



26 February 2013

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

INTERIM REPORT

- **Interim results reflect a material reduction in trading as a consequence of a downturn in the building and renovation industry over the past six months;**
- **Management has introduced immediate responses to arrest trading losses and forecasts return to profitability in 2H13;**
- **New product roll outs in 2H13;**
- **Stock write down of \$1,636,000; and**
- **No interim dividend.**

During the 1H13, MBD Corporation Limited (**MBD** or the **Company**) has experienced ongoing difficult trading conditions resulting in decreased Marbletrent (i.e. bathroom products segment) sales revenues for the period of \$19,627,429 (2011: \$23,332,115) representing a decline of 15.9% and a consolidated trading loss before stock write-down of \$1,712,665 (2011: \$924,448 profit).

In addition to accounting matters that have been discovered over the period and a stock adjustment which may impact prior period trading results, management has also addressed the pipeline of new products with the need to wind out of “end of cycle” products which have exacerbated the stock write down as at 31 December 2012. The Board has determined that a total stock write-down of \$1,636,000 be taken as at 31 December 2012. As a consequence, the EBITDA for the period was (\$835,151) (2011: \$1,613,349) representing a decrease of 152% period on period.

The half year loss before tax of \$3,348,665 including the stock write down (2011: \$924,448 profit) represents a decrease of 462% period on period which is also impacted by additional borrowing costs associated with a review of existing banking facilities of the Company.

In light of the trading conditions, management has moved quickly to reduce the cost base of the Company having previously established the foundations upon which the Company’s strategy can be evolved through the roll out of new product initiatives and ownership of the Company’s customer base. With this strategic initiative now



complete and being fine-tuned, the Company has been in a position where it can quickly reduce its cost base to address the current trading conditions. This will not compromise the new product roll out proposed by the Company and these products have already been well received in the market with new sales expected to be generated from March 2013.

In order to address the impact of trading losses over the prior past six months, the Company has completed a convertible note raising of \$720,000 and an outstanding Share Purchase Plan which is due to close on 1 March 2013 is expected to raise further equity for the Company.

During the period, the Company has also focused on the relocation of its existing premises in both NSW and Queensland and the opportunity to leverage its supply chain to deliver substantial savings and increased earnings to the Company. As a consequence, the Company is undertaking a trial of a consolidated distribution centre out of China which will facilitate efficiencies throughout the supply chain.

Trading has continued to be difficult up to February 2013 however the Board and management are confident that with the revised cost base, new product initiatives and supply chain efficiencies to be delivered to the Company that profitability of the business will be returned by 30 June 2013. The Board has not declared an interim dividend.

During the period, the Company completed the acquisition of a 50% interest in the Citywide Concrete and Building Supplies business. The Board is pleased to announce that the core component of this business being the establishment of a concrete plant in Port Melbourne is on track for completion by mid March 2013. This is an exciting development in that it both diversifies the income streams within the Company but also vertically integrates the business with more direct contact with builders whilst also providing the Company with the opportunity to develop greater knowledge of new projects and the capacity to have Marbletrend product specified in those new projects.

Finally, the Board would like to thank our customers for their ongoing support and all of Marbletrend's staff for their efforts and commitment to the business over what has been a difficult period.

Enquiries contact:

MBD Corporation Limited
Hamish Giles
Executive Chairman

MBD CORPORATION LIMITED

**ABN 34 087 730 667
(FORMERLY MARBLETREND GROUP LIMITED)
AND ITS CONTROLLED ENTITIES**

Appendix 4D Interim Financial Report For the Half-Year Ended 31 December 2012 (Previous corresponding period: half year ended 31 December 2011)

Half-year information given to ASX under listing rule 4.2A.3

**Information should be read in conjunction with
the 30 June 2012 annual financial report**

MBD Corporation Limited and its Controlled Entities
ABN 34 087 730 667

RESULTS FOR ANNOUNCEMENT TO THE MARKET

HALF-YEAR ENDED 31 DECEMBER 2012

Dividends

No interim dividend has been declared (2011: 0.55 cents per share)

	31 December 2012	31 December 2011
Net Tangible Assets attributed to the ordinary equity holders of the parent		
Net Tangible Assets (including deferred tax assets and liabilities)	4,338,581	8,037,713
Net Tangible Assets per share (cents)	6.60	13.01
Number of shares	65,717,805	61,762,265
	31 December 2012	31 December 2011
	\$	\$
Net profit / (loss) after income tax attributable to the ordinary equity holders of the parent	(3,408,437)	785,196
	Unit	Unit
Weighted average number of ordinary shares for basic earnings per share	64,400,021	60,541,154
Basic EPS	-5.29	1.30
Diluted EPS	-5.29	1.30

Brief explanation of results

Refer to the Highlights Summary on the following page.

