

## Appendix 4D Half-year Report

Name of entity

<b>PORT BOUVARD LIMITED</b>
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ABN	Reporting Period	Previous Corresponding Period
12 009 134 114	Half-year ended 31 December 2010	Half-year ended 31 December 2009

### Results for Announcement to the Market

				\$A'000
Revenues from ordinary activities ( <i>item 2.1</i> )	Up	485%	to	61,818
Profit (loss) from ordinary activities after tax attributable to members ( <i>item 2.2</i> )	Up	146%	to	6,454
Net profit (loss) for the period attributable to members ( <i>item 2.3</i> )	Up	146%	to	6,454
Final and interim dividends ( <i>item 2.4</i> )	No dividend has been declared or paid in the last 12 months			
Record date for determining entitlements to the dividend ( <i>item 2.5</i> )	N/A			
Brief explanation of any of the figures reported above ( <i>item 2.6</i> ): Please refer to the Interim Financial Report of the Consolidated Entity which accompanies this Appendix.				

	Current Period	Previous Corresponding Period
Net tangible assets per ordinary share ( <i>item 3</i> )	\$0.23	\$0.68

- Since the previous corresponding period the company issued 463,076,923 new shares, raising \$60,200,000 in capital. Total number of ordinary shares on issue at 31 December 2010 is 593,868,295 versus 130,791,372 at the end of the previous corresponding period.

Details of entities over which control has been gained or lost (*item 4*)

- One company was registered during the half-year with share capital of \$8,000,000.00 issued to Port Bouvard Limited. The company is:
  - Peel Water Pty Ltd (Registered 3 November 2010)

Details of dividends or distribution payments (*item 5*)

- No dividend has been declared or paid in the last 12 months

Details of dividend or distribution reinvestment plans (*item 6*)

- There is no dividend reinvestment program in operation for Port Bouvard Limited.

	Current Period	Previous Corresponding Period
Details of associates and joint venture entities (item 7)		
MMM Developments Pty Ltd		
- Percentage holding	50%	50%
- Aggregate share of profit (losses) of the entity	\$(22,686)	\$104,493
- Contribution of entity to net profit	\$(22,686)	\$104,493
Lighthouse Investments Pty Ltd		
- Percentage holding	50%	50%
- Aggregate share of profit (losses) of the entity	\$(4,286)	\$19,271
- Contribution of entity to net profit	\$(4,286)	\$19,271
Goodrock Corporation Pty Ltd		
- Percentage holding	50%	50%
- Aggregate share of profit (losses) of the entity	\$(1,218)	\$4,850
- Contribution of entity to net profit	\$(1,218)	\$4,850
DD Developments Pty Ltd		
- Percentage holding	50%	50%
- Aggregate share of profit (losses) of the entity	\$(2,047)	\$8,511
- Contribution of entity to net profit	\$(2,047)	\$8,511

Foreign entities to disclose which accounting standards are used in compiling the report (item 8)

- N/A

Description of any audit dispute or qualification (item 9)

- The auditor's review report is attached to the Interim Financial Report which accompanies this Appendix.



.....  
**Peter Coppini**  
**Company Secretary**  
**Port Bouvard Limited**

**25 February 2011**

Level 2, Port Bouvard House  
 129 Melville Parade  
 Como WA 6152  
 Telephone: (08) 6436 2200  
 Facsimile: (08) 6436 2223

# *P*ORT BOUVARD LIMITED

ABN 12 009 134 114

**AND CONTROLLED ENTITIES**

**HALF-YEAR FINANCIAL REPORT**

**FOR THE PERIOD ENDED**

**31 DECEMBER 2010**

**PORT BOUVARD LIMITED AND ITS CONTROLLED ENTITIES**

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# PORT BOUVARD LIMITED AND ITS CONTROLLED ENTITIES

## Corporate Directory

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**A.B.N. 12 009 134 114**

**ASX Code: PBD**

### **DIRECTORS**

Lee Verios LLB, MAICD, *Chairman*

Stephen J Court BBus (Acc), FCA

Ross J Neumann

Ian A Macliver BCom, CA, F Fin, MAICD

Peter R Brown LLB (Hons), BCom

Geoff E Grady LLB (Hons), BCom, ACA

David A Hunt BCom, CPA, Grad Dip App Fin (alternate Director)

