to exactly match the terms of the hedged item to maximise hedge effectiveness. However during the financial year, due to the variation of the USD/EURO, MBD has entered into approved forward contracts based on estimated purchases during the following 12 months.

Judgements of reasonably possible movements:	**Post Tax Profit higher/(lower)**		**Other comprehensive income higher/(lower)**	
	2014	2013	**2014**	2013
	$	$	**$**	$
Consolidated				
+1% (100 basis points)	**(48,077)**	(53,630)	**-**	-
- 1% (100 basis points)	**48,077**	53,630	**-**	-

At 30 June 2014, MBD had the following exposure to USD/EURO foreign currency that is not designated in cash flow hedges:

	Consolidated	
	2014	2013
	$	$
Financial Assets		
Trade and other receivables	**-**	-
Available for sale financial assets	**-**	-
	-	-
Financial Liabilities		
Trade and other payables -EURO	**293,634**	-
Trade and other payables -US$	**339,895**	91,400
	633,529	91,400
Net exposure	**(633,529)**	(91,400)

Risk Exposures and Responses (continued)

The following sensitivity is based on the foreign currency risk exposures in existence at the reporting date:

At 30 June 2014, had the AUD/USD exchange rate moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

Judgements of reasonably possible movements:	Post Tax Profit higher/(lower)		Other comprehensive income higher/(lower)	
	2014	2013	**2014**	2013
	$	$	**$**	$
Consolidated				
AUD/USD +10%	**21,630**	6,394	-	-
AUD/EURO + 10%	**21,630**	-	-	-
AUD/USD - 10%	**(26,436)**	(6,394)	-	-
AUD/EURO - 10%	**(22,838)**	-	-	-

MBD is less sensitive at reporting date to a change in foreign exchange rates due to a lower net USD exposure at reporting date.

Management believe that the taking out of these forward contracts are reflective of normal business activity and the reporting date risk exposures are representative of the risk exposure inherent in the financial instruments.

Price risk
MBD's exposure to commodity and equity securities price risk is minimal for both the current and prior years. The price risk for unlisted securities is immaterial in terms of a possible impact on profit and loss or total equity and as such a sensitivity analysis has not been completed.

Credit risk
Credit risk arises from the financial assets of MBD, which comprise cash and cash equivalents, trade and other receivables, available-for-sale financial assets and derivative instruments. MBD's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at reporting date is addressed in each applicable note.

MBD does not hold any credit derivatives to offset its credit exposure.

MBD trades only with recognised, creditworthy third parties and as such collateral is not requested nor is it MBD's policy to securitise its trade and other receivables. Under MBD's terms of trade, the legal title of goods supplied does not pass to the purchaser until such time as the account has been fully paid.

It is MBD's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the board. These risk limits are regularly monitored.

In addition, receivable balances are monitored on an ongoing basis with the result that MBD's exposure to bad debts is not significant.

For transactions that are not denominated in AUD, MBD does not offer credit terms without the specific approval of the Chief Financial Officer.

Liquidity risk
Liquidity risk arises from the financial liabilities of MBD and MBD's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

MBD's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, hire purchase contracts and committed available credit lines.

MBD manages its liquidity risk by monitoring total cash inflows and outflows expected on a monthly basis. MBD has established comprehensive risk reporting covering its operations that reflect expectations of the expected settlement of financial assets and liabilities.

Risk Exposures and Responses (continued)

The remaining contractual maturities of MBD's financial liabilities are:

	≤ 6 months	6-12 months	1-5 years	> 5 years	Total
Year ended 30 June 2014	**$**	**$**	**$**	**$**	**$**
Consolidated Financial liabilities					
Bank overdraft	2,943,017	-	-	-	2,943,017
Trade & other payables	7,327,279	-	-	-	7,327,279
Interest bearing loans & borrowings	3,577,840	352,026	827,307	133,417	4,890,590
Net maturity	**13,848,136**	**352,026**	**827,307**	**133,417**	**15,160,886**

	≤ 6 months	6-12 months	1-5 years	> 5 years	Total
Year ended 30 June 2013	**$**	**$**	**$**	**$**	**$**
Consolidated Financial liabilities					
Bank overdraft	2,080,136	-	-	-	2,080,136
Trade & other payables	5,684,888	-	-	-	5,684,888
Interest bearing loans & borrowings	6,241,864	368,500	1,879,495	-	8,489,859
Net maturity	**14,006,888**	**368,500**	**1,879,495**	**-**	**16,254,883**

MBD monitors rolling forecasts of liquidity reserves on the basis of expected cash flow. Forecast liquidity reserves as at 30 June 2014 is as follows:

Forecast liquidity reserves as at 30 June 2014 is as follows:

	30 June 2015	2016 - 2018
	$	**$**
Opening balance for the period	(2,779,791)	(3,153,717)
Operating inflows	32,710,000	108,230,411
Operating outflows	(31,513,926)	(97,406,394)
Cash outflows for investments & working capital	(120,000)	(360,000)
Payments of debts and dividends	(1,450,000)	(10,712,649)
Closing balance for the period	(3,153,717)	(3,402,349)

At reporting date, MBD has available approximately $0.56 million of unused credit facilities for its immediate use.

Fair value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

4. Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

(i) Significant accounting judgements

Impairment of non-financial assets other than goodwill
MBD assesses impairment on all assets at each reporting date by evaluating the conditions specific to MBD and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined. Management do not consider that the triggers for impairment testing have been significant enough and as such these assets have not been tested for impairment in this financial period.

Taxation
MBD's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from un-recouped tax losses, research and development concession offsets, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty and hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of other tax losses, research and development concession offsets, and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charges to the income statement.

(ii) Significant accounting estimates and assumptions

Allowance for doubtful debts on other receivables
When receivables are outstanding beyond the normal trading terms, the likelihood of the recovery of these receivables is assessed by management. This assessment is based on supportable past collection history and historical write-offs of bad debts. The impairment loss is outlined in note 12.

Impairment of goodwill
MBD determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, using a value in use discounted cash flow methodology, to which the goodwill is allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill including a sensitivity analysis are discussed in note 17.

Warranty claims
In determining the level of provision required for warranty claims MBD has made judgements in respect of the expected performance of the product, number of customers who will actually make warranty claims, and the costs of fulfilling the warranty claims. Historical experience and current knowledge of any existing claims has been used in determining this provision.

(ii) Significant accounting estimates and assumptions (continued)

Long service leave
In determining the level of provision required for long service leave MBD has made judgements in respect of anticipated future wage and salary levels, employee departures, periods of service and discount rates.

Depreciation - estimation of useful lives of assets
The estimation of the useful lives of assets has been based on historical experience (for plant and equipment) and lease terms (for leased equipment). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

5. Operating segments

MBD has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the manner in which the product is sold. Discrete financial information about each of these operating businesses is reported to the executive management team on at least a monthly basis.

The reporting segments are based on aggregated operating segments determined by the similarity of the products produced and sold/or the services provided, as these are sources of MBD's major risks and have the most effect on the rates of return.

Types of products and services

Bathroom Products
The Bathroom Products business is a manufacturer, importer and wholesaler of bathroom products for major customers throughout Australia. The products supplied in this business are shower bases, shower systems, vanities, free standing and acrylic baths, toilets and vitreous china bowls. The bathroom products business has been determined as an operating segment and reporting segment.