MBD Corporation Limited and its Controlled Entities
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HIGHLIGHTS SUMMARY

HALF-YEAR ENDED 31 DECEMBER 2012

	31 December 2012	31 December 2011
Revenue (consolidated Group)	20,370,042	23,332,115
Profit / (loss) before interest, tax, depreciation and amortisation	(835,151)	1,613,349
Profit / (loss) before tax (before non-controlling interest)	(3,348,665)	924,448

The financial results for the period reflect difficult trading conditions and the impact on the Marbletrend business reflected in reduced sales, profitability and as a consequence trading losses for the period. Despite the downturn in sales, margins have been retained in the business notwithstanding there is also significant pressure upon margins at present.

During the period, accounting matters have been and continue to be investigated which together with the end of cycle stock write downs as a consequence of the continued and extensive investment in new product and innovation have resulted in a total stock write down of \$1,636,000.

The result based on consolidated net revenue (after discounts and rebates) of \$20,370,042 (2011: \$23,332,115) represents a decrease in consolidated revenue of 12.7% period on period.

EBITDA for the period was (\$835,151) (after stock write down) (2011: \$1,613,349) representing a decrease of 152% period on period.

The half year loss before tax of \$3,348,665 (after stock write down) (2011: \$924,448 profit) represents a decrease of 462% period on period and is impacted by trading losses incurred over the period together with a write down of stock.

The half year loss after tax was \$3,408,437 (2011: \$785,196 profit) representing a decrease of 534% period on period.

Management and the Board have moved quickly over the period to recalibrate the cost base of the business having regard to the ongoing trading environment and forecasts profits to return to the business by 30 June 2013. Minor monthly trading losses have continued up to February 2013.

Directors' Report

Your directors submit their report for the half-year ended 31 December 2012.

Directors

The names of the company's 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.

Hamish M. Giles LLB, BEc
Executive Chairman

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

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

Peter. T. Reilly B. Acc, CA
Non Executive Director

Nature of Operations and Principal Activities

MBD Corporation Limited is an Australian company that manufactures, imports, warehouses and distributes bathroom products for major customers throughout Australia including Bunnings, Reece, TradeLink, Plumbing Plus, Plumbtec, ABG, BIGA and Mitre 10.

Investments for Future Performance

The Board continues to look at various businesses with the view to acquiring businesses in a market where vendor pricing has become more realistic. Any acquisition of a new business will have regard to allocation of management time, the capacity to integrate the business within the core activities of the Company and/or the Citywide investment and the return on investment generated.

Review and Results of Operations

During the 1H13, MBD Corporation Limited (**MBD** or the **Company**) has experienced ongoing difficult trading conditions resulting in a decrease in sales revenues for the period to \$20,370,042 (2011: \$23,332,115) and a trading loss before stock write-down of \$1,712,665 (2011: \$924,448 profit).

Margins have been sustained through developed efficiencies within the business, the maintenance of a strong Australian dollar and manufacturing efficiencies that have been achieved from our suppliers in China.

During the period, the Company commenced implementation of the findings of its Supply Chain and Logistics review. In addition the Company is also completing implementation of a number of initial recommendations related to its existing IT platforms, Disaster Recovery plans and scalability to meet the forecast business needs. Finally, the Company has also continued to implement a number of recommendations delivered from two independent reviews of the company's sales, marketing and branding strategies. The culmination of each of these initiatives will be to place the

MBD Corporation Limited and its Controlled Entities
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Marbletrend business in the more advantageous position to yield additional margins through greater brand awareness supported by a culture of service excellence.

During the period, the Company completed the acquisition of a 50% interest in the Citywide Concrete and Building Supplies business. The Board is pleased to announce that the core component of this business being the establishment of a concrete plant in Port Melbourne is on track for completion by mid March 2013. This is an exciting development in that it both diversifies the income streams within the Company but also vertically integrates the business with more direct contact with builders whilst also providing the Company with the opportunity to develop greater knowledge of new projects and the capacity to have Marbletrend product specified in those new projects.

