



28 February 2014

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

### **INTERIM REPORT**

- **Building completions forecast to improve throughout 2014, however renovations are subdued;**
- **AUD declining putting increased pressure on costs and margins;**
- **Management has continued to refine strategies and implement further efficiencies to combat decline in headline revenues;**
- **Significant new product roll outs completed and starting to attract solid demand;**
- **Citywide Concrete business attracts strong interest; and**
- **No interim dividend.**

During the 1H14, MBD Corporation Limited (**MBD** or the **Company**) has experienced ongoing restrained trading conditions resulting from a decline in new housing construction particularly in the key Victorian market and a slightly declining renovations market constrained by tight consumer discretionary spending. This has impacted the results at Marbletrend Pty Ltd (MPL - bathroom products segment) with sales revenues for the period of \$17,273,946 (2012: \$19,626,566) representing a decline of 11.99% and a consolidated trading loss before stock write-down of \$1,164,709 (2012: \$1,712,665 loss).

The Board has elected to provide against stock with an additional \$348,000 provision having regard to the existing market conditions. In respect to the prospective sale of the Citywide business, the Board has elected not to bring to account any Deferred Tax Asset on carry forward tax losses. As a consequence, the EBITDA for the period was a loss of \$496,684 (2012: \$835,151 loss) representing an improvement of 40.5% period on period.

The half year loss before tax of \$1,512,709 (2012: \$3,348,665 loss) represents an improvement of 54.8% period on period which is also impacted by additional borrowing costs associated with a review of existing banking facilities of the Company.



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MBD Corporation Limited  
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ACN: 087 730 667



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Working capital remains tight due to the build-up of stock holdings to support the stock roll out over the past 3 months compounded by the Chinese New Year closures requiring a bringing forward of orders combined with current year losses.

In order to redress the impact of trading losses over the past six months, pay down bank debt and bolster working capital, it is expected that the Company will seek to raise further capital in the coming months. In addition the Company is in the process of establishing a separate Trade Finance Facility to assist in meeting the demand for stock.

During the period, the Company has focused on the rollout of its new range of products to Bunnings and other key customers which has been a testing time from a logistics perspective given the timeframes involved to complete the task before Christmas. It is pleasing to see the sell through and demand for a number of these products which will bolster headline revenue as stocks are replenished in the coming months. The new product roll out is essential to ensure a strong core of products is available to our customers to stimulate their businesses in this challenging time.

As a consequence of the Company's ongoing Supply Chain review, new transport arrangements have been negotiated during the period with the roll out completed in early January 2014 as the Company seeks to materially reduce freight costs through a number of delivery and customer initiatives. Results of this initiative are expected to be seen by June 2014.

Trading has continued to be challenging in January 2014 with a marginal uplift in February 2014. We anticipate that the new housing construction market will continue to improve over 2014, albeit with volatility through the trading months. Renovations are likely to remain flat. Additionally, we are pleased to be launching in the first half of 2014 the new Noken tapware and accessories range which is a premium European product range from the globally respected Porcelanosa Group. We also have launched the Marbletrend range in New Zealand and expect revenues to increase over the course of 2014. These initiatives combined with our new products and continued programme of productivity and efficiency should see continued improvement in 2014.

In January 2014, the Company instigated a sale program for the Citywide Concrete and Building Supplies business. The Board is pleased to advise that it has engaged with a number of parties and last week short listed prospective purchasers who are currently finalizing their due diligence. It is expected that subject to execution of mutually agreeable transaction documentation that the sale will conclude by May 2014. Each of the businesses continues to increase sales revenues and are each enhancing their market positioning within the Melbourne CBD district.





Finally, the Board would like to thank our customers for their ongoing support and all of Marbletrent'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



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# **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 2013** (Previous corresponding period: half year ended 31 December 2012)

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

**Information should be read in conjunction with  
the 30 June 2013 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 2013**

**Dividends**

No interim dividend has been declared (2012: nil)

	<b>31 December 2013</b>	31 December 2012
<b>Net Tangible Assets attributed to the ordinary equity holders of the parent</b>		
Net Tangible Assets (including deferred tax assets and liabilities, excluding DTL on license)	<b>904,559</b>	4,338,581
Net Tangible Assets per share (cents)	<b>1.37</b>	6.60
	<b>31 December 2013</b>	31 December 2012
	<b>\$</b>	<b>\$</b>
Net profit / (loss) after income tax attributable to the ordinary equity holders of the parent	<b>(844,179)</b>	(3,421,351)
	<b>Unit</b>	<b>Unit</b>
Weighted average number of ordinary shares for basic earnings per share	<b>66,049,055</b>	64,400,021
Basic EPS	<b>(1.28)</b>	<b>(5.31)</b>

**Brief explanation of results**

Refer to the Highlights Summary on the following page.