Concrete & Building Supplies
The concrete business manufactures concrete products suitable for use in commercial, residential and civil construction predominately to the concreting, building and civil construction markets in the Melbourne CBD and surrounding suburbs, while the building supplies business supplies sand, rock, aggregate, cement and other building materials to the building trade predominately within the Melbourne CBD area.
This segment has been discontinued from end May 2014.

Accounting policies and inter-segment transactions

The accounting policies used by MBD in reporting segments internally are the same as those contained in note 1 to the accounts and in the prior period except as detailed below:

Corporate Charges
Corporate charges comprise non-segmental expenses such as head office expenses and interest. Corporate charges are allocated to each business segment on a proportionate basis.

Major Customers

Revenues of $14,189,431 (2013:13,739,486) and $2,925,375 (2013: $3,913,781) are derived from two external customers. These revenues are attributed to the bathroom products segment.

The following table presents revenue and profit information and certain asset and liability information for business segments for the years ended 30 June 2014 and 30 June 2013

Year ended 30 June 2014	Bathroom Products $	Concrete & Building Supplies $	Total $
Revenue			
Sales to external customers	30,676,587	2,488,902	33,165,489
Other revenue	5,787	-	5,787
Inter-segment revenue	-	-	-
Total segment revenue	30,682,374	2,488,902	33,171,276
Segment net operating loss after tax	(2,659,574)	(3,316,644)	(5,976,218)
			-
Interest revenue	5,787	-	5,787
Interest expense	484,977	158,287	643,264
Depreciation and amortisation	796,984	516,221	1,313,205
Income tax expense/(income)	(1,247,279)	(41,855)	(1,289,134)
Segment assets as at 30 June 2014	14,502,767	-	14,502,767
Capital expenditure	155,029	144,283	299,312
Segment Liabilities as at 30 June 2014	13,794,948	-	13,794,948

Year ended 30 June 2013	Bathroom Products $	Concrete & Building Supplies $	Total $
Revenue			
Sales to external customers	34,857,577	1,788,075	36,645,652
Other revenue	1,588	1,340	2,928
Inter-segment revenue	-	-	-
Total segment revenue	34,859,165	1,789,415	36,648,580
Segment net operating loss after tax	(8,047,409)	(223,147)	(8,270,556)
Interest revenue	1,588	1,340	2,928
Interest expense	348,758	20,264	369,022
Depreciation and amortisation	979,019	171,631	1,150,650
Income tax expense	(1,566,700)	(24,000)	(1,590,700)
Segment assets as at 30 June 2013	15,905,903	6,814,106	22,720,009
Capital expenditure	787,247	2,822,551	3,609,798
Segment Liabilities as at 30 June 2013	12,146,252	2,988,518	15,134,770

i) Segment revenue reconciliation to the statement of comprehensive income

	Consolidated	
	2014	2013
	$	$
Total segment revenue	**33,171,276**	36,648,580
Segment revenue of discontinued operations	**(2,488,902)**	(1,789,415)
Corporate revenues	-	4,815
Intersegment revenue elimination	-	-
Total revenue	**30,682,374**	**34,863,980**

The Group's geographical location ot its external customers is Australia

ii) Segment net operating profit after tax reconciliation to the statement of comprehensive income

Segment net operating profit/(loss) after tax	**(5,976,218)**	(6,703,856)
Income tax expense/(revenue) at 30% (2013: 30%)	**(1,289,104)**	(1,590,700)
Segment net operating profit/(loss) of discontinued operations	**3,358,499**	247,147
Operating profit/(loss) before tax of corporate entities	**(18,237)**	(395,355)
Intersegment eliminations	-	-
Profit/(loss) from continuing operations before income tax per the statement of comprehensive income	**(3,925,060)**	(8,442,764)

iii) Segment assets reconciliation to the statement of financial position

Segment operating assets	**14,502,767**	22,720,009
Corporate assets	**1,017,847**	365,947
Intersegment eliminations	-	-
Total assets per the statement of financial position	**15,520,614**	23,085,956

Geographical location of non-current assets is Australia

iv) Segment liabilities reconciliation to the statement of financial position

Segment operating liabilities	**13,794,948**	15,134,770
Corporate liabilities	**1,936,987**	2,261,463
Intersegment eliminations	-	-
Total liabilities per the statement of financial position	**15,731,935**	17,396,233

6. Other revenue

	Consolidated	
	2014	2013
	$	$
Finance revenue	**5,787**	4,630
Dividend income	-	-
Other income	-	1,773
	5,787	6,403

7. Expenses

	Consolidated 2014 $	2013 $
(a) Other expenses		
Amortisation of intangible property	-	(54,750)
Provision for loss on forward contracts	**(75,410)**	-
Loss on disposal of fixed assets	**(46,627)**	(24,594)
Doubtful debts	**(56,635)**	(18,000)
Other expenses	**(12,286)**	(30,165)
	(190,958)	(127,509)
(b) Finance costs		
Interest paid	**(528,988)**	(527,198)
Borrowing costs	**(25,130)**	(31,568)
	(554,118)	(558,766)
(c) Depreciation, impairment and amortisation included in statement of comprehensive income in continued operations		
Depreciation	**(796,984)**	(923,900)
Amortisation of intangible assets	-	(54,750)
	(796,984)	(978,650)
(d) Hire Purchase payments and other expenses included in statement of comprehensive income in continued operations		
Interest paid on hire purchase agreements (included in (b) above)	**(62,046)**	(66,605)
	(62,046)	(66,605)
(e) Employee benefits expense		
Salaries and wages	**(4,811,803)**	(5,489,034)
Directors fees	**(145,000)**	(145,000)
Share-based payments	**(2,286)**	(14,924)
	(4,959,089)	(5,648,958)
(f) Other		
Operating lease payments	**1,791,835**	1,770,444

8. Dividends

	Consolidated 2014 $	2013 $
(a) Recognised amounts		
Declared and paid during the year:		
Dividends on ordinary shares:		
Final franked dividend for 2014: Nil (Final dividend for 2012 paid in 2013: 0.55 cent)	-	309,289
	-	309,289

8. Dividends (continued)

	Consolidated 2014 $	2013 $
(b) Franking account balance		
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year at 30% (2013: 30%)	**926,536**	1,220,567
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	-	(161,479)
- Franking debits that will arise from the payment of dividends as at the end of the financial year	-	(132,552)
- Franking credits that will arise from the receipt of dividends recognized as receivables at the reporting date	-	-
- Franking credits that the entity may be prevented from distributing in the subsequent financial year	-	-
	926,536	926,536
The amount of franking credits available for future reporting periods:		
- Impact on the franking account of dividends proposed or declared before the financial report was authorized for issue but not recognized as a distribution to equity holders during the period	-	-
	926,536	926,536

(c) Tax rates

The tax rate at which paid dividends have been franked is 30% (2013: 30%).

Dividends proposed will be franked at the rate of 30% (2013: 30%).