In addition to a stock adjustment which may impact prior period trading results, management has also addressed the pipeline of new products with the need to wind out of “end of cycle” products which have exacerbated the stock write down as at 31 December 2012. The Board has determined that a total stock write-down of \$1,636,000 be taken as at 31 December 2012. As a consequence, the EBITDA for the period was (\$835,151) (2011: \$1,613,349) representing a decrease of 152% period on period.

The half year loss before tax of \$3,348,665 (after stock write down) (2011: \$924,448 profit) represents a decrease of 462% period on period which is also impacted by additional borrowing costs associated with a review of existing banking facilities of the Company.

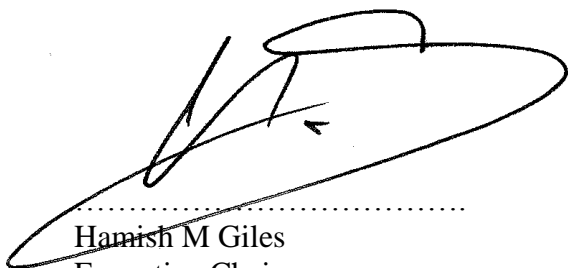
In light of the trading conditions, management has moved quickly to reduce the cost base of the Company having previously established the foundations upon which the Company’s strategy can be evolved through the roll out of new product initiatives and ownership of the Company’s customer base.

With this strategic initiative now complete and being fine-tuned, the Company has been in a position where it can quickly reduce its cost base to address the current trading conditions. This will not compromise the new product roll out proposed by the Company and these products have already been well received in the market with new sales expected to be generated from March 2013.

Auditor's Independence Declaration

In accordance with section 307C of the *Corporations Act 2001*, we have obtained a declaration of independence from our auditors Grant Thornton Audit Pty Ltd, a copy of which appears on page 20.

Signed in accordance with a resolution of the directors.



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Hamish M Giles
Executive Chairman

Signed this 26th day of February 2013

MBD Corporation Limited and its Controlled Entities
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Statement of profit and loss and other comprehensive income

For the half-year ended 31 December 2012

	Consolidated	
	31 December 2012	31 December 2011
Note	\$	\$
Continuing operations		
Sale of goods (net of rebates and discounts)	20,369,139	23,326,039
Other revenue	3(a) 903	6,076
Revenue	20,370,042	23,332,115
Cost of Sales	(13,091,801)	(14,382,301)
Gross profit	7,278,241	8,949,814
Net gain/(loss) on available for sale financial assets	-	-
Distribution expenses	(2,292,344)	(2,229,262)
Marketing expenses	(602,763)	(695,317)
Occupancy expenses	(945,759)	(1,065,740)
Administrative expenses	(4,784,196)	(3,649,252)
Other expenses	3(b) (93,392)	(158,002)
Finance costs	(272,452)	(227,793)
Stock write down	7 (1,636,000)	-
Profit/(loss) from continuing operations before income tax	(3,348,665)	924,448
Income tax expense	(59,772)	(139,252)
Net profit/(loss) for the period from continuing operations	(3,408,437)	785,196
Other comprehensive income	-	-
Total other comprehensive income	-	-
Total comprehensive income / (loss) for the period	(3,408,437)	785,196
Net profit/(loss) for the period is attributable to:		
Non-controlling interest	12,914	-
Owners of the parent	(3,421,351)	785,196
	(3,408,437)	785,196
Total comprehensive income for the period is attributable to:		
Non-controlling interest	12,914	-
Owners of the parent	(3,421,351)	785,196
	(3,408,437)	785,196
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the parent:		
Basic earnings per share (cents)	-5.29	1.30
Diluted earnings per share (cents)	-5.29	1.30

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

MBD Corporation Limited and its Controlled Entities
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Statement of financial position

