

PBD Developments Limited

(Comprising PBD Developments Limited ABN 12 009 134 114 and its controlled entities)

Appendix 4D and Financial Report for the half-year ended 31 December 2013

This half-year financial report constitutes the Appendix 4D prepared in accordance with the Australian Securities Exchange Listing Rules and the half-year financial report in accordance with the *Corporations Act 2001*. This interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual financial report for the year ended 30 June 2013 and any public announcements made by PBD Developments Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

PBD Developments Limited

PBD Developments Limited ('Group') comprises PBD Developments Limited ('Parent') ABN 12 009 134 114 and its controlled entities.

Appendix 4D

for the half-year ended 31 December 2013

(previous corresponding period being the half-year ended 31 December 2012)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Loss after tax	\$'000	up/down	% movement
Revenue	13	down	99
Loss after tax attributable to members	(3,653)	down	10

There were no dividends proposed or declared by the Group to shareholders since the end of the previous financial year.

Additional information	31 Dec 2013	30 Jun 2013
Net tangible assets ('NTA') per share (cents)	1.5	1.6

Commentary on the results for the period can be found in the attached **December 2013** Half-Year Directors' Report.

Additional Appendix 4D disclosure requirements can be found in the attached notes to the **December 2013** Half-Year Consolidated Financial Statements.



Nicole Moodie
Company Secretary

Sydney
28 February 2014

PBD Developments Limited

December 2013 Half-Year Financial Report

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The Directors present their report on the Group, consisting of PBD Developments Limited ("Parent") and its controlled entities ('Group') for the half-year ended 31 December 2013 and the Auditor's Report thereon.

DIRECTORS

The Directors of PBD Developments Limited during the half-year and up until the date of this report are as follows:

Director	Position	Period of Directorship
Winson Chow	Chairman	Full half-year
David Allan Hunt	Non-Executive Director	Full half-year
Cerena Fu	Non-Executive Director	Full half-year
Marcus Wei Loon	Non-Executive Director	Appointed 1 October 2013
Seow		
Stephen John Court	Executive Director	Resigned 15 August 2013
Andrew James Young	Non-Executive Director	Resigned 16 September 2013
Geoff Earl Grady	Non-Executive Director, alternate for Mr Chow	Resigned 16 October 2013
Justin Peter Lorenz	Non-Executive Director, alternate for Mr Hunt	Resigned 16 October 2013

REVIEW AND RESULTS OF OPERATIONS

The Group has been progressively executing its strategy announced in June 2013 to expand and focus on the eastern seaboard of Australia with a commitment to delivering consistent and sustainable growth through the focused and disciplined execution of its strategy.

During the half-year, the Group has positioned itself for growth through:

- Moving operations from Perth, Western Australia to Sydney, New South Wales;
- Investing in Burwood Square, a 210 residential unit development with 8,200 sqm of retail space located 12 km from the Sydney CBD in Burwood, New South Wales;
- Appointing Mr Marcus Seow, a non-executive independent director to the Board;
- Investing in a 50% interest in The Milton¹, a 294 apartment development project in Milton, Queensland with an estimated end value of \$200,000,000;
- Investing in a 14 hectare non-contiguous en-globo site, known as Yang Land¹, forming a part of Aveo Group's Saltwater Coast residential estate in Point Cook, Victoria for \$18,000,000;
- Undertaking a pro-rata non-renounceable entitlement issue of 3 new shares for every 4 shares held, together with 1 free attaching option to raise approximately \$41,000,000 (before costs);
- Repaying two loan facilities totalling \$40,000,000, allowing the Group to fully repay all outstanding balance sheet debt in January 2014.

1. Both these investment are subject to approval by the Company's shareholders at a general meeting that has been convened on 2 April 2014.

For the half year ended 31 December 2013 the Group reported a statutory loss after tax of \$3,653,000 (2012: loss of \$4,046,000). There was no impairment or income tax benefit recorded for the half year.

