PBD
Developments

ANNUAL REPORT 2014

GROWTH, VISION & NEW HORIZONS

ANNUAL REPORT

2014

GROWTH, VISION & NEW HORIZONS

PBD has a vision to grow as a significant contributor to the design and development of premium residential property utilising community based planning and innovative design concepts targeted to meet the needs and exceed the expectations of markets whilst delivering new benchmarks in environmental excellence.

PBD
Developments

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ANNUAL GENERAL MEETING

The annual general meeting will be held at 10.00am, Friday 21 November 2014 at the InterContinental Sydney, 117 Macquarie Street, Sydney NSW 2000.

STRATEGY, DIRECTION & FUTURE

SHIFTING FOCUS TO THE EASTERN SEABOARD WITH FORECAST GROWTH IN SYDNEY, BRISBANE AND MELBOURNE



PBD Developments Limited (**PBD**) has previously announced its strategy as:

(i) securing projects on the east coast of Australia due to the ongoing undersupply of residential property in this region; and

(ii) securing projects that are medium and high density development, or townhouse and apartment projects. This is a by-product of targeting sites close to city centres, which are typically “brown field” or infill urban renewal sites.

PBD has executed on this new strategy throughout the financial year ended 30 June 2014, and has made some notable investments in accordance with the strategy, as evidenced by the following new projects:

- Bridgeview, Annandale, New South Wales
- Burwood Square, Burwood, New South Wales
- The Milton, Milton, Queensland
- SeaSpray, Point Cook, Victoria

Over the short to medium term horizon PBD’s outlook is as follows:

- Currently expecting improved underlying earnings performance in FY15 and returning to significant profitability in FY16
- Future results will also be affected by market conditions and success in optimising value in relation to the legacy assets in Western Australia
- Continued sale of Oceanique apartments with all options being considered to divest the remaining apartments
- Assessing options for Point Grey now that all approvals have been obtained and an infrastructure strategy has been developed
- Continue to explore opportunities to optimise PBD’s funding position

The quality and scope of PBD’s past projects has consolidated our position as an innovative property developer. With our current developments and masterplanned communities on the horizon, PBD is positioned to take advantage of the growth of the Australian property market.

JOINT LETTER FROM THE CHAIRMAN & CEO

Dear Shareholders

PBD Developments Limited (the **Company** or **PBD**) has continued its evolution during the financial year ended 30 June 2014. Throughout the financial year major events have been progressively announced to the market, however, we wish to update Shareholders with a summary of progress and the resulting financial position to date.

The continued evolution of the Company has been focused on the following areas:

- Shareholders
- Projects
- People
- Capital Structure

SHAREHOLDERS

With the exit of Aveo Group Limited (**Aveo Group**) from the Company's share register at the end of 2013, Mulpha Strategic Limited (a wholly-owned subsidiary of Mulpha International BHD, a company listed on the Malaysian stock exchange and with operations in Australia), has taken a substantial shareholding in the Company of 19.9%.

PROJECTS

During the financial year PBD announced the following new projects which it has invested in along the east coast of Australia:

New South Wales

- Burwood Square, Burwood (**Burwood Square**)

Queensland

- The Milton, Milton (**The Milton**)

Victoria

- SeaSpray, Point Cook (**SeaSpray**)

Last financial year PBD invested in:

New South Wales

- Bridgeview, Annandale (**Bridgeview**)

The majority of PBD's interests in this portfolio are generally structured as "Joint Venture" participations where PBD has contributed capital to secure agreements whereby it shares in project profits, retains a say on major development decisions, monitors project progress, but outsources execution and day-to-day management to its joint venture partner. The developments are carried out and externally project financed through entities owned by the joint venture partner (PBD is co-guarantor to project financing in some cases).

At SeaSpray, PBD is managing the planning, marketing and sales. The joint venture partner, Aveo Group, holds the land titles and delivers civil works as stages are sold, with proceeds from sales shared between the parties based on an agreed contractual arrangement.

Approximately $81 million of capital has been committed to secure PBD's interests into all of these new projects, 66% of which has been paid to date.

PBD's investments in Bridgeview, Burwood Square and The Milton means that PBD now has interests in a largely pre-sold portfolio of predominantly residential developments (with some projects including podium retail / commercial elements).

The Directors currently estimate PBD's share of return of capital and profits from the new projects over the next two years at approximately $120 million, after underlying project debt is repaid on all projects and civil and land costs are deducted from settlements at SeaSpray. This starts with a forecast $14.5 million from Bridgeview (which is 96% pre-sold) currently expected to be received in March 2015 (subject to completion of the development of the project by the joint venture partner). These project returns are before deduction of any interest, remuneration or overheads at the PBD corporate level.

The Directors estimated returns for the unsold residential stock and the retail / commercial podiums at Burwood Square and The Milton are broadly in line with independent mortgagee valuations conducted in the last 12 months as part of the project financing process.

The construction phase of most of the new projects has advanced beyond the early stages of bulk excavation, is under fixed price / fixed time building contracts and has project financing secured. The Directors currently expect each of the projects to be physically completed within two years, in line with contract sums and project finance limits, well before pre-sale contract sunset dates.

The construction progress to date and current sales status for each project provides a level of certainty as to repayment of underlying expected project debt and some return of capital. However, there still remains risk around the balance of PBD's share of capital return and profits from this portfolio which will not be eliminated until stock is 100% sold and settlement occurs.

The Company currently has substantial realised and unrealised losses that may be available in due course to offset some of the profits that the Company aims to generate through its residential developments.

The Directors have received independent advice that the brought forward realised losses at 30 June 2014 are approximately $88 million, with approximately $76 million in unrealised losses. The benefit of the tax losses is not currently recognised as an asset in the Company's balance sheet.

WA Assets

Point Grey

On 30 June 2014, the Company announced that it had obtained formal Federal and State Government approvals for the marina project at Point Grey in Western Australia. Point Grey is a substantial englobo land holding south of Perth that is approved for a 3,080 lot residential subdivision and marina. Point Grey was being held by PBD for development. However following the recent change in strategy to focus on the east coast of Australia, and following interest from several parties relating to the outright purchase or joint venture of Point Grey, the Directors have decided to formally assess opportunities with regard to the future of Point Grey. The Directors believe that with the approvals now in place, Point Grey is an appealing opportunity.

Oceanique

The Company has 18 out of a total of 66 luxury oceanfront apartments to sell at Oceanique, Mandurah, Western Australia. The orderly sell-down of these apartments continues with four apartments sold during financial year 2014, in what has been a challenging housing market in Western Australia since completion of the development in 2010. However the Directors believe that sales volumes and prices now appear to be improving.

PEOPLE

With the relocation of PBD's head office to the east coast of Australia at the end of 2013, the PBD team has been refreshed, including the appointment of senior financial and development advisers.

PBD is working towards the adoption of a Retention Scheme effective for the year ending 30 June 2015, to result in:

(i) Financially aligning the PBD team with Shareholder returns through the successful execution of key capital management and WA Asset rationalisation objectives.

(ii) Providing a potential bonus pool to assist the Company to be competitive in retaining and attracting a high calibre team as PBD grows.

(iii) Combining this with modest base pay.

CAPITAL STRUCTURE

Financial position

The Company's financial position as at 30 June 2014 is as follows:

- Shareholders' equity at approximately $90 million;
- Total assets / investments at approximately $150 million; and
- Debt / liabilities at approximately $60 million.

The following shares and options are on issue:

- 6,495,565,431 fully paid ordinary shares
- 2,783,561,288 options (exercisable @ $0.0225 prior to 31 December 2015)
- 200,000,000 options issued to senior management (exercisable @ $0.02 prior to 31 December 2015)
- 49,999,998 options issued to non-executive Directors (exercisable @ $0.02 prior to 31 March 2016)

PBD's new projects and ongoing costs have been funded by a combination of a $40 million equity raising in November 2013, an amended $40 million, three-year, revolving unsecured line of credit from Sun Hung Kai International Bank [Brunei] Limited, Hong Kong (**SHK Facility**) and some vendor financing as part of project acquisitions.

The majority of PBD's liabilities at 30 June 2014 are:

(i) $33 million (A$ equivalent) including accrued interest to 30 June 2014 under the SHK Facility (100% of the principal was hedged for a six month period at time of drawdown in May 2014);

(ii) $11 million that is part consideration for the Company's investment in Burwood Square (vendor financed); and

(iii) up to $16.2 million due in connection with the Company's acquisition of its interest in SeaSpray (due during the period December 2014 to June 2015). This amount is the maximum exposure to unsold / undeveloped lots at SeaSpray. Based on the forecast sales rates and business plan it is expected that a portion of this liability should be extinguished progressively from lot sales before the date for final payment is due. The Directors will monitor sales progress, as well as progress of WA Asset realisations in respect of this liability. Further consideration of debt or equity financing to meet any SeaSpray residual liability will then be made.

Financial performance

PBD recorded an underlying loss of $5.4 million for the year ended 30 June 2014, in line with the $6.1 million loss for the 2013 financial year.

The statutory result for the 2014 financial year was an $8.6 million loss.

Dividend

The Directors' policy to not pay dividends will remain for the foreseeable future. Instead any Shareholders' equity that is accumulated will be redeployed consistent with the Company's investment strategy.

CLOSING REMARKS

The commitment and focus of the PBD team has been important in continuing the drive forward over the last 12 months. We take this opportunity to thank all our staff for their efforts over the year.

We also wish to thank and acknowledge our Shareholders, both longstanding and new, who have demonstrated confidence in the Company. We continue to work hard to reward your confidence and trust.

Yours sincerely

Winson Chow
Chairman

Jally Lin
Chief Executive Officer

BOARD OF DIRECTORS & MANAGEMENT

THE FOLLOWING PERSONS ARE DIRECTORS OF PBD FROM THE COMMENCEMENT OF THE FINANCIAL YEAR AND UP TO THE DATE OF THIS REPORT, UNLESS SPECIFIED.

WINSON CHOW

Non-Executive Director, Chair

Winson was appointed to the Board on 3 April 2013. Winson has extensive experience in property development, management and construction and is currently an Executive Director and the Chief Operating Officer of Mulpha Australia Limited (**Mulpha**). Mulpha is a hotel owner and property developer in Australia. Winson oversees Mulpha's property developments at Sanctuary Cove and One&Only Hayman Island, both located in Queensland. Winson was previously Managing Director at China Resources Group.

Winson is also an alternate Director to Seng Huang Lee (Chair) for Aveo Group.

CERENA FU

Non-Executive Director

Cerena was appointed to the Board on 5 April 2013. Cerena is the principal of CFC Lawyers, a legal practice established in 2004 based in Double Bay, New South Wales. Cerena has acted for both local and international clients on numerous significant property and investment transactions, business acquisitions and commercial and retail leases.

L TO R: Marcus Seow, David Hunt, Jally Lin, Hai-Young Lu, Cerena Fu, Winson Chow

Cerena has been involved in all aspects of commercial financing, including acting for both mortgagees and mortgagors and has successfully commenced and conducted commercial litigation.

Cerena is admitted to practice in the Supreme Court of New South Wales, the Federal Court of Australia and the High Court of Australia and is a member of the Law Society of New South Wales.

DAVID HUNT

Non-Executive Director

David was appointed to the Board on 26 November 2010, initially as an alternate Director.

David is currently the Chief Financial Officer (**CFO**) of Aveo Group. David has 20 years of relevant experience, which includes earlier roles as CFO of ING Real Estate Investment Management, Group General Manager of Finance at Stockland, Group Financial Controller and Finance Manager at Zurich Financial Services Australia Limited and Group Finance Manager at Legal & General Australia Limited.

MARCUS SEOW

Non-Executive Director

Marcus was appointed to the Board on 1 October 2013.

Marcus is currently a Managing Partner of Ideal Advisory, an Australian boutique property development company. Marcus is also a director with Low Yat Group, a Malaysian-based diversified property group with interests in Asia and Australia.

MANAGEMENT

JALLY LIN

Chief Executive Officer

Jally was appointed as Chief Executive Officer in May 2013. Jally is a senior property executive and business entrepreneur with more than 15 years' experience in the Australian and Chinese property development industries. He is a former Senior Manager at Sezone, a Sydney-based construction company, where he managed a number of core residential development projects across the greater Sydney region and along the Queensland coast. Jally was instrumental in successfully developing over 500 residential apartments and more than 600 residential land lots with Sezone. Prior to this role, Jally held a Senior Executive role with a Beijing-based commercial development company, Wang Sen Developments, where he provided operational management to develop over 1,000,000 sqm of commercial space.

HAI-YOUNG LU

Company Secretary & Legal Counsel

Hai-Young joined the Company in October 2013 and was appointed as Company Secretary on 28 May 2014.

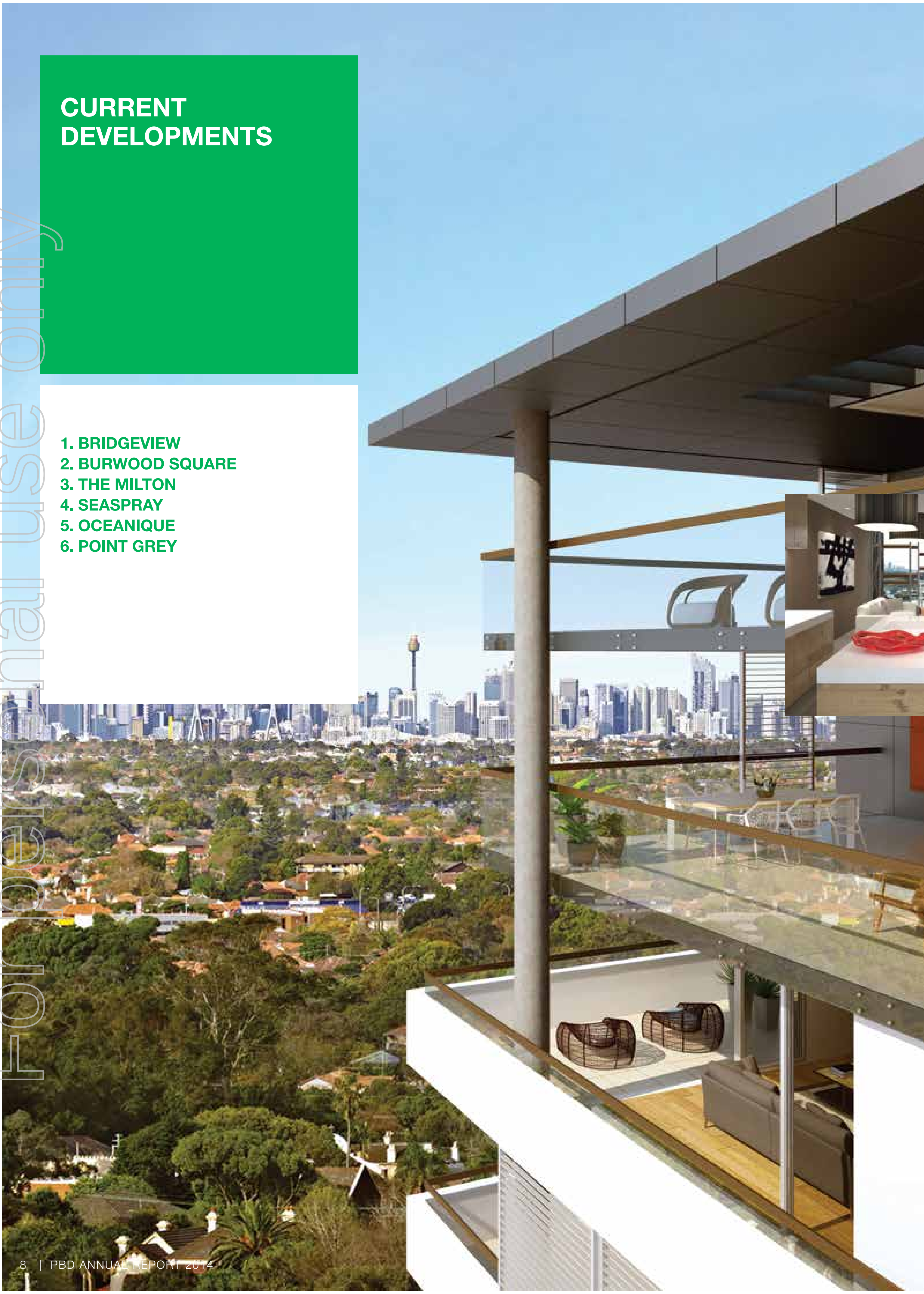
Hai-Young has worked at an ASX listed oil and gas explorer and in private practice as a corporate lawyer in the areas of mergers & acquisitions, equity capital markets and corporate governance.

He is a Director of Shanghai No.1 Machine Tool Foundry (Suzhou) Co., Ltd, a large Chinese based iron casting corporation.

Hai-Young is a solicitor of the Supreme Court of Queensland and a member of the Institute of Chartered Secretaries.

CURRENT DEVELOPMENTS

1. BRIDGEVIEW
2. BURWOOD SQUARE
3. THE MILTON
4. SEASPRAY
5. OCEANIQUE
6. POINT GREY



1. Bridgeview

Bridgeview is a 23 townhouse development located in Sydney's trendy inner-west suburb of Annandale. The project overlooks Rozelle Bay and Anzac Bridge, with the local area being characterised by its waterfront, local parks, cafes, restaurants and Sydney's famous Fish Markets. Situated adjacent to the Rozelle Bay light rail station, Bridgeview offers the convenience of a variety of easy transport options, allowing access to Sydney's CBD in just minutes. Bridgeview offers a luxury lifestyle in a world-class setting, located on the city fringes with everything you need right at your doorstep.

Sales and marketing of the project is complete, with 22 townhouses sold and the one remaining townhouse being withheld by the JV Partner (in lieu of profit share).