As at 31 December 2012

	Note	Consolidated	
		31 December 2012	30 June 2012
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		14,277	14,039
Trade and other receivables		5,357,971	6,906,512
Inventories		9,355,224	10,186,754
Income tax receivable		-	12,178
Total current assets		14,727,472	17,119,483
Non-current assets			
Available for sale financial assets		64,900	64,900
Property, plant and equipment		3,945,184	2,774,952
Deferred tax assets		508,568	549,880
Intangible assets		19,395	54,750
Goodwill		4,522,934	2,351,162
Total non-current assets		9,060,981	5,795,644
TOTAL ASSETS		23,788,453	22,915,127
LIABILITIES			
Current liabilities			
Bank overdraft		1,096,577	186,524
Trade and other payables		6,535,813	6,731,484
Interest-bearing loans and borrowings		6,006,624	616,690
Income tax payable		49,724	-
Provisions		539,911	590,792
Total current liabilities		14,228,649	8,125,490
Non-current liabilities			
Interest-bearing loans and borrowings		501,103	4,227,883
Deferred tax liability		137,622	119,162
Provisions		40,169	35,015
Total non-current liabilities		678,894	4,382,060
TOTAL LIABILITIES		14,907,543	12,507,550
NET ASSETS		8,880,910	10,407,577
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	6	13,732,693	13,542,456
Retained Earnings / (Accumulated losses)		(6,904,307)	(3,173,667)
Reserves		39,610	38,788
Non controlling interest		2,012,914	-
Parent Interests		8,880,910	10,407,577
TOTAL EQUITY		8,880,910	10,407,577

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

MBD Corporation Limited and its Controlled Entities
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Statement of changes in equity

For the half-year ended 31 December 2012

	Consolidated					Total \$
	Ordinary shares \$	Retained earnings \$	Employee equity benefits reserve \$	Owners of the parent \$	Non- controlling interest \$	
At 1 July 2012	13,542,456	(3,173,666)	38,788	10,407,578	-	10,407,578
Profit / (loss) for the period	-	(3,408,437)	-	(3,421,351)	12,914	(3,408,437)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	(3,408,437)	-	(3,421,351)	12,914	(3,408,437)
Transactions with owners in their capacity as owners						
Share based payment	-	-	822	822	-	822
Dividend paid/ proposed	-	(309,290)	-	(309,290)	-	(309,290)
Shares Issued	190,237	-	-	190,237	-	190,237
Share buy-back	-	-	-	-	-	-
Asset Revaluation reserve	-	-	-	-	-	-
Non-controlling interest	-	-	-	-	2,000,000	2,000,000
At 31 Dec 2012	13,732,693	(6,891,393)	39,610	6,867,996	2,012,914	8,880,910
At 1 July 2011	13,366,998	(3,319,402)	11,923	10,059,519	-	10,059,519
Profit / (loss) for the period	-	790,567	-	790,567	-	790,567
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	790,567	-	790,567	-	790,567
Transactions with owners in their capacity as owners						
Share based payment	7,950	-	26,865	34,815	-	34,815
Dividend paid/ proposed	-	(644,831)	-	(644,831)	-	(644,831)
Shares Issued	271,984	-	-	271,984	-	271,984
Share buy-back	(104,476)	-	-	(104,476)	-	(104,476)
At 30 June 2012	13,542,456	(3,173,666)	38,788	10,407,578	-	10,407,578

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

MBD Corporation Limited and its Controlled Entities
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Statement of cash flows

For the half-year ended 31 December 2012

	31 December 2012	31 December 2011
Note	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	24,035,287	26,310,505
Payments to suppliers, employees and others (inclusive of GST)	(24,325,659)	(25,154,991)
Interest received	903	1,676
Interest paid	(272,452)	(227,794)
Income tax paid	61,901	(226,830)
Net cash flows from / (used in) operating activities	(500,020)	702,566
Cash flows from investing activities		
Dividends received	-	4,400
Purchase of property, plant and equipment	(1,483,396)	(411,783)
Proceeds from sale of property, plant and equipment	72,065	40,884
Investment in Citywide - payment to Vendor	(500,000)	-
Net cash flows from/ (used in) investing activities	(1,911,331)	(366,499)
Cash flows from financing activities		
Repayment of borrowings	(302,262)	(281,176)
Proceeds from borrowings	1,965,416	-
Payment for share buy back	-	(89,892)
Dividends paid	(161,618)	(181,130)
Net cash flows from/ (used in) financing activities	1,501,536	(552,198)
Net increase / (decrease) in cash and cash equivalents	(909,815)	(216,131)
Cash and cash equivalents at beginning of period	(172,485)	(165,745)
Cash and cash equivalents at end of period	4 (1,082,300)	(381,876)