**HIGHLIGHTS SUMMARY**

**HALF-YEAR ENDED 31 DECEMBER 2013**

	<b>31 December 2013</b>	<b>31 December 2012</b>
<b>Revenue</b>	<b>18,722,167</b>	20,370,042
<b>Profit / (loss) before interest, tax, depreciation and amortisation</b>	<b>(496,684)</b>	(835,151)
<b>Profit / (loss) before tax (before non-controlling interest)</b>	<b>(1,512,709)</b>	(3,361,579)

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 improved, expenses reduced and overall losses reduced significantly compared to the previous half year period.

The result based on consolidated net revenue (after discounts and rebates) of \$18,722,167 (2012: \$20,370,042) represents a decrease in consolidated revenue of 8.1% period on period.

EBITDA for the period was a loss of \$496,684 after stock write down (2012: \$835,151 loss) representing an improvement of 40.5% period on period.

The half year loss before tax of \$1,512,709 (after stock write down) (2012: \$3,348,665 loss) represents an improvement of 54.8% 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 \$1,221,464 (2012: \$3,408,437 loss) representing an improvement of 64.2% period on period.

## Directors' Report

Your directors submit their report for the half-year ended 31 December 2013.

### 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, Danks 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.

### Review and Results of Operations

During the 1H14, MBD Corporation Limited (**MBD** or the **Company**) has experienced ongoing difficult trading conditions resulting in a decrease in sales revenues for the period to \$18,722,167 (2012: \$20,370,042) and a trading loss before stock write-down of \$1,164,709 (2012: \$1,712,665 loss).

Margins have improved notwithstanding the devaluation of the Australian dollar against foreign currencies, by carefully managed price adjustments, product mix, and supplier negotiations resulting in volume discounts from suppliers.

During the period, the Company has made significant changes in the transport and distribution processes which should see freight as a percentage of sales declining over 2014. Additionally, a new inventory forecasting and supply chain management system has been implemented to improve the inventory turn and lifecycle management of products. The Company also implemented a number of initial recommendations related to its existing IT platforms, Disaster Recovery plans and scalability to meet the forecast business needs. The Company appointed an experienced exclusive agent for New Zealand adding another area to its geographical coverage. Marbletrend has been appointed as Australian distributor for Spanish based

## Directors' Report (continued)

“NOKEN” branded premium tap ware and accessories. Finally, the Company has successfully completed the roll out of a brand new range into its key customer. These initiatives will serve the business well over the course of 2014.

Citywide concrete production and building supplies business has made steady progress during the 6 months under review, increasing turnover significantly. However strong competition driven by a tight market has seen margins challenged. On 20 December 2013, Citywide Holdings Pty Ltd issued 125,000 new shares to Marbletrend Investments Pty Ltd. This increased Marbletrend's shareholding in Citywide to 2,125,000 (51.5%) and reduced non-controlling interests to 48.5%.

The Board has determined that a provision for slow moving stock and stock differences amounting to \$459,000 be provided as at 31 December 2013. As a consequence, the EBITDA for the period was a loss of \$496,684 (2012: \$835,151 loss) representing an improvement of 40.5% period on period.

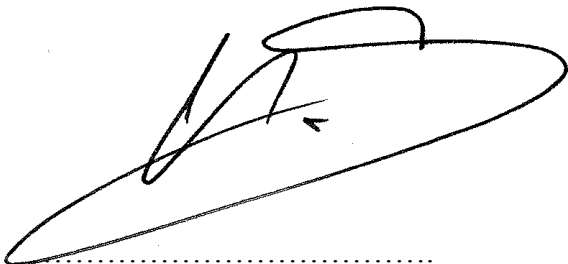
The half year loss before tax of \$1,512,709, after stock write downs, (2012: \$3,348,665 loss) represents an improvement of 54.8% period on period which is impacted by stock provisions and trading losses incurred for the period.