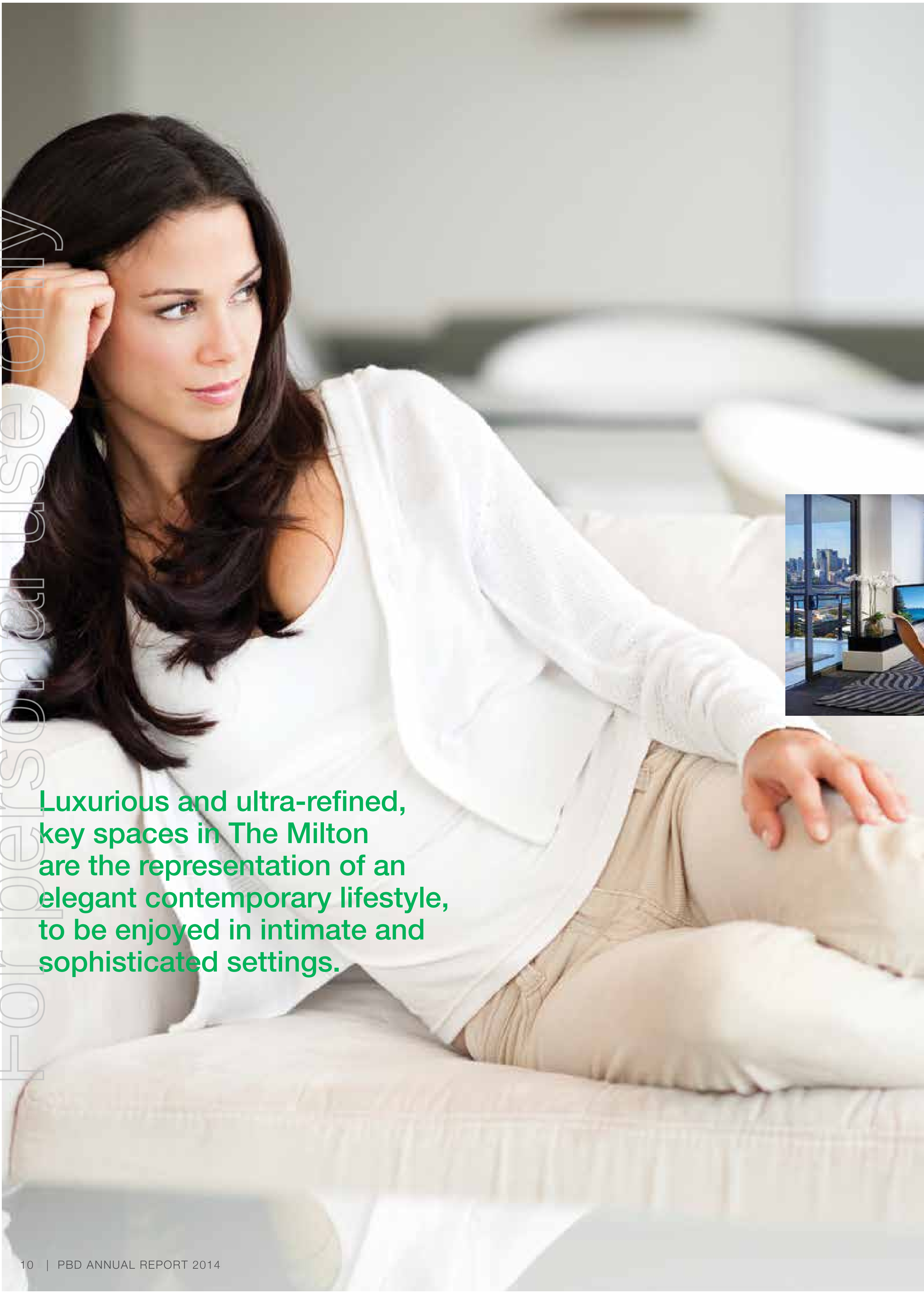
Construction commenced in September 2013 and completion date is currently forecast for early 2015.

2. Burwood Square

Burwood Square's destination retail, restaurant and café precinct will be the buzzing heart of this upmarket mixed-use development. The project comprises 210 residential units, together with 7,455 sqm of retail/commercial floor space.

Sales and marketing of the project is very advanced, with 100% of the apartments sold, together with strong leasing inquiry for the retail/commercial premises. It is intended that the retail/commercial will be sold upon completion of the project and once fully leased. Further, an agreement for the sale of the basement public car park has been agreed with Burwood Council.

Construction commenced in December 2013 and completion date is currently forecast for late 2015.



Luxurious and ultra-refined, key spaces in The Milton are the representation of an elegant contemporary lifestyle, to be enjoyed in intimate and sophisticated settings.

3. The Milton

The Milton is an iconic 30 storey mixed-use development situated in Milton on the fringe of the Brisbane CBD. The project comprises 300 apartments, together with 2,271 sqm of retail/commercial floor space. Located adjacent to the Milton railway station, the apartments will benefit from expansive views of the CBD and the Brisbane River.

Sales and marketing of the project is very advanced, with 86% of the apartments sold, together with strong leasing inquiry for the retail/commercial premises. It is intended that the retail/commercial will be sold upon completion of the project and once leased. Further, an agreement for the sale of the building's Management Rights has been executed with a specialist operator.

Construction commenced in August 2013 and completion date is currently forecast for late 2015.



4. SeaSpray

SeaSpray is a 14 hectare englobo parcel approved for a master planned subdivision comprising 247 residential lots, to be constructed over eight stages. Situated in Point Cook, located 20 kilometres south-west of Melbourne, this bayside suburb provides an attractive lifestyle for families, benefitting from parks, natural wetlands, local shops and schools.

A formal sales campaign is set to commence in September 2014, including marketing through both onshore and offshore agents.

Prior to this formal release, an informal off-market campaign has been undertaken since April 2014 which has achieved 27 sales.

Construction of Stages 1 and 2 is underway, with the whole estate anticipated to be completed in mid-2016.

Oceanique is positioned to embrace the Indian Ocean, the Peel Inlet and Harvey Estuary, making your desire extend far beyond just a quality product, to a holistic lifestyle journey.

5. Oceanique

Oceanique comprises a completed project of 66 luxury apartments, located within a prestigious beachside address in the Peel Region (Mandurah), south of Perth. The apartment complex is situated on the highly rated The Cut Golf Course and enjoys panoramic views of both the Indian Ocean and the extensive inland waterways of the Peel Inlet and Harvey Estuary, offering an exceptional lifestyle opportunity.

Every apartment is finished with the highest quality fixtures and fittings, with the beautifully appointed kitchens and bathrooms designed to provide absolute luxury, style and comfort.

The natural playground of Western Australia's magnificent Peel Region provides a wide array of leisure activities including golfing, boating, fishing, surfing or simply beachcombing along the spectacular coastline.

The last remaining 18 apartments are currently for sale, with a wide range of floor plans available ranging from two bedroom apartments to a highly desirable penthouse.

6. Point Grey

Point Grey is a 275 hectare jewel in the crown of the Peel Region, with approvals in place to develop a master planned residential community, designed to provide an exceptional lifestyle and investment opportunity.

Flanked by the waterways of the Peel Inlet and Harvey Estuary, Point Grey will offer over 3,000 new home sites within easy access to Perth, Mandurah and the south-west coastal region.

The master planned estate will be complemented by a 300 berth marina, retail and tourist facilities, a primary school and extensive open space, collectively creating an enviable lifestyle.

2014 ANNUAL FINANCIAL STATEMENTS

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DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the **Consolidated Entity** or **Group**) consisting of PBD Developments Limited (referred to hereafter as the **Company** or **PBD**) and the entities it controlled at the end of, or during, the year ended 30 June 2014.

DIRECTORS

The following persons were Directors of the Company from the commencement of the financial year and up to the date of this report, unless otherwise specified:

Current

Name	Position	Appointment Date
Winson Chow	Chair	3 April 2013 (Chair from 5 April 2013)
Cerena Fu	Non-Executive Director	5 April 2013
David Hunt	Non-Executive Director	8 August 2012
Marcus Seow	Non-Executive Director	1 October 2013

Retired

Name	Position	Cessation Date
Stephen Court	Executive Director	15 August 2013
Andrew Young	Non-Executive Director	16 September 2013

Company Secretaries

The Company Secretaries at any time during, or since the end of, the financial year were:

Name	Dates
Peter Coppini	Resigned 1 October 2013
Nicole Moodie	Appointed 5 April 2013/Resigned 28 May 2014
Hai-Young Lu	Appointed 28 May 2014

QUALIFICATIONS AND EXPERIENCE

Directors

Winson Chow B.Eng (Hons), M.Env.Planning
Chair

Winson was appointed to the Board of Directors on 3 April 2013. Winson has extensive experience in property development, management and construction and is currently an Executive Director and the Chief Operating Officer of Mulpha Australia Limited (**Mulpha**). Mulpha is a hotel owner and property developer in Australia. Winson oversees Mulpha's property developments at Sanctuary Cove and One&Only Hayman Island, both located in Queensland. Winson was previously Managing Director at China Resources Group.

Other current directorships of listed companies

Aveo Group Limited (**Aveo Group**) (as alternate director to the Chair, Seng Huang Lee and Eric Lee).

Former directorships of listed companies in last three years

None.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

Cerena Fu LLB
Non-Executive Director

Ms Fu was appointed to the Board of Directors on 5 April 2013. Cerena is the principal of CFC Lawyers, a legal practice established in 2004 based in Double Bay, New South Wales. Cerena has acted for both local and international clients on numerous significant property and investment transactions, business acquisitions and commercial and retail leases. Cerena has been involved in all aspects of commercial financing, including acting for both mortgagees and mortgagors and has successfully commenced and conducted commercial litigation.

Cerena is admitted to practice in the Supreme Court of New South Wales, the Federal Court of Australia and the High Court of Australia and is a member of the Law Society of New South Wales. She holds a degree in law from the University of New South Wales and a Master's degree from the University of Sydney.

Other current directorships of listed companies

None.

Former directorships of listed companies in last three years

None.

David Hunt B.Com, CPA, Grad Dip App Fin
Non-Executive Director

David was appointed to the Board on 26 November 2010, initially as an alternate Director. David is currently the Chief Financial Officer (**CFO**) of Aveo Group. David has 20 years of relevant experience, which includes earlier roles as CFO of ING Real Estate Investment Management, Group General Manager of Finance at Stockland, Group Financial Controller and Finance Manager at Zurich Financial Services Australia Limited and Group Finance Manager at Legal & General Australia Limited.

Other current directorships of listed companies

None.

Former directorships of listed companies in last three years

Aveo Healthcare Limited (delisted).

MetLifeCare.

Marcus Seow
Non-Executive Director

Marcus is currently a Managing Partner of Ideal Advisory, an Australian boutique property development company. Marcus is also a director with Low Yat Group, a Malaysian-based diversified property group with interests in Asia and Australia.

Other current directorships of listed companies

None.

Former directorships of listed companies in last three years

None.

Company Secretary

Hai-Young Lu B.Com, LLB, GradDipACG
Company Secretary

Hai-Young joined the Company in October 2013 and was appointed as Company Secretary on 28 May 2014. Hai-Young has worked at an ASX listed oil and gas explorer and in private practice as a corporate lawyer in the areas of mergers & acquisitions, equity capital markets and corporate governance.

He is a director of Shanghai No. 1 Machine Tool Foundry (Suzhou) Co., Ltd, a large Chinese based iron casting corporation.

Hai-Young is a solicitor of the Supreme Court of Queensland and a member of the Institute of Chartered Secretaries.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director is as follows:

	Directors' Meetings		Audit Committee Meetings	
Number of meetings attended	A	B	A	B
Winson Chow*	11	14	–	–
Stephen Court*	1	1	–	–
Cerena Fu	14	14	5	5
David Hunt	14	14	5	5
Marcus Seow*	9	9	–	–
Andrew Young*	2	2	–	–

Where:
A = # of meetings attended
B = # of meetings held during the time the Director was in office or member of the committee during the year
** = Not a member of the Audit Committee*

CORPORATE INFORMATION

The Company is limited by shares and is incorporated and domiciled in Australia. It is the ultimate parent entity of the Group and has prepared a consolidated financial report incorporating the entities that it controlled during the financial year ended 30 June 2014. These are detailed in the accompanying notes to the financial statements.

Principal Activities

The principal activity of the Group during the financial year was the development and sale of residential land and built-form products. The Company has interests in developments on the east coast of Australia and developments in the Mandurah/Peel Region of Western Australia.

Summarised History

In May 1998 the Company acquired a 100% interest in the Port Bouvard Residential Estate (south of Mandurah, Western Australia). The Company was named Menzies Court Limited at this time (in 2002 a name change to Port Bouvard Limited occurred and in June 2013 a further name change occurred to its current name). The Port Bouvard Residential Estate became one of the most successful and awarded master planned coastal residential developments in Australia.

The Company also had a 50% interest in the Princeton Private Estate in Stirling, Western Australia. The Princeton Private Estate is recognised as one of Perth's largest private infill projects and includes over 600 properties, home to about 2,000 residents.

Subsequent to the above developments, the Company completed the following developments:

Site	Location
Bouvard Island	Mandurah, Western Australia
Norfolk Quays	Mandurah, Western Australia
Port Bouvard Marina	Mandurah, Western Australia
The Cut Golf Course and Clubhouse	Mandurah, Western Australia
The Links	Mandurah, Western Australia
The Piazza	Mandurah, Western Australia

The 30 June 2014 financial year saw the Group relocate its operations from Perth, Western Australia to Sydney, New South Wales and diversify away from the Western Australian coastal region that had been its primary focus. The driver for this was the downturn in economic conditions in Western Australia which was impacting the Group's residential development business. Pursuant to this strategy the Group sold certain undeveloped sites in Western Australia and did not pursue certain joint venture arrangements. The developments selected for either sale or discontinuation no longer met the Group's required criteria for residential developments. In the current financial year the Company sold "Bandy Creek" located in Esperance, Western Australia.

The Group is also in the process of selling the Villa site at Port Bouvard, Lot 370 Country Club Drive, Mandurah, Western Australia and continues to sell remaining apartments at Oceanique.

During the year ended 30 June 2014 the Group entered into three new projects on the east coast of Australia. The Group also continued to focus on overhead cost reduction, cash flow management, sales of other non-core assets and finalising the planning and environmental approvals for Point Grey.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

Developments

Development specific updates are shown below.

Villa site (Port Bouvard, Western Australia)

The site remains for sale.

Oceanique (Port Bouvard, Western Australia)

During the year four Oceanique apartments were settled by the Company. At 30 June 2014 there remained 18 apartments for sale.

Point Grey (Point Grey, Western Australia)

Point Grey is located on the only elevated peninsula setting on the eastern shores of the Peel Inlet and the Harvey Estuary in the Shire of Murray, Western Australia. Geographically, Point Grey is situated approximately 20 kilometres west of the Pinjarra town site, and approximately 12 kilometres south-east of the Mandurah city centre.

The Company acquired approximately 275 hectares of land at Point Grey in 2006 and has obtained Commonwealth and State Government approvals to develop the site into a residential village incorporating a marina.

Bridgeview (Annandale, New South Wales)

In April 2013 the Company invested in the Bridgeview townhouse project in Annandale, New South Wales. The project is located approximately five kilometres from the Sydney CBD and 300 metres from the Rozelle Bay light rail station.

The project is expected to have an end value of around $35 million from the sale of 23 townhouses, and be completed by early 2015.

This was the Company's first investment outside of Western Australia and the project's returns in the short term will add to those from any ongoing sales of the Company's Oceanique apartments.

Burwood Square (Burwood, New South Wales)

During September 2013 the Company invested in the Burwood Square apartment project. The zoning for the site is mixed use, and located within the city centre of Burwood, only 12 kilometres from the Sydney CBD and only 300 metres from Burwood train station.

Burwood Square is expected to consist of 210 residential apartments across three towers, 8,200 sqm of retail/commercial space contained in a podium, and public and private basement car parking.

Construction commenced in December 2013. The project has been well received in the marketplace with all of the residential units sold off the plan freeing the development team to focus on leasing the retail/commercial space ready for sale closer to completion. Burwood Square has an end value in excess of $215 million. Returns are expected to commence towards the end of 2016 with some equity and the profit component not being released until the retail/commercial space has been sold.

The Company has entered into the joint venture with the owners and the developer of the land. The developer is B1 Goldfield Development Pty Limited.

The Milton (Milton, Queensland)

In December 2013 the Company invested in The Milton apartment project. The zoning for the site is mixed use, and located within the city centre of Milton, only two kilometres from the Brisbane CBD and directly adjacent to the Milton railway station.

The Milton is expected to consist of a 30 storey 300 residential units tower, together with 1,121 sqm of retail and 1,150 sqm of commercial premises.

Construction commenced in August 2013. The project has been well received in the marketplace with 86% of the residential units sold off the plan to date freeing the development team to focus on leasing the retail/commercial space ready for sale closer to completion. The Milton has an end value in excess of $210 million. Returns are expected to commence towards the end of 2015 with a significant portion of the profit component not being released until the retail/commercial space has been sold.

The Company has entered into the joint venture with the owners and the developer of the land. The developer is FKP Commercial Developments Pty Limited (a wholly owned subsidiary of Aveo Group).

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

SeaSpray (Point Cook, Victoria)

In December 2013 the Company invested in the SeaSpray residential land subdivision. The zoning for the site is residential, and located within the suburb of Point Cook, 19 kilometres from the Melbourne CBD.

SeaSpray is expected to consist of 247 residential lots, local roads, public open space and wetlands.

Stage 1 civil works commenced in May 2014. Stage 1 has been well received in the marketplace with 30% of the lots sold to date. Stage 2 civil works commenced in August 2014. Stage 2 has also been well received in the marketplace with 32% of the lots sold to date. SeaSpray has an end value in excess of $55 million. Cash returns are expected to commence towards the middle of 2016. The Group has entered into a contractual agreement with the owner of the land to defer the land payment until June 2015 whereby any unsold land will be acquired by the Group. In the intervening period the land component of any lot sales is paid to the owner. The civil works are paid as lots are sold, out of the proceeds of lot sales also.

The Company has entered into the joint venture with the owners of the land. The owner is FKP Residential Developments Pty Limited (a wholly owned subsidiary of Aveo Group).

TRENDS IN PERFORMANCE

During the next financial year ended 30 June 2015 the Company will continue its principal activity of the development and sale of residential land and built-form products.

ENVIRONMENTAL REGULATION

The Group is subject to environmental regulation in respect of its land development as set out below. The Group is committed to undertake its developments in an environmentally responsible manner and to a high environmental standard. The Group takes its environmental responsibilities seriously and notes that it is now a stakeholder expectation that the environment is being treated appropriately and sustainably. This approach was demonstrated throughout the development of the Port Bouvard Residential Estate and will continue on all future developments.

LAND DEVELOPMENT APPROVAL

All current projects are being undertaken with approvals issued under the Town Planning & Development Act (2005), the Environmental Protection Act (1986) and if applicable the Environment Protection and Biodiversity Conservation Act 1999. To the best of the Directors' knowledge, all activities to implement the projects have been undertaken in compliance with the requirements of the existing approvals.

The objective in respect to future projects is to obtain the required approvals mentioned herein.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

In 2013 the Board announced the strategy of diversifying the Company's development sites to the east coast of Australia, within inner metropolitan and city locations, close to established infrastructure. Pursuant to this, the Group has invested in Bridgeview (Annandale, New South Wales), Burwood Square (Burwood, New South Wales), The Milton (Milton, Queensland) and SeaSpray (Point Cook, Victoria). The Company will focus on working with its joint venture partners to deliver these developments on time and on budget, which includes the lease up and sale of the retail/commercial space in both Burwood Square and The Milton.

The Group will also continue to focus on the sale of the remaining 18 Oceanique apartments, assess its options in respect of Point Grey now that all Commonwealth and State Government approvals have been obtained, and continue to manage its overheads and debt position diligently during this transition phase of the Company.

