



PRELIMINARY FINAL REPORT

APPENDIX 4E

REPORTING PERIODS

Current reporting period	Financial year ended 30 June 2015
Previous corresponding period	Financial year ended 30 June 2014

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Summary

				A \$'000
Revenue from continuing operations	Up	201%	to	14,432
Net underlying loss for the period	Up	42%	to	(7,692)
Net statutory loss for the period	Up	75%	to	(14,921)
Loss attributable to members of PBD Developments Limited (PBD)	Up	75%	to	(14,921)

Dividends per Share

	Interim (cents)	Final (cents)
Amount per share	Nil	Nil
Franked amount per share at 30% tax	N/A	N/A
Record date for determining entitlements to dividends	N/A	N/A
Payment date of dividends	N/A	N/A

No dividends were declared during the financial year ending 30 June 2015 or the previous corresponding period.

NET TANGIBLE ASSETS PER ORDINARY SHARE (NTA backing)

Current reporting period	1.4 cents per Share
Previous corresponding period	1.5 cents per Share

PBD reported an underlying loss of \$7.7 million, compared with a \$5.4 million loss in the prior comparative period. PBD recorded a statutory loss of \$14.9 million against a loss of \$8.6 million in the prior comparative period.

PBD generated \$14.4 million of revenue from continuing operations, driven by the settlement of 10 Oceanique apartments in Mandurah, Western Australia and sales of 38 lots at SeaSpray in Point Cook, Victoria.

PBD is actively looking to sell its remaining eight apartments in Oceanique. At 30 June 2015, 88% of the 66 apartments have settled.

PBD's net asset balance at 30 June 2015 is \$96.2 million, down from \$99.8 million in the prior comparative period.



During the current reporting period PBD continued to manage its existing projects, comprising:

- Burwood Square, Burwood, New South Wales
- The Milton, Milton, Queensland
- SeaSpray, Point Cook, Victoria
- Oceanique, Mandurah, Western Australia
- Villa site, Dawesville, Western Australia
- Point Grey, Western Australia

PBD is currently reviewing potential projects that meet its strategy to expand on the eastern seaboard of Australia by delivering sustainable growth through focussed and disciplined execution.

As in the previous reporting period, the Directors continue to regard non-recognition of PBD's deferred tax asset balance as a prudent accounting approach.

No dividend was declared for the current reporting period.

Additional Appendix 4E disclosure requirements can be found in the notes to these financial statements and the Directors report attached thereto.

The report is based on the consolidated financial statements which have been audited by BDO East Coast Partnership.



PBD DEVELOPMENTS LIMITED

ABN 12 009 134 114

AND ITS CONTROLLED ENTITIES

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2015

PBD DEVELOPMENTS LIMITED

Corporate directory

ABN 12 009 134 114

DIRECTORS

Winson Chow
Cerena Fu
Marcus Seow

COMPANY SECRETARY

Hai-Young Lu

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Level 5
99 Macquarie Street
Sydney NSW 2000

Telephone: (02) 8243 9700
Facsimile: (02) 8243 9799

Website: www.pbddevelopments.com.au
Email: admin@pbddevelopments.com.au

SHARE REGISTRY

Computershare Registry Services Pty Ltd
Level 4
60 Carrington Street
Sydney NSW 2000

GPO Box 2975
Melbourne VIC 3001

Telephone: 1300 850 505

SOLICITOR

Piper Alderman
Level 23, Governor Macquarie Tower
1 Farrer Place
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)

CORPORATE GOVERNANCE STATEMENT

Refer the governance page of PBD Developments Limited's website.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

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PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report for the year ended 30 June 2015

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the **Consolidated Entity** and / or **Group**) consisting of PBD Developments Limited (referred to hereafter as the **Company**) and the entities it controlled at the end of, or during, the year ended 30 June 2015.

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	Resignation 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	19 June 2015
Marcus Seow	Non-Executive Director	1 October 2013	-

Retired

David Hunt retired during the period.

Company Secretary

The Company Secretary from the commencement of the financial year and up to the date of this report is:

Name	Appointment date
Hai-Young Lu	28 May 2014

Qualifications and experience

Directors

Winson Chow B.Eng (Hons), M.Env.Planning
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 and the Mulpha Norwest business, with developments predominantly located in New South Wales. 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.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report for the year ended 30 June 2015

Cerena Fu LLB

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. 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.

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.

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 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 and 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.

Retired Directors

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, and resigned on 19 June 2015. 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.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report for the year ended 30 June 2015

DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of committees of Directors) held during the 30 June 2015 financial year and the number of meetings attended by each Director is as follows:

Number of meetings attended	Directors' Meetings		Audit Committee Meetings	
	A	B	A	B
Winson Chow*	9	9	-	-
Cerena Fu	9	9	4	4
David Hunt	9	9	4	4
Marcus Seow	9	9	-	-

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 2015. 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 masterplanned 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
Oceanique Apartments	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.

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

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report for the year ended 30 June 2015

During the year ended 30 June 2015 the Group did not enter into any new projects, but rather focussed on delivering its existing pipeline of projects and continued to sell-down its non-core assets. The Group also continued to focus on overhead cost reduction and cash flow management.

Developments

Development specific updates are shown below.

Villa Site (Port Bouvard, Western Australia)

Development consent for a residential apartment development of the Villa Site was recently obtained and the Company is in the process of selling the site.

Oceanique (Port Bouvard, Western Australia)

During the year 10 Oceanique apartments were settled by the Company. At 30 June 2015 there remained 8 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 subsequently 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 less than 100 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 late 2015.

This was the Company's first investment outside of Western Australia, with returns expected to commence towards the end of 2015.

Burwood Square (Burwood, New South Wales)

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

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.

Burwood Square comprises 210 residential apartments across three towers, 7,950 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. The retail / commercial space is currently in the process of being leased in preparation for a sale upon completion of the project. Burwood Square has a total end value of approximately \$210 million. Sales settlements are expected to commence towards the end of 2016, with the majority of the equity and profit return expected to be realised upon the sale of the retail / commercial space.

The Milton (Milton, Queensland)

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

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).

The Milton is a 30 storey mixed-use tower, comprising 300 residential units, together with 1,121 sqm of retail and 1,150 sqm of commercial premises.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report for the year ended 30 June 2015

Construction commenced in August 2013. The project has been well received in the market place with over 90% of the residential units sold off the plan to date. The retail / commercial space is currently in the process of being leased in preparation for a sale upon completion of the project. The Milton has an end value of approximately \$215 million. Returns are expected to commence towards the end of 2015 with a significant portion of the profit component not being released until the remaining residential units and the retail / commercial space have been sold.

SeaSpray (Point Cook, Victoria)

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

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).

SeaSpray is a subdivision which upon completion will comprise of 247 residential lots developed in eight stages, together with local roads, public open space and wetlands.

SeaSpray has a total end value of approximately \$57 million. As at 30 June 2015, approximately 45% of the lots were subject to unconditional sales contracts and settlements had commenced for the completed stages. Civil works for Stages 1 to 4 had reached completion, with Stages 5 and 6 due for completion in September 2015 and Stages 7 and 8 due for completion in early 2016.

TRENDS IN PERFORMANCE

During the next financial year ended 30 June 2016 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 by the relevant statutory authorities. 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 eight 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.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report for the year ended 30 June 2015

OTHER SEGMENT RESULTS

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

FINANCIAL REVIEW

Operating Performance

The Company recorded for the financial year ended 30 June 2015 an underlying loss of \$7,692,000 (2014: loss of \$5,404,000). The statutory loss recorded for the Company is \$14,921,000 (2014: loss of \$8,569,000).