In the volatile housing and renovation market, management has continued to shape strategies to ensure the business is focused on areas that will reap the best results with a particular emphasis on driving new business and in operating more efficiently. The business is in a good strategic position to take advantage of an improving market place.

### 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 21.

Signed in accordance with a resolution of the directors.



.....  
Hamish M Giles  
Executive Chairman  
Signed this 28<sup>th</sup> day of February 2014



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

**Statement of profit and loss and other comprehensive income**

**For the half-year ended 31 December 2013**

	Note	Consolidated	
		31 December 2013	31 December 2012
		\$	\$
<b>Continuing operations</b>			
Sale of goods (net of rebates and discounts)		18,661,675	20,369,139
Other revenue	3(a)	60,492	903
<b>Revenue</b>		<b>18,722,167</b>	<b>20,370,042</b>
Cost of Sales		<b>(11,079,992)</b>	<b>(13,091,801)</b>
<b>Gross profit</b>		<b>7,642,175</b>	<b>7,278,241</b>
Distribution expenses		<b>(2,057,934)</b>	<b>(2,292,344)</b>
Marketing expenses		<b>(454,789)</b>	<b>(602,763)</b>
Occupancy expenses		<b>(970,582)</b>	<b>(945,759)</b>
Administrative expenses		<b>(4,687,495)</b>	<b>(4,784,196)</b>
Other expenses	3(b)	<b>(261,295)</b>	<b>(93,392)</b>
Finance costs		<b>(374,789)</b>	<b>(272,452)</b>
Stock write down		<b>(348,000)</b>	<b>(1,636,000)</b>
<b>Profit/(loss) from continuing operations before income tax</b>		<b>(1,512,709)</b>	<b>(3,348,665)</b>
Income tax (expense)/credit		<b>291,245</b>	<b>(59,772)</b>
<b>Net profit/(loss) for the period from continuing operations</b>		<b>(1,221,464)</b>	<b>(3,408,437)</b>
<b>Other comprehensive income</b>			
Net fair value gain/(loss) on available-for-sale financial assets		-	-
<b>Total other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b>(1,221,464)</b>	<b>(3,408,437)</b>
Net profit/(loss) for the period is attributable to:			
Non-controlling interest		<b>(377,285)</b>	12,914
Owners of the parent		<b>(844,179)</b>	<b>(3,421,351)</b>
		<b>(1,221,464)</b>	<b>(3,408,437)</b>
Total comprehensive income for the period is attributable to:			
Non-controlling interest		<b>(377,285)</b>	12,914
Owners of the parent		<b>(844,179)</b>	<b>(3,421,351)</b>
		<b>(1,221,464)</b>	<b>(3,408,437)</b>
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the parent:</b>			
Basic earnings per share (cents)		<b>(1.28)</b>	<b>(5.31)</b>
Diluted earnings per share (cents)		<b>(1.28)</b>	<b>(5.31)</b>

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  
ABN 34 087 730 667

**Statement of financial position**

**As at 31 December 2013**

	Note	Consolidated	
		31 December 2013	30 June 2013
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		269,966	177,600
Trade and other receivables		6,046,632	5,376,153
Inventories		7,483,795	6,878,525
<b>Total current assets</b>		<b>13,800,393</b>	<b>12,432,278</b>
<b>Non-current assets</b>			
Available for sale financial assets		64,900	64,900
Property, plant and equipment		4,789,294	5,202,216
Deferred tax assets		2,396,104	2,287,770
Intangible assets		2,994,326	3,098,792
<b>Total non-current assets</b>		<b>10,244,624</b>	<b>10,653,678</b>
<b>TOTAL ASSETS</b>		<b>24,045,017</b>	<b>23,085,956</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Bank overdraft		2,900,654	2,080,136
Trade and other payables		7,225,855	5,684,888
Interest-bearing loans and borrowings		6,438,896	6,239,225
Provisions		447,980	456,811
<b>Total current liabilities</b>		<b>17,013,385</b>	<b>14,461,060</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings		1,580,623	1,780,739
Deferred tax liability		930,516	1,113,427
Provisions		44,759	41,007
<b>Total non-current liabilities</b>		<b>2,555,898</b>	<b>2,935,173</b>
<b>TOTAL LIABILITIES</b>		<b>19,569,283</b>	<b>17,396,233</b>
<b>NET ASSETS</b>		<b>4,475,734</b>	<b>5,689,723</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Contributed equity	6	14,120,505	14,102,505
Retained Earnings / (Accumulated losses)		(11,217,090)	(10,372,911)
Reserve on Acquisition of Subsidiary		50,000	-
Other Reserves		36,810	47,335
Non controlling interest		1,485,509	1,912,794
<b>Parent Interests</b>		<b>4,475,734</b>	<b>5,689,723</b>
<b>TOTAL EQUITY</b>		<b>4,475,734</b>	<b>5,689,723</b>