9. Income Tax

	Consolidated 2014 $	2013 $
(a) Income tax expense		
The major components of income tax expense are:		
Statement of comprehensive income		
Current income tax		
Current income tax charge	**(616,542)**	(1,290,879)
Deferred tax expense /(income)		
Origination and reversal of temporary differences	**(630,737)**	(397,872)
Income tax benefit reported in the statement of profit or loss and other comprehensive income	**(1,247,279)**	(1,688,751)
(b) Amount charged or credited directly to equity		
Deferred income tax related to items charged (credited) directly to equity		
Deferred tax benefit on capital raising costs	-	-
Deferred income tax reported in equity	-	-

(c) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate

	Consolidated 2,014 $	2,013 $
Accounting profit/(loss) before tax from continuing operations	**(3,925,060)**	(8,442,764)
Total accounting profit/(loss) before income tax	**(3,925,060)**	(8,442,744)
At the Parent Entity's statutory income tax rate of 30% (2013: 30%)	**(1,177,518)**	(2,532,829)
Add tax effect of:		
Entertainment	**5,340**	5,917
Goodwill impairment	-	705,349
Available for sale financial asset impairment	**12,045**	-
Recognition of research and development offset	**(83,527)**	(70,000)
Adjustment in respect of current income tax from previous years	**(3,619)**	202,812
Aggregate income tax expense	**(1,247,279)**	(1,688,751)
Aggregate income tax expense is attributable to:		
Continuing operations	**(1,247,279)**	(1,712,752)

(d) Recognised deferred tax assets and liabilities

	2014	2013
	$	$
	Deferred Income Tax	Deferred Income Tax
Opening balance	**1,174,343**	430,718
Charged to income	**2,114,513**	1,683,625
Other	**-**	(940,000)
Closing balance	**3,288,856**	1,174,343
Tax expense in statement of comprehensive income	**(1,247,279)**	(1,712,752)
Amounts recognized in the statement of financial position:		
Deferred tax asset	**3,291,343**	2,287,770
Deferred tax liability	**(2,487)**	(1,113,427)
	3,288,856	1,174,343

	Statement of financial position	
	2014	**2013**
	$	$
Deferred income tax at 30 June relates to the following:		
Consolidated		
(i) Deferred tax liabilities		
Depreciation: plant & equipment, motor vehicles	**-**	(159,645)
Grossed up license fee	**-**	(940,000)
Other	**(2,487)**	(13,782)
Total deferred tax liabilities	**(2,487)**	(1,113,427)
(ii) Deferred tax assets		
Intellectual property - registered designs	**-**	128,291
Doubtful debts	**22,561**	8,288
Accrued expenses	**46,247**	32,795
Provisions:		
Rebates & Credits	**118,852**	137,726
Employee benefits	**149,164**	168,803
FBT	**5,444**	5,198
Carry forward losses	**2,724,581**	1,675,387
Depreciation :plant & equipment, motor vehicles	**216,323**	-
Other	**8,171**	131,282
Gross deferred tax assets	**3,291,343**	2,287,770
Net deferred tax assets	3,288,856	1,174,343

(e) Tax losses

Deferred assets on tax losses for the year amounting to $616,542 and prior years amounting to $1,142,813 are being carried forward as a deferred tax asset. The entity will need to post taxable profits of $5,864,515 in the future, to set off these tax losses. Based on the budgets for 2015 and beyond it will take approximately 4 years to recoup the entire carry forward loss.

(f) Tax consolidation

MBD Corporation Limited and its 100% owned subsidiaries have formed a tax consolidated group as at the date of this report.

10. Earnings per share

The following reflects the income used in the basic and diluted earnings per share computations:

	Consolidated	
	2014	2013
	$	$
For basic earnings per share:		
Net profit/ (loss) from continuing operations attributable to ordinary equity holders of the parent	**(2,677,781)**	(6,754,013)
Loss attributable to discontinued operations	**(1,312,755)**	(135,941)
Net profit attributable to ordinary equity holders of the parent	**(3,990,536)**	(6,889,954)
For diluted earnings per share:		
Net profit/ (loss) from continuing operations attributable to ordinary equity holders of the parent (from basic EPS)	**(2,677,781)**	(6,754,013)
Loss attributable to discontinued operations	**(1,312,755)**	(135,941)
Net profit attributable to ordinary equity holders of the parent	**(3,990,536)**	(6,889,954)
(b) Weighted average number of shares	Units	Units
Weighted average number of ordinary shares (excluding reserved shares) for basic earnings per share	**66,049,055**	64,999,117
Effect of dilution:		
Share options	-	-
Weighted average number of ordinary shares (excluding reserved shares) adjusted for effect of dilution	**66,049,055**	64,999,117

(a) Earnings used in calculating earnings per share

There are no instruments (e.g. share options) excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are anti-dilutive for either of the periods presented.

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

(b) Information on the classification of securities

Options
No options have been granted to employees (including KMP) as described in note 28. If options were granted, they are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive. These options have not been included in the determination of basic earnings per share.

11. Current assets – cash and cash equivalents

	Consolidated 2014 $	2013 $
Cash at bank and in hand	**163,226**	177,600
	163,226	177,600

Reconciliation to statement of cash flows

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 30 June:

	Consolidated 2014 $	2013 $
Cash at bank and in hand	**163,226**	177,600
Bank overdraft	**(2,943,017)**	(2,080,135)
	(2,779,791)	(1,902,535)

12. Current assets – trade and other receivables

	Consolidated 2014 $	2013 $
Trade receivables	**4,327,099**	4,951,250
Other receivables	**72,172**	233,426
Allowance for impairment (a)	**(75,202)**	(79,625)
	4,324,069	5,105,051
Prepayments	**83,703**	225,162
Carrying amount of trade and other receivables	**4,407,772**	5,330,213

(a) Allowance for impairment loss:

Trade receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of $56,635 (2013: $70,000) has been recognised by MBD in the current year. These amounts have been included in the other expense item.

Movements in the provision for impairment loss were as follows:

	Consolidated 2014	2013
At 1 July	**79,625**	11,482
Charge for the year	**56,635**	70,000
Amounts written off	**(98,192)**	(1,857)
At 30 June	**75,202**	79,625

At 30 June, the ageing analysis of trade receivables is as follows:

		Total	0 - 30 days	31 - 60 days	61 - 90 days PDNI*	61 - 90 days CI*	+91 days PDNI*	+91 days CI*
2014	Consolidated	**4,327,099**	**2,344,717**	**1,471,189**	**227,753**	-	**208,238**	**75,202**
2013	Consolidated	4,951,250	2,464,503	1,724,845	389,879	-	283,944	88,079

** Past due not impaired ('PDNI')
* Considered impaired ('CI')

(a) Allowance for impairment loss (continued)

Receivables past due but not considered impaired are: $435,991 (2013: $673,823). Payment terms on these amounts have not been re-negotiated however credit is reviewed on a case by case basis. Each operating unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

(b) Related party receivables

For terms and conditions of related party receivables refer to note 27.

(c) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it MBD's policy to transfer (on-sell) receivables to special purpose entities.

(d) Foreign exchange and interest rate risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in note 3 and note 21.

13. Current assets – inventories

	Consolidated	
	2014	2013
	$	$
Raw materials -at lower of cost and net realiseable value	**149,490**	131,559
Finished goods -at lower of cost and net realiseable value	**5,717,277**	6,746,966
Total inventories	**5,866,767**	6,878,525

14. Non-currents assets – other receivables

There are no outstanding other receivables as at balance date.

15. Non-current assets - available-for-sale financial assets

	Consolidated	
	2014	2013
	$	$
At fair value		
Unlisted shares	**24,750**	64,900
	24,750	64,900

MBD holds shares in an unlisted public Company. The shares have been revalued at rights issue price.