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

	Consolidated	
	2015	2014
	\$'000	\$'000
Underlying (loss) before tax	(7,692)	(5,404)
Development impairments before tax		
<i>Oceanique</i> ¹	(3,913)	(1,434)
Peel Water plant and equipment depreciation	(980)	(980)
Redundancy costs	-	(135)
Hedging gain/(loss)	6,062	(447)
Foreign exchange loss	(7,721)	(72)
Other	-	(97)
One-off net loss on options issued	(677)	-
Statutory Loss after tax attributable to members before tax	(14,921)	(8,569)
Income tax (expense)	-	-
Statutory Loss attributable to members after tax	(14,921)	(8,569)
Total development impairments after tax	(3,913)	(1,434)

¹ Included within cost of sales is \$3,154,000 of impairment realised during the year on inventory subsequently sold

During the year the Company's revenue from continuing operations was \$14,432,000 (2014: \$4,792,000). Settlement of Oceanique apartments and Sales in SeaSpray were the main drivers of the Company's revenues.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report for the year ended 30 June 2015

Financial Position

The Company's net assets at 30 June 2015 are \$96,203,000 (2014: \$99,810,000). This reflects the continued implementation of the Company's strategy and includes its:

- Continued sell down of Oceanique;
- 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;
- Unsecured \$40,000,000 bank facility; and
- Restructure of the current payable of \$9,000,000, plus interest, due to PBD's joint venture partner in Burwood Square to 31 December 2015.

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.

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

	Consolidated	
	2015 \$'000	2014 \$'000
Current assets	40,679	25,289
Non-current assets	129,141	135,793
Total assets	169,820	161,082
Current liabilities	31,272	28,402
Non-current liabilities	42,345	32,870
Total liabilities	73,617	61,272
Net assets	96,203	99,810
# of ordinary shares on issue	6,495,629	6,495,629
Balance sheet gearing ratio ¹	23%	19%

¹ Balance sheet gearing ratio = (interest bearing bank 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 30 June 2015, the relevant interests of the Directors in the shares of the Company are as follows:

Director	Shares		
	Held directly or indirectly	Nominally held by MIB	Options
Winson Chow	-	1,292,591,459 ^{1,2}	553,967,766 ¹
Cerena Fu	-	-	16,666,666
David Hunt	-	-	-
Marcus Seow	-	-	16,666,666

¹ Nominally held by Mulpha International BHD (MIB)

² On 17 July 2015 these shares were transferred to Oasis Star Limited

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report for the year ended 30 June 2015

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
Cerena Fu	Director – Non-Executive	Full year
David Hunt	Director – Non-Executive	1 July 2014 to 19 June 2015
Marcus Seow	Director – Executive	Full year
Jally Lin	Chief Executive Officer	Full year

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.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report for the year ended 30 June 2015

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.

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 \$600,000 per annum at a general meeting of Shareholders held on 28 November 2014.

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 (except where Directors' fees are paid to a corporation). It was resolved at the 30 October 2013 Board meeting to increase the remuneration of the Chair 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. No further options have been issued to Non-Executive Directors since that date.

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. Nil were granted during the financial year ended 30 June 2015 (2014: 250,000,000). 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 calendar year where individual performance and the performance of the Group are taken into account when setting the next year's base salary and remuneration.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report for the year ended 30 June 2015

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

	2015	2014	2013	2012	2011
Revenue	\$14.4m	\$4.8m	\$9.6m	\$16.6m	\$68.3m
Net profit / (loss) after tax	(\$14.9m)	(\$8.6m)	(\$3.4m)	(\$115.5m)	\$0.8m
Share price at year end	\$0.018	\$0.02	\$0.009	\$0.03	\$0.06
# of shares on issue at year end	6,495.6m	6,495.6m	3,712.0m	593.9m	593.9m
Dividends paid (per share)	Nil	Nil	Nil	Nil	Nil
Return of capital at a premium to market price	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.

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.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report for the year ended 30 June 2015

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:

2015	Short-term benefits			Post-employment benefits Superannuation	Long-term benefits Long service leave	Share-based payments		Total
	Cash, salary and fees	Cash bonus	Non-cash benefit			Options	Total	
	\$	\$	\$	\$	\$	\$	\$	\$
Directors								
Winson Chow ¹	87,600	-	-	-	-	-	-	87,600
Cerena Fu	40,000	-	3,800	-	-	46,214	-	90,014
David Hunt ^{1,2}	42,476	-	-	-	-	-	-	42,476
Marcus Seow	40,000	-	-	3,800	-	46,214	-	90,014
Other KMP								
Jally Lin	182,648	-	6,660	17,352	-	258,081	-	464,741
Totals	392,724	-	6,660	24,952	-	350,509	-	774,845

¹ The remuneration for Winson Chow and David Hunt was paid to Mulpha and Aveo Group respectively

² David Hunt retired 19 June 2015

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report for the year ended 30 June 2015

3. Details of remuneration (continued)

2014	Short-term benefits			Post-employment benefits Superannuation	Long-term benefits Long service leave	Share-based payments		Total
	Cash, salary and fees	Cash bonus	Non-cash benefit			Options	\$	
	\$	\$	\$	\$	\$	\$	\$	\$
Directors								
Winson Chow ¹	70,470	-	-	-	-	-	-	70,470
Stephen Court ²	54,305	-	-	2,479	-	-	-	56,784
Cerena Fu	40,000	-	-	3,700	-	10,635	-	54,335
David Hunt ¹	43,700	-	-	-	-	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	575,938	-	22,730	32,591	-	203,723	-	834,982

¹ The remuneration for Winson Chow and David Hunt was paid to Mulpha and Aveo Group respectively

² Stephen Court retired 15 August 2013

³ Marcus Seow was appointed 1 October 2013

⁴ Andrew Young retired 16 September 2013

⁵ Peter Coppini resigned 1 October 2013

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report for the year ended 30 June 2015

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 (except where the fee is paid to a corporation) (commencing 30 October 2013). Refer to the table on page 9 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 (except where the fee is paid to a corporation) (commencing 1 January 2013). Refer to the table on page 9 for the names of Non-Executive Directors.

Executive Directors

PBD has no Executive Directors.

Board Appointment Terms

Non-Executive Chair and 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

PBD has no Executive Directors.

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	<ul style="list-style-type: none">Commenced 1 June 2013Performance reviews in June and December each yearStatutory leave entitlementsTermination notice period of eight weeks	\$200,000 p.a. plus discretionary performance incentives on the basis of predetermined KPIs (yet to be determined) plus car parking costs	-

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

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report for the year ended 30 June 2015

5. Share-Based Compensation

Options

In the 30 June 2015 financial year the Board did not issue any further options to executives. Options, if granted, are on a discretionary basis and do not form part of an overall employee option plan.

Refer below for the terms and conditions of all options on issue to executives and Directors.

Shares

There were no shares issued as part of compensation during the year (2014: nil).

6. Additional Information

Cash Bonuses

No bonuses were paid in the current year (2014: nil).

OPTION TERMS AND CONDITIONS

The terms and conditions of each grant of options over ordinary shares affecting remuneration of Directors and KMP in the financial year, and 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		# of Options vested during the year	
	2015	2014	2015	2014
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 2015 are set out below:

Name	Value of options granted during the 2014 year	Portion recognised as remuneration during the 2015 year	Value of options exercised during the year	Value of options lapsed during the year	Remuneration consisting of options for the 2015 year
	\$	\$	\$	\$	%
Jally Lin	560,000	258,081	-	-	55.5
Cerena Fu	91,666	46,214	-	-	51.3
David Hunt	91,666	-	-	(91,666)	-
Marcus Seow	91,666	46,214	-	-	51.3

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report for the year ended 30 June 2015

ADDITIONAL DISCLOSURE RELATING TO KMP

Shareholdings

The number 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
<i>Ordinary shares</i>					
<i>Directors</i>					
Winson Chow	1,292,591,459 ^{1,2}	-	-	-	1,292,591,459 ^{1,2}
Cerena Fu	-	-	-	-	-
David Hunt	-	-	-	-	-
Marcus Seow	-	-	-	-	-
<i>KMP</i>					
Jally Lin	87,560,168	-	-	-	87,560,168

¹ Nominally held by MIB

² On 17 July 2015 these shares were transferred to Oasis Star Limited

Option holdings

The number 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
<i>Options over ordinary shares</i>					
<i>Directors</i>					
Winson Chow	553,967,766 ¹	-	-	-	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
<i>KMP</i>					
Jally Lin	237,525,786	-	-	-	237,525,786

¹ Nominally held by MIB

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 \$106,263 (2014: \$137,620) were made. Payments of \$74,476 (2014: \$Nil), for office rent were paid to Mulpha Transport House Pty Limited. Both companies are 100% owned subsidiaries of Mulpha.

All transactions were made on normal commercial terms and conditions and at market rates.