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

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

**Statement of changes in equity**

**For the half-year ended 31 December 2013**

	Consolidated							
	Ordinary shares \$	Reserve on Acquisition of NCI \$	Convertible notes \$	Retained earnings \$	Employee equity benefits reserve \$	Owners of the parent \$	Non- controlling interest \$	Total \$
<b>At 1 July 2013</b>	13,787,505	-	315,000	(10,372,911)	47,335	3,776,929	1,912,794	5,689,723
Profit / (loss) for the period	-	-	-	(844,179)	-	(844,179)	(377,285)	(1,221,464)
Other comprehensive income	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	-	(844,179)	-	(844,179)	(377,285)	(1,221,464)
<b>Transactions with owners in their capacity as owners</b>								
Share based payment	-	-	-	-	(10,525)	(10,525)	-	(10,525)
Dividend paid/ proposed	-	-	-	-	-	-	-	-
Acquisition of additional interest in subsidiary	-	50,000	-	-	-	50,000	(50,000)	-
Employee share scheme	18,000	-	-	-	-	18,000	-	18,000
<b>At 31 Dec 2013</b>	<b>13,805,505</b>	<b>50,000</b>	<b>315,000</b>	<b>(11,217,090)</b>	<b>36,810</b>	<b>2,990,225</b>	<b>1,485,509</b>	<b>4,475,734</b>
<b>At 1 July 2012</b>	13,542,456	-	-	(3,173,666)	38,788	10,407,578	-	10,407,578
Profit / (loss) for the period	-	-	-	(6,889,953)	-	(6,889,953)	(87,206)	(6,977,159)
Other comprehensive income	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	-	(6,889,953)	-	(6,889,953)	(87,206)	(6,977,159)
<b>Transactions with owners in their capacity as owners</b>								
Share based payment	6,377	-	-	(3)	8,547	14,921	-	14,921
Dividend paid/ proposed	-	-	-	(309,289)	-	(309,289)	-	(309,289)
Shares Issued	238,672	-	-	-	-	238,672	-	238,672
Convertible notes issued	-	-	315,000	-	-	315,000	-	315,000
Transferred to/from non controlling interest	-	-	-	-	-	-	2,000,000	2,000,000
<b>At 30 June 2013</b>	<b>13,787,505</b>	<b>-</b>	<b>315,000</b>	<b>(10,372,911)</b>	<b>47,335</b>	<b>3,776,929</b>	<b>1,912,794</b>	<b>5,689,723</b>

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

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

**Statement of cash flows**

**For the half-year ended 31 December 2013**

	Note	Consolidated	
		31 December 2013	31 December 2012
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		20,570,674	24,035,287
Payments to suppliers, employees and others (inclusive of GST)		(20,799,744)	(24,325,659)
Interest received		53,298	903
Interest paid		(374,789)	(272,452)
Income tax paid		-	61,901
<b>Net cash flows from operating activities</b>		<b>(550,561)</b>	<b>(500,020)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(207,236)	(1,483,396)
Proceeds from sale of property, plant and equipment		30,091	72,065
Investment in Citywide-payment to vendor		-	(500,000)
<b>Net cash flows from/ (used in) investing activities</b>		<b>(177,145)</b>	<b>(1,911,331)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(302,262)	(302,262)
Proceeds from borrowings		301,816	1,965,416
Dividends paid		-	(161,618)
<b>Net cash flows from/ (used in) financing activities</b>		<b>(446)</b>	<b>1,501,536</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(728,152)</b>	<b>(909,815)</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>(1,902,536)</b>	<b>(172,485)</b>
<b>Cash and cash equivalents at end of period</b>	<b>4</b>	<b>(2,630,688)</b>	<b>(1,082,300)</b>