The underlying loss for the Group was \$3,380,000, 16% lower than the underlying loss of \$4,046,000 recorded in the previous corresponding half-year. Key reconciling items between the Group's statutory loss and underlying loss are:

	For the half-year ended	
	31 Dec 2013	31 Dec 2012
	\$'000	\$'000
Underlying loss after tax	(3,380)	(4,046)
Redundancy costs	(135)	-
Hedging costs	(80)	-
Other	(58)	-
Net loss after tax attributable to shareholders of the Group	(3,653)	(4,046)

In the opinion of the Directors, the Group's underlying loss reflects the results generated from ongoing operating activities and is calculated in accordance with AICD/Finsia principles. The non-operating adjustments outlined above are considered to be non-cash or non-recurring in nature. These items are included in the Group's consolidated statutory result but excluded from the underlying result.

The Group has future potential benefit from brought forward losses; however the Group's Directors have decided to not recognise them at this present time.

Portfolio Update

The Group continues to grow and establish its presence in the Australian property market with sales of residential, retail and commercial stock including Bridgeview located in Annandale, New South Wales, and Oceanique in Mandurah, Western Australia. Additionally PBD continues to work with joint venture partners B1 Group, delivering Burwood Square in Burwood, New South Wales and Aveo Group delivering The Milton in Milton, Queensland, and Yang Land in Point Cook, Victoria.

Sales for the luxury Bridgeview apartments in Annandale located 4 km from the Sydney CBD reached presales of 91%. Construction is due for completion late in calendar 2014 with profit to be recognised in FY15.

The Yang Land subdivision in Saltwater Coast will contribute profit in FY15 and FY16, with the potential to exceed expected initial returns.

To date presales at Burwood Square for the residential apartments have reached 100% and 81% for The Milton. Both Burwood Square and The Milton represent a significant presence for the Company in the high density residential apartment markets in New South Wales and Queensland, respectively.

Both developments will yield strong returns for the company and joint venture partners. Completion of both developments is scheduled for late 2015 with profit recognised in FY16.

The completed Oceanique residential apartments in Mandurah, Western Australia continue to attract interest from local and overseas buyers. The Group's foray into the Western Australia – and in particular the Mandurah region – yielded positive returns for it in January 2014 with the settlement of three apartments. The Group has sold and settled the three apartments for \$2,650,000 since period end and has targeted to sell the remaining 19 apartments with a current value of \$24,000,000 this calendar year.

Additionally, the Bandy Creek asset in Esperance, Western Australia was sold and settled for \$1,600,000, representing a 3.1% premium to book value.

The Group will continue to seek new development opportunities leveraging off the returns generated from current projects and reinvesting these returns into new projects that will yield high returns to its shareholders.

Forecast growth in Sydney, Melbourne and Brisbane will help to bolster sales in existing developments, and help to strengthen future projects currently under the Company's consideration.

Short Term Outlook

The Group will continue to maintain controls on expenditure, as well as looking at development opportunities, with the aim of diversifying its assets across the whole of Australia, but mainly concentrating on the Eastern Australian seaboard.

Capital management

During the first six months of the 2014 financial year the Group continued to restructure the business.

Key events of the restructuring process included:

- Moving the registered office address of the business from Perth to Sydney;
- A change in the management team which helped reduce the Group's operations and cashflows;
- The Group announced a 3 for 4 shares rights issue, which raised \$39,000,000 (Rights Issue), with 1 free attaching option for every new share subscribed.

The Rights Issue was completed in November 2013. On 2 December 2013, the Group issued 2.4 billion ordinary shares at \$0.015 per share. Proceeds from the Rights Issue were received during December 2013 and have been used or allocated as follows:

- Repayment of the St George Facility \$32,000,000
- Repayment of short term loan \$8,000,000
- Payment of the cost of the Entitlement offer

The Group also recently established a \$40,000,000 facility with overseas bank Sun Hung Kai International Bank. This facility is due to be operational in March 2014.

The repayment of the St George Facility leaves the Group almost debt free on its balance sheet and positions it well for future expansion on the Australian eastern seaboard.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances have arisen since the end of the half-year and up until the date of this report which significantly affect or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent years with the exception of the following:

- In January 2014, the Group disposed of its Bandy Creek (Esperance) development for net sales proceeds of \$1,600,000 which was above the Group's book value of \$1,550,000.
- In January 2014, the Group sold and settled three apartments at Oceanique for total sale proceeds of \$2,650,000.
- In January 2014, \$2,600,000 in shortfall proceeds due from the rights issue were received
- The funds were used to repay in full a \$3,000,000 short term loan. The company had no debts on its balance sheet as at 31 January 2014.