END OF AUDITED REMUNERATION REPORT

SHARES UNDER OPTION

There are 433,333,332 unissued ordinary shares of the Company under option that are unlisted at the date of this report. There are 2,783,561,288 un-issued ordinary shares of the Company under option that are listed on ASX at the date of this report.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report for the year ended 30 June 2015

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

Grant date	Expiry date	Exercise price	Options issued
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	33,333,332
27 August 2014	30 June 2016	\$0.015	200,000,000

¹ Options issued as a result of the rights issue disclosed to the 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:

15 August 2013 to 19 June 2015
David Hunt (Chair) and Cerena Fu

19 June 2015 onwards
Cerena Fu (Chair) and Marcus Seow

Members 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.

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.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report for the year ended 30 June 2015

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There has not been any other matter or circumstance that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

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 2015 by the Group:

Service	2015 \$	2014 \$
Taxation compliance services provided by:		
BDO Corporate Tax (WA) Pty Ltd	-	29,879
BDO East Coast Partnership	12,850	-
Total	<u>12,850</u>	<u>29,879</u>

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration as required by Section 307C of the Corporations Act can be found on page 19 and forms part of the Directors' Report for the year ended 30 June 2015.

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
24 August 2015
Sydney
New South Wales



Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

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 2015, 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.

A handwritten signature in black ink, appearing to read 'Grant Saxon', with a stylized flourish at the end.

Grant Saxon
Partner

BDO East Coast Partnership

Sydney, 24 August 2015

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

**Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2015**

	Note	Consolidated	
		2015 \$'000	2014 \$'000
Revenue from continuing operations	4	14,432	4,792
Other income	4	343	390
Cost of sales	4	(15,033)	(4,212)
Finance costs	4	(5,328)	(2,127)
Employee benefits expense	4	(1,353)	(1,476)
Non-executive Directors' fees		(299)	(289)
Commissions and discounts		(233)	(275)
Legal fees		(236)	(410)
Advertising and marketing		(309)	(84)
Consultants' fees		(951)	(555)
Rates and taxes		(462)	(215)
Repairs and maintenance		(67)	(43)
Rental expenses		(98)	(183)
Depreciation and amortisation	4	(1,000)	(1,001)
Other expenses from continuing operations	4	(1,231)	(993)
Loss on disposal of property, plant and equipment	4	-	(15)
Foreign currency gain/(loss)		(7,721)	(72)
Fair value movement in derivatives		6,062	(367)
Net realisable value write down of inventory	8	(760)	(1,434)
Option costs		(677)	-
Loss before income tax		(14,921)	(8,569)
Income tax benefit	5	-	-
Loss after tax from continuing operations attributable to members for the year		(14,921)	(8,569)
Other comprehensive income for the period, net of income tax			
<i>Items that could be reclassified subsequently to profit or loss</i>			
Change in fair value of available-for-sale-financial assets		10,297	5,789
Comprehensive loss attributable to members for the year		(4,624)	(2,780)
	Note	Consolidated	
		2015 Cents	2014 Cents
Loss per share ¹	21		
- basic and diluted earnings / (loss) from continuing operations attributable to members for the year		(0.23)	(0.16)

¹ 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.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

**Consolidated Statement of Financial Position
As at 30 June 2015**

	Note	Consolidated	
		2015 \$'000	2014 \$'000
Current Assets			
Cash and cash equivalents	6	4,470	2,321
Trade and other receivables	7	1,921	592
Inventories	8	30,495	18,780
Other assets	13	<u>2,331</u>	<u>2,198</u>
Current Assets		39,217	23,891
Non-current assets classified as held-for-sale	11	<u>1,462</u>	<u>1,398</u>
Total Current Assets		40,679	25,289
Non-Current Assets			
Investments accounted for using the equity method	9	9,000	9,000
Inventories	8	48,194	65,066
Property, plant and equipment	12	1,022	2,008
Derivatives	16	1,095	-
Deferred tax assets	5	-	-
Available-for-sale financial assets	10	<u>69,830</u>	<u>59,719</u>
Total Non-Current Assets		129,141	135,793
TOTAL ASSETS		169,820	161,082
Current Liabilities			
Trade and other payables	14	31,187	27,947
Derivatives	16	-	367
Provisions	17	<u>85</u>	<u>88</u>
Total Current Liabilities		31,272	28,402
Non-Current Liabilities			
Borrowings	15	42,337	32,867
Provisions	17	8	3
Deferred tax liabilities	5	<u>-</u>	<u>-</u>
Total Non-Current Liabilities		42,345	32,870
TOTAL LIABILITIES		73,617	61,272
NET ASSETS		96,203	99,810
EQUITY			
Contributed equity	18	269,626	269,626
Reserves	19	17,307	5,993
Accumulated losses		<u>(190,730)</u>	<u>(175,809)</u>
TOTAL EQUITY		96,203	99,810

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

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

**Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2015**

Consolidated	Attributable to Shareholders				Total
	Contributed equity	Available-for-sale movement reserve	Share-based payment reserve	Accumulated losses	
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2014	269,626	5,789	204	(175,809)	99,810
Loss for the period	-	-	-	(14,921)	(14,921)
Other comprehensive income	-	10,297	-	-	10,297
Total comprehensive income/(loss) for the year	-	10,297	-	(14,921)	(4,624)
Transactions with Shareholders:					
Shared-based payments	-	-	340	-	340
Equity settled benefits	-	-	677	-	677
Balance at 30 June 2015	269,626	16,086	1,221	(190,730)	96,203
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 Shareholders:					
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

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

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

**Consolidated Statement of Cash Flows
For the Year Ended 30 June 2015**

	Note	Consolidated	
		2015 \$'000	2014 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		7,408	4,737
Payments to suppliers and employees (inclusive of GST)		(6,102)	(7,621)
Interest received		41	42
Other income received		343	-
Interest and other costs paid		<u>(2,016)</u>	<u>(1,612)</u>
Net cash flows (used in) operating activities	28	<u>(326)</u>	<u>(4,454)</u>
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment		-	25
Payment for deposits		(256)	(1,666)
Payments for available-for-sale financial assets		(898)	(42,930)
Receipt from available-for-sale financial assets		1,084	-
Payments for property, plant and equipment		(14)	(7)
Deferred payments for available-for-sale financial assets		<u>(2,000)</u>	<u>-</u>
Net cash flows (used in) investing activities		<u>(2,084)</u>	<u>(44,578)</u>
Cash flows from financing activities			
Proceeds from borrowings		-	44,742
Repayment of borrowings		-	(32,756)
Proceeds from hedge		4,559	-
Proceeds from issue of shares		-	41,693
Transaction costs on issue of shares		-	<u>(212)</u>
Net cash flows from financing activities		<u>4,559</u>	<u>53,467</u>
Net increase in cash and cash equivalents		2,149	4,435
Cash and cash equivalents at the beginning of the financial year		<u>2,321</u>	<u>(2,114)</u>
Cash and cash equivalents at the end of the financial year	6	<u>4,470</u>	<u>2,321</u>

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

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Explanatory Notes to the Consolidated Financial Statements For the Year Ended 30 June 2015

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PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Explanatory Notes to the Consolidated Financial Statements For the Year Ended 30 June 2015

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 Group only. Supplementary information about the Company is disclosed in Note 31.

(b) New accounting standards and interpretations

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of the revised Standards and Interpretations has had no material impact on the recognition and measurement criteria and only required minor changes to some of the disclosure within the financial statements.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Explanatory Notes to the Consolidated Financial Statements For the Year Ended 30 June 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 Group has control. The Group controls an entity when the Group 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 Group. 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.

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.

(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.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Explanatory Notes to the Consolidated Financial Statements For the Year Ended 30 June 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Inventories (continued)

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 effective hedging instruments.

(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 Group 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.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Explanatory Notes to the Consolidated Financial Statements For the Year Ended 30 June 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (continued)

Available-for-sale financial assets (continued)

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.

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.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Explanatory Notes to the Consolidated Financial Statements For the Year Ended 30 June 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Share based payments (continued)

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 Group'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 investments in the Burwood and The Milton developments do not presently qualify for classification as joint venture arrangements accounted for using the equity method because they have different commercial characteristics. These investments have been classified under Accounting Standard AASB 139 Financial Instruments: Recognition and Measurement as available-for-sale financial assets.