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 2013**

#### **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 2013 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 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 2013 and considered together with any public announcements made by MBD Corporation Limited (formerly Marbletrent Group Limited) and its controlled entities during the half-year ended 31 December 2013 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 2013 (“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**

**Notes to the Half-Year Financial Statements (continued)**

**For the half-year ended 31 December 2013**

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 10, AASB 11 and AASB 13 – Please refer to MBD Corporation Ltd Annual Report for the year ending 30 June 2013 for details. There were no significant impacts on the entity.

AASB 119 Employee benefits (September 2013) – this amendment has no significant impact on the entity.

**Comparatives**

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

## Notes to the Half-Year Financial Statements (continued)

### For the half-year ended 31 December 2013

#### 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.

##### *Concrete and Building Supplies*

The Building Supplies business supplies sand, rock, aggregate and cement to the building trade predominantly within the Melbourne CBD area. The Concrete plant was commissioned in April 2013 and has been supplying grey, spray mix and exposed products to a number of customers around the CBD.

##### *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 2013**

The following table presents revenue and profit information and certain asset and liability information for business segments for the half year ended 31 December 2013 and 31 December 2012.



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

**Notes to the Half-Year Financial Statements (continued)**

**For the half-year ended 31 December 2013**

	<b>Bathroom Products \$</b>	<b>Concrete &amp; Building Supplies \$</b>	<b>Corporate \$</b>	<b>Total \$</b>
<b>Half year ended 31 December 2013</b>				
<b>Revenue</b>				
Sales to external customers	17,273,946	1,387,729	-	18,661,675
Other revenue	-	1,652	58,840	60,492
Inter-segment revenue	-	-	-	-
<b>Total segment revenue</b>	<b>17,273,946</b>	<b>1,389,380</b>	<b>58,840</b>	<b>18,722,167</b>
<b>Segment net operating profit/(loss) after tax</b>	<b>(502,869)</b>	<b>(754,570)</b>	<b>35,975</b>	<b>(1,221,464)</b>
Interest revenue	-	-	14,898	14,898
Interest expense	287,370	86,506	913	374,789
Depreciation and amortisation	397,004	297,529	-	694,533
Income tax expense/(credit)	(332,641)	41,396	-	(291,245)
Capital expenditure	94,634	112,602	-	207,236
<b>Segment assets as at 31 December 2013</b>	<b>17,505,793</b>	<b>8,137,187</b>	<b>11,251,493</b>	<b>36,894,473</b>
<b>Segment liabilities as at 31 December 2013</b>	<b>13,349,956</b>	<b>5,066,170</b>	<b>3,781,566</b>	<b>22,197,692</b>

	<b>Bathroom Products \$</b>	<b>Concrete &amp; Building Supplies \$</b>	<b>Corporate \$</b>	<b>Total \$</b>
<b>Half year ended 31 December 2012</b>				
<b>Revenue</b>				
Sales to external customers	19,626,566	742,573	-	20,369,139
Other revenue	-	-	903	903
Inter-segment revenue	-	-	-	-
<b>Total segment revenue</b>	<b>19,626,566</b>	<b>742,573</b>	<b>903</b>	<b>20,370,042</b>
<b>Segment net operating profit/(loss) after tax</b>	<b>(3,114,059)</b>	<b>23,067</b>	<b>(317,445)</b>	<b>(3,408,437)</b>
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
<b>Segment assets as at 31 December 2012</b>	<b>20,172,677</b>	<b>4,715,225</b>	<b>10,982,420</b>	<b>35,870,322</b>
<b>Segment liabilities as at 31 December 2012</b>	<b>12,157,749</b>	<b>705,072</b>	<b>3,619,064</b>	<b>16,481,885</b>