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

Notes to the Half-Year Financial Statements

For the half-year ended 31 December 2012

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The general purpose condensed half-year financial report for the half year ended 31 December 2012 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB134 ensures compliance with International Financial Reporting Standard IAS34 Interim Financial Reporting.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is also recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2012 and considered together with any public announcements made by MBD Corporation Limited (formerly Marbletend Group Limited) and its controlled entities during the half-year ended 31 December 2012 in accordance with the continuous disclosure obligations of the ASX Listing rules.

The half-year consolidated financial statements comprise the financial statements of MBD Corporation Limited and its subsidiaries as at 31 December 2012 (“the Group”).

There were no changes in accounting policies and method of computation to those adopted in the most recent annual financial report.

New and Revised Accounting Standards applicable for the first time to the current half year period

The Group has adopted all of the new revised Australian Accounting Standards and Interpretations issued by the Australian Standards Board (the AASB) that became effective for the first time and are relevant to the Group, including:

- AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income which requires entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently, and changes the title of ‘statement of comprehensive income’ to ‘statement of profit and loss and other comprehensive income’.

The adoption of the new and revised Australian Accounting Standards and Interpretations has had no significant impact on the Group’s accounting policies or the amounts reported during the current half year period. The adoption of AASB 2011-9 has resulted in changes to the Group’s presentation of its half-year financial statements.

Notes to the Half-Year Financial Statements (continued)

For the half-year ended 31 December 2012

Comparatives

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

2. SEGMENT INFORMATION

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The 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 the Group's major risks and have the most effect on the rates of return.

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.

Building Supplies

The Building Supplies business supplies sand, rock, aggregate and cement to the building trade predominantly within the Melbourne CBD area. By mid March 2013, it is expected that the concrete business will be operational and this will service the needs of builders predominantly within the Melbourne CBD area.

Corporate

The Corporate business includes investment in companies and provision of technical services to the entire group. Some of these technical services included governance matters, compliance issues, strategic planning, accounting and legal advice. The corporate business has been determined as an operating segment and reporting segment.

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 1 to the accounts and in the prior period.

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.

Notes to the Half-Year Financial Statements (continued)

For the half-year ended 31 December 2012

The following table presents revenue and profit information and certain asset and liability information for business segments for the half year ended 31 December 2012 and 31 December 2011.

MBD Corporation Limited and its Controlled Entities
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Notes to the Half-Year Financial Statements (continued)

For the half-year ended 31 December 2012

2. SEGMENT INFORMATION (CONTINUED)

	Bathroom Products \$	Building Supplies \$	Corporate \$	Total \$
Half year ended 31 December 2012				
Revenue				
Sales to external customers	19,626,566	742,573	-	20,369,139
Other revenue	-	-	903	903
Inter-segment revenue	-	-	-	-
Total segment revenue	19,626,566	742,573	903	20,370,042
Segment net operating profit after tax	(3,114,059)	23,067	(317,445)	(3,408,437)
Interest revenue	-	-	8,993	8,993
Interest expense	192,132	-	88,510	280,642
Depreciation and amortisation	492,709	7,981	-	500,690
Income tax expense	15,000	-	44,772	59,772
Capital expenditure	498,842	1,189,395	-	1,688,237
Segment assets as at 31 December 2012	20,172,677	4,715,225	10,982,420	35,870,322
Segment Liabilities as at 31 December 2012	12,157,749	705,072	3,619,064	16,481,885

	Bathroom Products \$	Building Supplies \$	Corporate \$	Total \$
Half year ended 31 December 2011				
Revenue				
Sales to external customers	23,326,039	-	-	23,326,039
Other revenue	-	-	6,076	6,076
Inter-segment revenue	-	-	514,416	514,416
Total segment revenue	23,326,039	-	520,492	23,846,531
Segment net operating profit after tax	620,366	-	465,631	1,085,997
Interest revenue	-	-	20,996	20,996
Interest expense	171,293	-	47,253	218,546
Depreciation and amortisation	491,351	-	-	491,351
Income tax expense	328,538	-	(189,286)	139,252
Capital expenditure	723,757	-	-	723,757
Segment assets as at 30 June 2012	22,928,728	-	9,140,164	32,068,892
Segment Liabilities as at 30 June 2012	11,693,488	-	1,606,328	13,299,816