16. Non-current assets – property, plant and equipment

a) Reconciliation of carrying amounts at the beginning and end of the period

	Consolidated		
	Plant and equipment $	Motor Vehicles $	Total $
Year end 30 June 2014			
At 1 July 2013 net of accumulated depreciation and impairment	3,526,287	1,675,929	5,202,216
Additions	155,029	144,283	299,312
Disposals	(38,535)	(68,871)	(107,406)
Disposal of Citywide business**	(1,490,764)	(1,014,685)	(2,505,449)
Depreciation charge for the year	(796,944)	(324,973)	(1,121,917)
At 30 June 2014 net of accumulated depreciation and impairment	**1,355,073**	**411,683**	**1,766,756**
At 30 June 2014			
Cost or fair value	6,685,883	1,086,238	7,772,121
Accumulated depreciation and impairment	(5,330,810)	(674,555)	(6,005,365)
Net carrying amount	**1,355,073**	**411,683**	**1,766,756**

	Consolidated		
	Plant and equipment $	Motor Vehicles $	Total $
Year end 30 June 2013			
At 1 July 2012 net of accumulated depreciation and impairment	2,132,577	642,375	2,774,952
Additions	649,519	137,728	787,247
Additions through business combination	1,599,316	1,223,235	2,822,551
Disposals	(28,580)	(92,625)	(121,205)
Depreciation charge for the year	(826,545)	(234,784)	(1,061,329)
At 30 June 2013 net of accumulated depreciation and impairment	3,526,287	1,675,929	5,202,216
At 30 June 2013			
Cost or fair value	8,189,066	2,461,588	10,650,654
Accumulated depreciation and impairment	(4,662,779)	(785,659)	(5,448,438)
Net carrying amount	3,526,287	1,675,929	5,202,216

**During the year, property, plant and equipment within the Citywide business were disposed. Refer to Note 33.

(b) Property, plant and equipment pledged as security for liabilities

Refer to note 22(b) for details.

(c) Property, plant and equipment – Group as lessee

Plant and equipment with a carrying value of $271,920 (2012: $140,320) and motor vehicles with a carrying value of $242,312 (2012: $613,380) are purchased under hire purchase contracts as disclosed in note 30.

17. Non-current assets – intangible assets and goodwill

a) Reconciliation of carrying amounts at the beginning and end of the period

	Consolidated			
	License $	Intellectual property $	Goodwill $	Total $
Year end 30 June 2014				
At 1 July 2013 net of accumulated amortisation and impairment	3,098,792	-	-	3,098,792
Addition	-	-	-	-
Amortisation	(191,510)	-	-	(191,510)
Impairment	-	-	-	-
Disposal of Citywide business	(2,907,282)	-	-	(2,907,282)
At 30 June 2013 net of accumulated amortisation and	-	-	-	-
At 30 June 2014				
Cost (gross carrying amount)	-	1,197,000	7,026,855	8,223,855
Accumulated amortisation and impairment	-	(1,197,000)	(7,026,855)	(8,223,855)
Net carrying amount	-	-	-	-
At 1 July 2012 net of accumulated amortisation and impairment	-	54,750	2,351,162	2,405,912
Addition	3,133,792	-	-	3,133,792
Impairment	-	-	(2,351,162)	(2,351,162)
Amortisation	(35,000)	(54,750)	-	(89,750)
At 30 June 2013 net of accumulated amortisation and impairment	3,098,792	-	-	3,098,792
At 30 June 2013				
Cost (gross carrying amount)	3,133,792	1,197,000	7,026,855	11,357,647
Accumulated amortisation and impairment	(35,000)	(1,197,000)	(7,026,855)	(8,258,855)
Net carrying amount	3,098,792	-	-	3,098,792

(b) Description of MBD's intangible assets and goodwill

(i) Intellectual property

MBD held intangible assets including certificate of registration of designs, Australian Standards Certifications, and WELS certificates for products and registered designs. These assets were fully amortised in the prior year.

(ii) Goodwill

MBD through its wholly owned subsidiary Marbletrend Holdings Pty Ltd as a result of the acquisition of the Marbletrend Pty Ltd business had acquired goodwill in Marbletrend Pty Ltd. This goodwill was fully impaired in prior years.

(iii) License

On 7 August 2012, MBD acquired a 50% controlling interest in Citywide Holdings (Aust) Pty Ltd, which owned 100% of the issued equity in Citywide Building Supplies Pty Ltd and Citywide Concrete Pty Ltd. The net value of the license to operate out of a 15 year leased property which has a license to operate a concrete manufacturing facility was $2,193,792 based upon the amount of consideration paid. This license was carried at $3,133,792 which included the related deferred tax liability of $940,000. The Citywide business was disposed during the year. Please refer to note 33.

(c) Impairment test for goodwill

The carrying amounts of MBD entities assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

An impairment loss is recognised whenever the carrying value of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss in the statement of comprehensive income, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation, with any excess recognised through profit or loss.

(c) Impairment test for goodwill (continued)

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a prorated basis.
Value in use was determined by discounting the future cash flows generated from the continuing use and was based on the following assumptions:

- Cash flows were projected based on actual operating results and business plans and a projected cash flows range of five (5) years, before a terminal value is calculated. Maintainable earnings were adjusted for an allocation of corporate overheads;
- Management used growth rates consistent with its business plans and 3 year strategy in calculating the terminal value, which does not exceed the long term average growth rate for the industry; and
- A pre-tax discount rate of 13.58% was used in 2013 in discounting the projected future cash flows.

Based on future revenue and expense forecasts, and the downturn in the industry, it was determined that the entire goodwill amounting to $2.35 million was fully impaired in the prior year.

18. Current liabilities – trade and other payables

	Consolidated	
	2014	2013
	$	$
Trade payables	**5,001,712**	4,037,062
Other payables	**2,325,567**	1,647,826
Carrying amount of trade and other payables	**7,327,279**	5,684,888

(a) Fair value

Due to the short term nature of these payables, the carrying value is assumed to approximate the fair value.

(b) Related party payables

For terms and conditions relating to related party payables in other payables see note 27.

(c) Interest rate, foreign exchange and liquidity risk

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in note 3

19. Current liabilities – provisions

	Consolidated	
	2014	2013
	$	$
Long service leave	**154,826**	170,476
Annual leave	**255,735**	286,335
	410,561	456,811

(a) Movements in provisions

Please refer to note 20(a) for details.

(b) Nature and timing of provisions

Please refer to note 20(a) for details.

20. Non-current liabilities – provisions

	Consolidated	
	2014	2013
	$	$
Long service leave	**32,064**	41,007
	32,064	41,007

For a description of the nature and timing of cash flows associated with the above provisions, refer to section (b) below.

(a) Movements in provisions

Movements in each class of provision during the financial year are set out below:

	Annual Leave	**Long Service Leave**	**Total**
	$	**$**	**$**
Consolidated			
At 1 July 2013	286,335	211,483	497,818
Arising during the year	340,149	75,930	416,079
Utilised	(370,749)	(100,524)	(471,273)
At 30 June 2014	**255,735**	**186,889**	**442,624**
Current 2014	**255,735**	**154,826**	**410,561**
Non-current 2014	**-**	**32,064**	**32,064**
	255,735	**186,890**	**442,625**
Current 2013	286,335	170,476	456,811
Non-current 2013	-	41,007	41,007
	286,335	211,483	497,818

(b) Nature and timing of provisions

Long service leave
Refer to note 2 for the relevant accounting policy and a discussion on the significant estimations and assumptions applied in the measurement of this provision.

Annual leave
Refer to note 2 for the relevant accounting policy and a discussion on the significant estimations and assumptions applied in the measurement of this provision.

21. Derivative financial instruments

(a) Instruments used by MBD

Derivative financial instruments are used by MBD in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates.