OTHER SEGMENT RESULTS

The Company operates one business segment being Australian residential property development; and results of the segment follow this section.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

FINANCIAL REVIEW

Operating Performance

The Company recorded for the financial year ended 30 June 2014 an underlying loss of ($5,404,000) (2013: loss of $6,103,000). The statutory loss recorded for the Company is ($8,569,000) (2013: loss of $3,574,000).

The following table summarises key reconciling items between the Company's underlying loss and statutory loss after tax:

	Consolidated 2014 $'000	Consolidated 2013 $'000
Underlying (loss) before tax	(5,404)	(6,103)
Development impairments before tax[1]		
Point Grey	–	–
Oceanique	(1,434)	–
Esperance	–	47
Hotel site	–	–
Villa site	–	208
Peel Water plant & equipment depreciation	(980)	–
Redundancy costs	(135)	–
Hedging costs	(447)	–
Foreign exchange loss	(72)	–
Other	(97)	–
One-off net gain on option cancellation fee	–	2,274
Statutory Loss after tax attributable to members before tax	**(8,569)**	**(3,574)**
Income tax (expense)	–	–
Statutory Loss attributable to members after tax[1]	**(8,569)**	**(3,574)**
Total development impairments after tax	**(1,434)**	**255**

1 *In 2013, included in the underlying loss is $1.9 million for the reversal of impairments for assets which were sold above fair values. Current management believes that the increased value since the original impairment should be included in the Company's underlying loss.*

During the year the Company's revenue from continuing operations was $4,792,000 (2013: $9,626,000). Settlement of Oceanique apartments in both years was the main driver of the Company's revenues. During the current year the Company also settled "Bandy Creek" located in Esperance, Western Australia, which was sold for greater than book value.

Financial Position

The Company's net assets at 30 June 2014 are $99,810,000 (2013: $60,905,000). This reflects the continued implementation of the Company's strategy and includes:

- Continued sell down of Oceanique and the sale of "Bandy Creek";
- Investment in Burwood Square, Burwood, New South Wales, including its positive fair valuing at year end;
- Investment in The Milton, Milton, Queensland, including its positive fair valuing at year end;
- Investment in SeaSpray, Point Cook, Victoria;
- Rigorous cash flow management as the Company diversifies its development portfolio;
- Terms for a three year, unsecured $40,000,000 bank facility with a new financier;
- Repayment in full of the old bank facility;
- Restructure of the current payable of $11,000,000 due to PBD's joint venture partner in Burwood Square to 1 September 2015 post-balance date; and
- A pro-rata non-renounceable entitlement issue raising $41,700,000 in equity.

As in the previous reporting year the Directors have determined to continue to not recognise the Company's deferred tax asset. Therefore, the tax benefits of the current year's losses have not been brought to account.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

Key elements of the Group's statement of financial position are shown below:

	Consolidated 2014 $'000	2013 $'000
Current assets	25,289	24,827
Non-current assets	135,793	60,025
Total assets	**161,082**	**84,852**
Current liabilities	28,402	3,098
Non-current liabilities	32,870	20,849
Total liabilities	**61,272**	**23,947**
Net assets	**99,810**	**60,905**
# of ordinary shares on issue	6,495,629	3,711,677
Balance sheet gearing ratio[1]	19%	27%

1 *Balance sheet gearing ratio = (interest bearing debt – cash)/(total assets – cash)*

Dividends

No dividends were paid or payable during the year or the previous year.

DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY

As at the date of this report, the relevant interests of the Directors in the shares of the Company are as follows:

	Shares		
Director	Held directly or indirectly	Nominally held by MIB	Options
Winson Chow	–	1,292,591,459	553,967,766[1]
Cerena Fu	–	–	16,666,666
David Hunt	–	–	16,666,666
Marcus Seow	–	–	16,666,666

1 *Nominally held by Mulpha International BHD (**MIB**)*

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

REMUNERATION REPORT – AUDITED

The remuneration report is set out under the following main headings:

1. Key management personnel (**KMP**);
2. Governing principles;
3. Details of remuneration;
4. Service agreements;
5. Share-based compensation; and
6. Additional information.

1. Key Management Personnel

The following persons were KMP of the Group during the financial year:

Name	Position	Period Position Held
Winson Chow	Chair – Non-Executive	Full year
Stephen Court	Director – Executive	Resigned 15 August 2013
Cerena Fu	Director – Non-Executive	Full year
David Hunt	Director – Non-Executive	Full year
Marcus Seow	Director – Executive	Appointed 1 October 2013
Andrew Young	Director – Non-Executive	Resigned 16 September 2013
Jally Lin	Chief Executive Officer	Full year
Peter Coppini	Chief Financial Officer & Joint Company Secretary	Resigned 1 October 2013

2. Governing Principles

The Group does not have a formal remuneration committee due to its limited size. The Board of Directors therefore sets the parameters and objectives for the remuneration of the Group's senior executive. The Board may use the services of a remuneration consultant for remuneration advice.

The performance of the Group depends upon the quality of its Directors and senior executives. To prosper, the Group must attract, motivate and retain highly skilled Directors and senior executives. To this end, the Group embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre senior executives being mindful of the market, position and work required;
- Be acceptable to Shareholders;
- Be linked to and aligned with performance in order to motivate senior executives;
- Ensure the reward is transparent; and
- Ensure the reward only be given after due consideration of the Group's capital management requirements and strategies.

The reward structure has been designed to be aligned with both Shareholder and senior executive interests. To ensure alignment with Shareholder interests, the reward structure:

- Has the Group's short-term strategy in mind;
- Focuses on sustained growth in shareholder wealth, being growth in share price, and delivering consistent return on assets;
- Encourages senior executives to focus on non-financial drivers of value; and
- Attracts and retains high calibre senior executives.

To ensure alignment with senior executives' interests, the reward structure:

- Rewards capability, effort and experience;
- Reflects competitive reward for contribution to growth in shareholder wealth;
- Provides a clear structure for earning rewards;
- Allows senior executives, to a limited extent, to determine how bonuses, if any, shall be received; and
- Provides recognition and reward for contribution.

The framework provides a mix of fixed and variable pay. The base level of senior executive remuneration can take into account the performance of the Group over a number of years, but primarily the current and prior years. However, it can also take into consideration the development pipeline.

Bonus Payments

Bonuses can be paid where the Board deems it to be appropriate. There are no specific criteria for bonuses however bonuses are usually paid after achievement of milestones or performance targets by the individuals concerned. No bonuses were paid in the current year.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

Non-Executive Directors

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-Executive Director fees are not specifically linked to the results of the Group in a particular year however in setting Non-Executive Director fees the Board gives consideration to the overall recent performance of the Directors and the Group as a whole. Non-Executive Directors are also encouraged to hold shares in the Company.

Non-Executive Director fees are determined within an aggregate Director fee pool limit, which is periodically recommended for approval by Shareholders. This amount was set at a maximum of $400,000 per annum at a general meeting of Shareholders held on 25 November 2005.

The current base remuneration for Non-Executive Directors was reviewed during the 2013 financial year, and revised remuneration took effect on 1 January 2013. As of that date, Non-Executive Directors of the Company, including the Chair, are paid $40,000 per annum plus statutory superannuation. It was resolved at the 30 October 2013 Board meeting to increase the remuneration of the Chairman to $80,000 per annum plus statutory superannuation as of 30 October 2013.

Additional remuneration, at arm's length rates, may be paid for specific additional services from time to time as determined by the Board. Further, Non-Executive Directors do not receive retirement benefits or additional fees for being members of Board committees.

On 7 April 2014 the Shareholders approved the issue of options over shares of the Company to the Non-Executive Directors. These options form part of the remuneration of the Non-Executive Directors.

KMP

The executive pay and reward framework has four components:

- Base pay and benefits;
- Discretionary bonus payments;
- Performance-based (at-risk) remuneration; and
- Other remuneration such as superannuation.

Share options form an important part of compensation. Two hundred and fifty million were granted during the financial year ended 30 June 2014 (2013: nil). Details of the options issued are shown in the KMP compensation table.

Base Pay and Benefits

Executives are rewarded through a base salary and certain non-cash benefits, where they are deemed to be appropriate. Such remuneration is discussed and determined by the Board upon receiving appropriate advice.

KMP salary and superannuation is reviewed in the first few months of every new financial year where individual performance and the performance of the Group are taken into account when setting the next year's base salary and remuneration.

The following table shows the gross revenue, profits and dividends paid to Shareholders over the past five years.

	2014	2013	2012	2011	2010
Revenue	$4.8m	$9.6m	$16.6m	$68.3m	$20.8m
Net profit/(loss) after tax	($8.6m)	($3.4m)	($115.5m)	$0.8m	($25.8m)
Share price at year end	$0.02	$0.009	$0.03	$0.06	$0.13
# of shares on issue at year end	6,495.6m	3,712.0m	593.9m	593.9m	509.1m
Dividends paid (per share)	Nil	Nil	Nil	Nil	Nil

Benefits paid to KMP may include motor vehicle expenses and payment of any associated fringe benefits tax that may arise.

Bonus payments

Executives may be eligible for bonuses paid as either cash or non-cash benefits.

Executives currently do not have specific performance criteria in order to receive bonuses and therefore any current bonuses paid are done so at the discretion of the Board. When making decisions with respect to bonuses, the Board closely considers the following factors:

- Overall Group performance and contribution to Shareholder value;
- Attainment of project-specific goals or solutions that may arise in the natural course of the Group's operations;
- Performance of an individual's role relative to the Board's expectations; and
- The individual's ongoing loyalty to the Group.

All executives have regular contact and interaction with the Board, whereby they are able to clearly understand the Board's expectations of their performance. This ensures that the goals attained by executives, and by which their short-term incentives are determined, are in line with the Board and Group's short- and long-term strategies.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

Performance-Based (At-Risk) Remuneration

There is no proportion of total remuneration to KMP which is at risk and only payable on the basis of performance achieving defined outcomes as KMP do not currently have any contracted key performance indicators.

Other Remuneration

KMP receive superannuation in line with current superannuation guarantee requirements.

3. Details of Remuneration

KMP are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director of the Group. The KMP are the same for the Company as for the Group.

Details of the Group's remuneration to KMP during the full year, regardless of whether the person was part of KMP for the entire period, are outlined in the tables below:

2014	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		
	Cash, salary and fees $	Cash bonus $	Non-cash benefit $	Super-annuation $	Long service leave $	Options $	Total $	Performance related %
Directors								
Winson Chow[1]	64,503	–	–	5,967	–	–	70,470	–
Stephen Court[2]	54,305	–	–	2,479	–	–	56,784	–
Cerena Fu	40,000	–	–	3,700	–	10,635	54,335	–
David Hunt[1]	40,000	–	–	3,700	–	10,635	54,335	–
Marcus Seow[3]	30,000			2,775		10,635	43,410	–
Andrew Young[4]	8,419	–	–	779	–	–	9,198	–
Other KMP								
Jally Lin	183,066	–	11,307	16,934	–	171,818	383,125	–
Peter Coppini[5]	145,978	–	11,423	5,924	–	–	163,325	–
Totals	**566,271**	**–**	**22,730**	**42,258**	**–**	**203,723**	**834,982**	**–**

1 *The remuneration for Winson Chow and David Hunt was paid to Mulpha and Aveo Group respectively*
2 *Stephen Court resigned on 15 August 2013*
3 *Marcus Seow was appointed 1 October 2013*
4 *Andrew Young resigned on 16 September 2013*
5 *Peter Coppini resigned on 1 October 2013*

2013	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		
	Cash, salary and fees $	Cash bonus $	Non-cash benefit $	Super-annuation $	Long service leave $	Options $	Total $	Performance related %
Directors								
Winson Chow[1]	12,192	–	–	1,097	–	–	13,289	–
Stephen Court[2]	258,639	–	–	23,277	–	–	281,916	–
Cerena Fu[3]	9,534	–	–	858	–	–	10,392	–
David Hunt[4]	20,000	–	–	1,800	–	–	21,800	–
Mark Jewell[5]	10,192	–	–	917	–	–	11,109	–
Andrew Young[6]	20,384	–	–	1,834	–		22,218	–
Other KMP								
Jally Lin[7]	19,605	–	–	1,765	–	–	21,370	–
Peter Coppini	210,647	–	16,438	25,000	–	–	252,085	–
Darryl Guihot[8]	102,500	–	–	–	–	–	102,500	–
Totals	**664,610**	**–**	**16,438**	**55,631**	**–**	**–**	**736,679**	**–**

1 *Winson Chow was appointed as Director on 3 April 2013 and his remuneration was paid to Mulpha*
2 *Stephen Court resigned subsequent to the end of the period on 15 August 2013*
3 *Cerena Fu was appointed as Director on 5 April 2013*
4 *David Hunt's remuneration was paid to the Aveo Group*
5 *Mark Jewell resigned as Director on 3 April 2013 and no payments were made on termination*
6 *Andrew Young was appointed as Director on 27 December 2012 and resigned on 16 September 2013*
7 *Jally Lin commenced employment on 1 June 2013*
8 *Darryl Guihot was interim CEO for the period 1 July 2012 to 31 December 2012*

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

4. Service Agreements

Board Remuneration

Non-Executive Chair

Pursuant to a Board resolution dated 30 October 2013 the Chair receives a Director's fee of $80,000 per annum plus statutory superannuation (commencing 30 October 2013). Refer to the table on page 15 for the name of the Chair.

Non-Executive Directors

Pursuant to a Board resolution dated 5 March 2013 the Non-Executive Directors of the Company are paid a fee of $40,000 per annum plus statutory superannuation, effective 1 January 2013. Between 1 July 2012 and 31 December 2012, Non-Executive Directors were not paid a fee. Refer to the table on page 15 for the names of Non-Executive Directors.

Executive Directors

PBD had one Executive Director, Stephen Court, who resigned from the Board of Directors on 15 August 2013.

The payment of remuneration to Stephen was pursuant to a letter of engagement, after having regard to the Company's performance, goals achieved and remuneration paid in the marketplace for a similar position. Refer to the remuneration tables on page 24 for Stephen's earnings for 2014 and 2013 respectively.

Stephen provided consultancy services to the Company from 16 August 2013 to 30 September 2013 in order to assist with the transition of executive management to Jally Lin, PBD's Chief Executive Officer.

Board Appointment Terms

Non-Executive Chair & Directors

All Non-Executive Directors, including the Chair, serve three year terms and compulsorily retire at the end of each term with eligibility for re-appointment. No termination benefits are payable on termination by the Company to the Non-Executive Directors.

Executive Directors

Stephen Court's appointment was governed by a letter of engagement dated 15 February 2010. The letter of engagement provided no leave entitlements, nor provision for specific retirement or termination benefits except for compulsory superannuation. His engagement could be terminated with immediate effect, by himself or the Company, at the Chair's discretion.

KMP

Contracts with KMP are shown in the table below:

Name	Key terms	Base salary including superannuation[1]	Termination benefit
Jally Lin Chief Executive Officer	• Commenced 1 June 2013 • Performance reviews in June and December each year • Statutory leave entitlements • Termination notice period of eight weeks	$200,000 p.a. plus discretionary performance incentives on the basis of predetermined KPI (yet to be determined) plus car parking costs	–

[1] *Base salary quoted is current at the date of this report*

5. Share-Based Compensation

Options

In the 30 June 2014 financial year the Board recommenced the issue of options as a long-term incentive. The options are granted on a discretionary basis and do not form part of an overall employee option plan. Refer below for their terms and conditions.

Shares

There were no shares issued as part of compensation during the year (2013: nil).

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

6. Additional Information

Cash Bonuses

No bonuses were paid in the current year (2013: nil).

OPTIONS SHARES AND CONDITIONS

The terms and conditions of each grant of options over ordinary shares affecting remuneration of Directors and KMP in this financial year or future reporting years are as follows:

Grant Date	Vesting Date	Expiry date	Exercise price	Value per option at grant date
30 October 2013	1 January 2014	31 December 2015	$0.02	$0.0028
2 April 2014	2 April 2014	31 March 2016	$0.02	$0.0055

Options granted carry no dividend or voting rights.

Actual options granted are as follows:

Name	# of Options granted during the year 2014	# of Options granted during the year 2013	# of Options vested during the year 2014	# of Options vested during the year 2013
Jally Lin[1]	200,000,000	–	–	–
Cerena Fu[2]	16,666,666	–	–	–
David Hunt[2]	16,666,666	–	–	–
Marcus Seow[2]	16,666,666	–	–	–

[1] *On 30 October 2013 $0.02 unlisted options were granted exercisable between 1 January 2014 and 31 December 2015*

[2] *On 2 April 2014 $0.02 unlisted options were granted expiring 31 March 2016. The grant of options was approved by Shareholders*

Values of options over ordinary shares granted, exercised and lapsed for Directors and KMP as part of compensation during the year ended 30 June 2014 are set out below:

Name	Value of options granted during the year $	Portion recognised as remuneration during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	Remuneration consisting options for of the year %
Jally Lin	560,000	171,818	–	–	46.8
Cerena Fu	91,666	10,635	–	–	19.6
David Hunt	91,666	10,635	–	–	19.6
Marcus Seow	91,666	10,635	–	–	24.5

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

ADDITIONAL DISCLOSURE RELATING TO KMP

Shareholdings

The # of shares in the Company held during the financial year by each Director and other members of the KMP of the Group, including their personally related parties, is set out below:

	Balance at start of year	Received as part of remuneration	Additions	Disposals/ other	Balance at end of year
Ordinary shares					
Directors					
Winson Chow	–	–	1,292,591,459	–	1,292,591,459[1]
Cerena Fu	–	–	–	–	–
David Hunt	–	–	–	–	–
Marcus Seow	–	–	–	–	–
KMP					
Jally Lin	50,034,382	–	37,525,786	–	87,560,168

[1] *Nominally held by MIB*

Option holdings

The # of options over ordinary shares in the Company held during the financial year by each Director and KMP of the Group, including their personally related parties, is set out below:

	Balance at start of year	Granted	Exercised	Expired/ Forfeited/ Other	Balance at end of year
Options over ordinary shares					
Directors					
Winson Chow	–	–	–	553,967,766[1,2]	553,967,766[1]
Cerena Fu	–	16,666,666	–	–	16,666,666
David Hunt	–	16,666,666	–	–	16,666,666
Marcus Seow	–	16,666,666	–	–	16,666,666
KMP					
Jally Lin	–	200,000,000		37,525,7862	237,525,786

[1] *Nominally held by MIB*

[2] *Represents options issued as a result of the entitlement issue (refer page 28)*

Other transactions with KMP and their related parties

During the financial year, payments for payroll and information technology services to Caldisc Pty Limited, a 100% owned subsidiary of Mulpha (both a director-related entity of Winson Chow and a shareholder of the Company) of $137,620 were made. All transactions were made on normal commercial terms and conditions and at market rates.