(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 and equipment / Assets under construction – over 3 to 15 years
Land – not depreciated

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Explanatory Notes to the Consolidated Financial Statements For the Year Ended 30 June 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Property, plant and equipment (continued)

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.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Explanatory Notes to the Consolidated Financial Statements For the Year Ended 30 June 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 corporate 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.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Explanatory Notes to the Consolidated Financial Statements For the Year Ended 30 June 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

(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.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Explanatory Notes to the Consolidated Financial Statements For the Year Ended 30 June 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Income tax (continued)

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.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Explanatory Notes to the Consolidated Financial Statements For the Year Ended 30 June 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 applicable.

(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; and / or
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and / or
- 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.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Explanatory Notes to the Consolidated Financial Statements For the Year Ended 30 June 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ac) Going concern

The 30 June 2015 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 Group generated a loss from continuing activities of \$14,921,000 (2014: \$8,569,000) and continues to experience constraints around cash flow, with a net cash outflow from operations for the full year of \$326,000 (2014: \$4,454,000).

The Directors believe it is appropriate to prepare this financial report on a going concern basis. The Group has obligations to pay an amount for SeaSpray in October 2015 and an amount for Burwood Square in December 2015. To fund these, PBD is expecting to use the proceeds from the settlement of Oceanique apartments, Bridgeview, The Milton and SeaSpray (as these are staged settlements).

The Directors will continue to closely monitor PBD's cash position within the constraints of the existing loan facility and cash flows from business activities given the various timings of inflows and outflows of cash. Whilst the Directors are confident of success with the current strategy, the timing of the cash inflows and outflows may vary, and this may generate uncertainty as to the timing of cash flows. Should the timing of cash flows be significantly different to those forecast, the Group may need to seek alternative financing options to enable it to settle its liabilities as they fall due.

These conditions give rise to a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. The Directors have concluded that there are reasonable grounds to believe that the Group 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 Group 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 Group be unable to continue as a going concern and meet 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 Group for the annual reporting period ended 30 June 2015. The new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and relate solely to principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income (OCI). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an expected credit loss (ECL) model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group will adopt this standard from 1 July 2018 so the impact of its adoption is yet to be assessed.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Explanatory Notes to the Consolidated Financial Statements For the Year Ended 30 June 2015

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

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group will adopt this standard from 1 July 2017 so the impact of its adoption is yet to be assessed.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Explanatory Notes to the Consolidated Financial Statements For the Year Ended 30 June 2015

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	
	2015	2014
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	4,470	2,321
Trade and other receivables	1,921	592
Other assets (SHK deposit)	1,921	1,666
Available-for-sale financial assets	<u>69,830</u>	<u>59,719</u>
	<u>78,142</u>	<u>64,298</u>
Financial liabilities		
Trade and other payables	31,187	27,947
Borrowings	<u>42,337</u>	<u>32,867</u>
	<u>73,524</u>	<u>60,814</u>

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.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Explanatory Notes to the Consolidated Financial Statements For the Year Ended 30 June 2015

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

Interest rate risk Group sensitivity

For the year to 30 June 2015 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), loss for the year would have been \$390,000 lower/higher (2014: \$141,000 lower/higher), mainly as a result of higher/lower interest expense from borrowings.

The Group's bank facility at 30 June 2015 was a three year A\$40,000,000 facility. The interest rate for the three year facility is 7% p.a. over BBSY. None of this borrowing is at a fixed interest rate. Refer to Note 15 for further details on the Group's borrowings.

Price Risk

The Group is not exposed to any significant price risk.

Credit Risk

Credit risk is the risk that the counterparty 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 2015 the Group had 66 unconditional contracts of sale outstanding (2014: nil), awaiting settlement which under the accounting policies referred to in note 1(v) is not recognised until settlement.

Credit risk is managed on a Group basis. The maximum exposure to credit risk at 30 June 2015 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	
	2015	2014
	\$'000	\$'000
Floating rate ¹		
- Expiring within 24 months ²	<u>42,337</u>	<u>32,867</u>
	<u>42,337</u>	<u>32,867</u>

¹ At 30 June 2015 none (2014: none) of the Group's borrowings were at fixed interest rates

² Facility expires on 30 April 2017

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

**Explanatory Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2015**

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

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 2015	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	9.77%	-	-	50,326	-	-	50,326
Bank guarantee facility	-	-	-	250	-	-	250
Burwood Payable	12.00%	11,174	-	-	-	-	11,174
Trade and other payables	-	20,661	-	-	-	-	20,661
Total liabilities	-	31,835	-	50,576	-	-	82,411

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%	-	-	-	42,708	-	42,708
Bank guarantee facility	-	-	-	-	700	-	700
Trade and other payables	-	137	27,810	-	-	-	27,947
Total liabilities	-	137	27,810	-	43,408	-	71,355

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

**Explanatory Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2015**

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

Maturities of derivatives

Consolidated – At 30 June 2015	Weighted average interest rate %	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	-	-	-	-	-	-	-

Consolidated – At 30 June 2014	Weighted average interest rate %	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

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Explanatory Notes to the Consolidated Financial Statements For the Year Ended 30 June 2015

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 A\$		Average exchange rates	
	2015	2014	2015	2014
	HK\$'000	HK\$'000		
Buy HK\$ maturities:				
0 – 3 months	238,000	-	6.0890	-
3 – 6 months	-	238,000	-	7.1436

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

Consolidated	Liabilities	
	2015	2014
	HK\$'000	HK\$'000
HK\$	252,055	239,975
Total	252,055	239,975

The Group had liabilities denominated in foreign currencies of HK\$252,055,000 as at 30 June 2015 (2014: HK\$239,975,000). Based on this exposure, had the A\$ weakened by 10% / strengthened by 5% (2014: -10% / +5%) against this foreign currency with all other variables held constant, the Group's loss for the year would have been \$3,879,000 higher / \$1,940,000 lower (2014: -\$3,301,000 / +\$1,651,000) and equity would have been \$3,879,000 lower / \$1,940,000 higher (2014: -\$3,301,000 / +\$1,651,000). 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 2015 was \$7,721,000 (2014: \$72,000).

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 that the Company 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 (as prices) or indirectly (derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

**Explanatory Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2015**

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair value measurement (continued)

Consolidated - 2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Derivatives at fair value – forward foreign exchange contracts	-	1,095	-	1,095
Available-for-sale financial assets	-	-	69,830	69,830
Total assets	-	1,095	69,830	70,925
Liabilities				
Derivatives at fair value – forward foreign exchange contracts	-	-	-	-
Total liabilities	-	-	-	-
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

There were no transfers between levels during the financial year (2014:Nil).

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Explanatory Notes to the Consolidated Financial Statements For the Year Ended 30 June 2015

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair value measurement (continued)

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)	Range (weighted average)	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.	Not applicable.	Not applicable.	Not applicable.
Available-for-sale financial assets (refer Note 10).	Level 3.	Discounted cash flow.	A significant unobservable input is the discount rate used in discounting the estimated cash flows to their net present value.	10% to 13%.	5% change in this input would change the fair value by \$2m.
Available-for-sale financial assets (refer Note 10).	Level 3.	Discounted cash flow.	A significant unobservable input is the cash flows used.	Cash inflows of \$71.2m	10% change in this input would change the fair value by \$7.4m.

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.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

**Explanatory Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2015**

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair value measurement (continued)

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

Consolidated - 2015	Available-for-sale financial assets \$'000	Total \$'000
Balance at 1 July 2014	59,719	59,719
Additions	898	898
Return of capital	(1,084)	(1,084)
Gains recognised in other comprehensive income	10,297	10,297
Balance at 30 June 2015	69,830	69,830

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

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.

Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The following table presents the recognised financial instruments that are offset as at 30 June 2015.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Explanatory Notes to the Consolidated Financial Statements For the Year Ended 30 June 2015

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Offsetting financial assets and financial liabilities (continued)

Effects of offsetting on the balance sheet

Consolidated - 2015	Gross amounts	Gross amounts set off in the balance sheet	Net amounts presented in the balance sheet
	\$'000	\$'000	\$'000
Financial assets			
Trade and other receivables	10,471	(8,550)	1,921
Total	10,471	(8,550)	1,921
Financial liabilities			
Trade payables	(39,737)	8,550	(31,187)
Total liabilities	(39,737)	8,550	(31,187)

There were no amounts set off in relation to the 30 June 2014 financial year.