(i) Forward currency contracts
MBD acquires certain supplies from China and as such MBD may be required to settle in USD. In order to protect against exchange rate movements and to manage the inventory costing process, MBD has entered into forward exchange contracts to purchase USD. These contracts are hedging highly probable forecasted purchases and they are timed to mature when payments are scheduled to be made.

(i) Forward currency contracts (continued)

The cash flows are expected to occur between 1 - 11 months from 1 July 2013 and the profit and loss within cost of sales will be affected as the inventory is either used in production or sold. At 30 June 2014 there were outstanding contracts of $4,566,260 (2013: $1,401,351).

(b) Interest rate risk

Information regarding interest rate risk exposure is set out in note 3.

(c) Credit risk

Credit risk arises from the potential failure of counterparties to meet their obligations at maturity of contracts.

22. Interest-bearing loans and borrowings

	Consolidated	
	2014	2013
	$	$
Current		
Obligations under hire purchase contracts (note 30)	**280,052**	571,642
Secured bank loan	**4,088,314**	5,642,583
Convertible notes	**37,000**	25,000
	4,405,366	6,239,225
Non-current		
Obligations under hire purchase contracts (note 30)	**166,807**	1,419,489
Secured bank loans	**-**	-
Convertible notes	**318,417**	361,250
	485,224	1,780,739

Fair value

MBD's current and non-current borrowings approximate their fair value. The fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates.

(a) Interest rate, foreign exchange and liquidity risk

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in note 3

(b) Assets pledged as security

	Consolidated	
	2014	2013
	$	$
Current		
Cash & cash equivalents	**163,226**	177,600
Trade and other receivables	**4,407,772**	5,376,153
Inventories	**5,866,767**	6,878,525
Total current assets pledged as security	**10,437,765**	12,432,278
Non-current		
Available for sale financial assets	**24,750**	**64,900**
Plant and equipment	**1,766,756**	**5,202,216**
Total non-current assets pledged as security	**1,791,506**	**5,267,116**
Total assets pledged as security	**12,229,271**	**17,699,394**

(b) Assets pledged as security (continued)

The terms and conditions relating to the financial assets are as follows:

Receivables and available-for-sale financial assets are pledged against secured bank loans to the extent they are not already covered by plant and equipment on a floating basis for the terms of the various secured loans.

Unsecured loan from other related parties
There are no unsecured loans to Group for working capital purposes (2013: nil).

Other unsecured loan
There are no unsecured loans to Group for working capital purposes (2013: nil).

(c) Set-off assets and liabilities

Marbletrend Pty Ltd has established a legal right of set-off with its major trading bank enabling it to set off certain deposits with that bank against its borrowing. As at reporting date Marbletrend Pty Ltd had $163,226 in cash at bank available for set off (2013: $177,600).

(d) Defaults and breaches

During the current year MBD breached the Banks covenants relating to Debt Service and Leverage. However the bank continues to support Marbletrend during a difficult year and have renewed all facilities for a one year period on 4th July 2014. Subsequent to year end, MBD breached its covenants relating to Debt Service Ratios.

23. Contributed equity

	Consolidated	
	2014	2013
	$	$
(a) Ordinary shares	**13,805,505**	13,787,505
(b) Convertible notes	**315,000**	315,000
	14,120,505	14,102,505
(a) Ordinary shares	**Unit**	Unit
Issued and fully paid	**66,049,055**	66,049,055

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

		Unit	$
Movement in ordinary shares on issue:			
At 1 July 2012		62,795,393	13,542,456
Executive Share Plan - Share issue	(i)	1,050,000	-
Executive Share Plan - non vested	(i)	(325,000)	-
Share issue - DRP	(ii)	1,522,412	147,672
Share issue - Other	(iii)	1,006,250	91,000
Vesting of shares as per share plan	(iv)	-	6,377
At 1 July 2013		**66,049,055**	**13,787,505**
Share issue - Executive Share Plan-vested	(v)	-	**18,000**
At 30 June 2014		**66,049,055**	**13,805,505**

23. Contributed equity (continued)

i. During FY13 1,050,000 shares were issued net to executives pursuant to the Executive Share Plan and 325,000 were not vested.
ii. On 30 September 2012, the Company issued 1,522,412 new shares at a cost of $147,672 pursuant to the Dividend Reinvestment Plan.
iii. On 11 March 2013 the Company issued 656,250 new shares at a cost of $52,500 consequent to the Company's Share Purchase Plan.
On 31 August 2012 the Company issued 350,000 new shares at a cost of $38,500 in lieu of fees to a consultant.
iv. $6,377 vesting of shares per employee share plan during FY13.
v. $18,000 vesting of shares per employee share plan during FY14.

(b) Convertible notes

MBD issued 10% convertible notes for $720,000 on 30 January 2013. Interest of 10% p.a. is payable monthly to the Note holders. The notes are convertible to ordinary shares in MBD Corporation Limited at the option of the holders in various circumstances and on the occurrence of an Exit Event. (ie. substantial part of the business is sold to third party, reconstruction of Company capital that results in transfer of ownership to third party and declaration of first dividend after issuance of these notes). On maturity date, the Company has the right to convert certain notes to ordinary shares in the Company. Upon presentation of a conversion notice or on the maturity date, the notes will be converted into equity at a fixed $0.08 per share. The convertible notes are presented in the balance sheet as follows as at 30 June 2014:

Equity	23	315,000
Current Liability –Convertible notes	22	37,000
Non-Current Liability Convertible notes	22	318,417

(c) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity and which may contemplate the buying back of shares over the next 4 years.

Management are constantly adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. During FY 2014, no dividends (2013: $309,289) were paid or provided for, including the ongoing activities of the Dividend Reinvestment Plan resulting in the issuance of no new shares(2013:1,522,412). However contributed equity increased by $18,000 (2013: $147,672) due to the vesting of employee shares.

	Consolidated	
	2014	2013
	$	$
Total borrowings*	**15,160,886**	15,784,988
Less cash and cash equivalents	**(163,226)**	(177,600)
Net debt	**14,997,660**	15,607,388
Total equity	**(211,321)**	5,689,723
Total capital	**14,786,339**	21,297,111

** Includes interest bearing loans and borrowings and trade and other payables*

MBD is not subject to any externally imposed capital requirements.

24. Retained earnings and reserves

(a) Movements in retained earnings / (accumulated losses) were as follows:

	Consolidated	
	2014	2013
	$	$
Balance 1 July	**(10,372,911)**	(3,173,667)
Net profit/ (loss)	**(3,990,536)**	(6,889,954)
Dividends paid / proposed	**-**	(309,290)
Balance 30 June	**(14,363,447)**	**(10,372,911)**

Retained earnings include all current and prior period retained profits and losses.

(b) Movements in reserves were as follows

	Employee equity benefits reserve
	$
At 30 June 2012	38,788
Share option provision	8,547
At 30 June 2013	47,335
Share option transfer	(15,714)
At 30 June 2014	**31,621**

25. Non-controlling interest

	Consolidated	
	2014	2013
	$	$
Balance I July	**1,912,794**	-
Share of dividends	**-**	-
Share of net profit/(loss)	**(2,003,889)**	(87,206)
Non Controlling Share Capital	-	2,000,000
Sale of Citywide business	**91,095**	-
Balance 30 June	**-**	1,912,794

The proportion of ownership interest of Citywide Holdings (Aust) Pty Ltd held by non-controlling interest is 50%. Citywide Holdings (Aust) Pty Ltd principal place of business is 824 Lorimer Street Port Melbourne VIC 3207.