During the financial year, a $12,000,000 short-term loan facility was provided by Mulpha Credit Sdn Bhd, a related party of Mulpha International BHD (**MIB**) with interest payments totalling $287,768 made by PBD. As at 30 June 2014, the entire loan balance has been repaid and the facility has been withdrawn. All transactions relating to the loan facility were made on normal commercial terms and conditions and at market rates.

END OF AUDITED REMUNERATION REPORT

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

SHARES UNDER OPTION

There are 249,999,998 unissued ordinary shares of the Company under option that are unlisted at the date of this report. There are 2,783,561,288 unissued ordinary shares of the Company under option that are listed on ASX at the date of this report.

Unissued ordinary shares of the Company under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	# under option
30 October 2013	31 December 2015	$0.02	200,000,000
29 November 2013	31 December 2015	$0.025	2,783,561,288[1]
2 April 2014	31 March 2016	$0.02	49,999,998

[1] *Options issued as a result of the rights issue disclosed to market on 17 October 2013*
Options were issued between 29 November 2013 and 23 January 2014

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

AUDIT COMMITTEE

The Directors of the Company have formed an Audit Committee. Audit Committee members during and subsequent to the financial year are outlined below:

1 July 2013 to 15 August 2013
Stephen Court (Chair) and David Hunt

15 August 2013 onwards
David Hunt (Chair) and Cerena Fu

David and Cerena are not separately remunerated for their role as members of the Audit Committee.

The Audit Committee's responsibilities include:

- Reviewing the annual report and all other financial information published by the Company;
- Reviewing the effectiveness of the organisation's internal control environment;
- Reviewing the risk management framework; and
- Considering the appointment, removal and remuneration of external auditors and reviewing terms of their engagement, scope and quality of the audit.

INDEMNITY AND INSURANCE OF AUDITOR

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

INSURANCE OF OFFICERS

During the financial year the Company paid premiums to insure the officers of the Company and its controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage to themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the financial year there were no significant changes in the state of affairs of the Group other than the information provided in this report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to the end of the financial year, the Company extended the due date of the $11,000,000 payment in respect of Burwood Square. The $11,000,000 is now due on or before 1 September 2015 with interest capitalised as follows:

- In respect of the first $5,500,000, interest of 12% p.a. is capitalised monthly for the period from 1 May 2014 to the earlier of the date of repayment or 1 September 2015; and
- The second $5,500,000, interest of 12% p.a. is capitalised monthly for the period from 1 June 2014 to the earlier of the date of repayment or 1 September 2015.

PBD has also granted 200,000,000 unlisted options to the joint venture partner as an extension fee. The options are exercisable up to 30 June 2016 at an exercise price of $0.015 per option.

NON-AUDIT SERVICES

The Board of Directors, in accordance with advice from the Audit Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

The following fees for non-audit services were paid to the external auditors and their affiliated entities during the year ended 30 June 2014 by the Group:

Service	2014 $	2013 $
Taxation compliance services provided by BDO Corporate Tax (WA) Pty Ltd	29,879	24,143
Total	**29,879**	**24,143**

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration as required by Section 307C of the Corporations Act can be found on page 30 and forms part of the Directors' Report for the year ended 30 June 2014.

ROUNDING

The amounts contained in this report and in the financial statements have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the Class Order applies.

AUDITOR

BDO continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

Winson Chow
Chair

29 August 2014
Sydney
New South Wales

AUDITOR'S INDEPENDENCE DECLARATION

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DECLARATION OF INDEPENDENCE BY GRANT SAXON TO THE DIRECTORS OF PBD DEVELOPMENTS LIMITED

As lead auditor of PBD Developments Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of PBD Developments Limited and the entities it controlled during the year.

Grant Saxon
Partner

BDO East Coast Partnership
Sydney, 29 August 2014

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

The Board of Directors has adopted the following corporate governance principles (**Principles**) and is responsible for the adherence to these Principles. These Principles and practices are reviewed regularly and amended as necessary to reflect changes in law and what is regarded as best practice. A description of the Company's main Principles and compliance with ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations with 2010 Amendments* (2nd Edition) (**ASX Recommendations**), in accordance with ASX Listing Rule 4.10.5, is set out below.

A copy of this Corporate Governance Statement is also available on the Company's website (www.pbddevelopments.com.au).

LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

ROLE OF THE BOARD

The Board has adopted the following statement of matters, in respect of the Company, for which the Board will be responsible:

- Review and determine the strategic direction and operational policies;
- Review and approve business plans, budgets and forecasts and set goals for management;
- Appoint and remunerate senior executives;
- Review performance of senior executives;
- Review financial performance against key performance indicators;
- Approve selling prices and selling policies;
- Approve and monitor advertising and promotional budgets;
- Approve capital, development and other material expenditure;
- Approve development programmes;
- Review risk management, compliance and safety issues;
- Approve donations and sponsorships;
- Oversee internal controls and systems;
- Report to Shareholders; and
- Ensure compliance with environmental, taxation, corporations and other laws and regulations.

STRUCTURE THE BOARD TO ADD VALUE

BOARD INDEPENDENCE

The Board considers that of the Non-Executive Directors who held office during the year, only Winson Chow has been assessed as not being independent.

The Company currently has the following non-executive Directors on its Board:

Name	Position	Age	Appointment date
Winson Chow	Non-Executive Director (Chair)	51 years	Director since 2013
Cerena Fu	Non-Executive Director	45 years	Director since 2013
David Hunt	Non-Executive Director	44 years	Director since 2010
Marcus Seow	Non-Executive Director	50 years	Director since 2013

The Board consists of a majority of independent Directors in accordance with ASX Recommendation 2.1. The Chair is not considered to be independent for the reason set out below.

Winson does not meet the independence test set out in ASX Recommendations as he is associated directly with Mulpha Strategic Limited, a substantial shareholder of the Company.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Irrespective of the status of a Director, all Directors are expected to bring independent judgement to pass when assessing Board decisions. To facilitate the application of independent judgement the following measures have been adopted by the Board:

- Directors are entitled to seek independent professional advice at the Company's expense. Prior written approval is required but is not to be unreasonably withheld.
- Directors having a conflict of interest with an item for discussion by the Board must disclose this matter to the Board and abstain from a Board meeting during the time that the matter is being considered.
- The Board considers Non-Executive Directors to be independent even if they have minor dealings with the Company provided they are not a substantial shareholder. Transactions with a value in excess of 1% of the Company's annual turnover are considered material. A Director will not be considered independent if he has transactions in excess of this materiality threshold.

CHAIR

Winson is not an independent Director for the purposes of ASX Recommendations as he is directly associated with Mulpha Strategic Limited, a substantial shareholder of the Company. The Board has not appointed a lead independent Director as the Board does not believe that any such appointment would increase the exercise of independent judgement by the Board. The Board considers that the Chair facilitates the effective contribution of all Directors and promotes constructive and respectful relations between Directors and between the Board and senior management.

The Chair's role includes:

- Providing effective leadership on formulating the Board's strategy;
- Representing the views of the Board to the public;
- Ensuring that the Board meets at regular intervals throughout the year and that minutes of meetings accurately record decisions taken and where appropriate the views of individual Directors;
- Guiding the agenda, information flow and conduct of all Board meetings;
- Reviewing the performance of the Board; and
- Liaising with and guiding the Chief Executive Officer.

TENURE OF THE BOARD

In accordance with the Company's constitution, at each Annual General Meeting the following Directors retire:

- One-third of Directors;
- Directors appointed by the Board to fill casual vacancies or otherwise; and
- Directors who have held office for more than three years since the last general meeting at which they were elected.

Additionally, all Directors are expected to review their membership of the Board from time to time taking into account the length of service on the Board, age, qualifications and experience in light of the needs of the Company and direction of the Company together with such other criteria considered desirable for composition of a balanced Board and the overall interests of the Company.

APPOINTMENT TO THE BOARD

When a Board vacancy occurs or where it is considered that there is a gap in necessary expertise, the Board reviews potential candidates, with advice from external consultants if necessary. The Board invites the most suitable candidate to join the Board in a casual vacancy until election by Shareholders at the Company's next Annual General Meeting.

In accordance with the Constitution, one-third of Directors retire from office at each Annual General Meeting but may stand for re-election. The Board confirms to Shareholders whether it supports the re-election of each retiring Director in a statement that accompanies the Notice of Meeting.

The Board is responsible for the nomination process for new Directors and determines who is invited to fill a casual vacancy. All new Directors are provided with detailed information in relation to the Company, its financial, strategic, operational and risk management position, and its policies and procedures upon their appointment.

DETAILS ON CURRENT DIRECTORS

Refer to the Directors' Report for information regarding the details of the current Directors including their skills and experience.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

ETHICAL AND RESPONSIBLE DECISION MAKING

In making decisions, the Directors, officers and employees take into account the needs of all stakeholders including:

- Shareholders;
- Employees;
- Community;
- Creditors;
- Customers;
- Contractors; and
- Government.

The Directors, officers and employees of the Company are expected to:

- Comply with the laws and regulations both by the letter and in spirit;
- Act with honesty and integrity;
- Avoid conflicts of interest by not placing themselves in situations which result in divided loyalties;
- Use the Company's assets responsibly and in the interests of the Company, not take advantage of property, information or position for personal gain or to compete with the Company;
- Keep non-public information confidential except where disclosure is authorised or legally mandated; and
- Be responsible and accountable for their actions and report any unethical behaviour.

INTERESTS OF STAKEHOLDERS

It is the Company's objective to create value for Shareholders, to provide a safe and challenging environment for employees and for the Company to be a valuable member of the community as a whole.

The Company's core values are summarised as follows:

- Act with integrity and fairness;
- Create a safe and challenging workplace;
- Be participative and recognise the needs of the community;
- Protect the environment;
- Be commercially competitive; and
- Strive for high quality performance and development.

DIVERSITY

The Board has adopted the following diversity statement to support the Company in achieving a workplace that embraces diversity and the associated benefits. This statement has been developed having regard to the size of the Company and reflects the recent human capital restructure.

The Company is committed to a workplace of diversity with regards to age, gender, ethnicity and cultural background. This commitment will be fostered in an environment which is free from discrimination and harassment and that will seek to ensure that all employees are treated equally, fairly and respectfully regardless of their differences.

The Company will select candidates on merit from a diverse selection pool to ensure that individuals with the best skills and attributes are appointed to available roles. Appointment is non-discriminatory, merit based and takes into account a number of factors such as achievements, experience, qualifications and the value an individual could bring to a role.

The Board has an objective (subject to sourcing suitably qualified candidates) to increase the representation of women on the Board when filling a Board vacancy. This will enable women to play an increased role in the leadership of the Company.

No formal review of the diversity objectives of the Company has been undertaken for the 2014 Financial Year.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

As at 30 June 2014 the proportion of women within the organisation is as follows:

Position	% Female
Board	25
Senior Executive	–
Organisation	–

TRADING IN COMPANY SECURITIES

The Company has a formal Securities Trading Policy dated 2 September 2011 (**Policy**). The Policy was disclosed to ASX on 9 September 2011.

Pursuant to the Policy, the Company's employees, in-house contractors and consultants, Directors and related parties (as defined in the Corporations Act) (**Restricted Persons**), must not acquire or dispose of securities in the Company whilst in possession of price sensitive information not yet released to the market.

Additionally, trading cannot occur during closed periods, being the period from 1 January until the first business day after the release of the Company's half-year results and the period from 1 July until the first business day after the release of the Company's full year results. All other days throughout the year constitute permitted trading periods. Notwithstanding this, prior to trading in the Company's securities, Restricted Persons must obtain prior written clearance.

Directors must advise the Company, which in turn will advise ASX, of any transactions conducted by them in the Company's securities no later than three business days after the transaction occurs. Further details of the Policy may be obtained from the Company or by referring to the Company's disclosure made to ASX dated 9 September 2011.

SAFEGUARD INTEGRITY IN FINANCIAL REPORTING
INTEGRITY OF FINANCIAL REPORTING

The executive management of the Company provides written confirmation to the Board in accordance with section 295A of the Corporations Act 2001 that:

- The Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company; and
- The above statement is founded on a sound system of internal control and risk management which implements the policies adopted by the Board and that the Company's risk management and internal controls are operating efficiently in all material respects.

AUDIT COMMITTEE

As at 30 June 2014 the Company's Audit Committee members were independent Non-Executive Director Cerena Fu and independent Non-Executive Director David Hunt (Chair).

Whilst the Audit Committee did not consist of three members in accordance with ASX Recommendations, the Board was satisfied that given the financial and public company experience of the Chair of the Audit Committee and the size of the Company it was not necessary for an additional member to be appointed to the Audit Committee or that such action would derive any benefit to the Shareholders.

The principle functions of the Audit Committee are to:

- Assist the Board in the discharge of its responsibilities in respect of financial statements and internal financial controls;
- Recommend to the Board nominees for appointment as external auditors;
- Review the scope of the external audit, the level of the external audit fees and the performance of the external auditors;
- Provide a line of communication between the Board and the external auditors; and
- Review and discuss the report prepared by the external auditors.

MAKE TIMELY AND BALANCED DISCLOSURE TO ASX

A continuous disclosure regime operates throughout the Company and procedures are in place to ensure timely, open and accurate information to all stakeholders, including Shareholders and regulators.

The Company Secretary has primary responsibility for communications with ASX including responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing information going to ASX, Shareholders and other interested parties. The Company Secretary reports to the Board at each meeting on matters notified to ASX.

All announcements made to ASX by the Company are published on the Company's website.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

RESPECT THE RIGHTS OF SHAREHOLDERS

COMMUNICATION WITH SHAREHOLDERS

It is the policy of the Company to communicate with Shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Company.

The information is communicated to Shareholders through:

- Continuous disclosure announcements made to ASX;
- Distribution of the annual report to Shareholders together with a notice of meeting;
- Posting of half year and full year financial reports and all other ASX announcements on the Company's website;
- Posting of all media announcements and other relevant information on the Company's website; and
- Holding of Shareholder meetings to obtain approval for Board action, as required.

The Company has always invited its external auditor to attend the Annual General Meeting and will continue to do so and allow sufficient time for Shareholders to ask questions of the external auditor relating to the audit of the Company's financial statements.

At Annual General Meetings and other meetings of Shareholders, Shareholders are encouraged to ask questions of the Board of Directors relating to the operation of the Company.

RECOGNISE AND MANAGE RISK

The operations of the Company involve a range of risks, including, but not limited to, strategic, financial, operational and legal risks. Having regard to the complexity and size of the Company's operations, with the exception of the Audit Committee to manage the financial risks, there are no other formal Board committees in place. Responsibility for day-to-day control and risk management for non-financial risks lies with the Chief Executive Officer who reports to the Board. The Board participates and monitors risks including, but not limited to, compliance with development and environmental approvals, tendering, contracting and development, pricing of products, quality, safety, strategic issues, financial risk, joint venture, accounting and insurance. Any changes to the risk profile of the Company are communicated to its stakeholders via an announcement to ASX.

All Directors of the Board have access to the Company Secretary who is appointed by the Board. The Company Secretary reports to the Chair on matters relating to corporate governance.

All Board members have access to professional independent advice at the Company's expense provided they first obtain the Chair's approval which will not be unreasonably withheld.

REMUNERATE FAIRLY AND RESPONSIBLY

Non-Executive Directors

Shareholders of the Company determine the total amount that can be paid to Non-Executive Directors. This amount was set at a maximum of $400,000 at an Annual General Meeting of Shareholders held on 25 November 2005.

The Board determines between themselves how they should be remunerated having regard to Non-Executive Directors for similar companies, the time spent on the Company's matters and the performance of the Company. Additional remuneration (at arm's length rates) may be paid for specific additional services from time to time as determined by the Board.

Non-Executive Directors' remuneration is clearly distinguished from that of senior management, with remuneration solely by way of Directors' fees, including statutory superannuation entitlements.

The Board has no retirement or termination benefits other than compulsory superannuation.

The payments to Non-Executive Directors are set out in the Remuneration Report within the Directors' Report.