Offsetting arrangement

FKP Residential Developments Pty Limited (FKP) holds legal title to the SeaSpray properties. Under the development agreement, all settlements are administered by FKP and remitted to PBD (Yang Land) Pty Limited (PBD). In addition, development costs are borne by FKP and FKP invoices PBD in full for these costs. PBD and FKP have a legal agreement in place which permits these amounts outstanding to be offset. The receivables and payables have been presented net in the balance sheet.

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 the 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.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Explanatory Notes to the Consolidated Financial Statements For the Year Ended 30 June 2015

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

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 31 December 2014 an analysis of net realisable value and fair value of the Group's assets resulted in an impairment of \$3,913,000. During the half year to 30 June 2015 sales of the impaired assets represented \$3,154,000 of the total December 2014 impairment. This is disclosed as cost of goods sold from half year write off in the consolidated statement of profit or loss and other comprehensive income. At 30 June 2015 there is a remaining balance of \$759,000 relating to the impairment of the unsold assets. A similar analysis at 30 June 2014 resulted in an impairment of \$1,434,000.

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.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

**Explanatory Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2015**

	Consolidated	
	2015 \$'000	2014 \$'000
4. REVENUE AND EXPENSES		
Revenue		
Sale of goods – land and apartments	14,391	4,750
Finance revenue	41	42
	<u>14,432</u>	<u>4,792</u>
Other income		
Other income	343	35
Damages claims/termination fees	-	355
	<u>343</u>	<u>390</u>
Cost of sales		
Cost of sales ¹	(15,033)	(4,212)
	<u>(15,033)</u>	<u>(4,212)</u>
¹ Included within cost of sales is \$3,154,000 of impairment realised during the year on inventory subsequently sold		
Finance costs		
Bank accounts and loan interest paid/accrued	(5,328)	(2,127)
	<u>(5,328)</u>	<u>(2,127)</u>
Employee benefits expense		
Wages and salaries	(841)	(991)
Superannuation expense	(82)	(83)
Payroll tax	(41)	(15)
Share-based payment expense	(258)	(204)
Other employee benefits expense	(131)	(183)
	<u>(1,353)</u>	<u>(1,476)</u>
Depreciation and amortisation		
Plant and equipment	(1,000)	(1,001)
Plant and equipment - Disposal	-	(15)
	<u>(1,000)</u>	<u>(1,016)</u>

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

**Explanatory Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2015**

	Consolidated	
	2015 \$'000	2014 \$'000
4. REVENUE AND EXPENSES (CONTINUED)		
Other expenses from continuing operations		
Strata levies	-	(2)
Audit fees	(116)	(88)
Insurance	(97)	(102)
ASX fees	(48)	(100)
Share registry fees	(36)	(133)
Electricity	(11)	(14)
Travel	(141)	(72)
Corporate recharge	(106)	(138)
Withholding tax	(374)	(56)
Bank charges	(4)	(44)
Valuation fees	(31)	(51)
Other	(267)	(265)
	<u>(1,231)</u>	<u>(993)</u>

(a) Capitalised borrowing costs

During the year the Group incurred borrowing costs of \$5,328,000 (2014: \$2,127,000). Of these costs nothing was capitalised (2014: nil). The capitalisation rate of borrowing costs was not applicable during the year (2014: nil).

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

**Explanatory Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2015**

	Consolidated	
	2015	2014
	\$'000	\$'000
5. INCOME TAX		
Income tax expense		
The major components of income tax expense are:		
<i>Current income tax</i>		
Current income tax charge	-	-
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	-	-
Income tax (credit) / expense reported in statement of comprehensive income	<u>-</u>	<u>-</u>
Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate		
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	<u>(14,921)</u>	<u>(8,569)</u>

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

**Explanatory Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2015**

	Consolidated	
	2015 \$'000	2014 \$'000
5. INCOME TAX (CONTINUED)		
At the Group's statutory rate of 30% (2014: 30%)	(4,476)	(2,571)
Adjustments in respect of current income tax of previous years	-	-
Tax losses not recognised	4,380	2,559
Expenditure not allowable for income tax purposes	96	12
	<u>-</u>	<u>-</u>
Income tax expense reported in consolidated statement of comprehensive income	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

	Balances		Movements	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Recognised deferred tax assets and liabilities				
CONSOLIDATED				
<i>Deferred tax liabilities</i>				
Other income not assessable until realised – fair value profit on revaluation	(4,826)	(1,737)	(3,089)	(1,737)
Expenditure deductible for taxation purposes and not accounting purposes	-	(202)	202	(196)
Accelerated depreciation for tax purposes	-	-	-	-
Deductible expenses capitalised into land value	-	-	-	-
Development costs immediately deductible	-	(769)	769	428
Offset of deferred tax liabilities against deferred tax assets	<u>4,826</u>	<u>2,708</u>	<u>2,118</u>	<u>1,505</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

**Explanatory Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2015**

	Balances		Movements	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
5. INCOME TAX (CONTINUED)				
CONSOLIDATED				
<i>Deferred tax assets</i>				
Tax losses carried forward	32,406	27,587	4,819	(285)
Expenses not deductible until paid	281	186	95	44
Share transaction costs	51	64	(13)	(738)
Other	-	-	-	-
Fair value loss on net realisable value write down	19,933	23,777	(3,844)	(870)
Unrecognised deferred tax assets	(47,845)	(48,906)	1,061	3,353
Offset of deferred tax liabilities against deferred tax assets	(4,826)	(2,708)	(2,118)	(1,505)
Rounding differences	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred tax income / (expense)			<u>-</u>	<u>-</u>

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.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

**Explanatory Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2015**

	Consolidated	
	2015	2014
	\$'000	\$'000

6. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	<u>4,470</u>	<u>2,321</u>
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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	<u>4,470</u>	<u>2,321</u>
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During the period, the weighted average interest rate the Group received for its cash and cash equivalents was 0.57% (2014: 0.73%).

7. TRADE AND OTHER RECEIVABLES

Current

Other receivables	<u>1,921</u>	<u>592</u>
	<u>1,921</u>	<u>592</u>

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

Other receivables – current

Other receivables include damages receipts in relation to unsettled properties and GST receipts.

There is no evidence of impairment for any trade receivable and as such no allowance has been recognised.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

**Explanatory Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2015**

	Consolidated	
	2015 \$'000	2014 \$'000
7. TRADE AND OTHER RECEIVABLES (CONTINUED)		
Movement in allowance for impairment loss		
Balance at the beginning of the year	-	-
Movement	-	-
Balance at the end of the year	<u>-</u>	<u>-</u>

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 2015 amounted to \$15,033,000 (2014: \$4,212,000).

Impairment and impairment reversals

Write-down of inventory to recoverable amount recognised as an expense during the year ended 30 June 2015 amounted to \$760,000 (2014: \$1,434,000). The expense for 2015 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	
	2015 \$'000	2014 \$'000
(a) Inventories net of impairment		
Current		
<i>Finished apartments</i>		
Cost of acquisition	94	159
Development and other costs	13,498	22,831
Capitalised interest	1,618	2,737
Impairment provision	(7,465)	(13,262)
Total	<u>7,745</u>	<u>12,465</u>
<i>Land under development</i>		
Cost of acquisition	14,439	6,315
Development and other costs	8,311	-
Capitalised interest	-	-
Impairment provision	-	-
Total	<u>22,750</u>	<u>6,315</u>
Total current	<u>30,495</u>	<u>18,780</u>

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

**Explanatory Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2015**

8. INVENTORIES (CONTINUED)

(a) Inventories net of impairment (continued)

	Consolidated	
	2015 \$'000	2014 \$'000
Non-Current		
<i>Finished apartments</i>		
Cost of acquisition	-	62
Development and other costs	-	8,876
Capitalised interest	-	1,064
Impairment provision	-	(4,778)
Total	<u>-</u>	<u>5,224</u>
<i>Land under development</i>		
Cost of acquisition	97,496	109,180
Development and other costs	8,195	8,195
Capitalised interest	1,480	1,480
Impairment provision	(58,977)	(58,977)
Total	<u>48,194</u>	<u>59,842</u>
Total non-current	<u>48,194</u>	<u>65,066</u>
Total inventories net of impairment	<u>78,689</u>	<u>83,846</u>