26. Statement of cash flows reconciliation

	Consolidated 2014 $	2013 $
(a) Reconciliation from the net profit / (loss) after tax to the net cash flows from operations		
Net profit/ (loss)	**(5,994,425)**	(6,977,160)
Adjustments for:		
Depreciation	**785,956**	1,060,900
Amortisation	**191,510**	89,750
Share-based payments	-	14,924
Impairment of afs	**40,150**	-
Allowance/ (reversal) for doubtful debts	**56,635**	70,000
Loss on sale of property, plant and equipment	**46,803**	24,594
Stock write off	-	1,636,000
Impairment of goodwill	-	2,351,162
Loss on disposal of Citywide business	**1,967,034**	-
Other non cash items	**153,438**	(54,939)
Gain on FX forward contracts	**171,877**	(45,602)
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	**632,020**	(1,178,861)
(Increase)/decrease in other current assets	**141,459**	293,676
(Increase)/decrease in inventories	**989,849**	1,672,229
(Increase)/decrease in deferred tax assets	**(1,003,573)**	(1,737,890)
(Decrease)/increase in trade and other payables	**2,103,809**	(796,596)
(Decrease)/increase in deferred tax liabilities	**(202,940)**	-
(Decrease)/increase in provisions	**(55,194)**	(127,988)
Net cash provided from / (used in) operating activities	**24,408**	(1,348,078)

27. Related party disclosure

(a) Subsidiaries

The consolidated financial statements include the financial statements of MBD Corporation Limited and the subsidiaries listed in the following table.

Name	Country of Incorporation	% Equity Interest 2014	% Equity Interest 2013	Investment ($) 2014	Investment ($) 2013
Marbletrend Holdings Pty Ltd and controlled entities:					
- Marbletrend Pty Ltd	Australia	**100***	100	**8,053,196**	8,053,196
Marbletrend Investments Pty Ltd					
- Citywide Holdings (Aust) Pty Ltd	Australia	-	50	-	2,000,000
Avalon Investments (Aus) Pty Ltd	Australia	**100**	100	**1**	1
				8,053,197	10,053,197

(b) Ultimate parent

MBD Corporation Limited is the ultimate parent entity.

(c) Key management personnel

Details relating to KMP, including remuneration paid, are included in note 28.

(d) Transactions with related parties

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year:

		Sales to Related Parties $	Purchases from Related $
Related Party			
Salmon Giles Pty Ltd (H Giles)			
– purchase of accounting and advisory services	**2014**	-	**197,008**
	2013	-	441,433
Ahtpad Pty Ltd			
-Sale of 50% investment in Citywide -Note 28(d)	**2014**	**10**	

Subsidiaries
Transactions between the parent and its subsidiaries included allowance for doubtful debts on loans owed by the subsidiaries during the financial year.

Terms and conditions of transactions with related parties
Sales to and purchases from related parties are made in arms length transactions at both normal market prices and normal commercial terms.
Outstanding balances at year-end are unsecured, non interest bearing and settlement occurs in cash or shares. There have been no guarantees provided or received for any related party receivables.
$134,221 is payable as at 30 June 2014 to Ahtpad Pty Ltd the new owners of the Citywide Group.
$107,303 is payable to Salmon Giles Pty Ltd as at 30 June 2014.

28. Key management personnel

(a) Details of Key Management Personnel

Directors

H. Giles	Chairman and Company Secretary
J. Nicol	Managing Director and Chief Executive Officer
P. Reilly	Director (non-executive) and Company Secretary
M. Evett	Director (non-executive)

Executives

P. Taylor	Chief Operating Officer of Marbletrend Pty Ltd
J. Baxter	General Manager Sales & Marketing of Marbletrend Pty Ltd
K. Martin	Group Chief Financial Officer of MBD Corporation Ltd

(b) Compensation of Key Management Personnel

	Consolidated	
	2014 **$**	2013 $
Short-term – salary & fees	**863,991**	899,504
Short-term – incentive plans	**-**	-
Short-term – non-monetary benefits	**43,595**	43,521
Post-employment – superannuation	**65,429**	68,353
Long-term – long service leave	**(578)**	(5,386)
Share-based payment - shares	**5,740**	15,290
Share-based payment - options	**-**	-
Total compensation	**978,177**	1,021,282

(c) Shareholdings of Key Management Personnel (Consolidated)

Ordinary Shares held in MBD Corporation Limited

30 June 2014	Balance at Beginning of Period 1 July 2013	Granted as Remuneration	On Exercise of Options	Net change Other	Balance 30 June 2014
Directors					
H. Giles	5,476,864	-	-	23,586	**5,500,450**
P. Reilly	15,798,262	-	-	23,586	**15,821,848**
M. Evett	377,379	-	-		**377,379**
J. Nicol	1,625,000	-			**1,625,000**
Executives					
P.Taylor (Resigned 31 Jan 2014)	375,000		(62,500)	(23,125)	**289,375**
W. Jewell (Resigned 26 Oct 2012)	8,000	-	-	(8,000)	**-**
J. Baxter	200,000	-			**200,000**

Ordinary Shares held in MBD Corporation Limited

30 June 2013	Balance at Beginning of Period 1 July 2012	Granted as Remuneration	On Exercise of Options	Net change Other	Balance 30 June 2013
Directors					
H. Giles	4,924,434	-	-	552,430	5,476,864
P. Reilly	14,964,401	-	-	833,861	15,798,262
M. Evett	314,879	-	-	62,500	377,379
J. Nicol	1,000,000	500,000	-	125,000	1,625,000
Executives					
P.Taylor	250,000	250,000	-	(125,000)	375,000
J.Baxter	-	200,000	-	-	200,000
W. Jewell (Resigned 26 Oct 2012)	108,000	100,000		(200,000)	8,000
	21,561,714	1,050,000	-	1,248,791	23,860,505

All equity transactions with KMP other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those MBD would have adopted if dealing at arm's length.

(d) Other transactions and balances with Key Management Personnel and their related parties

Purchases
During the year, accounting, taxation and administrative services were provided by Salmon Giles Pty Ltd and corporate advisory services were provided by Salmon Giles Corporate Pty Ltd, both of which H Giles is a director, together totalling $197,008 for the year (2013: $441,433). These services were charged at normal market prices. On 31 May 2014, MBD Corporation's 50% shareholding in Citywide was sold to a related party (Ahtpad Pty Ltd solely owned by H Giles) for $10 resulting in a profit of $15K (refer to Note 33).

29. Share-based payment plans

(a) Recognised share-based payment expenses

The expense recognised for employee services received during the year is shown in the table below:

	Consolidated	
	2014	2013
	$	$
Expense / (Revenue) arising from equity-settled share-based payment transactions	**2,286**	14,924

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2014 and 2013.

(b) Type of share-based payment plans

Executive Share Plan
The Executive Share Plan will provide for the issue of shares to members of the Senior Management team (including Executive Directors) nominated by the Board (Participant). Shares will be issued at market price and Group will offer interest free, non recourse loans to Participants to assist them acquire the shares offered.

Shares are offered subject to certain performance conditions which must be satisfied if a Participant is to retain ownership of the shares. If a Participant fails to meet the performance conditions attached to his or her shares during the relevant performance period, he or she will forfeit those shares to Group.

There are currently one (1) Executive Director and one Executive eligible to participate.