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

We confirm that we have obtained the Auditor's Independence Declaration, which is set out on page 4.

ROUNDING

The Group is an entity of a kind referred to in ASIC Class Order 98/100 and, in accordance with that Class Order, amounts in the Financial Report and Directors' Report are rounded to the nearest one thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors:



Winson Chow
Chairman

Sydney
28 February 2014

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

As lead auditor for the review of PBD Developments Limited for the half-year ended 31 December 2013, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



Grant Saxon
Partner

BDO East Coast Partnership

Sydney, 28 February 2014

	Group For the half-year ended	
	31 Dec 2013 \$'000	31 Dec 2012 \$'000
Revenue		
Sale of goods	-	865
Finance revenue	13	12
	<u>13</u>	<u>877</u>
Cost of sales	-	(701)
Gross profit	<u>13</u>	<u>176</u>
Other income	29	165
Advertising and marketing	(83)	(159)
Employee benefits expense	(847)	(856)
Depreciation and amortisation	(11)	(26)
Finance costs	(1,401)	(2,119)
Rates and taxes	(55)	(158)
Repairs and maintenance	(47)	(57)
Consultants and legal fees	(466)	(207)
Rental expenses	(89)	(107)
Other expenses	(671)	(698)
Loss on disposal of property, plant and equipment	(25)	-
Loss from continuing operations before income tax	<u>(3,653)</u>	<u>(4,046)</u>
Income tax benefit	-	-
Loss from continuing operations after income tax	<u>(3,653)</u>	<u>(4,046)</u>
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Change in fair value of available-for-sale financial asset	(1,624)	-
Other comprehensive income for the period, net of tax	(1,624)	-
Total comprehensive income for the period attributable to owners of PBD Developments Limited	<u>(5,277)</u>	<u>(4,046)</u>
Earnings per share (cents per share)		
Basic earnings/(loss) per share	(0.09)	(0.68)
Diluted earnings/(loss) per share	(0.09)	(0.68)

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

	Note	Group	
		31 Dec 2013 \$'000	30 Jun 2013 \$'000
Current assets			
Cash and cash equivalents		1,736	-
Trade and other receivables		1	239
Inventories	2	21,784	21,480
Other assets		694	160
Current assets		24,215	21,879
Non current assets held for sale		2,948	2,948
Total Current Assets		27,163	24,827
Non-current assets			
Inventories	2	48,121	48,000
Investments accounted for using the equity method	6	9,000	9,000
Property, plant and equipment		2,996	3,025
Other financial assets	7	25,296	-
Total non-current assets		85,413	60,025
TOTAL ASSETS		112,576	84,852
Current liabilities			
Trade and other payables		14,955	898
Interest bearing liabilities		3,000	2,114
Provisions		24	86
Total current liabilities		17,979	3,098
Non-current liabilities			
Interest bearing liabilities		-	20,757
Provisions		1	92
Total non-current liabilities		1	20,849
TOTAL LIABILITIES		17,980	23,947
NET ASSETS		94,596	60,905
Equity			
Contributed equity	3	267,064	228,145
Reserves		(1,575)	-
Accumulated losses		(170,893)	(167,240)
TOTAL EQUITY		94,596	60,905

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

	Note	Attributable to security holders of PBD Developments Limited			
		Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total \$'000
Balance at 1 July 2012		198,989	339	(164,005)	35,323
<i>Comprehensive income:</i>					
Loss for the period		-	-	(4,046)	(4,046)
Total comprehensive income for the period		-	-	(4,046)	(4,046)
Balance at 31 December 2012		198,989	339	(168,051)	31,277
Balance at 1 January 2013		198,989	339	(168,051)	31,277
<i>Comprehensive income:</i>					
Profit for the period		-	-	472	472
Total comprehensive income for the period		-	-	472	472
<i>Transactions with owners in their capacity as owners:</i>					
Equity settled employee benefits		-	(339)	339	-
Issue of shares	3	29,156	-	-	29,156
Total transactions with owners in their capacity as owners		29,156	(339)	339	29,156
Balance at 30 June 2013		228,145	-	(167,240)	60,905
Balance at 1 July 2013		228,145	-	(167,240)	60,905
<i>Comprehensive income:</i>					
Loss for the period		-	-	(3,653)	(3,653)
Other comprehensive income		-	(1,624)	-	(1,624)
Total comprehensive income for the period		-	(1,624)	(3,653)	(5,277)
<i>Transactions with owners in their capacity as owners:</i>					
Equity settled employee benefits		-	49	-	49
Issue of shares	3	38,919	-	-	38,919
Total transactions with owners in their capacity as owners		38,919	49	-	38,968
Balance at 31 December 2013		267,064	(1,575)	(170,893)	94,596