General

Due to the staff size and the close involvement of the Board in the operations of the Company, the Company does not operate a formal remuneration committee. All remuneration paid to the Chair, Non-Executive Directors and KMP is reviewed and discussed by the Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated 2014 $'000	Consolidated 2013 $'000
Revenue from continuing operations	4	**4,792**	9,626
Other income	4	**390**	4,726
Cost of sales		**(4,212)**	(7,741)
Finance costs	4	**(2,127)**	(3,770)
Employee benefits expense	4	**(1,476)**	(1,110)
Non-executive Directors' fees		**(289)**	(361)
Commissions and discounts		**(275)**	(589)
Other selling expenses		**–**	(77)
Legal fees		**(410)**	(150)
Advertising and marketing		**(84)**	(207)
Consultants' fees		**(555)**	(342)
Rates and taxes		**(215)**	(228)
Repairs and maintenance		**(43)**	(153)
Rental expenses		**(183)**	(172)
Depreciation and amortisation	4	**(1,001)**	(43)
Other expenses from continuing operations	4	**(1,065)**	(3,239)
Loss on disposal of property, plant & equipment	4	**(15)**	–
Fair value movement in derivatives		**(367)**	–
Net realisable value write down of inventory	8	**(1,434)**	–
Net realisable value write up/(down) of non-current assets held-for-sale		**–**	256
Loss before income tax		**(8,569)**	**(3,574)**
Income tax benefit	5	**–**	–
Loss after tax from continuing operations attributable to members for the year		**(8,569)**	**(3,574)**
Other comprehensive income for the period, net of income tax			
Items that could be reclassified subsequently to profit or loss			
Change in fair value of available-for-sale-financial assets		**5,789**	–
Comprehensive loss attributable to members for the year		**(2,780)**	**(3,574)**

	Note	Consolidated 2014 Cents	Consolidated 2013 Cents
Loss per share*	21		
– basic and diluted earnings/(loss) from continuing operations attributable to members of the Company		**(0.16)**	(0.20)

* *Where loss per share is non-dilutive, it is not disclosed*

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Note	Consolidated 2014 $'000	2013 $'000
Current Assets			
Cash and cash equivalents	6	**2,321**	–
Trade and other receivables	7	**592**	239
Inventories	8	**18,780**	21,480
Other assets	13	**2,198**	160
Current Assets		**23,891**	21,879
Non-current assets classified as held-for-sale	11	**1,398**	2,948
Total Current Assets		**25,289**	24,827
Non-Current Assets			
Investments accounted for using the equity method	9	**9,000**	9,000
Inventories	8	**65,066**	48,000
Property, plant and equipment	12	**2,008**	3,025
Deferred tax assets	5	**–**	–
Other financial assets	10	**59,719**	–
Total Non-Current Assets		**135,793**	60,025
TOTAL ASSETS		**161,082**	84,852
Current Liabilities			
Trade and other payables	14	**27,947**	898
Borrowings	15	**–**	2,114
Derivatives	16	**367**	–
Provisions	17	**88**	86
Total Current Liabilities		**28,402**	3,098
Non-Current Liabilities			
Borrowings	15	**32,867**	20,757
Provisions	17	**3**	92
Deferred tax liabilities	5	**–**	–
Total Non-Current Liabilities		**32,870**	20,849
TOTAL LIABILITIES		**61,272**	23,947
NET ASSETS		**99,810**	**60,905**
EQUITY			
Contributed equity	18	**269,626**	228,145
Reserves	19	**5,993**	–
Accumulated losses		**(175,809)**	(167,240)
TOTAL EQUITY		**99,810**	**60,905**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

		Attributable to owners of PBD			
Consolidated	Contributed equity $'000	Available-for-sale movement reserve $'000	Share-based payment reserve $'000	Accumulated losses $'000	Total $'000
Balance at 1 July 2013	**228,145**	**–**	**–**	**(167,240)**	**60,905**
Loss for the period	–	–	–	(8,569)	(8,569)
Other comprehensive income	–	5,789	–	–	5,789
Total comprehensive income/(loss) for the year	**–**	**5,789**	**–**	**(8,569)**	**(2,780)**
Transactions with owners in their capacity as owners:					
Shared-based payments	–	–	204	–	204
Contributions of equity net of transaction costs	41,481	–	–	–	41,481
Balance at 30 June 2014	**269,626**	**5,789**	**204**	**(175,809)**	**99,810**
Balance at 1 July 2012	**198,989**	**–**	**339**	**(164,005)**	**35,323**
Loss for the year	–	–	–	(3,574)	(3,574)
Total comprehensive loss for the year	**–**	**–**	**–**	**(3,574)**	**(3,574)**
Transactions with owners in their capacity as owners:					
Transfer from reserves	–	–	(339)	339	–
Contributions of equity net of transaction costs	29,156	–	–	–	29,156
Balance at 30 June 2013	**228,145**	**–**	**–**	**(167,240)**	**60,905**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated 2014 $'000	2013 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**4,737**	10,861
Payments to suppliers and employees (inclusive of GST)		**(7,621)**	(7,769)
Interest received		**42**	95
Interest and other costs paid		**(1,612)**	(3,599)
Net cash flows (used in) operating activities	28	**(4,454)**	**(412)**
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment		**25**	70
Payment for deposits		**(1,666)**	–
Payments for available-for-sale financial assets		**(42,930)**	–
Payments for property, plant and equipment		**(7)**	(303)
Payments for equity accounted investments		**–**	(9,000)
Repayment of loan by joint venture		**–**	529
Net cash flows (used in) investing activities		**(44,578)**	**(8,704)**
Cash flows from financing activities			
Proceeds from borrowings		**44,742**	51,852
Repayment of borrowings		**(32,756)**	(74,656)
Proceeds from issue of shares		**41,693**	31,178
Transaction costs on issue of shares		**(212)**	(2,023)
Net cash flows from financing activities		**53,467**	**6,351**
Net increase/(decrease) in cash and cash equivalents		**4,435**	(2,765)
Cash and cash equivalents at the beginning of the financial year		**(2,114)**	651
Cash and cash equivalents at the end of the financial year	6	**2,321**	**(2,114)**

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements are general-purpose financial statements which have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and Australian Accounting Interpretations. The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, investment properties classified as held-for-sale, derivative financial instruments and inventories which have been measured at net realisable value. Note 11 details non-current assets classified as held-for-sale and the basis for measurement used.

The financial statements are presented in Australian dollars, which is the functional and presentation currency of the Company, and all values are rounded to the nearest thousand dollars ($'000), unless otherwise stated, under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which this class order applies.

The consolidated financial statements of the Company also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB). The Company is a for-profit entity for the purpose of preparing these financial statements.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Consolidated Entity only. Supplementary information about the parent entity is disclosed in Note 31.

(b) New accounting standards and interpretations

The Group has adopted as of 1 July 2013 the following new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB):

AASB 10 Consolidated Financial Statements

This standard establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation – Special Purpose Entities.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority of voting rights may give control.

AASB 11 Joint Arrangements

This standard replaces AASB 131 Interests in Joint Ventures and UIG-113 Jointly-controlled Entities – Non-monetary Contributions by Ventures.

AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint arrangements that give the venturers a right to the underlying assets and obligations themselves are accounted for by recognising the share of those assets and obligations. Joint arrangements that give the venturers a right to the net assets are accounted for using the equity method.

In accordance with this new accounting policy, the Group has classified its investment in Bridgeview, Annandale as a joint venture accounted for using the equity method. In accordance with the provisions of AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, this classification of the Bridgeview investment has been accounted for retrospectively, so that the investment at 30 June 2013 of $9,000,000 has been reclassified from a receivable from joint arrangement to an equity accounted investment in the Statement of Financial Position. There was no effect on the statement of profit or loss and other comprehensive income.

AASB 12 Disclosure of Interests in Other Entities

This standard includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the "exit price" and provides guidance on measuring fair value when a market becomes less active. The "highest and best use" approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

The standard has changed the definition of short-term employee benefits, from "due to" to "expected to" be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

AASB 127 Separate Financial Statements (Revised), AASB 128 Investments in Associates and Joint Ventures (Reissued) and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

AASB 127 and AASB 128 have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12 and AASB 2011-7 makes numerous consequential changes to a range of Australian Accounting Standards and Interpretations. AASB 128 has also been amended to include the application of the equity method to investments in joint ventures.

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities

This standard principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position, when all the offsetting criteria of AASB 132 are not met.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

This amends AASB 124 "Related Party Disclosures" by removing the disclosure requirements for individual key management personnel (**KMP**). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No. 1) now specify the KMP disclosure requirements to be included within the Directors' Report.

The adoption of the above new and revised Standards and Interpretations had no material impact on the financial position or performance of the Group.

(c) Principles of consolidation

The Group's financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June each year.

Subsidiaries are all those entities over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

In preparing the Group's financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-Group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements of the Company.

(d) Segment reporting

The Group operates one business segment being property development in Australia. The operating segment is reported in a manner consistent with the internal reporting provided to management. Further segment information is reported in Note 27 Segment Information.

(e) Cash and cash equivalents

Cash and cash equivalents 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 known amounts of cash and which are subject to an insignificant risk of changes in value.

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.

(f) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised and recorded in a separate account when there is objective evidence that the Group will not be able to collect the debt. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments for a prolonged period are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying value and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the statement of profit or loss and other comprehensive income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

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.

Land under development and apartment construction

Both land under development and apartment projects under construction are measured at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, materials, borrowing costs and holding costs incurred during development and construction. Once development and construction is completed, borrowing costs and holding costs are expensed as incurred.

All land under development (including land undergoing the approval process) and apartment construction projects are regarded as inventory and are classified as such in the statement of financial position. Development projects whereby the Group controls all the risks and benefits of the arrangement and is required to take ownership of any unsold parcels at the end of the project are also classified as land under development. Land and apartments are classified as current only when sales are expected to occur within the next 12 months.

Borrowing costs included in the cost of any land under development and apartment construction projects are those costs that would have been avoided if the expenditure on the acquisition and development of the land, and building of the apartment project, had not been made. Borrowing costs incurred while active development and construction is interrupted for extended periods are recognised as an expense.

(h) Derivative financial instruments

The Group enters into forward foreign exchange agreements in order to manage its exposure to foreign exchange rate risks.

Derivatives are recognised at fair value at the date the contract is entered into and subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the statement of profit or loss and other comprehensive income immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in the statement of profit or loss and other comprehensive income depends on the nature of the hedge relationship. The fair value of a derivative is presented as a non-current asset or liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Group does not designate any derivatives as hedges.

(i) Financial assets

Financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Consolidated Entity has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either: (i) held for trading, where they are acquired for the purpose of selling in the short term with an intention of making a profit; or (ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gains or losses previously reported in the available-for-sale reserve are recognised in profit or loss when the asset is derecognised or impaired.

The fair values of available-for-sale financial assets that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis; and option pricing models.

Impairment of financial assets

The Group assesses at the end of each reporting period whether a financial asset or group of financial assets is impaired. The Group first assesses whether objective evidence exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

(j) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

(k) Share-based payments

The Group provides benefits to its Directors and employees in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions").

The cost of these equity-settled transactions with Directors and employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using the Black-Scholes model.

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 Directors and 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, will ultimately vest. This opinion is formed based on the best available information at reporting date. No expense is recognised for awards that do not ultimately vest.

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.

Refer to Note 29 for more information on share-based payments.

(l) Joint arrangements

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture are recognised in profit or loss and the share of the movements in equity are recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the Consolidated Entity's share of net assets of the joint venture. Income earned from joint venture entities reduces the carrying amount of the investment.

Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Arrangements classified as joint operations are accounted for by the Group recognising its share of jointly held assets, liabilities, revenues and expenses of the joint operation.

Unlike the Group's joint venture investments, its investment in the Burwood and The Milton developments does not presently qualify for classification as a joint venture arrangement accounted for using the equity method, because it has different commercial characteristics. These investments have been classified under Accounting Standard AASB 139 Financial Instruments: Recognition and Measurement as available-for-sale financial assets.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Property, plant and equipment

Plant and equipment is stated at cost less any 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.

Buildings are measured at cost less accumulated depreciation.

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

Leasehold buildings and fixtures – over 20 years

Plant & equipment / Assets under construction – over 3 to 15 years

Land – is not depreciated

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Derecognition

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. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income in the year the asset is derecognised.

(n) Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at reporting date. Gains or losses arising from changes in the fair values of investment properties are recognised in the statement of profit or loss and other comprehensive income in the year in which they arise.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss and other comprehensive income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, land is held for a currently undetermined future use or there is a change in use evidenced by ending of owner-occupation or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under Property, Plant and Equipment up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss and other comprehensive income. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss and other comprehensive income.

(o) Leases

The determination of whether an arrangement is or contains 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 lessee

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 the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

Group as lessor

Leases in which the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Indirect costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income. Lease income is recognised on a straight-line basis over the term of the lease.

(p) Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for 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 inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

(q) Trade and other payables

Trade payables and other payables are recognised initially at fair value and subsequently carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of those goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(r) Provisions

Provisions are recognised when the Group has a present or constructive obligation as a result of past events. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate which reflects current market assessments of the time value of money and the risks specific to the liability.

(s) Interest bearing loans and borrowings

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.

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

(t) Employee leave benefits

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 current liabilities 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. Liabilities for non-accruing sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

The liability for long service leave not expected to be settled within 12 months of the reporting date is recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is 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 expected 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.

(u) Contributed equity

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

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Land development and apartment sales

Revenue is recognised when the risks and rewards of ownership have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer when a sales contract settles.

Revenue arising from the sale of developed land and completed apartments is recognised when a valid sales contract settles whereby title passes to the purchaser.

Rendering of services

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

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.

Rental income

Rental income is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned.

Dividends

Revenue is recognised when the Group's right to receive payment is established.

(w) Borrowing costs

Borrowing costs are recognised as an expense when incurred, except where they are incurred as part of the construction of qualifying assets, where they are then capitalised as part of the cost of that asset. If capitalised interest causes the carrying amount to exceed the asset's net realisable value, capitalisation of interest will cease.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Income tax

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 calculate the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance 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, associates or interests in joint ventures, 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 are recognised for all deductible temporary differences, carry-forward of unused tax assets 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 difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, 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, associates or interests in joint ventures, 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 balance 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.

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 settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance date.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to offset 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.

Unrecognised deferred income tax assets are reassessed at each balance 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.

Tax consolidated group

The Company and its wholly-owned Australian controlled entities have formed a tax consolidated group as of 1 July 2003. The Company is the head entity of the tax consolidated group. The controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group, when certain recognition criteria are met.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details of the tax funding agreement are disclosed in Note 5.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax Consolidated Entities.

(y) Goods and services tax (GST)

Revenues, expenses, assets and liabilities are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the Australian Taxation Office (**ATO**), 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; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO 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 components of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO.

GST is calculated on revenue arising from the sale of real property under the margin scheme, when able.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

(z) Earnings per share

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 is 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.

(aa) Non-current assets held-for-sale

Non-current assets are classified as held-for-sale if their carrying amount will be recovered through a highly probable sale transaction rather than through development and sale. They are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of sale.

Non-current assets held-for-sale are not depreciated or amortised. Interest and other expenses attributable to the liabilities of these assets classified as held-for-sale continue to be recognised.

Non-current assets held-for-sale are presented separately from other assets in the statements of financial position and liabilities with respect to non-current assets held-for-sale are presented separately from other liabilities in the statements of financial position.

(ab) Foreign currency translation

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(ac) Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. This is notwithstanding that the Consolidated Entity experienced a net cash outflow from operations of $4,450,000 (2013: $412,000) for the year, and that current liabilities exceeded current assets by $3,113,000 as at 30 June 2014. At 30 June 2014 there are current liabilities which include an $11,000,000 payment for Burwood Square, which has subsequently been deferred to 1 September 2014, and a maximum payment of $16,200,000 for the SeaSpray land outstanding.

These conditions give rise to a material uncertainty which may cast significant doubt over the Consolidated Entity's ability to continue as a going concern.

Notwithstanding the above, the Directors believe it is appropriate to prepare this financial report on a going concern basis as the net current liability position has primarily arisen due to the entering into of profitable joint ventures in order to diversify PBD's portfolio to the east coast of Australia. In addition the following is also pertinent:

- Establishment of a new three year $40,000,000 loan facility with Sun Hung Kai International Bank [Brunei] Limited (**SHK**). The SHK facility has $3,000,000 in capacity remaining, net of capitalised interest;
- Subsequent to balance date the $11,000,000 payment for Burwood Square has been extended to 1 September 2015;
- In relation to SeaSpray, the $16,200,000 represents the payment of $1,700,000 in November 2014 (to be funded from the SHK facility) and $14,500,000 being the maximum exposure for payment relating to unsold land at 30 June 2015. The project is currently underway with pre-sales already occurring. The current forecast for the 30 June 2015 payment based on sales rate to date is $9,200,000;
- The Company owns 18 completed apartments in Oceanique which it continues to sell down in an orderly manner;
- Proceeds from Bridgeview are expected to be received early 2015; and
- Subsequent to balance date the Company entered into Indicative Terms for a A$30,000,000 loan facility. Due diligence is currently being undertaken by the potential financier. This facility would be used to expand PBD's financial capacity to meet any of the above liabilities and/or to partially repay the SHK facility which is denominated in foreign currency.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ac) Going concern (continued)

In addition to the above, the Directors continue to assess PBD's funding options in the form of both debt and equity and Shareholders will be updated as matters progress.

The Directors have concluded that there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they fall due. On this basis the financial report has been prepared on a going concern basis.

Should the Consolidated Entity be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the Consolidated Entity be unable to continue as a going concern and pay its debts as and when they fall due.

(ad) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2014. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Consolidated Entity, are set out below.

AASB 9 Financial Instruments and its consequential amendments

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2017 and complete phases I and III of the IASB's project to replace IAS 39 (AASB 139) "Financial Instruments: Recognition and Measurement". This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 "Hedge Accounting" supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The Consolidated Entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the Consolidated Entity.

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities

The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 "Financial Instruments: Presentation", by clarifying the meaning of "currently has a legally enforceable right of set-off"; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the Consolidated Entity.

AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 "Impairment of Assets" have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of these amendments from 1 July 2014 may increase the disclosures by the Consolidated Entity.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financing of the Group's operations is supported by both equity and debt financing.

The Group's principal financial instruments comprise bank loans, cash and short-term deposits. The Group holds the following financial instruments:

	Consolidated 2014 $'000	Consolidated 2013 $'000
Financial assets		
Cash and cash equivalents	**2,321**	–
Trade and other receivables	**592**	239
Other assets (SHK deposit)	**1,666**	–
	4,579	**239**
Financial liabilities		
Trade and other payables	**27,947**	898
Borrowings	**32,867**	22,872
	60,814	**23,770**

The Group has various financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The main purpose of borrowings is to provide finance for the Group's operations.

Financial risk management is overseen by the Board. It is the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are market risk, credit risk, liquidity risk, foreign exchange risk and price risk. The Board reviews and agrees policies for managing each of these risks as summarised below.

Further details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument, are disclosed in Note 1 to the financial statements.

Market risk

Cash flow interest rate risk

Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group's borrowings issued at fixed rates limit the exposure to this interest rate risk. At the end of the financial year however, all of the Group's borrowings were at variable interest rates.

The Group's financing is generally split as follows:

- short-term project finance; and
- medium-term borrowings used for the funding of the Group's equity contributions into its development projects and working capital.

Project finance provides the funds necessary for construction and development projects and the bank facilities for these involve variable interest rates. The funds available may only be used to fund the specific project for which the facility was granted.

Medium term borrowings used to finance the funding of the Group's equity contributions into its development projects and working capital are managed by borrowing at variable interest rates. Please refer to Note 15 for the Group's maximum exposure to interest rate risk.

Interest rate risk Group sensitivity

For the year to 30 June 2014 if interest rates had changed by –/+ 100 basis points (the maximum potential change in management's view from the year-end rates with all other variables held constant), post-tax profit for the year would have been $1,413,000 lower/higher (2013: $269,000 lower/ higher), mainly as a result of higher/lower interest expense from borrowings.

The Group's bank facility at 30 June 2014 was a three year A$40,000,000 facility. At 30 June 2014 none (2013: none) of the Group's borrowing was at a fixed interest rate. The interest rate for the three year facility is 7% p.a. over BBSY.

Price Risk

The Group is not exposed to any significant price risk.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit Risk

Credit risk is the risk that the counter party will default on its contractual obligations, resulting in a financial loss to the Group. Any inherent credit risk of elements of the Group's financial statements is mitigated by use of the settlement (completed contract) method of revenue recognition.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances if any, are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Group.

The Group's operation focuses on developing and selling lots of land and built-form product. At 30 June 2014 the Group had no unconditional contracts of sale outstanding (2013: nil).

Credit risk is managed on a Group basis. The maximum exposure to credit risk at 30 June 2014 is the carrying value of financial assets recorded in the financial statements, net of any allowances for losses.

Liquidity risk

Liquidity risk reflects the likelihood of cash generating assets providing insufficient cash flow to fund the Group's operation. The Group's objective is therefore to maintain a balance between continuity of equity funding and the use of bank loans. The Group puts in place sufficient committed credit facilities and monitors actual and forecasted cash flows and matches maturity profiles of financial assets and liabilities, such as receivables and loan facilities.