The following table illustrates the number (No.) and weighted average issue prices (WAIP) of, and movements in, shares issued during the year under the Executive Share Plan:

Executive Share Plan

	2014 No.	**2014 WAIP**	2013 No.	2013 WAIP
Outstanding at the beginning of the year	**1,989,375**	**0.111**	1,430,000	0.115
Issued during the year	-	-	1,050,000	0.092
Vested during the year	-	-	(165,625)	0.100
Forfeited during the year	**(93,625)**	**0.060**	(325,000)	0.060

The weighted average remaining life of the performance conditions for the shares outstanding under the Executive Share Plan as at 30 June 2014 is 12 months (2013: 24 months).

The issue price for shares outstanding under the Executive Share Plan at the end of the year range between $0.09 and $0.12(2013: $0.09 and $0.12).

Executive Share Plan (continued)
Due to the nature of the Executive Share Plan, participants effectively receive an option to acquire shares. The fair value of these options is estimated as at the date of issue of the shares using a Black-Scholes model taking into account the terms and conditions upon which the options were shares were issued. The model takes into account the historic dividends, share price volatilities and co-variances of MBD and each comparator Company to produce a predicted distribution of relative share performance.

The following table lists the inputs to the models used for the year ended 30 June 2013.
There were no options issued in the year ended 30 June 2014.

	2013
Dividend yield (%)	-
Risk-free interest rate (%)	3.73
Expected life of options (years)	2.75
Share issue price ($)	0.10
Weighted average share price at measurement date ($)	0.10
Model used	Black-Scholes

The weighted average fair value of the options to acquire shares issued during the year ended 30 June 2013 under the Executive Share Plan was $0.042 per option.

Director and Executive Share Scheme
A Director and Executive share scheme has been established where directors and executives of MBD are issued with options over the ordinary shares of MBD Corporation Limited. The options are issued for nil consideration and are issued in accordance with performance criteria established by the Directors of MBD Corporation Limited.

On exercise of each option, and payment of the exercise price, the relevant executive will be entitled to one share. All options that have not vested at the time of any sale of the shares in or the business of MBD o will fully vest immediately before any such event occurs. Only vested options may be exercised and all options must be exercised on or before the fifth anniversary after granting. Unvested options automatically expire upon termination of an executives employment for any reason and vested options must be exercised within thirty (30) days of termination of the executives employment for any reason otherwise they also expire.

There are currently four (4) Directors and one (1) Executive eligible to participate.

30. Commitments

(i) Hire purchase commitments

Hire purchase commitments - Marbletrend as lessee
Marbletrend Pty Ltd has hire purchase contracts for various items of plant and machinery and motor vehicles with a carrying amount of $446,859 (2013: $1,991,131). These contracts expire within 1 to 4 years. Renewals are at the option of the specific entity that holds the contract.

	Consolidated	
	2013	2012
	$	$
Within one year	**317,644**	711,999
After one year but not more than five years	**196,588**	1,518,245
Total minimum lease payments	**514,232**	2,230,244
Less amounts representing finance charges	**(67,373)**	(239,113)
Present value of minimum hire purchase payments	**446,859**	1,991,131
Included in the financial statements as:		
Current interest-bearing loans and borrowings (note 22)	**280,052**	571,642
Non-current interest-bearing loans and borrowings (note	**166,807**	1,419,489
Total included in interest-bearing loans and borrowings	**446,859**	1,991,131

(ii) Operating lease commitments

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

	Consolidated	
	2013	2012
	$	$
Payable - minimum lease payments:		
- not later than one year	**1,885,846**	1,873,934
- between 12 months and five years	**3,260,870**	4,103,315
- greater than five years	**-**	-
Total minimum lease payments	**5,146,716**	5,977,249

Marbletrend Pty Ltd has leases over a number of commercial properties. These leases are all on commercial terms for periods between 1 and 5 years, with rent payable monthly in advance, and some of the leases have options to extend. Contingent rental provisions within the lease agreements require that minimum lease payments shall be increased by the consumer price index (CPI) and / or the lower of the CPI and a fixed percentage.

(iii) Property, plant and equipment commitments

MBD had no contractual obligations to purchase plant and equipment at reporting date.

31. Contingencies

(i) Legal claims

MBD Corporation Limited is not aware of any impending legal dispute of a material nature.

(ii) Guarantees

MBD provided guarantees of $0 in relation to new hire purchase leases in addition to existing leases during FY14.

32. Deed of cross guarantee

MBD Corporation Ltd, Marbletrend Pty Ltd, Marbletrend Holdings Pty Ltd, and Avalon Investments (Aust) Pty Ltd (the "Closed Group") entered into a Deed of Cross Guarantee on 21 September 2011. The effect of the deed is that MBD Corporation Ltd has guaranteed to pay any deficiency in the event of winding up of a controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that MBD Corporation Ltd is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

By entering into the deed, the wholly-owned entities can apply to the Australian Securities and Investments Commission to be relieved, under Class Order 98/1418 (as amended) from the requirement to prepare a financial report and Directors' Report.

The above companies represent "Closed Group" for the purposes of the class order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by MBD Corporation Limited, they also represent the "Extended Closed Group".

33. Discontinued Operations

(a) Description

The assets of the operating companies of the Citywide Group, which includes 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.

(b) Financial Performance and cash flow information

The financial performance and cash flow information presented are for the period up to the date of disposal for the current year and the year ended 30 June 2013.

Normal Trading summary income statement of discontinued operations

	2014 $'000	**2013 $'000**
Revenue	2,489	1788
Cost of materials	(1,813)	(1,075)
Depreciation expense	(325)	(137)
Amortisation expense	(191)	(35)
Salaries & Wages	(491)	(301)
Other expenses	(818)	(468)
Operating Profit	(1,149)	(228)
Finance costs	(158)	(19)
Loss from discontinued operations before tax	(1,308)	(247)
Tax expense (income)	42	(24)
Loss for the year	(1,350)	(223)

Loss on Disposal	**2014**	2013
	$'000	$'000
Loss on sale of assets	**(1,982)**	-
Loss on operations	**(1,350)**	(223)
Profit on sale of shares to related party	**15**	-
Loss on discontinued operations as shown in statement of proft or loss and comprehensive income	**(3,317)**	(223)

Cash flow	**2014**	2013
	$'000	$'000
Net cash flow from operating activities	**(693)**	(112)
Net cash inflow from investing activites (2014 includes inflow from sale of the business of $2,321,960 net of cash disposed).	**2,322**	-
Net cash from financing activities	**-**	-
	1,629	(112)

Details of the sale of the Citywide business

	$'000
Consideration received - cash	**2,500**
Carrying amount of net assets disposed	**(4,467)**
Loss on sale before income tax	**(1,967)**
income tax	**-**
Loss on sale after income tax	**(1,967)**

The carrying amounts of assets and liabilities as at the date of disposal were:

	$'000
Property plant and equipment	**2,505**
Intangibles-license	**2,907**
Trade and other receivables	**643**
Inventories	**22**
Cash	**178**
Total Assets	**6,255**
Trade and other payables	464
Provisions for employee benefits	161
Hire purchase liabilities	1,163
Total liabilities	1,788
Net Assets	4,467

34. Events after the Reporting Date

Although financial covenants were breached during the year, 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. Subsequent to year end the following covenants in the new facility were breached: Debt Service Ratios.

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.

35. Auditors' remuneration

Auditors' remuneration

The auditor of MBD Corporation Limited and its controlled entities is Grant Thornton Audit Pty Ltd.