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

	Group	
	For the half-year ended	
	31 Dec	31 Dec
	2013	2012
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	111	1,275
Payments to suppliers and employees	(2,754)	(1,197)
Interest received	13	12
Finance costs including interest and other costs of finance paid	(1,608)	(3,405)
GST paid	(92)	-
Net cash flows used in operating activities	(4,330)	(3,315)
Cash flows from investing activities		
Payments for property, plant and equipment	(7)	(236)
Proceeds from sale of property, plant and equipment	25	69
Payments for available-for-sale financial asset	(13,000)	-
Repayment of loans by related parties	-	529
Net cash flows (used in)/from investing activities	(12,982)	362
Cash flows from financing activities		
Proceeds from issue of shares	38,919	-
Proceeds from borrowings	12,000	3,370
Repayment of borrowings	(29,757)	(850)
Net cash flows from financing activities	21,162	2,520
Net increase/(decrease) in cash and cash equivalents	3,850	(433)
Cash and cash equivalents at the beginning of the period	(2,114)	651
Cash and cash equivalents at the end of the period	1,736	218

The above consolidated statement of cashflows should be read in conjunction with the accompanying notes.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

PBD Developments Limited is domiciled and incorporated in Australia. Its registered office and principal place of business is Level 5, 99 Macquarie Street, Sydney, New South Wales. The financial report of PBD Developments Limited consists of the financial statements of PBD Developments Limited ('Parent') and its controlled entities ('Group'). The financial report is presented in Australian dollars.

The significant accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all period presented, unless otherwise stated.

(a) Basis of preparation

This interim financial report has been prepared in accordance with the requirements of the *Corporations Act 2001* and *AASB134 Interim Financial Reporting*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by PBD Developments Limited during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

(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 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 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 operations 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 ventures that give the venturers a right to the net assets is accounted for using the equity method.

In accordance with this new accounting policy, the Group has classified its investment in the Annandale development 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 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 judgments 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

The standard establishes a single source of guidance for determining the fair value of assets and liabilities. *AASB 13* does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.

AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revised AASB 119 Employee Benefits

The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.

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 Requirements [AASB 124]

This amendment removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.

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) New accounting policy

Unlike the Group's investment in the Annandale development, its investment in the Burwood development does not presently qualify for classification as a joint venture accounted for using the equity method, because it has different commercial characteristics. The Burwood investment has been classified under Accounting Standard AASB 139 *Financial Instruments: Recognition and Measurement* as an available-for-sale financial asset. As the Group has not previously had this type of asset, it has adopted the following accounting policy.

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

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet 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.

(d) Going Concern

During the reporting period the Group continued its restructuring process, which was finalised at the end of the period. Key points of the restructuring process are as follows:

- Completion of a rights issue during November 2013, which raised \$39,000,000;
- Proceeds of the rights issue was used to repay the St George loan facility;
- The balance was used to fund working capital and fund new investments;
- A new loan facility of \$40,000,000 has been established with Sun Hung Kai International Bank.

Having completed the rights issue, the establishment of a new \$40,000,000 finance facility and with 19 Oceanique properties available for sale the Group is now in a strong position to proceed with its strategy of expanding into developments on the Australian eastern seaboard.

In consideration of the above the Directors are of the view the Group will be able to pay its debts as and when they fall due. As a result, the Group's financial statements have been prepared on a going concern basis.

2. 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.

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 approvals process) and apartment construction projects are regarded as inventory and are classified as such in the statement of financial position. Land and apartments are classified as current only when sales are expected to occur within the next twelve 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.