Financing arrangements

The Group had access to the following borrowing facility at the reporting date:

	Consolidated 2014 $'000	Consolidated 2013 $'000
Floating rate[1]		
– Expiring within 36 months[2]	**32,867**	22,871
	32,867	**22,871**

1 At 30 June 2014 none (2013: none) of the Group's borrowings were at fixed interest rates
2 Facility expires on 30 April 2017

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Refer to Note 15 for more detail on used and unused borrowing facilities and carrying value of assets pledged as security. The amounts disclosed in the table are the contractual undiscounted cash flows.

Consolidated – At 30 June 2014	Weighted average interest rate % $'000	Less than 6 months $'000	6 to 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000
Commercial loan facility	**9.75%**	**–**	**–**	**–**	**32,867**	**–**	**32,867**
Bank guarantee facility	**–**	**–**	**–**	**–**	**700**	**–**	**700**
Trade and other payables	**–**	**137**	**27,810**	**–**	**–**	**–**	**27,947**
Total liabilities	**–**	**137**	**27,810**	**–**	**33,567**	**–**	**61,514**

Consolidated – At 30 June 2013	Weighted average interest rate % $'000	Less than 6 months $'000	6 to 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000
Commercial loan facility	9.52%	–	–	–	20,757	–	20,757
Overdraft facility	8.80%	–	–	–	2,114	–	2,114
Bank guarantee facility	9.05%	–	–	–	700	–	700
Trade and other payables	–	398	500	–	–	–	898
Total liabilities	**–**	**398**	**500**	**–**	**23,571**	**–**	**24,469**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

Maturities of derivatives

Consolidated – At 30 June 2014	Weighted average interest rate % $'000	Less than 6 months $'000	6 to 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000
Forward foreign exchange contracts net settled	–	**367**	–	–	–	–	**367**
Total liabilities	–	**367**	–	–	–	–	**367**

Consolidated – At 30 June 2013	Weighted average interest rate % $'000	Less than 6 months $'000	6 to 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000
Forward foreign exchange contracts net settled	–	–	–	–	–	–	–
Total liabilities	–	–	–	–	–	–	–

Foreign exchange risk

The Group has entered into a medium-term loan facility denominated in foreign currency and is exposed to foreign exchange risk through possible foreign exchange rate fluctuations.

Foreign exchange risk arises from financial liabilities denominated in a currency that is not the Group's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

In order to protect against exchange rate movements, the Group has entered into forward foreign exchange contracts. Management has a risk management policy to hedge a minimum of 75% of anticipated foreign exchange transactions.

The maturity, settlement amounts and the average contracted exchange rates of the Group's outstanding forward foreign exchange contracts at the reporting date are as follows:

	Sell Australian dollars 2014 HK$'000	Sell Australian dollars 2013 HK$'000	Average exchange rates 2014	Average exchange rates 2013
Buy HK$ maturities:				
0 – 3 months	–	–	–	–
3 – 6 months	**239,975**	–	**7.1436**	–

The carrying amount of the Group's financial liabilities denominated in foreign currency at the reporting date is as follows:

Consolidated	Liabilities 2014 HK$'000	Liabilities 2013 HK$'000
HK$	**239,975**	–
Total	**239,975**	–

The Group had liabilities denominated in foreign currencies of HK$239,975,000 as at 30 June 2014 (2013: nil). Based on this exposure, had the A$ weakened by 10%/strengthened by 5% (2013: nil) against this foreign currency with all other variables held constant, the Group's profit before tax for the year would have been $3,301,000 lower/$1,651,000 higher (2013: nil) and equity would have been $3,301,000 lower/$1,651,000 higher (2013: nil). The percentage change is the expected overall volatility of the currency, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last six months and the spot rate at reporting date. The actual foreign exchange loss for the year ended 30 June 2014 was $72,000 (2013: nil).

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign exchange risk (continued)

Fair value measurement

Fair value hierarchy

The following tables detail the Group's fair values of financial instruments categorised by the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: 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); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Consolidated – 2014	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivatives at fair value – forward foreign exchange contracts	–	–	–	–
Available-for-sale financial assets	–	–	**59,719**	**59,719**
Total assets	–	–	**59,719**	**59,719**
Liabilities				
Derivatives at fair value – forward foreign exchange contracts		**367**	–	**367**
Total liabilities	–	**367**	–	**367**

Consolidated – 2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivatives at fair value – forward foreign exchange contracts	–	–	–	–
Available-for-sale financial assets	–	–	–	–
Total assets	–	–	–	–
Liabilities				
Derivatives at fair value – forward foreign exchange contracts		–	–	–
Total liabilities	–	–	–	–

There were no transfers between levels during the financial year.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

The following table gives information about how the Group's financial instruments held at fair value are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ liabilities	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value	Sensitivity
Derivatives at fair value – forward foreign exchange contracts (refer Note 16)	Level 2	Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.	N/A	N/A	N/A
Available-for-sale financial assets (refer Note 10)	Level 3	Discounted cash flow	The significant unobservable input is the discount rate used in discounting the estimated cash flows to their net present value. The discount used was 20%.	The higher the discount rate, the lower the fair value.	5% increase in this input (i.e. from 20% to 25%) would decrease fair value by $3.8 million. 5% decrease in this input (i.e. from 20% to 15%) would increase fair value by $4.2 million.

Valuation processes for Level 3 fair values

The management team performs Level 3 valuations for available-for-sale financial assets. The management team reports to the CEO and Audit Committee. Valuations are performed every six months to ensure that they are current for the half-year and annual financial statements. Valuations are reviewed and approved by the Audit Committee. The management team also updates valuation models at least annually in periods when an external valuation is not conducted which are also approved by the Audit Committee. All external valuations are also approved by the Audit Committee.

Movements in Level 3 financial instruments during the current financial year are set out below:

Consolidated – 2014	Available-for-sale financial assets $'000	Total $'000
Balance at 1 July 2013	–	–
Additions	53,930	53,930
Disposals	–	–
Gains recognised in other comprehensive income	5,789	5,789
Balance at 30 June 2014	**59,719**	**59,719**

The Group did not hold any Level 3 financial instruments during the previous financial year.

Fair value of financial instruments that are not measured at fair value on a recurring basis

The carrying values of current financial assets and liabilities approximate their fair value at reporting date.

The carrying values less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

The carrying amounts of borrowings disclosed in Note 15 are assumed to approximate their fair values because the impact of discounting is not significant.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Group's accounting policies management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below.

Significant accounting judgements

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences when Directors consider that it is probable that future taxable profits will be available to utilise those temporary differences. In a prior year a decision was made by Directors to de-recognise the net balance of deferred taxes previously reported and not to recognise any tax benefit for the current period's losses. See Note 5 for further detail.

Significant accounting estimates and assumptions

The Group may assess non-financial assets using net realisable value or fair value methodology.

Net realisable value write-down of inventory

The net realisable value of inventories is calculated using estimated selling prices in the ordinary course of business less costs to complete, less costs to sell. The key assumptions involve management judgement, and take into account reliable information on hand at the time the estimates are made and where possible, external verification is sought for those variables with a material impact on the outcomes.

Fair value write-down of non-current assets held-for-sale

The Group assesses fair value of all non-current assets held-for-sale at each reporting date. Fair value reflects the amount which could be exchanged between the Group and knowledgeable willing buyers in the marketplace. In order to determine fair value, the Group engages independent professional valuation firms specialising in the property industry.

At 30 June 2014 an analysis of net realisable value and fair value of the Group's assets resulted in an impairment of $1,434,000. A similar analysis at 30 June 2013 resulted in impairment reversals of $256,000.

Fair value assessment of property, plant and equipment

The Group reviews residual values, useful lives and amortisation methods for property, plant and equipment, and these are adjusted if appropriate, at the end of each reporting period.

Classification of joint arrangements

Determining whether a contractual arrangement gives rise to a joint arrangement and determining the type of joint arrangement requires a degree of judgement. In making this judgement, the Group considers whether the contractual agreement provides joint control of an arrangement whereby decisions about the relevant activities require the unanimous consent of the parties sharing control. Furthermore, in determining the type of joint arrangement, consideration is also made as to whether the contractual arrangement provides the Group with the rights to the assets and obligations for the liabilities or just the rights to the net assets of the arrangement.

Once the above criteria have been established, the Group accounts for its joint arrangements in accordance with the accounting policy in Note 1(l).

Fair value measurement hierarchy

The Consolidated Entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated 2014 $'000	Consolidated 2013 $'000
4. REVENUE AND EXPENSES		
Revenue		
Sale of goods – land and apartments	**4,750**	9,276
Rendering of services	**–**	33
Finance revenue	**42**	95
Forfeited deposits revenue	**–**	222
	4,792	9,626
Breakdown of finance revenue:		
Bank interest received	**42**	95
	42	95
Other income		
Reversal of provisions – Gidgegannup option cancellation	**–**	4,500
Realised foreign exchange gain	**–**	32
Other income	**35**	–
Damages claims/termination fees	**355**	194
	390	4,726
Finance costs		
Bank accounts and loan interest paid/accrued	**(2,127)**	(3,770)
	(2,127)	(3,770)
Employee benefits expense		
Wages and salaries	**(991)**	(874)
Superannuation expense	**(83)**	(115)
Payroll tax	**(15)**	(52)
Share-based payment expense	**(204)**	–
Other employee benefits expense	**(183)**	(69)
	(1,476)	(1,110)
Depreciation and amortisation		
Plant and equipment	**(1,001)**	(43)
Plant and equipment – Disposal	**(15)**	–
	(1,016)	(43)
Other expenses from continuing operations		
Gidgegannup option cancellation fee	**–**	(2,227)
Project costs	**–**	(288)
Strata levies	**(2)**	(137)
Audit fees	**(88)**	(120)
Insurance	**(102)**	(80)
ASX fees	**(100)**	(55)
Share registry fees	**(133)**	(40)
Electricity	**(14)**	(31)
Travel	**(72)**	(8)
Funds management costs	**–**	(2)
Corporate recharge	**(138)**	–
Withholding tax	**(56)**	–
Bank charges	**(44)**	–
Valuation fees	**(51)**	–
Other	**(265)**	(251)
	(1,065)	(3,239)

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

4. REVENUE AND EXPENSES (CONTINUED)

(a) Capitalised borrowing costs

During the year the Group incurred borrowing costs of $2,127,000 (2013: $3,770,000). Of these costs nothing was capitalised (2013: nil). The capitalisation rate of borrowing costs was not applicable during the year (2013: nil).

	Consolidated	
	2014	2013
	$'000	$'000

5. INCOME TAX

Income tax expense

	2014 $'000	2013 $'000
The major components of income tax expense are:		
Current income tax		
Current income tax charge	–	–
Adjustments in respect of current income tax of previous years	–	–
Deferred income tax		
De-recognition of deferred tax assets	–	–
Offset of deferred tax liabilities against deferred tax assets	–	–
Relating to origination and reversal of temporary differences	–	–
Income tax (credit)/expense reported in statement of comprehensive income	–	–

Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate

	2014 $'000	2013 $'000
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting loss before tax from continuing operations	**(8,569)**	(3,574)
At the Group's statutory rate of 30% (2013: 30%)	**(2,571)**	(1,072)
Adjustments in respect of current income tax of previous years	–	–
De-recognition of deferred tax assets	–	–
Offset of deferred tax liabilities	–	–
Tax losses not recognised	**2,559**	1,071
Expenditure not allowable for income tax purposes	**12**	1
	–	–
Income tax expense reported in consolidated statement of comprehensive income	–	–
	–	–

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

5. INCOME TAX (CONTINUED)

Recognised deferred tax assets and liabilities

	Balances		Movements	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
CONSOLIDATED				
Deferred tax liabilities				
Other income not assessable until realised – fair value profit on revaluation	**(1,737)**	–	**(1,737)**	–
Expenditure deductible for taxation purposes and not accounting purposes	**(202)**	(6)	**(196)**	188
Accelerated depreciation for tax purposes	**–**	–	**–**	–
Deductible expenses capitalised into land value	**–**	–	**–**	–
Development costs immediately deductible	**(769)**	(1,197)	**428**	73
Offset of deferred tax liabilities against deferred tax assets	**2,708**	1,203	**1,505**	(115)
	–	–	**–**	–
CONSOLIDATED				
Deferred tax assets				
Tax losses carried forward	**27,587**	27,872	**(285)**	2,923
Expenses not deductible until paid	**186**	142	**44**	(841)
Share transaction costs	**64**	802	**(738)**	212
Other	**–**	–	**–**	(37)
Loan impairment	**–**	–	**–**	–
Fair value loss on net realisable value write down	**23,777**	24,647	**(870)**	(3,054)
Adjustment in respect of prior year tax losses	**–**	–	**–**	–
Unrecognised deferred tax assets	**48,906**	(52,260)	**3,353**	2,000
Offset of deferred tax liabilities against deferred tax assets	**(2,708)**	(1,203)	**(1,505)**	(1,203)
Rounding differences	**–**	–	**–**	–
	–	–	**–**	–
Deferred tax income/(expense)			**–**	–

Deferred tax assets not brought to account

As reflected above, there are amounts of deductible temporary differences, unused tax losses or unused tax credits that have not been recognised as deferred tax assets in the statement of financial position.

The benefit of these assets has not been brought to account as realisation is not probable.

The benefit will only be obtained if:

- The Consolidated Entity derives future assessable income of a nature and amount sufficient to enable the benefits to be realised.
- The Consolidated Entity continues to comply with the conditions for deductibility imposed by the law.
- No changes in tax legislation adversely affect the Consolidated Entity in realising the benefit from the deduction of the losses.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated 2014 $'000	Consolidated 2013 $'000

6. CASH AND CASH EQUIVALENTS

Cash at bank and on hand/(overdraft)	**2,321**	(2,114)

In the current reporting year the Group no longer has a commercial overdraft facility. Cash at bank earns interest at floating rates based on daily bank deposit rates and the balance in the account. The carrying amount of cash and cash equivalents represents fair value.

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:

Cash at bank and on hand/(overdraft)	**2,321**	(2,114)

During the period, the weighted average interest rate the Group received for its cash and cash equivalents was 0.73% (2013: 2.60%).

7. TRADE AND OTHER RECEIVABLES

Current

Trade receivables (Note 7(a))	**–**	175
Other receivables (Note 7(b))	**592**	64
	592	239

Details regarding the effective interest rate and credit risk of receivables are disclosed in Note 2.

(a) Trade receivables

2014: Trade receivables are all non-interest bearing at 30 June 2014. They are generally on 30 to 90 day terms.

2013: Trade receivables are all non-interest bearing at 30 June 2013, other than an amount of $100,000. They are generally on 30 to 90 day terms, other than an amount of $175,000 which is receivable by no later than 24 May 2014.

There is no evidence of impairment for any trade receivable; therefore no allowance has been recognised.

(b) Other receivables – current

Other receivables are damages receipts in relation to unsettled properties.

(c) Movement in allowance for impairment loss

Balance at the beginning of the year	**–**	–
Movement	**–**	–
Balance at the end of the year	**–**	–

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

8. INVENTORIES

Details regarding the carrying amount of inventories pledged as security for borrowings are disclosed in Note 15.

Inventories recognised as expense within cost of sales during the year ended 30 June 2014 amounted to $4,212,000 (2013: $7,741,000).

Impairment and impairment reversals

Write-down of inventory to recoverable amount recognised as an expense during the year ended 30 June 2014 amounted to $1,434,000 (2013: nil). The expense for 2014 has been included in the net realisable value write-down amount in the statements of profit or loss and other comprehensive income.

The Group's inventories, net of impairments, and the balance of impairment provisions for inventories, are shown in tables (a) and (b) below respectively.

	Consolidated	
	2014 $'000	2013 $'000
(a) Inventories net of impairment		
Current		
Finished apartments		
Cost of acquisition	**159**	236
Development and other costs	**22,831**	33,787
Capitalised interest	**2,737**	4,063
Impairment provision	**(13,262)**	(16,606)
Total	**12,465**	21,480
Land under development		
Cost of acquisition	**6,315**	–
Development and other costs	**–**	–
Capitalised interest	**–**	–
Impairment provision	**–**	–
Total	**6,315**	–
Total current	**18,780**	21,480
Non-Current		
Finished apartments		
Cost of acquisition	**62**	–
Development and other costs	**8,876**	–
Capitalised interest	**1,064**	–
Impairment provision	**(4,778)**	–
Total	**5,224**	–
Land under development		
Cost of acquisition	**109,180**	97,497
Development and other costs	**8,159**	8,000
Capitalised interest	**1,480**	1,480
Impairment provision	**(58,977)**	(58,977)
Total	**59,842**	48,000
Total non-current	**65,066**	48,000
Total inventories net of impairment	**83,846**	69,480

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

8. INVENTORIES (CONTINUED)

(b) Inventory impairment provisions

	Finished apartments $'000	Land under development $'000	Total $'000
2014			
Current			
Balance as at 1 July 2013	**(16,606)**	**–**	**(16,606)**
Amounts utilised	**–**	**–**	**–**
Transferred to non-current	**4,355**	**–**	**4,355**
Additional provision created	**(1,011)**	**–**	**(1,011)**
Balance at 30 June 2014	**(13,262)**	**–**	**(13,262)**
Non-current			
Balance as at 1 July 2013	**–**	**(58,977)**	**(58,977)**
Amounts utilised	**–**	**–**	**–**
Transferred (from) current	**(4,355)**	**–**	**(4,355)**
Additional provision created	**(423)**	**–**	**(423)**
Balance at 30 June 2014	**(4,778)**	**(58,977)**	**(63,755)**
Total balance at 30 June 2014	**(18,040)**	**(58,977)**	**(77,017)**
2013			
Current			
Balance as at 1 July 2012	(2,276)	–	(2,276)
Amounts utilised	4,130	–	4,130
Transferred (from) non-current	(18,460)	–	(18,460)
Additional provision created	–	–	–
Balance at 30 June 2013	**(16,606)**	**–**	**(16,606)**
Non-current			
Balance as at 1 July 2012	(18,460)	(58,977)	(77,437)
Amounts utilised	–	–	–
Transferred to current	18,460	–	18,460
Additional provision created	–	–	–
Balance at 30 June 2013	**–**	**(58,977)**	**(58,977)**
Total balance at 30 June 2013	**(16,606)**	**(58,977)**	**(75,583)**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated 2014 $'000	Consolidated 2013 $'000
Investment in joint ventures	**9,000**	9,000

Interests in joint ventures are accounted for using the equity method of accounting. Information relating to joint ventures that are material to the Consolidated Entity are set out below:

Summarised financial information – Bridgeview, Annandale

	Bridgeview 2014 $'000	Bridgeview 2013 $'000
Summarised statement of financial position		
Cash and cash equivalents	**28**	2
Inventories	**12,800**	9,000
Current tax assets	**69**	–
Other current assets	**159**	–
Non-current assets	**–**	–
Total assets	**13,056**	**9,002**
Current financial liabilities (excluding trade and other payables and provisions)	**–**	–
Other current liabilities	**(224)**	–
Non-current financial liabilities (excluding trade and other payables and provisions)	**(3,865)**	–
Non-current liabilities	**–**	–
Total liabilities	**(4,089)**	**–**
Net assets	**8,967**	**9,002**
Summarised statement of profit or loss and other comprehensive income		
Revenue	**–**	–
Interest revenue	**–**	–
Other revenue	**–**	–
Depreciation and amortisation expense		
Other expenses	**(33)**	–
Finance costs		
Loss before income tax	**(33)**	–
Income tax expense	**–**	–
Loss after income tax	**(33)**	–
Other comprehensive income	**–**	–
Total comprehensive income	**(33)**	–
Reconciliation of the Consolidated Entity's carrying amount		
Opening carrying amount	**9,000**	–
Contributions to joint venture	**–**	9,000
Share of loss after income tax[1]	**–**	–
Closing carrying amount	**9,000**	9,000

[1] *The Group has rights to the first $4,500,000 of surplus profits from the joint venture and as the project is currently forecast to make profit in excess of this amount the Group does not recognise any current losses from the joint venture vehicle*

Contingent liabilities

	Bridgeview 2014 $'000	Bridgeview 2013 $'000
Bank guarantee	**13,347**	–

Further details in relation to the bank guarantee are disclosed in Note 26.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Consolidated 2014 $'000	2013 $'000
Investment in development projects	**59,719**	–

Reconciliation

Reconciliation of the fair values at the beginning and end of the current financial year are set out below:

	2014 $'000	2013 $'000
Opening fair value	–	–
Additions	**53,930**	–
Revaluation increments	**5,789**	–
Closing fair value	**59,719**	**–**

During the year the Company invested in two projects, Burwood Square, Burwood and The Milton, Milton. These projects are accounted for as available-for-sale financial assets. The carrying value of Burwood Square and The Milton at 30 June 2014 is $27,600,000 and $32,100,000 respectively.