MBD Corporation Limited and its Controlled Entities
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Notes to the Half-Year Financial Statements (continued)

For the half-year ended 31 December 2012

2. SEGMENT INFORMATION (CONTINUED)

	Consolidated	
	31 December 2012	31 December 2011
	\$	\$
i) Segment revenue reconciliation to the statement of comprehensive income		
Total segment revenue	20,370,042	23,846,531
Inter-segment revenue elimination	-	(514,416)
Total revenue	20,370,042	23,332,115
Geographical revenue		
Australia	20,370,042	23,332,115
Total Revenue	20,370,042	23,332,115
ii) Segment net operating profit after tax reconciliation to the statement of comprehensive income		
Segment net operating profit/(loss) after tax	(3,408,437)	1,085,997
Income tax expense at 30% (2011: 30%)	59,772	139,252
Intersegment eliminations	-	(300,801)
Profit/(loss) from continuing operations before income tax per the statement of comprehensive income	(3,348,665)	924,448
	31 December 2012	30 June 2012
	\$	\$
iii) Segment asset reconciliation to the statement of financial position		
Segment operating assets	35,870,322	32,081,070
Intersegment eliminations	(12,081,868)	(9,165,943)
Total assets per the statement of financial position	23,788,454	22,915,127
Geographical location of non-current assets other than financial instruments & deferred tax assets		
Australia	8,487,513	5,180,864
Total	8,487,513	5,180,864
iv) Segment liabilities reconciliation to the statement of financial position		
Segment operating liabilities	16,481,885	13,299,816
Intersegment eliminations	(1,574,342)	(792,266)
Total liabilities per the statement of financial position	14,907,543	12,507,550

Notes to the Half-Year Financial Statements (continued)

For the half-year ended 31 December 2012

3. OTHER REVENUE AND EXPENSES

	Consolidated	
	31 December 2012	31 December 2011
	\$	\$
(a) Other Revenue		
Interest income	903	1,676
Dividends received	-	4,400
	903	6,076
(b) Other Expenses		
Amortisation of intangible assets	54,750	150,300
Loss on disposal of fixed assets	14,642	7,702
Doubtful debts	24,000	-
	93,392	158,002

4. CASH AND CASH EQUIVALENTS

	Consolidated	
	31 December 2012	31 December 2011
	\$	\$
Cash at bank and in hand	14,277	61,545

Reconciliation to statement of cash flows

For the purpose of the statement of cash flows, cash and cash equivalents are comprised of the following at period end:

Cash at bank and in hand	14,277	61,545
Bank overdrafts	(1,096,577)	(443,421)
	(1,082,300)	(381,876)

5. COMMITMENTS AND CONTINGENCIES

(i) Legal claim

MBD Corporation Limited is not aware of any pending material legal disputes.

(ii) Commitments

There have been no changes to the commitments or contingencies for the period.

Notes to the Half-Year Financial Statements (continued)

For the half-year ended 31 December 2012

6. CONTRIBUTED EQUITY

	Consolidated	
	31 December 2012	31 December 2011
	\$	\$
Issued and paid up capital		
Issued and fully paid ordinary shares: 65,717,805 (30 June 2012: 62,795,393)	13,732,692	13,401,777
	Units	\$
<i>Movement in ordinary shares on issue:</i>		
At 1 July 2012	62,795,393	13,542,455
Share issue - Executive Share Plan	1,050,000	4,065
Share issue - Dividend Reinvestment Plan	1,522,412	147,672
Share issue- General	350,000	38,500
At 31 December 2012	65,717,805	13,732,692

Earnings Per Share

Basic earnings per share for profit attributable to the ordinary equity holders of the parent is calculated by dividing net profit after income tax for the half year ended 31 December 2012 attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

The following reflects the information used in the basic earnings per share computations:

	31 December 2012	31 December 2011
	A\$	A\$
Net profit / (loss) after income tax attributable to the ordinary equity holders of the parent	(3,408,437)	785,196
	Unit	Unit
Weighted average number of ordinary shares for basic earnings per share	64,400,021	60,541,154

Notes to the Half-Year Financial Statements (continued)

For the half-year ended 31 December 2012

7. STOCK WRITE DOWN

During the period, accounting matters have been and continue to be investigated which together with the end of cycle stock write downs as a consequence of the continued and extensive investment in new product and innovation have resulted in a total stock write down of \$1,636,000. The Company is currently investigating the nature and origin of the accounting matters that have led to the stock adjustment that is included in this write down.