	Group	
	31 Dec 2013 \$'000	30 Jun 2013 \$'000
Current		
<i>Finished apartments</i>		
Cost of acquisition	236	236
Development and other costs	34,091	33,787
Interest capitalised	4,063	4,063
Impairment provision	(16,606)	(16,606)
Total current inventories	21,784	21,480
Non-current		
<i>Land under development</i>		
Cost of acquisition	97,497	97,497
Development and other costs	8,121	8,000
Interest capitalised	1,480	1,480
Impairment provision	(58,977)	(58,977)
Total non-current inventories	48,121	48,000

3. CONTRIBUTED EQUITY

	Group	
	31 Dec 2013 \$ '000	30 Jun 2013 \$ '000
Issued capital		
Ordinary share capital	267,064	228,145
Movements in ordinary share capital		
Balance at beginning of period	228,145	198,989
Shares issued	39,004	31,177
Transaction costs	(85)	(2,021)
Balance at end of period	267,064	228,145

4. DIVIDENDS

There were no dividends proposed or declared by the Group to shareholders since the end of the previous financial year.

5. SEGMENT INFORMATION

In accordance *AASB 8 Operating Segments*, the Group has assessed for the half-year reporting period ended 31 December 2013 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 in only one business segment, being property development in Australia. Operating results of the property development business segment are regularly reviewed by the Chief Operating Decision Maker, identified as the Board of Directors, to make decisions about resource allocation to that business and assess its performance.

6. EQUITY ACCOUNTED INVESTMENTS

(a) Details of interests

Associate / joint venture	Country of incorporation / formation	Activity	Group	
			31 Dec 2013	30 Jun 2013
			%	%
<i>Joint ventures</i>				
Bridgeview Developments, Annandale	Australia	Investment	100	100

This investment has been classified as a joint venture under Accounting Standard AASB 11 *Joint Arrangements*. Although the Group has no equity interest, it is entitled under the contractual arrangement for the joint venture to a share of net assets that is presently estimated at 100%. This percentage may change depending on the underlying cash flows of the development.

(b) Carrying amounts

	Group	
	31 Dec 2013	30 Jun 2013
	\$'000	\$'000
<i>Joint ventures</i>		
Bridgeview Developments, Annandale	9,000	9,000
	9,000	9,000

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

All financial instruments for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 the fair value is calculated using quoted prices in active markets.

Level 2 the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

As at reporting date, the Group's only financial instrument measured at fair value was its available-for-sale financial asset, the investment in the Burwood Square development. This is classified as being in level 3 of this hierarchy, and was measured at its estimated fair value at reporting date, using discounted cash flow analysis. The inputs to this valuation process were the estimated cash flows resulting from the investment and the discount rate.

Movements in this financial asset for the half-year were:

	Group	
	For the half-year	
	ended	
	31 Dec	31 Dec
	2013	2012
	\$'000	\$'000
Balance at beginning of period	-	-
Investment in development	26,920	-
Change in fair value	(1,624)	-
Balance at end of period	<u>25,296</u>	<u>-</u>

The unobservable input was the discount rate using in discounting the estimated cash flows to their net present value. The discount rate used was 22.5%. A change in this input by 2.5% (e.g. to 25%) would change the fair value of the investment by 5%.

8. EVENTS AFTER BALANCE SHEET DATE

No matters or circumstances have arisen since the end of the half-year and up until the date of this report which significantly affect or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent years with the exception of the following:

- In January 2014, the Group disposed of its Bandy Creek (Esperance) development for net sales proceeds of \$1,600,000 which was above the Group's book value of \$1,550,000.
- In January 2014, the Group sold and settled three apartments at Oceanique for total sale proceeds of \$2,650,000.
- In January 2014, \$2,600,000 in shortfall proceeds due from the rights issue were received.
- The funds were used to repay in full a \$3,000,000 short term loan. The company had no debts on its balance sheet as at 31 January 2014.

In the opinion of the Directors of PBD Developments Limited (collectively referred to as 'the Directors'):

- (a) the Financial Statements and Notes of the Group are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard 134 Interim Financial Reporting and the *Corporations Regulations 2001*;
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors:



Winson Chow
Chairman

Sydney
28 February 2014

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of PBD Developments Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of PBD Developments Limited, which comprises the consolidated statement of financial position as at 31 December 2013, 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 half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of PBD Developments Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we 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 review report.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of PBD Developments Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO East Coast Partnership

A handwritten signature in black ink, appearing to read 'Grant Saxon', written over a faint, stylized 'BDO' logo.

Grant Saxon
Partner

Sydney, 28 February 2014