The development projects have been accounted for in accordance with the accounting policy in Note 1(l).

For further information on fair value measurement, refer Note 2.

11. NON-CURRENT ASSETS HELD-FOR-SALE

(a) Non-current assets classified as held-for-sale

	2014 $'000	2013 $'000
Non-current assets held-for-sale	**1,398**	2,948
	1,398	**2,948**

Included in the above asset total for the year ended 30 June 2014 is Lot 370 Country Club Drive at Port Bouvard Residential Estate.

The assets are measured at the lower of their carrying amount and fair value less costs to sell. Refer to Note 1(aa) for further information.

(b) Liabilities directly associated with non-current assets classified as held-for-sale

There are no liabilities directly associated with the non-current assets held-for-sale shown above.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated			
	Leasehold buildings $'000	Plant and equipment $'000	Assets under construction $'000	Total $'000
12. PROPERTY, PLANT AND EQUIPMENT				
Year ended 30 June 2014				
At 1 July 2013, net of accumulated depreciation	**–**	**85**	**2,940**	**3,025**
Additions	**–**	**7**	**–**	**7**
Disposals	**–**	**(23)**	**–**	**(23)**
Depreciation	**–**	**(21)**	**(980)**	**(1,001)**
Net carrying amount	**–**	**48**	**1,960**	**2,008**
At 30 June 2014				
Cost	**–**	**69**	**2,940**	**3,009**
Accumulated depreciation	**–**	**(21)**	**(980)**	**(1,001)**
Net carrying amount	**–**	**48**	**1,960**	**2,008**
Year ended 30 June 2013				
At 1 July 2012, net of accumulated depreciation	–	203	2,647	2,850
Additions	–	10	293	303
Disposals	–	(85)	–	(85)
Depreciation	–	(43)	–	(43)
Net carrying amount	–	85	2,940	3,025
At 30 June 2013				
Cost	–	241	2,940	3,181
Accumulated depreciation	–	(156)	–	(156)
Net carrying amount	–	85	2,940	3,025

Balances of property, plant or equipment included in the table above contain no impairment at balance dates and all items are recorded at cost less depreciation.

	Consolidated	
	2014 $'000	2013 $'000
13. OTHER ASSETS		
Current		
Prepaid expenses	**532**	160
SHK deposit	**1,666**	–
	2,198	160

The SHK deposit is an interest bearing deposit held by SHK in relation to the hedging facility taken out as part of the terms of the SHK loan.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated 2014 $'000	Consolidated 2013 $'000
14. TRADE AND OTHER PAYABLES		
Current		
Unsecured		
Trade creditors	**137**	134
Burwood Square contribution payable[1]	**11,000**	–
Other creditors and accruals[2]	**16,810**	764
	27,947	898

Trade payables are non-interest bearing and are normally settled on 30 to 60 day terms.

Details regarding the effective interest rate and credit risk of current payables are disclosed in Note 2.

1 *As disclosed in the Subsequent Events Note the $11,000,000 due in relation to Burwood Square has been deferred to 1 September 2015*
The amount is presented as current as the Group did not have an unconditional right to defer settlement of these obligations at the reporting date

2 *Included in the "other creditors and accruals" is a $16,200,000 amount payable to Aveo Group in relation to SeaSpray*
Also included in "other creditors and accruals" for the prior period was a deferred payment of $500,000 paid on 2 January 2014 to an unsecured creditor
This payment requirement was originally $4,900,000, however was re-negotiated down by the Company

	Consolidated 2014 $'000	Consolidated 2013 $'000
15. BORROWINGS		
Current		
Secured commercial overdraft	**–**	2,114
	–	2,114
Non-current		
Secured commercial loan	**32,867**	20,757
	32,867	20,757

Bank loan and overdraft

In April 2014 the Group entered into a loan agreement with SHK for up to $40,000,000 (HK$292,000,000). The loan is a dual currency revolving facility. The loan provides the Group with funding to be used for general working capital purposes. The balance of unused facility funds available to the Group at 30 June 2014 was $7,133,000 (HK$52,000,000).

The Group's bank facilities at 30 June 2013 comprised of a commercial line of credit ($10,000,000 limit); bank guarantee line of credit ($700,000 limit); and commercial loan ($20,758,000 limit). The balance of unused facility funds available to the Group at 30 June 2013 was $7,900,000. Apart from the bank guarantee line of credit, which is fully drawn, these facilities have been repaid in full during the 30 June 2014 year.

All of the Group's bank facilities at 30 June 2014 and 2013 are at variable interest rates.

Non-current

As the Group's loan facility matures on 30 April 2017, it is classified as non-current borrowings, being $32,867,000 (2013: $20,757,000).

Financial covenants

The banking facilities require the Group to comply with financial covenants based on achievement of gearing, net tangible assets and foreign exchange hedging requirements. As at the date of this report all covenants have been met.

The Group's bank facilities as at 30 June 2013 were secured by first mortgages over all of the Group's land and buildings which are included in the accounts as inventory (held for development and sale) and non-current assets held for sale.

Assets pledged as security

The $700,000 bank guarantee facility is secured by cash. The A$40 million three year facility is unsecured.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated 2014 $'000	Consolidated 2013 $'000
The carrying amount of assets pledged as security for current and non-current borrowings are as follows:		
Current		
First mortgage		
Non-current assets held for sale	–	2,948
Inventories	–	21,480
	–	24,428
Floating charge		
Receivables	–	239
Other assets	–	160
Non-current assets held for sale	–	2,948
Inventories	–	21,480
Total current assets pledged as security	–	24,827
Non-current		
First mortgage		
Inventories	–	48,000
Property, plant and equipment	–	3,025
	–	51,025
Floating charge		
Inventories	–	48,000
Property, plant and equipment	–	3,025
Total non-current assets pledged as security	–	51,025
Total assets pledged as security	–	75,852

16. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives at fair value – forward foreign exchange contracts	**367**	–
	367	–

Refer to Note 2 for further information on financial instruments.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated 2014 $'000	Consolidated 2013 $'000
17. PROVISIONS		
Employee benefit current	**88**	86
Employee benefit non-current	**3**	92
	91	178

The total of employee benefits relates to annual leave and long service leave, pursuant to employment contracts of the Group's employees.

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Consolidated Entity does not have an unconditional right to defer settlement. However, based on past experience, the Consolidated Entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	Consolidated 2014 $'000	Consolidated 2013 $'000
Employee benefits obligation expected to be settled after 12 months	**35**	–

18. CONTRIBUTED EQUITY

(a) Movement in ordinary share capital

During the financial year the Company did not issue any new shares.

		# of shares		Value of shares	
Date	Details	Movement	Balance	Movement $'000	Balance $'000
1 July 2012	Opening balance		593,868,295		198,989
29 January 2013	Shares issued	2,375,473,180	2,969,341,475	23,754	222,743
29 January 2013	Transaction costs			(2,005)	220,738
15 April 2013	Shares issued	742,335,368	3,711,676,843	7,423	228,161
15 April 2013	Transaction costs			(16)	228,145
Balance at 30 June 2013			**3,711,676,843**		**228,145**
1 July 2013	Opening balance		3,711,676,843		228,145
29 November 2013	Shares issued	2,567,766,430	6,279,443,273	38,516	266,661
9 December 2013	Shares issued	4,468,050	6,283,911,323	67	266,728
20 December 2013	Shares issued	16,522,333	6,300,433,656	248	266,976
20 January 2014	Transaction costs			(212)	266,764
23 January 2014	Shares issued	195,000,000	6,495,433,656	2,860	269,624
24 January 2014	Shares issued	98,775	6,495,532,431	1	269,625
27 February 2014	Shares issued	33,000[1]	6,495,565,431	–	269,625
11 April 2014	Shares issued	45,000	6,495,610,431	1	269,626
9 May 2014	Shares issued	18,750[1]	6,495,629,181	–	269,626
Balance at 30 June 2014			**6,495,629,181**		**269,626**

[1] *The value of the shares issued was less than $1,000 and due to rounding is shown as nil in the table above*

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

(b) Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for Shareholders and other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group considers capital to be a source of funding which will enable it to execute its business model.

Due to the nature of the property development industry significant amounts of capital are required before cash inflows are received from sale of finished products. In order to provide for its capital requirements, the Group will use debt and/or equity strategies appropriate at the time and manages its capital requirement on an ongoing basis.

The capital risk management policy remains unchanged from the 30 June 2013 financial year.

	Consolidated	
	2014 $'000	2013 $'000
19. RESERVES		
Share-based payments reserve:		
Balance at 1 July	–	339
Share-based payments expense	**204**	–
Transfer to accumulated losses	–	(339)
Balance at 30 June	**204**	–
Available-for-sale reserve:		
Balance at 1 July	–	–
Change in fair value of available-for-sale financial assets	**5,789**	–
Balance at 30 June	**5,789**	–

The purpose of the share-based payments reserve is to recognise the fair value of the options issued to employees.

The purpose of the available-for-sale reserve is to recognise the fair value movement of the financial assets until they are derecognised.

20. DIVIDENDS

There were no dividends declared and paid or payable during the year (2013: nil) and no dividends have been proposed since the end of the financial year.

Franking credit balance

The amount of franking credits available for the subsequent financial year are:

	Company	
	2014 $'000	2013 $'000
Franking account balance as at the end of the financial year at 30% (2013: 30%)	**1,106**	1,106
	1,106	1,106

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

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date;
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

21. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share amounts are calculated by dividing net profit/(loss) for the year attributable to ordinary Shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings/(loss) per share amounts are calculated by dividing the net profit/(loss) attributable to ordinary Shareholders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	Consolidated 2014 $'000	2013 $'000
Net profit/(loss) attributable to ordinary equity holders of the parent from continuing operations	**(8,569)**	(3,574)

	# of shares	
Weighted average number of ordinary shares for basic earnings/(loss) per share	**5,316,046,287**	1,744,183,047
Effect of dilution[1]	**–**	–
Weighted average number of ordinary shares adjusted for the effect of dilution	**5,316,046,287**	1,744,183,047

[1] *Diluted shares include options issued to Directors and employees*
There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements

Options were anti-dilutive and thus were not included in the diluted loss per share calculation.

	Cents	Cents
Basic and diluted loss per share	**(0.16)**	(0.20)

22. KEY MANAGEMENT PERSONNEL

Compensation of key management personnel

The key management personnel were identified in the Directors' Report. Details of compensation of the Group's key management personnel are as follows:

	Consolidated 2014 $	2013 $
Short-term employee benefits	**589,001**	681,048
Post-employment benefits	**42,258**	55,631
Share-based payments	**203,723**	–
	834,982	736,679

23. RELATED PARTY DISCLOSURE

Subsidiaries

The consolidated financial statements include the financial statements of the Company and the subsidiaries listed in the following table.

		Equity Interest		Investment	
		2014	2013	2014	2013
Name of Entity	Country of Registration	%	%	$'000	$'000
CP Development Pty Ltd[1]	Australia	**100**	100	**2,162**	2,162
Midland Court Mortgage Finance (NSW) Pty Ltd[1, 2]	Australia	**100**	100	**–**	–
Wannunup Development Nominees Pty Ltd[1, 2]	Australia	**100**	100	**–**	–
Esperance Development Company Pty Ltd[1, 3]	Australia	**100**	100	**–**	–
Furnissdale Development Company Pty Ltd[1, 3]	Australia	**100**	100	**–**	–
Melros Beach Development Pty Ltd[1,3]	Australia	**100**	100	**–**	–
Point Grey Development Company Pty Ltd[1, 3]	Australia	**100**	100	**–**	–
PBD Estate No 1 Pty Ltd[1, 3]	Australia	**100**	100	**–**	–
PBD Estate No 2 Pty Ltd[1, 3]	Australia	**100**	100	**–**	–
PBD Realty Pty Ltd[1, 3]	Australia	**100**	100	**–**	–
Port Bouvard Funds Management Limited	Australia	**100**	100	**51**	51
Peel Water Pty Ltd[1]	Australia	**100**	100	**8,000**	8,000
PBD (The Milton) Pty Ltd[1, 4]	Australia	**100**	–	**–**	–
PBD (Yang Land) Pty Ltd[1, 4]	Australia	**100**	–	**–**	–
PBD Funds Management Pty Ltd	Australia	**100**	100	**50**	–
				10,263	10,213

1 These controlled entities are not required to prepare audited financial statements
2 These entities have a cost of investment of $2, which due to rounding is shown as nil in the above table
3 These entities have a cost of investment of $1, which due to rounding is shown as nil in the above table
4 These entities have a cost of investment of $100, which due to rounding is shown as nil in the above table

Ultimate parent

The Company is the ultimate parent company of the wholly owned Group.

Key management personnel

Disclosures relating to key management personnel are set out in Note 22 and the Remuneration Report in the Directors' Report.

Bridgeview, Annandale

During April 2013, the Group entered into a joint arrangement to develop 23 townhouses in Annandale, New South Wales. The parties to the joint arrangement are 100% subsidiary company PBD Estate No.2 Pty Ltd, BHW Group Pty Ltd (**BHW**) and Dundas Developments Pty Ltd (**Dundas**).

As at 30 June 2014, Ben Zheng Lin, son of CEO Jally Lin, is a director and company secretary and shareholder of BHW, which owns 100% of units in the trust which owns the Annandale land.

Jally was appointed CEO of the Company in May 2013, and at the time of the transaction was not an employee of the Group.

PBD Director Marcus Seow is PBD's appointee on the board of Dundas.

Refer to Note 9 Investments accounted for using the equity method for additional information with respect to Bridgeview, Annandale.

The Milton, Milton

During the financial year the Group acquired a 50% interest in The Milton development from Aveo Group for $27,960,000. The relevant contract forms an available-for-sale financial asset. Aveo Group was formerly a shareholder of the Group, but had sold its interest in PBD before the sale of the 50% interest in The Milton to the Group. The Group has chosen to disclose this transaction in view of the significant shareholdings of MIB in both PBD and Aveo Group.

The parties to the joint arrangement are 100% subsidiary company PBD (The Milton) Pty Ltd and FKP Commercial Developments Pty Ltd (a wholly owned subsidiary of Aveo Group).

PBD Director David Hunt is a director of FKP Commercial Developments Pty Ltd. PBD Director Winson Chow is an alternate director of Aveo Group.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

23. RELATED PARTY DISCLOSURE (CONTINUED)

SeaSpray, Point Cook

During the financial year, the Group acquired a 100% interest in SeaSpray, part of Aveo Group's Saltwater Coast, Point Cook, development for a price of $18,000,000. Aveo Group was formerly a shareholder of the Group, but had sold its interest in PBD before the sale of the 100% interest in SeaSpray to the Group. The Group has chosen to disclose this transaction in view of the significant shareholdings of MIB in both PBD and Aveo Group.

The parties to the sale are 100% subsidiary company PBD (Yang Land) Pty Ltd and FKP Residential Developments Pty Ltd (a wholly owned subsidiary of the Aveo Group).

PBD Director David Hunt is a director FKP Residential Developments Pty Ltd. PBD Director Winson Chow is an alternate director of Aveo Group.

Mulpha

During the financial year, payments for payroll and information technology services totalling $137,620 were paid to Caldisc Pty Limited, a 100% owned subsidiary of Mulpha.

During the financial year, a $12,000,000 short-term loan facility was provided by Mulpha Credit Sdn Bhd, a related party of MIB, with interest payments totalling $287,768 made by PBD. As at 30 June 2014, the entire loan balance has been repaid and the facility has been withdrawn.

All transactions relating to the loan facility were made on normal commercial terms and conditions and at market rates.

The chairman of PBD, Winson Chow, is an Executive Director and the Chief Operating Officer of Mulpha, a subsidiary of MIB, which is a 19.9% shareholder of PBD.

	Consolidated	
	2014	2013
	$	$
24. REMUNERATION OF AUDITORS		
Amounts received or due and receivable by BDO for:		
– an audit and review of the financial report of the Company and the Group by BDO East Coast Partnership	**105,000**	–
– an audit and review of the financial report of the Company and the Group by BDO Audit (WA) Pty Ltd	**–**	127,200
– tax compliance and advice by BDO Corporate Tax (WA) Pty Ltd	**29,879**	24,143
	134,879	151,343
25. EXPENDITURE COMMITMENTS		
Operating lease commitments		
Future minimum rentals payable under operating leases at 30 June are:		
Within one year	**4**	74
After one year but not more than five years	**–**	–
More than five years	**–**	–
	4	74

The operating lease commitment in the current financial year related to the lease of office equipment. In the 2013 financial year, the operating lease commitment related to the lease of the Perth Office and office equipment.

Capital commitments

Committed at the reporting date but not recognised as liabilities or payables:		
Investment properties:		
The Milton, Milton	**557**	–
Burwood Square, Burwood	**2,900**	–
SeaSpray, Point Cook development and other costs	**885**	–
	4,342	–

The capital commitments in relation to SeaSpray represent the project costs in respect to the first stage of the development.

Under the terms of the agreements for The Milton and Burwood Square developments, the Group is required to make additional capital contributions to the projects in the event of funding shortfalls to cover project costs. Any additional capital contributions to the projects are determined based on the Group's respective share in the project.