(b) Inventory impairment provisions

	Finished apartments \$'000	Land under development \$'000	Total \$'000
2015			
Current			
Balance as at 1 July 2014	(13,262)	-	(13,262)
Amounts utilised	14,488	-	14,488
Transferred from non-current	(4,778)	-	(4,778)
Additional provision created	(3,913)	-	(3,913)
Balance at 30 June 2015	<u>(7,465)</u>	<u>-</u>	<u>(7,465)</u>
Non-current			
Balance as at 1 July 2014	(4,778)	(58,977)	(63,755)
Amounts utilised	-	-	-
Transferred to current	4,778	-	4,778
Additional provision created	-	-	-
Balance at 30 June 2015	<u>-</u>	<u>(58,977)</u>	<u>(58,977)</u>
Total balance at 30 June 2015	<u>(7,465)</u>	<u>(58,977)</u>	<u>(66,442)</u>

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

**Explanatory Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2015**

8. INVENTORIES (CONTINUED)

(b) Inventory impairment provisions (continued)

	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)

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated	
	2015 \$'000	2014 \$'000
Investment in joint ventures	<u>9,000</u>	<u>9,000</u>

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

Summarised financial information – Bridgeview, Annandale

	Bridgeview	
	2015 \$'000	2014 \$'000
<i>Summarised statement of financial position</i>		
Cash and cash equivalents	35	28
Inventories	17,563	12,800
Current tax assets	69	69
Other current assets	181	159
Non-current assets	-	-
Total assets	<u>17,848</u>	<u>13,056</u>
Current financial liabilities (excluding trade and other payables and provisions)	-	-
Other current liabilities	(133)	(224)
Non-current financial liabilities (excluding trade and other payables and provisions)	(9,630)	(3,865)
Non-current liabilities	-	-
Total liabilities	<u>(9,763)</u>	<u>(4,089)</u>
Net assets	<u>8,953</u>	<u>8,967</u>

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

**Explanatory Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2015**

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

	Bridgeview	
	2015 \$'000	2014 \$'000
<i>Summarised statement of profit or loss and other comprehensive income</i>		
Revenue		
Interest revenue	-	-
Other revenue	-	-
Depreciation and amortisation expense	-	-
Other expenses	(15)	(33)
Finance costs	-	-
Loss before income tax	(15)	(33)
Income tax expense	-	-
Loss after income tax	(15)	(33)
Other comprehensive income	-	-
Total comprehensive income	<u>(15)</u>	<u>(33)</u>
 <i>Reconciliation of the Group's carrying amount</i>		
Opening carrying amount	9,000	9,000
Contributions to joint venture	-	-
Share of loss after income tax ¹	-	-
Closing carrying amount	<u>9,000</u>	<u>9,000</u>

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	
	2015 \$'000	2014 \$'000
Bank guarantee ¹	13,347	13,347
Capital commitments ²	-	-
Total contingent liabilities	<u>13,347</u>	<u>13,347</u>

¹ Further details in relation to the bank guarantee are disclosed in Note 26

² There are no capital commitments outstanding

Significant restriction on distributions

The joint venture is required to repay bank debt and other associated project expenses prior to making any distributions.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

**Explanatory Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2015**

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Consolidated	
	2015	2014
	\$'000	\$'000
Investment in development projects	<u>69,830</u>	<u>59,719</u>

Reconciliation

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

Opening fair value	59,719	-
Additions	899	53,930
Return of capital	(1,084)	-
Revaluation increments	<u>10,296</u>	<u>5,789</u>
Closing fair value	<u>69,830</u>	<u>59,719</u>

Burwood Square and The Milton are accounted for as available-for-sale financial assets. The carrying value of Burwood Square and The Milton at 30 June 2015 are \$27,490,000 and \$42,340,000 respectively (2014: \$27,600,000 and \$32,100,000 respectively).

Burwood Square and The Milton have been accounted for in accordance with the accounting policy in Note 1(l) using the discounted cash flow analysis method for valuation purposes. 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

Non-current assets held-for-sale	<u>1,462</u>	<u>1,398</u>
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Included in the above asset total for the year ended 30 June 2015 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.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

**Explanatory Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2015**

12. PROPERTY, PLANT AND EQUIPMENT

	Consolidated		
	Plant & equipment \$'000	Assets under construction \$'000	Total \$'000
Year ended 30 June 2015			
At 1 July 2014, net of accumulated depreciation	48	1,960	2,008
Additions	14	-	14
Disposals	-	-	-
Depreciation	<u>(20)</u>	<u>(980)</u>	<u>(1,000)</u>
Net carrying amount	<u>42</u>	<u>980</u>	<u>1,022</u>
At 30 June 2015			
Cost	62	2,940	3,002
Accumulated depreciation	<u>(20)</u>	<u>(1,960)</u>	<u>(1,980)</u>
Net carrying amount	<u>42</u>	<u>980</u>	<u>1,022</u>
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	<u>(21)</u>	<u>(980)</u>	<u>(1,001)</u>
Net carrying amount	<u>48</u>	<u>1,960</u>	<u>2,008</u>
At 30 June 2014			
Cost	69	2,940	3,009
Accumulated depreciation	<u>(21)</u>	<u>(980)</u>	<u>(1,001)</u>
Net carrying amount	<u>48</u>	<u>1,960</u>	<u>2,008</u>

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	
	2015 \$'000	2014 \$'000
13. OTHER ASSETS		
Current		
Prepaid expenses	410	532
SHK deposit	<u>1,921</u>	<u>1,666</u>
	<u>2,331</u>	<u>2,198</u>

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.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Explanatory Notes to the Consolidated Financial Statements For the Year Ended 30 June 2015

	Consolidated	
	2015 \$'000	2014 \$'000
14. TRADE AND OTHER PAYABLES		
Current		
<i>Unsecured</i>		
Trade creditors	1,167	137
Burwood Square contribution and interest payable	10,528	11,000
Other creditors and accruals	19,492	16,810
	<u>31,187</u>	<u>27,947</u>

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.

15. BORROWINGS

Current

Secured commercial overdraft	-	-
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Non-current

Secured commercial loan	42,337	32,867
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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 2015 was \$Nil (HK\$Nil) (2014: \$7,133,000 (HK\$52,000,000)). The \$2,337,000 balance in excess of the original loan facility amount is due to unfavourable foreign currency movements and does not represent a breach of facility.

The Group's bank facilities also include a bank guarantee line of credit (\$250,000 limit). The bank guarantee line of credit is drawn to \$249,473.

All of the Group's bank facilities at 30 June 2015 and 2014 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 \$42,337,000 (2014: \$32,867,000).

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.

Assets pledged as security

The \$250,000 bank guarantee facility is secured by cash. The A\$40 million three year facility is unsecured.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

**Explanatory Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2015**

	Consolidated	
	2015	2014
	\$'000	\$'000

16. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives at fair value – forward foreign exchange contracts	<u>1,095</u>	<u>(367)</u>
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Refer to Note 2 for further information on financial instruments.

17. PROVISIONS

Employee benefit current	85	88
Employee benefit non-current	<u>8</u>	<u>3</u>
	<u>93</u>	<u>91</u>

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 Group does not have an unconditional right to defer settlement. However, based on past experience, the Group 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:

Employee benefit obligations expected to be settled after 12 months	<u>59</u>	<u>35</u>
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PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Explanatory Notes to the Consolidated Financial Statements For the Year Ended 30 June 2015

18. CONTRIBUTED EQUITY

(a) Movement in ordinary share capital

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

Last financial year the following shares were issued by the Company:

Date	Details	# of shares		Value of shares	
		Movement	Balance	Movement \$'000	Balance \$'000
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.

(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 2014 financial year.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

**Explanatory Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2015**

	Consolidated	
	2015	2014
	\$'000	\$'000
19. RESERVES		
Share-based payments reserve:		
Balance at 1 July	204	-
Share-based payments expense	340	204
Options issued	677	
Transfer to accumulated losses	-	-
Balance at 30 June	<u>1,221</u>	<u>204</u>
Available-for-sale reserve:		
Balance at 1 July	5,789	-
Change in fair value of available-for-sale financial assets	10,297	5,789
Balance at 30 June	<u>16,086</u>	<u>5,789</u>

The purpose of the share-based payments reserve is to recognise the fair value of the options issued to employees, and other parties for services rendered.