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

**Notes to the Half-Year Financial Statements (continued)**

**For the half-year ended 31 December 2013**

	<b>Consolidated</b>	
	<b>31 December 2013</b>	31 December 2012
	\$	\$
<hr/>		
<b>i) Segment revenue reconciliation to the statement of comprehensive income</b>		
Total segment revenue	<b>18,722,167</b>	20,370,042
Inter-segment revenue elimination	-	-
Total revenue	<b>18,722,167</b>	<u>20,370,042</u>
<b>Geographical revenue</b>		
Australia	<b>18,722,167</b>	20,370,042
Total Revenue	<b>18,722,167</b>	<u>20,370,042</u>
<b>ii) Segment net operating profit after tax reconciliation to the statement of comprehensive income</b>		
Segment net operating profit/(loss) after tax	<b>(1,221,464)</b>	(3,408,437)
Income tax expense at 30% (2012: 30%)	<b>(291,245)</b>	59,772
Intersegment eliminations	-	-
<b>Profit/(loss) from continuing operations before income tax per the statement of comprehensive income</b>	<b>(1,512,709)</b>	<u>(3,348,665)</u>
<b>31 December 2013</b> <b>30 June 2013</b>		
	\$	\$
<hr/>		
<b>iii) Segment asset reconciliation to the statement of financial position</b>		
Segment operating assets	<b>36,894,473</b>	35,439,523
Intersegment eliminations	<b>(12,849,456)</b>	(12,353,567)
Total assets per the statement of financial position	<b>24,045,017</b>	<u>23,085,956</u>
<b>Geographical location of non-current assets other than financial instruments &amp; deferred tax assets</b>		
Australia	<b>7,783,620</b>	8,301,008
Total	<b>7,783,620</b>	<u>8,301,008</u>
<b>iv) Segment liabilities reconciliation to the statement of financial position</b>		
Segment operating liabilities	<b>22,197,692</b>	19,377,103
Intersegment eliminations	<b>(2,628,409)</b>	(1,980,869)
<b>Total liabilities per the statement of financial position</b>	<b>19,569,283</b>	<u>17,396,234</u>

**Notes to the Half-Year Financial Statements (continued)**

**For the half-year ended 31 December 2013**

**3. OTHER REVENUE AND EXPENSES**

	<b>Consolidated</b>	
	<b>31 December 2013</b>	<b>31 December 2012</b>
	\$	\$
<b>(a) Other Revenue</b>		
Interest income	<b>60,492</b>	903
Dividends received	-	-
	<b>60,492</b>	903
<b>(b) Other Expenses</b>		
Amortisation of intangible property	<b>104,466</b>	54,750
Loss on disposal of fixed assets	<b>30,116</b>	14,642
Doubtful debts	<b>21,143</b>	24,000
Other	<b>105,570</b>	-
	<b>261,295</b>	93,392

**4. CASH AND CASH EQUIVALENTS**

	<b>Consolidated</b>	
	<b>31 December 2013</b>	<b>31 December 2012</b>
	\$	\$
Cash at bank and in hand	<b>269,966</b>	14,277

**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	<b>269,966</b>	14,277
Bank overdrafts	<b>(2,900,654)</b>	(1,096,577)
	<b>(2,630,688)</b>	(1,082,300)

## Notes to the Half-Year Financial Statements (continued)

For the half-year ended 31 December 2013

### 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.

### 6. CONTRIBUTED EQUITY

	<b>Consolidated</b>	
	<b>31 December 2013</b>	31 December 2012
	<u>\$</u>	<u>\$</u>
<b>Issued and paid up capital</b>		
Issued and fully paid ordinary shares: 66,049,055 (30 June 2013:66,049,055)	<b>13,805,504</b>	13,732,692
	<u>Units</u>	<u>\$</u>
<i>Movement in ordinary shares on issue:</i>		
<b>At 1 July 2013</b>	<b>66,049,055</b>	<b>13,787,504</b>
Share issue - Executive Share Plan	-	<b>18,000</b>
Share issue - Dividend Reinvestment Plan	-	-
Share issue- General	-	-
<b>At 31 December 2013</b>	<b><u>66,049,055</u></b>	<b><u>13,805,504</u></b>

### Earnings Per Share

Basic earnings per share for loss attributable to the ordinary equity holders of the parent is calculated by dividing net loss after income tax for the half year ended 31 December 2013 attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

**Notes to the Half-Year Financial Statements (continued)**

**For the half-year ended 31 December 2013**

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

	<b>31 December 2013</b>	31 December 2012
	\$	\$
Net profit / (loss) after income tax attributable to the ordinary equity holders of the parent	<b>(844,179)</b>	(3,421,351)
	<b>Unit</b>	Unit
Weighted average number of ordinary shares for basic earnings per share	<b>66,049,055</b>	64,400,021

**7. DEFERRED TAX ASSET**

The tax benefit relating to carry forward tax losses in the deferred tax asset balance is \$1,361,127 (June 30 2013: \$1,098,376).