8. BUSINESS COMBINATIONS

When intangible assets are purchased as part of a business combination, paragraph 18 of AASB 3 *Business Combinations* requires that they be valued at “fair value” at the date of acquisition. However, AASB 3 paragraph 45 states if the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition date, the acquirer must make adjustments to the provisional amounts to reflect any new information obtained in relation to facts and circumstances that existed as at the acquisition date. Such adjustments may include the recognition of additional assets or liabilities if their existence is indicated by the new information obtained.

On 7 August 2012, MBD acquired a controlling interest in Citywide Holdings (Aust) Pty Ltd, which acquired 100% of the issued equity in two companies, Citywide Building Supplies Pty Ltd and Citywide Concrete Pty Ltd. In relation to the acquisition, the Directors have decided that more information needs to be gathered in determining the nature and fair value of the intangible assets acquired. Accordingly, for the purposes of the half-yearly financial statements of MBD, the company is reporting a provisional amount of goodwill on acquisition in the amount of \$2,171,772 (determined in accordance with AASB 3), based upon the amount of consideration paid.

The acquisition had the following effect on the consolidated entity’s assets and liabilities:

Notes to the Half-Year Financial Statements (continued)

For the half-year ended 31 December 2012

	Recognised Values
	\$
Net Assets Acquired	
Cash on hand	19,700
Trade receivables	209,741
Stock on hand	30,000
Property, Plant and Equipment	204,840
Loan and accounts payable	(386,053)
Net identifiable assets and liabilities	78,228
Goodwill on acquisition	2,171,772
Total acquisition cost paid by Citywide Holdings (Aust) Pty Ltd by issue of 2,250,000 ordinary shares	2,250,000
Investment by MBD in Citywide	2,000,000
Consideration paid	1,449,564
Consideration outstanding	550,436
	2,000,000

9. EVENTS AFTER THE REPORTING DATE

The Company has completed a convertible note raising of \$720,000 in January 2013 and an outstanding Share Purchase Plan is due to close on 1 March 2013 which was implemented with the objective of raising further equity for the Company.

10. DIVIDENDS PAID OR PROPOSED

No interim dividend has been declared.

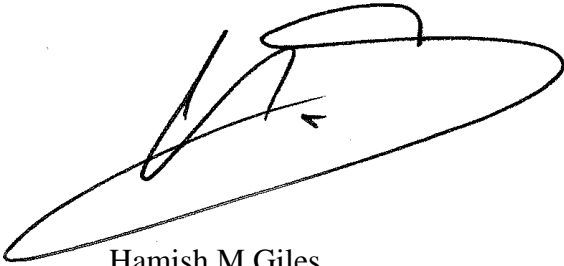
DIRECTORS' DECLARATION

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) give a true and fair view of the financial position as at 31 December 2012 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) comply with Accounting Standard AASB134 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and
- (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.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'H. M. Giles', enclosed within a large, loopy oval shape.

Hamish M Giles
Executive Chairman

Melbourne, 26th February 2013

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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 review of MBD Corporation Limited for the half-year ended 31 December 2012, 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



A. J. Pititto
Partner - Audit & Assurance
Melbourne, 26 February 2013

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ACN 130 913 594

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

We have reviewed the accompanying half-year financial report of MBD Corporation Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the Directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The Directors of MBD Corporation Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the MBD Corporation Limited consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001. As the auditor of MBD Corporation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Basis for Qualified Opinion

As outlined in Note 7 to the financial report the Company is currently investigating the nature and origin of accounting matters giving rise to a stock adjustment which has been recognised as an expense for the half year ended 31 December 2012. Since investigations into this matter are still in progress, we were unable to obtain sufficient appropriate evidence regarding the nature and origins of this expense and as a result the appropriateness of the adjustment to the current period result.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of MBD Corporation Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



A.J. Pititto
Partner - Audit & Assurance
Melbourne, 26 February 2013