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 (2014: nil) and no dividends have been proposed since the end of the financial year.

	Company	
	2015	2014
	\$'000	\$'000
Franking credit balance		
Franking account balance as at the end of the financial year at 30% (2014: 30%)	<u>1,106</u>	<u>1,106</u>

The tax rate at which dividends have been franked is 30% (2014: 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, if any;
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, if any; and
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date, if any.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Explanatory Notes to the Consolidated Financial Statements For the Year Ended 30 June 2015

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	
	2015	2014
	\$'000	\$'000
Net loss attributable to Shareholders from continuing operations	<u>(14,921)</u>	<u>(8,569)</u>
	# of shares	
Weighted average number of ordinary shares for basic earnings / (loss) per share	6,495,629,181	5,316,046,281
Effect of dilution	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	<u>6,495,629,181</u>	<u>5,316,046,281</u>
¹ Options were anti-dilutive and thus were not included in the diluted loss per share calculation.		
	Cents	Cents
Basic and diluted loss per share	<u>(0.23)</u>	<u>(0.16)</u>

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	
	2015	2014
	\$	\$
Short-term employee benefits	399,384	598,668
Post-employment benefits	24,952	32,591
Share-based payments	<u>350,509</u>	<u>203,723</u>
	<u>774,845</u>	<u>834,982</u>

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Explanatory Notes to the Consolidated Financial Statements For the Year Ended 30 June 2015

23. RELATED PARTY DISCLOSURE

Subsidiaries

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

Name of Entity	Country of Registration	Equity Interest		Investment	
		2015 %	2014 %	2015 \$'000	2014 \$'000
CP Development Pty Limited ¹	Australia	100	100	2,162	2,162
Midland Court Mortgage Finance (NSW) Pty Limited ^{1,2,3}	Australia	-	100	-	-
Wannunup Development Nominees Pty Limited ^{1,2}	Australia	100	100	-	-
Esperance Development Company Pty Limited ^{1,4}	Australia	100	100	-	-
Furnissdale Development Company Pty Limited ^{1,3,4}	Australia	-	100	-	-
Melros Beach Development Pty Limited ^{1,3,4}	Australia	-	100	-	-
Point Grey Development Company Pty Limited ^{1,4}	Australia	100	100	-	-
PBD Estate No 1 Pty Limited ^{1,3,4}	Australia	-	100	-	-
PBD Estate No 2 Pty Limited ^{1,4}	Australia	100	100	-	-
PBD Realty Pty Limited ^{1,4}	Australia	100	100	-	-
Port Bouvard Funds Management Limited ³	Australia	-	100	-	51
Peel Water Pty Limited ¹	Australia	100	100	8,000	8,000
PBD (The Milton) Pty Limited ^{1,5}	Australia	100	100	-	-
PBD (Yang Land) Pty Limited ^{1,5}	Australia	100	100	-	-
PBD Funds Management Pty Limited	Australia	100	100	50	50
PBD (Charles St) Pty Limited ^{1,4}	Australia	100	-	-	-
				10,212	10,263

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 were voluntarily deregistered during the financial year as part of a corporate restructure

⁴ These entities have a cost of investment of \$1, which due to rounding is shown as nil in the above table

⁵ 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.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Explanatory Notes to the Consolidated Financial Statements For the Year Ended 30 June 2015

23. RELATED PARTY DISCLOSURE (CONTINUED)

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 Limited, BHW Group Pty Limited (**BHW**) and Dundas Developments Pty Limited (**Dundas**).

As at 30 June 2015, 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 Lin was appointed CEO of the Company in May 2013, and at the time of the transaction was not an employee of the Group.

Director Marcus Seow is the Group'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 2014 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 the Company 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 the Company and Aveo Group.

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

Former Director David Hunt (resigned on 19 June 2015) is a director of FKP Commercial Developments Pty Limited. Director Winson Chow is an alternate director of Aveo Group.

SeaSpray, Point Cook

During the 2014 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 the Company 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 the Company and Aveo Group.

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

Former Director David Hunt (resigned on 19 June 2015) is a director FKP Residential Developments Pty Limited. Director Winson Chow is an alternate director of Aveo Group.

FKP holds legal title to SeaSpray. Under the development agreement, all settlements are administered by FKP and remitted to PBD. During the year, these settlements (including GST) totalled \$8,550,000 (2014: \$Nil). In addition, developments costs are borne by FKP and FKP invoices PBD in full for these costs. During the year, these additional contributions totalled \$10,250,000 (2014: \$nil). As disclosed in Note 2, PBD and FKP have a legal agreement in place which permits these amounts outstanding to be offset. At the year end, the net balance of \$19,520,000 (2014: \$16,200,000) remains outstanding to FKP.

Mulpha

During the financial year, payments for payroll and information technology services totalling \$106,263 (2014: \$137,620) were paid to Caldisc Pty Limited. Payments of \$74,476 (2014: \$Nil), for office rent were paid to Mulpha Transport House Pty Limited. Both companies are 100% owned subsidiaries of Mulpha.

The chairman, Winson Chow, is an Executive Director and the Chief Operating Officer of Mulpha, a subsidiary of MIB, which was a 19.9% shareholder of the Company. Winson Chow is also a Director of Caldisc Pty Limited and Mulpha Transport House Pty Limited.

On 17 July 2015, Oasis Star Limited became a substantial shareholder of the Company after acquiring MIB's 19.9% stake.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

**Explanatory Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2015**

	Consolidated	
	2015	2014
	\$'000	\$'000
24. REMUNERATION OF AUDITORS		
Amounts received or due and receivable by BDO for:		
- an audit and review of the financial report by BDO East Coast Partnership	122,000	105,000
- tax compliance and advice by BDO East Coast Partnership	12,850	-
- tax compliance and advice by BDO Corporate Tax (WA) Pty Ltd	-	29,879
	134,850	134,879
25. EXPENDITURE COMMITMENTS	2015	2014
	\$'000	\$'000
Operating lease commitments		
Future minimum rentals payable under operating leases at 30 June are:		
Within one year	98	4
After one year but not more than five years	337	-
More than five years	-	-
	435	4
<p>The operating lease commitment in the current financial year related to the lease of the Sydney office. In the 2014 financial year, the operating lease commitment related to the lease of office equipment.</p>		
Capital commitments		
Committed at the reporting date but not recognised as liabilities or payables.		
Investment properties:		
The Milton, Milton	78	557
Burwood Square, Burwood	2,295	2,900
SeaSpray, Point Cook development and other costs	827	885
	3,200	4,342

The capital commitments in relation to SeaSpray represent the project costs in respect to the staging 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.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Explanatory Notes to the Consolidated Financial Statements For the Year Ended 30 June 2015

	Consolidated	
	2015 \$'000	2014 \$'000
26. CONTINGENCIES		
Contingent liabilities		
The Company and Group had contingent liabilities at 30 June 2015 in respect of:		
<i>Guarantees</i>		
The Group has provided guarantees in respect of :		
The Milton, Milton	108,500	108,500
Bridgeview, Annandale	13,347	13,347
The City of Mandurah	-	700
Wyndham City Council	119	-
City West Water Corporation	16	-
	<u>121,982</u>	<u>122,547</u>

The Group has access to a bank guarantee facility from St. George Bank. The facility limit at 30 June 2015 is \$250,000 (2014: \$700,000) and the unused limit at 30 June 2015 is \$114,200 (2014: 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 2015 (2014: 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 2015 (2014: 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.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Explanatory Notes to the Consolidated Financial Statements For the Year Ended 30 June 2015

27. SEGMENT INFORMATION

(a) General information

In accordance with AASB 8 "Operating Segments", the Group has assessed for the financial year ended 30 June 2015 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	
		2015 \$'000	2014 \$'000
Total segment revenue from external customers	(c)(i)	<u>14,391</u>	<u>4,750</u>
Revenue from external customers		<u>14,391</u>	<u>4,750</u>
Net loss after income tax	(c)(ii)	<u>(14,921)</u>	<u>(8,569)</u>

The following items are included in the net loss after income tax, which is reviewed by the Board:

Depreciation and amortisation	(1,000)	(1,001)
Net realisable value write-down	(760)	(1,434)
Finance costs	<u>(5,328)</u>	<u>(2,127)</u>
Total segment assets	<u>169,820</u>	<u>161,062</u>