Other than those disclosed above, the Group has considered the requirements of any additional capital contributions to the projects to be remote at the reporting date.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated 2014 $'000	Consolidated 2013 $'000

26. CONTINGENCIES

Contingent liabilities

The Company and Group had contingent liabilities at 30 June 2014 in respect of:

Guarantees

The Group has provided guarantees in respect of:

	2014 $'000	2013 $'000
The Milton, Milton	**108,500**	–
Bridgeview, Annandale	**13,347**	–
The City of Mandurah	**700**	700
	122,547	700

The Group has access to a bank guarantee facility from St.George Bank. The facility limit is $700,000 and the unused limit at 30 June 2014 is nil.

For expected maturities of these bank guarantees, please refer to Note 2.

Bridgeview, Annandale

The Group has provided a guarantee of $13,347,000 over the financing facility in place within the Bridgeview development project. The guarantee provides security in event that the joint venture partner defaults on its obligations under the financing arrangement. None of this guarantee has been used at 30 June 2014 (2013: nil).

The Group's investment is secured over the property at 300 Johnston Street, Annandale by a second registered mortgage. The first registered mortgage is with NAB, the construction financier. The Group will also provide partial discharges of the mortgage as required to facilitate settlement of the townhouses.

The Milton, Milton

The Group has provided a guarantee of $108,500,000 over the financing facility in place within The Milton development project. The guarantee provides security in event that the joint venture partner defaults on its obligations under the financing arrangement. None of this guarantee has been used at 30 June 2014 (2013: nil).

The Group's investment is secured by way of a registered security interest over the development (including the land, sale contracts and building contract). The first registered security is with United Overseas Bank, the construction financier to the project.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

27. SEGMENT INFORMATION

(a) General information

In accordance with AASB 8 "Operating Segments", the Group has assessed for the financial year ended 30 June 2014 what information is necessary to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

Based upon this assessment, the Audit Committee of the Group determined that it operated one business segment of property development in Australia. Operating results of the property development business segment are regularly reviewed by the Board to make decisions about resource allocation to the business and assess its performance.

(b) Segment information provided to the Board

	Note	Property Development 2014 $'000	2013 $'000
Total segment revenue from external customers	(c)(i)	**4,750**	9,276
Revenue from external customers		**4,750**	9,276
Net loss after income tax	(c)(ii)	**(8,569)**	(3,574)
The following items are included in the net loss after income tax, which is reviewed by the Board:			
Depreciation and amortisation		**(1,001)**	(43)
Net realisable value write-down		**(1,434)**	–
Finance costs		**(2,127)**	(3,770)
Total segment assets		**161,062**	84,852
Total segment assets includes:			
Inventories		**83,847**	69,480
Investment in equity accounted investment		**9,000**	9,000
Available-for-sale financial assets		**59,719**	–
Total segment liabilities		**61,272**	23,947

(c) Notes – other segment information

(i) Revenue

The revenue from external customers reported to the Board is consistent with what has been reported in the statement of profit and loss and other comprehensive income.

Revenue from external customers is derived from the sale of land or built-form product when a valid sales contract settles whereby title passes to the purchaser.

Segment revenue reconciles to total revenue from continuing operations as follows:

	2014	2013
Total segment revenue	**4,750**	9,276
Rendering of services	**–**	33
Forfeited deposits	**–**	222
Finance revenue	**42**	95
Total revenue from continuing operations (Note 4)	**4,792**	9,626

(ii) Net loss after tax

The Board assesses the performance of the operating segment based on net loss after income tax.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

28. NOTES TO CASH FLOW STATEMENT

	Consolidated 2014 $'000	Consolidated 2013 $'000
Reconciliation of net loss to net cash flows from operations		
Net loss	**(8,569)**	(3,574)
Adjustments for:		
Depreciation and amortisation	**1,001**	43
Share-based payments	**204**	–
Unrealised foreign exchange gains	**(149)**	–
Loss on sale of property, plant and equipment	**–**	16
Finance costs capitalised within borrowings	**271**	–
Write down of inventory	**1,434**	–
Write (up)/down of non-current assets held-for-sale	**–**	(256)
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	**(353)**	41
(Increase)/decrease in inventories	**(14,251)**	7,304
(Increase)/decrease in other assets	**(372)**	113
Increase in derivatives	**367**	–
Increase/(decrease) in trade and other payables	**16,050**	(3,973)
Increase/(decrease) in provisions	**(87)**	(126)
Net cash (used in) operating activities	**(4,454)**	(412)

Disclosure of financing facilities

Refer to Note 15.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

29. SHARE-BASED PAYMENTS – OPTIONS

Options granted to Directors and management

The terms and conditions of the options are as follows:

- Each option entitles the holder to subscribe for one Share upon exercise of the option and payment of the exercise price.
- Each option is exercisable at any time after the Share price in the Company reaches $0.03 for an exercise price of $0.02 per option payable in full on exercise.
- The options expire as noted in the table below, unless the Company is the subject of a successful takeover, in which case the options lapse.
- Options granted carry no dividend or voting rights.

Once exercised, Shares issued will rank equally in all respects with all other Shares from the date of delivery, including:

- voting rights; and
- entitlements to participate in distributions and dividends and future rights issues and bonus issues.

Set out below are summaries of options granted:

2014 Grant date	Expiry date	Exercise price	Balance at start of the year (#)	Granted during the year (#)	Exercised during the year (#)	Lapsed during the year (#)	Balance at end of the year (#)	Vested and exercisable at end of the year (#)
30 October 2013	31 December 2015	$0.02	–	200,000,000	–	–	200,000,000	–
2 April 2014	31 March 2016	$0.02	–	49,999,998	–	–	49,999,998	–
Total			**–**	**249,999,998**	**–**	**–**	**249,999,998**	**–**
Weighted average exercise price					–		$0.02	–

There were no options on issue during the 2013 financial year.

During the year the following occurred: 200,000,000 options were granted to management on 30 October 2013 and 49,999,998 options were granted to certain Directors on 2 April 2014 (2013: nil).

The weighted average remaining contractual life of options outstanding at the end of the year was 18.6 months (2013: nil).

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2014 was $835,000, being $560,000 for options granted on 30 October 2013 and $275,000 for options granted on 2 April 2014. (2013: nil).

The fair value at grant date is independently determined using the trinomial trees method, which is a simulation model extending the capabilities of the Binomial Option Pricing Model to value barrier options. This model takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
30 October 2013	31 December 2015	$0.015	$0.02	50%	–	2.68%	$0.0028
2 April 2014	31 March 2016	$0.024	$0.02	25%	–	2.75%	$0.0055

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

30. DEED OF CROSS GUARANTEE

At 30 June 2014 the following entities within the Group were parties to a deed of cross guarantee (**Deed**):

- PBD Developments Limited
- CP Development Pty Ltd
- Wannunup Development Nominees Pty Ltd

By entering into the Deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and Directors' Report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

As the entities that are parties to the Deed are also represented in the Group there is no separate "Closed Group" for the purposes of the Class Order.

Set out below in (a) is a consolidated statement of profit and loss and other comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 June 2014 and 2013 for entities that are parties to the Deed at these dates.

	2014 $'000	2013 $'000
(a) Statement of profit or loss and other comprehensive income		
Sale of goods	**3,192**	9,276
Rendering of services	**–**	–
Rental revenue	**–**	–
Finance revenue	**–**	95
Forfeited deposits	**–**	222
Revenue	**3,192**	9,593
Other income	**365**	226
Cost of sales	**(2,662)**	(7,741)
Other selling expenses	–	(77)
Employee benefits expense	**(1,508)**	(1,320)
Other expenses	**(1,272)**	(707)
Commissions and discounts	**(275)**	(589)
Advertising and marketing	**(53)**	(202)
Finance costs	**(2,127)**	(3,479)
Repairs and maintenance	**(43)**	(153)
Rental expenses	**(183)**	(172)
Rates and taxes	**(187)**	(228)
Depreciation and amortisation	**(21)**	(43)
Consulting and legal fees	**(784)**	(392)
Loss on PP&E	**(15)**	–
Derivative	**(367)**	–
Net realisable value write down	**(1,434)**	1,395
Loss before income tax	**(7,374)**	(3,889)
Income tax (expense)/benefit	**–**	–
Loss after tax from continuing operations	**(7,374)**	(3,889)
Comprehensive loss	**(7,374)**	(3,889)
Accumulated losses at the beginning of the year	**(168,724)**	(165,174)
Transfer from reserves	**–**	339
Loss for the year	**(7,374)**	(3,889)
Accumulated losses at the end of the financial year	**(176,098)**	(168,724)

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

30. DEED OF CROSS GUARANTEE (CONTINUED)

Set out below in (b) is a consolidated statement of financial position as at 30 June 2014 and 2013 for the entities that were parties to the Deed at these dates.

(b) Statement of financial position

	2014 $'000	2013 $'000
Current Assets		
Cash and cash equivalents	**2,244**	–
Trade and other receivables	**115,086**	82,085
Inventories	**10,841**	15,376
Other assets	**532**	158
Current Assets	**128,703**	97,619
Non-Current Assets		
Inventories	**6,850**	6,104
Other financial assets	**27,569**	8,051
Property, plant and equipment	**49**	86
Assets classified as held-for-sale	**1,398**	1,398
Deferred tax assets		–
Total Non-Current Assets	**35,866**	15,639
TOTAL ASSETS	**164,569**	113,258
Current Liabilities		
Trade and other payables	**32,737**	29,829
Derivative	**367**	–
Provisions	**88**	–
Total Current Liabilities	**33,192**	29,829
Non-Current Liabilities		
Provisions	**3**	92
Borrowings	**32,867**	22,872
Total Non-Current Liabilities	**32,870**	22,964
TOTAL LIABILITIES	**66,062**	52,793
NET ASSETS	**98,507**	60,465
EQUITY		
Contributed equity	**269,726**	228,145
Reserves	**4,879**	1,044
Accumulated losses	**(176,098)**	(168,724)
TOTAL EQUITY	**98,507**	60,465

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

31. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

	Parent 2014 $'000	Parent 2013 $'000
Summarised statement of financial position		
Current assets	**112,024**	81,685
Non-current assets	**27,618**	10,299
Total assets	**139,642**	91,984
Current liabilities	**4,007**	6,395
Non-current liabilities	**32,870**	22,964
Total liabilities	**36,877**	29,359
Net assets	**102,765**	62,625
Equity		
Contributed equity	**269,626**	228,145
Reserves	**1,775**	–
Accumulated losses	**(168,636)**	(165,520)
Total equity	**102,765**	62,625
Summarised statement of profit or loss and other comprehensive income		
Loss for the year after income tax	**(3,116)**	(3,890)
Total comprehensive loss for the period net of income tax	**(3,116)**	(3,890)

(b) Guarantees

The Company has provided no financial guarantees as at 30 June 2014 (2013: $22,872,000).

There are cross guarantees given by the Company, CP Development Pty Ltd and Wannunup Development Nominees Pty Ltd as described in Note 30.

The Company did not have a deficiency in assets as at 30 June 2014 or 30 June 2013. There were deficiencies of assets in CP Development Pty Ltd and Wannunup Development Nominees Pty Ltd as at 30 June 2014 and 30 June 2013.

With respect to the asset deficiencies of CP Development Pty Ltd and Wannunup Development Nominees Pty Ltd, the Company recorded an increase to the impairment provision by $1,434,000 at 30 June 2014. At 30 June 2013, the Company recorded a decrease to the impairment provision by $170,000.

(c) Contingent liabilities

The Company had the following contingent liabilities as at 30 June 2014 (2013: nil):

The Milton

$108,500,000 for the bank debt obligations in event that the joint venture partner becomes a defaulting partner.

Bridgeview:

$13,347,000 for the bank debt obligations in event that the joint venture partner becomes a defaulting partner.

(d) Contractual commitments for the acquisition of property, plant or equipment

The Company did not have any contractual commitments for the acquisition of property, plant or equipment at 30 June 2014 or 30 June 2013.

32. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to the end of the financial year, the Company extended the due date of the $11,000,000 payment in respect of Burwood Square. The $11,000,000 is now due on or before 1 September 2015 with interest capitalised as follows:

- In respect of the first $5,500,000, interest of 12% p.a. is capitalised monthly for the period from 1 May 2014 to the earlier of the date of repayment or 1 September 2015; and
- The second $5,500,000, interest of 12% p.a. is capitalised monthly for the period from 1 June 2014 to the earlier of the date of repayment or 1 September 2015.

PBD has also granted 200,000,000 unlisted options to the joint venture partner as an extension fee. The options are exercisable up to 30 June 2016 at an exercise price of $0.015 per option.

DIRECTORS' DECLARATION

In the Directors' opinion:

1. the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
2. the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
3. the attached financial statements and notes thereto give a true and fair view of the Consolidated Entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date;
4. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
5. at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 30 to the financial statements.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors:

Winson Chow
Chair

29 August 2014
Sydney
New South Wales

INDEPENDENT AUDIT REPORT

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Level 11, 1 Margaret St
Sydney NSW 2000
Australia

To the members of PBD Developments Limited

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of PBD Developments Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 and for 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. In Note 1, the Directors also state, in accordance with Accounting Standard AASB 101 "Presentation of Financial Statements", that 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 that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the Directors of PBD Developments Limited, would be in the same terms if given to the Directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of PBD Developments 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 Note 1.

INDEPENDENT AUDIT REPORT (CONTINUED)

BDO

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1(ac) in the financial report, which indicates that the Consolidated Entity incurred a net cash outflow from operations of $4.45 million during the year ended 30 June 2014 and, as of that date, the Consolidated Entity's current liabilities exceeded its current assets by $3.113 million.

These conditions, along with other matters as set forth in Note 1(ac), indicate the existence of a material uncertainty that may cast significant doubt about the Consolidated Entity's ability to continue as a going concern and therefore, the Consolidated Entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included under the heading "Remuneration Report" in 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.

Opinion

In our opinion, the Remuneration Report of PBD Developments Limited for the year ended 30 June 2014 complies with section 300A of the Corporations Act 2001.

BDO East Coast Partnership

BDO

Grant Saxon
Partner

Sydney, 29 August 2014

SUPPLEMENTARY SECURITYHOLDER INFORMATION

ASX ADDITIONAL INFORMATION

Range of Securityholders as at 30 September 2014

Range	Total holders	Units	% of Issued Capital
1 - 1 ,000	293	151,039	0.00
1,001 - 5,000	572	1,677,193	0.03
5,001 - 10,000	328	2,617,048	0.04
10,001 - 100,000	900	34,741,954	0.53
100,001 – 9,999,999,999	628	6,456,441,947	99.4
Total	**2721**	**6,495,629,181**	**100**
Unmarketable Parcels	1623	12,006,142	

TOP 20 SECURITYHOLDERS AS AT 30 SEPTEMBER 2014

Rank	Name	Units	% of Units
1.	CITICORP NOMINEES PTY LIMITED	2,219,558,444	34.17
2.	SUN HUNG KAI INVESTMENT SERVICES LIMITED <CLIENT A/C>	908,839,134	13.99
3.	SUN HUNG KAI INVESTMENT SERVICES LTD <CLIENT KATONG ASSETS LTD A/C>	709,025,541	10.92
4.	SUN HUNG KAI INVESTMENT SERVICES LTD <CLIENTS A/C>	655,250,000	10.09
5.	SUN HUNG KAI INVESTMENT SERVICES LTD <CLIENT FUTURE RISE INV A/C>	602,998,320	9.28
6.	NATIONAL NOMINEES LIMITED	146,838,214	2.26
7.	YUE WANG	100,000,000	1.54
8.	MR LIANG ZHEN LIN	87,560,168	1.35
9.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	77,544,340	1.19
10.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	68,639,747	1.06
11.	J P MORGAN NOMINEES AUSTRALIA LIMITED	52,707,860	0.81
12.	UOB KAY HIAN (HONG KONG) LIMITED <CLIENTS A/C>	51,448,939	0.79
13.	ASIA PACIFIC ALLIANCE PTY LTD	38,495,129	0.59
14.	PIAMA PTY LTD <FENA SUPERANNUTAION PLAN A/C>	26,792,370	0.41
15.	MR LANSHAN GAO + MRS QINRU ZHU <ZHU & GAO FAMILY INVEST A/C>	20,030,000	0.31
16.	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	18,934,608	0.29
17.	TRIDA PTY LTD	18,125,000	0.28
18.	ICE COLD INVESTMENTS PTY LTD <BROWNS CHELTENHAM RD S/F A/C>	18,000,000	0.28
19.	MR JIAN XIN HUANG	16,179,280	0.25
20.	ZERO NOMINEES PTY LTD	15,250,000	0.23
Total		**5,852,217,094**	**90.09**
BALANCE OF REGISTER		**643,412,087**	**9.91**

SUBSTANTIAL SECURITYHOLDERS AS AT 30 SEPTEMBER 2014

Securityholder	Number of Securities Held	% of Securities Held
Mulpha Strategic	1,292,591,459	19.9
Future Rise Investments	1,280,332,024	19.7
Katong Assets	800,530,971	12.3
Ahead Capital	531,367,313	8.2
Heritage Riches	352,366,654	5.4
Invesco Australia	346,073,472	5.3
Lin Wang Qaing	345,000,000	5.3

CORPORATE DIRECTORY

ABN 12 009 134 114

DIRECTORS

Winson Chow
Cerena Fu
David Hunt
Marcus Seow

COMPANY SECRETARY

Hai-Young Lu

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Email: admin@pbddevelopments.com.au

SHARE REGISTRY

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60 Carrington Street
Sydney NSW 2000

GPO Box 2975
Melbourne Vic 3001

Telephone: 1300 850 505

SOLICITOR

Norton Rose Fulbright
Level 18, Grosvenor Place
225 George Street
Sydney NSW 2000

AUDITOR

BDO
Level 11
1 Margaret Street
Sydney NSW 2000

BANKERS

St.George Bank
Level 1
167 St Georges Terrace
Perth WA 6000

Sun Hung Kai International Bank [Brunei] Limited
Level 28, The Lee Gardens
33 Hysan Avenue
Causeway Bay Hong Kong

Commonwealth Bank of Australia
48 Martin Place
Sydney NSW 2000

ASX LISTING

PBD Developments Limited's shares
are listed on ASX (ASX code: PBD)

Designed and produced by Sdirect Pty Ltd.

Monza Recycled is Certified Carbon Neutral by The Carbon Reduction Institute (CRI) in accordance with the global Greenhouse Gas Protcol and ISO 14040 framework.

Monza Recycled contains 55% recycled fibre and is FSC Mix Certified, which ensures that all virgin pulp is derived from well-managed forests and controlled sources.

Monza Recycled is manufactured by an ISO 14001 certified mill.

PBD
Developments

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