**8. BANKING COVENANTS**

On 12 December 2013, the banking facilities of the Company were renewed by Westpac until 31 July 2014. The facilities involve meeting pre agreed reporting and financial covenants. The financial covenants involving Debt Service Ratio and Leverage were breached as at 31 December 2013. As a result of the breach, the finance facilities are repayable on demand and as a result are classified as a current liability. The bank issued a breach of covenant notice on 11 February 2014, indicating however that no action was being taken at this time.

## **Notes to the Half-Year Financial Statements (continued)**

### **For the half-year ended 31 December 2013**

#### **9. 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.

The Group has sustained a loss of \$1,221,464 for the half year ending 31 December 2013. The Group has a working capital (current assets less current liabilities) deficit of \$3,212,992 as at period end date, up from \$2,028,782 as at 30 June 2013.

As at 31 December 2013, the Group has breached its banking covenants resulting in all long term bank debt amounting to \$5,398,583 being classified as current as required by AASB 101.

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 the current business plan for year 2014.
- Various fund raising plans being implemented by the Board.
- Return to positive cash flows.

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.

#### **10. EVENTS AFTER THE REPORTING DATE**

On 20 January 2014, the company issued an Information Memorandum seeking Expressions of Interest for the purchase of the Citywide Group assets.

The Citywide Group consists of Citywide Holdings (Aust) Pty Ltd which is the parent entity of Citywide Building Supplies Pty Ltd and Citywide Concrete Pty Ltd. The Citywide Group's results are presented in the "Concrete and Building Supplies" segment.

125,000 new shares in Citywide Holdings (Aust) Pty Ltd issued to Marbletrend Investments Pty Ltd on 20 December 2013 were sold to a third party in February 2014 at cost resulting in Marbletrend Investments Pty Ltd's interest in Citywide Group returning to 50%.

#### **11. DIVIDENDS PAID OR PROPOSED**

No interim dividend has been declared.

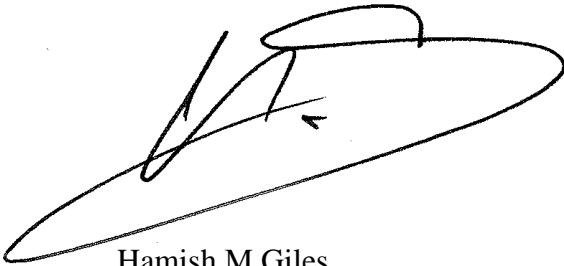
**DIRECTORS' DECLARATION**

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 2013 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, 28<sup>th</sup> February 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 review of MBD Corporation Limited for the half-year ended 31 December 2013, 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, 28 February 2014

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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 2013, and the statement of profit or loss and other 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 controls 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 2013 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.

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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.

**Conclusion**

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 2013 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.

**Material uncertainty regarding going concern**

Without qualification to the conclusion expressed above, we draw attention to Note 9 in the financial statements which indicates that the consolidated entity incurred a net loss of \$1,221,464 during the period ended 31 December 2013 and, as at that date, the consolidated entity's current liabilities exceeded its current assets by \$3,212,992. As a result of certain breaches in banking covenants the bank borrowings at 31 December 2013 are repayable on demand and the Company and consolidated entity are dependent upon the continued financial support of their bankers. These conditions, along with other matters as set forth in Note 9, indicate the existence of a material uncertainty which may cast significant doubt about the Company and consolidated entity's ability to continue as a going concern and therefore, the Company and consolidated entity 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.

**Emphasis of Matter regarding realisation of deferred tax asset**

Without qualification to the conclusion expressed above, we draw your attention to Note 7 in the financial statements. The consolidated entity has recognised a deferred tax asset in relation to carried forward tax losses. 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.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



A. J. Pititto  
Partner - Audit & Assurance

Melbourne, 28 February 2014