	Consolidated	
	2014	2013
	$	$
Amounts received or due and receivable by Grant Thornton Audit Pty Ltd for:		
An audit or review of the financial report of the entity and any other entity in the consolidated Group	**85,000**	99,000
Amounts received or due and receivable by Grant Thornton Network Firm for: other services	-	-
	85,000	99,000

36. Parent Entity Information

MBD Corporation Limited is the parent Company of the consolidated group. The following information is provided for the MBD Corporation Limited:

	2014 $	2013 $
Financial Position		
Assets		
Current Assets	**1,319,849**	1,328,118
Non-current assets	**5,616,157**	6,154,062
Total assets	**6,936,006**	7,482,180
Liabilities		
Current liabilities	**1,530,324**	1,429,366
Non-current liabilities	**1,114,483**	2,103,262
Total liabilities	**2,644,807**	3,532,628
Net Assets	**4,291,199**	3,949,552
Equity		
Issued capital	**14,120,505**	14,102,505
Accumulated losses	**(9,860,927)**	(10,200,288)
Reserves	**31,621**	47,335
Total equity	**4,291,199**	3,949,552
Financial performance		
Profit for the year	**339,361**	(3,977,399)
Other comprehensive income	**-**	-
Total comprehensive income/(loss)	**339,361**	(3,977,399)

(a) Refer note 30, 31 and note 32 for details of parent Company commitments and contingencies.

Directors' Declaration

In accordance with a resolution of the directors of MBD Corporation Limited, I state that:

1. In the opinion of the directors:

    (a) the financial statements and notes and additional disclosures indicated in the directors' report designated as audited, of the consolidated entity are in accordance with the *Corporations Act 2001(Cth)*, including:

    (i) give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

    (ii) comply with Accounting Standards and the *Corporations Regulations 2001*; and

    (iii) comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

    (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable. Refer note 2(a).

2. The Company and wholly owned subsidiaries have entered into a deed of cross guarantee under which the Company and its subsidiaries guarantee the debts of each other. At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed.

3. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001(Cth)* for the financial year ended 30 June 2014.

On behalf of the Board

Hamish Giles
Chairman

Melbourne, 30 September 2014

Grant Thornton

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Independent Auditor's Report
To the Members of MBD Corporation Limited

Report on the financial report

We have audited the accompanying financial report of MBD Corporation Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated 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 consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

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 us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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 Company's preparation of the financial report that gives a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence
In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion
In our opinion:

a the financial report of MBD Corporation Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

  ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Material uncertainty regarding going concern
Without qualification to the audit opinion expressed above, we draw attention to Note 2(y) in the financial report., which indicates that the consolidated entity incurred a net loss of $5,994,425 during the year ended 30 June 2014 and, as at that date , the consolidated entities' current liabilities exceeded its current assets by $4,774,395, and total liabilities exceeded total assets by $211,321. As a result of certain breaches in banking covenants the bank borrowings at 30 June 2014 are repayable on demand and the Company and consolidated entities are dependent upon the continued financial support of their bankers. These conditions, along with other matters set forth in Note 2(y), indicate the existence of a material uncertainty which may cast significant doubt about the Company and consolidated entities' ability to continue as a going concern and therefore the Company and consolidated entities may be unable to realise their assets and discharge their liabilities in the normal course of business, and at the amounts stated in the financial report.

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Emphasis of Matter regarding realisation of deferred tax asset

Without qualification to the audit opinion, we draw your attention to Note 9 to the financial statements. The consolidated entity has recognised a deferred tax asset in relation to carried forward tax losses and temporary differences of $3,291,343. The ability of the consolidated entity to realise this deferred tax asset is contingent upon the consolidated entity generating sufficient taxable income to utilise this asset.

Report on the remuneration report

We have audited the remuneration report included in pages 13 to 20 of the directors' report for the year ended 30 June 2014. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of MBD Corporation Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A.J. Pititto
Partner - Audit & Assurance

Melbourne, 30 September 2014

ASX Additional Information

Additional information required by the Australian Securities Exchange Limited Listing Rules and not shown elsewhere in this report is as follows. The information is current as at 28 September 2014.

(a) Distribution of equity securities

(i) Ordinary share capital

128,419,360 fully paid ordinary shares are held by 364 individual shareholders.

All issued ordinary shares carry one vote per share and carry the rights to dividends.

The voting rights set out in rule 4.1 of Group's Constitution are:

"All shares of the Company which are not issued upon special terms and conditions are ordinary shares and confer on the holders:

(1) The right to attend and vote at meetings of the Company and on a show of hands to 1 vote and on a poll to 1 vote for each share held;
(2) The right to participate in dividends (if any) determined on the basis of shares held; and
(3) On the winding up of the Company, the right to participate in the division of any surplus assets or profits of the Company in proportion to the number of shares held, irrespective of the amount paid or credited as paid on the shares (assuming, in the case of any shares that were partly paid up at the commencement of the winding up, that the amount required to be paid to make them fully paid has been contributed to the Company)."

The number of shareholders, by size of holding, are:

	Fully Paid Ordinary Shares		
	No. of Holders	No. of Units	% of Total Issued Capital
1 – 1,000	10	1,768	0.00%
1,001 – 5,000	9	37,156	0.03%
5,001 – 10,000	67	587,307	0.46%
10,001 – 100,000	172	7,633,598	5.94%
100,001 and over	103	120,159,531	93.57%
	361	128,419,360	100.00%

(ii) Options

Nil

(b) Substantial shareholders

The names of substantial shareholders listed in the Company's register are:

Name of holder of relevant interest	number of shares	%
Parmelia Pty Ltd	46,792,331	36.0
Hamish Giles (and related entities)	21,099,990	16.2

(c) Twenty largest holders of quoted equity securities as at 28 September 2014

Ordinary shareholders	**Fully Paid Number**	**Percentage**
Parmelia Pty Ltd	46,792,331	36.43
Starway Corporation Pty Ltd <Giles Super Fund A/C>	10,657,340	8.30
Samada Street Nominees Pty Ltd <Giles Family No 2 A/C>	10,099,090	7.86
Benger Superannuation Pty Ltd <Benger Super Fund >	7,000,000	5.45
Muzbird Pty Ltd <Bird Super Fund>	4,955,676	3.86
Mr Brian Garfield Benger	3,000,000	2.34
Locope Pty Ltd	2,700,000	2.10
Mr Tony Stella & Mrs Enea Stella <AM&EM Stella Benefit A/C>	1,789,380	1.39
Mr Mario Spiller & Ms Karim Marchiorato	1,651,412	1.29
Shandora One Pty Ltd <Benger Super Fund A/c>	1,640,000	1.28
Mr Richard John Calver	1,549,159	1.21
Weltran Pty Ltd <KCS Super Fund A/C >	1,528,400	1.19
Mr Richard Charles Baker	1,299,402	1.01
M Bell-Allen Holdings Pty Ltd	1,000,000	0.78
Mr Anthony St Clair & Mrs Shona St Clair <St Clair Family A/C >	999,100	0.78
Elmside Pty Ltd	880,000	0.69
Terbium Investments Pty Ld <Terbium Super Fund A/C>	702,500	0.55
Invia Custodian Pty Limited <Mrs Rosemary Coleman A/c>	700,000	0.55
Mr Trevor Wellby <Rosemary Wellby A/C>	677,500	0.53
Mr Antonio Stella	644,157	0.50
	100,265,447	**78.08**