Total segment assets includes:

Inventories	78,689	83,847
Investment in equity accounted investment	9,000	9,000
Available-for-sale financial assets	<u>69,830</u>	<u>59,719</u>
Total segment liabilities	<u>73,617</u>	<u>61,272</u>

(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:

Total segment revenue	14,391	4,750
Rendering of services	-	-
Forfeited deposits	-	-
Finance revenue	<u>41</u>	<u>42</u>
Total revenue from continuing operations (Note 4)	<u>14,432</u>	<u>4,792</u>

(ii) Net loss after tax

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

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

**Explanatory Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2015**

	Consolidated	
	2015 \$'000	2014 \$'000
28. NOTES TO CASH FLOW STATEMENT		
Reconciliation of net loss to net cash flows from operations		
Net loss	(14,921)	(8,569)
<i>Adjustments for:</i>		
Depreciation and amortisation	1,000	1,001
Share-based payments	1,017	204
Unrealised foreign exchange gains	7,721	(149)
Finance costs capitalised within borrowings	1,748	271
Write down of inventory	760	1,434
 <i>Changes in assets and liabilities</i>		
(Increase) / decrease in trade and other receivables	(1,329)	(353)
(Increase) / decrease in inventories	4,334	(14,251)
(Increase) / decrease in other assets	122	(372)
Increase in derivatives	(1,462)	367
Increase / (decrease) in trade and other payables	682	16,050
Increase / (decrease) in provisions	2	(87)
Net cash (used in) operating activities	<u>(326)</u>	<u>(4,454)</u>

Disclosure of financing facilities

Refer to Note 15.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

**Explanatory Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2015**

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:

2015	Grant date	Expiry date	Exercise price	Opening balance (#)	Granted during the year (#)	Exercised during the year (#)	Lapsed during the year (#)	Closing balance (#)	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	-	-	(16,666,666)	33,333,332	-
	Total			249,999,998	-	-	(16,666,666)	233,333,332	-
	Weighted average exercise price							\$0.02	

The options noted in the table above were issued during the 2014 financial year.

During the year no options were granted (2014: 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).

The weighted average remaining contractual life of options outstanding at the end of the year was 6.6 months (2014: 18.6 months).

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Explanatory Notes to the Consolidated Financial Statements For the Year Ended 30 June 2015

29. SHARE BASED PAYMENTS – OPTIONS (CONTINUED)

Options granted to Directors and management (continued)

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2015 was \$nil (2014: \$835,000).

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.

As there were no options granted during the current financial year, there are no valuation model inputs to disclose.

30. DEED OF CROSS GUARANTEE

At 30 June 2015 the following entities within the Group were parties to a deed of cross guarantee (**Deed**):

- PBD Developments Limited;
- CP Development Pty Limited; and
- Wannunup Development Nominees Pty Limited.

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 2015 and 2014 for entities that are parties to the Deed at these dates.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

**Explanatory Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2015**

	2015 \$'000	2014 \$'000
30. DEED OF CROSS GUARANTEE (CONTINUED)		
(a) Statement of profit or loss and other comprehensive income		
Sale of goods	6,659	3,192
Revenue	6,659	3,192
Other income	342	365
Cost of sales	(9,192)	(2,662)
Employee benefits expense	(1,352)	(1,232)
Non-executive Director fees	(299)	(276)
Write back of intercompany receivables	9,461	-
Other expenses	(1,177)	(1,200)
Commissions and discounts	(183)	(275)
Advertising and marketing	(23)	(53)
Finance costs	(5,328)	(2,127)
Repairs and maintenance	(62)	(43)
Rental expenses	(98)	(183)
Rates and taxes	(228)	(187)
Depreciation and amortisation	(20)	(21)
Consulting and legal fees	(898)	(463)
Legal fees	(124)	(321)
Loss on property, plant and equipment	-	(15)
Derivative	6,062	(367)
Foreign currency gain / (loss)	(7,721)	(72)
Option costs	(677)	
Net realisable value write down	(760)	(1,434)
Loss before income tax	(5,618)	(7,374)
Income tax (expense) / benefit	-	-
Loss after tax from continuing operations	(5,618)	(7,374)
Comprehensive loss	(5,618)	(7,374)
Accumulated losses at the beginning of the year	(176,098)	(168,724)
Transfer from reserves	-	-
Loss for the year	(5,618)	(7,374)
Accumulated losses at the end of the financial year	(181,716)	(176,098)

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

**Explanatory Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2015**

	2015 \$'000	2014 \$'000
30. DEED OF CROSS GUARANTEE (CONTINUED)		
Set out below in (b) is a consolidated statement of financial position as at 30 June 2015 and 2014 for the entities that were parties to the Deed at these dates.		
(b) Statement of financial position		
Current Assets		
Cash and cash equivalents	4,419	2,244
Trade and other receivables	106,776	115,086
Inventories	7,745	10,841
Derivative	1,095	-
Other assets	2,082	532
Current Assets	122,117	128,703
Non-Current Assets		
Inventories	-	6,850
Other financial assets	26,694	27,569
Property, plant and equipment	41	49
Assets classified as held-for-sale	1,462	1,398
Deferred tax assets	-	-
Total Non-Current Assets	28,197	35,866
TOTAL ASSETS	150,314	164,569
Current Liabilities		
Trade and other payables	14,104	32,737
Derivative	-	367
Provisions	85	88
Total Current Liabilities	14,189	33,192
Non-Current Liabilities		
Provisions	8	3
Borrowings	42,337	32,867
Total Non-Current Liabilities	42,345	32,870
TOTAL LIABILITIES	56,534	66,062
NET ASSETS	93,780	98,507
EQUITY		
Contributed equity	269,726	269,726
Reserves	5,770	4,879
Accumulated losses	(181,716)	(176,098)
TOTAL EQUITY	93,780	98,507

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

**Explanatory Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2015**

	2015 \$'000	Parent 2014 \$'000
31. PARENT ENTITY FINANCIAL INFORMATION		
(a) Summary financial information		
Summarised statement of financial position		
Current assets	106,003	112,024
Non-current assets	26,735	27,618
Total assets	132,738	139,642
Current liabilities	9,482	4,007
Non-current liabilities	42,345	32,870
Total liabilities	51,827	36,877
Net assets	80,911	102,765
Equity		
Contributed equity	269,626	269,626
Share based payment reserve	1,221	204
Available-for-sale reserve	1,443	1,571
Accumulated losses	(191,379)	(168,636)
Total equity	80,911	102,765
Summarised statement of profit or loss and other comprehensive income		
Loss for the year after income tax	(22,742)	(3,116)
Total comprehensive loss for the period net of income tax	(22,742)	(3,116)

(b) Guarantees

The Company has provided no financial guarantees as at 30 June 2015 (2014: \$nil).

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

The Company did not have a deficiency in assets as at 30 June 2015 or 30 June 2014. There were deficiencies of assets in CP Development Pty Limited and Wannunup Development Nominees Pty Limited as at 30 June 2015 and 30 June 2014.

With respect to the asset deficiencies of CP Development Pty Limited and Wannunup Development Nominees Pty Limited, the Company recorded an increase to the impairment provision by \$3,913,000 at 30 June 2015. At 30 June 2014, the Company recorded an increase to the impairment provision by \$1,434,000.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

Explanatory Notes to the Consolidated Financial Statements For the Year Ended 30 June 2015

31. PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

(c) Contingent liabilities

The Company had the following contingent liabilities as at 30 June 2015 and 30 June 2014:

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 2015 or 30 June 2014.

(e) Significant accounting policies

The accounting policies of the Company are consistent with those of the Group as disclosed in Note 1.

32. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There has not been any other matter or circumstance that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

PBD DEVELOPMENTS LIMITED AND ITS CONTROLLED ENTITIES

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 2015 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
24 August 2015
Sydney
New South Wales



Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

INDEPENDENT AUDITOR'S REPORT

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 2015, 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 2015 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.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1(ac) in the financial report, which indicates that the consolidated entity recorded a loss of \$14,921,000 (2014: \$8,569,000) and incurred a net cash outflow from operations of \$326,000 (2014: \$4,454,000) during the year ended 30 June 2015.

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 and at the values reflected in the financial report.

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 2015. 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 2015 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

Grant Saxon
Partner

Sydney, 24 August 2015