### **CHIEF EXECUTIVE OFFICER**

John VM Wroth MBA, PgD(EIA), BA, MAICD

### **COMPANY SECRETARY**

Peter Coppini MBA, BBus, CPA

### **REGISTERED OFFICE**

Level 2 Port Bouvard House

129 Melville Parade

Como WA 6152

Postal Address: Locked Bag 4  
Como WA 6952

Telephone: (08) 6436 2200

Facsimile: (08) 6436 2223

Website: [www.portbouvardltd.com.au](http://www.portbouvardltd.com.au)

Email: [secretary@portbouvardltd.com.au](mailto:secretary@portbouvardltd.com.au)

### **SHARE REGISTRY**

Computershare Registry Services Pty Ltd

Level 2 Reserve Bank Building

45 St George's Terrace

Perth WA 6000

Postal Address: GPO Box D182  
Perth WA 6001

Telephone: (08) 9323 2000

Facsimile: (08) 9323 2033

Website: <http://www-au.computershare.com>

### **AUDITORS**

BDO Audit (WA) Pty Ltd

38 Station Street

Subiaco WA 6008

### **SOLICITORS**

Norton Rose

Level 39 BankWest Tower

108 St George's Terrace

Perth WA 6000

Lavan Legal

The Quadrant

1 William Street

Perth WA 6000

## PORT BOUVARD LIMITED AND ITS CONTROLLED ENTITIES

### Directors' Report

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Your directors present their report on the Consolidated Group consisting of Port Bouvard Limited and the entities it controlled ("**Company**") for the half-year ended 31 December 2010.

#### DIRECTORS

The following are the names of the Directors who held office during or since the end of the previous reporting period, unless mentioned.

Mr Lee Verios (Chairman)  
Mr Stephen John Court (Executive)  
Mr Ross James Neumann (Non-executive)  
Mr Ian Alexander Macliver (Non-executive)  
Mr Peter Ross Brown (Non-executive)\*  
Mr Geoff Earl Grady (Non-executive)\*  
Mr David Allan Hunt (Non-executive)\*\*

\* Messrs Brown and Grady were appointed non-executive Directors on 23 July 2010.

\*\* Mr Hunt was appointed a non-executive Director on 23 November 2010 and is the alternate Director for Mr Peter Ross Brown.

#### REVIEW OF OPERATIONS

The Company has continued its principal activity of the planning, development and sale of residential land. During the reporting period the Company completed construction of the iconic Oceanique apartment project at the UDIA award winning Port Bouvard Residential Estate and continued to progress the planning and environmental approvals of its flagship asset, Point Grey.

An updated summary of each project is provided below.

##### **Port Bouvard Residential Resort Estate**

Port Bouvard Residential Resort Estate was awarded the Urban Development Institute of Australia's 2010 Western Australian premier Masterplanned development.

##### ***Oceanique Luxury Apartments***

Practical completion of Oceanique Luxury Apartments ("**Oceanique**") was achieved in late July 2010 and settlements of pre-sold apartments commenced shortly thereafter. The first phase of a marketing campaign to sell remaining apartments commenced during spring and ran until early December 2010. To the end of December 2010 \$55.0m in gross apartment sales had settled from both pre-sold apartments and new apartment sales. The Company is continuing to actively market Oceanique.

##### ***Eastport Stage 5***

Eastport Stage 5 marked the completion of Port Bouvard Residential Estate. During the reporting period the remaining survey strata island lots were settled, contributing \$2.4m in gross sales revenue during the period.

##### **Point Grey**

The Company's latest flagship asset, Point Grey, is entering the final phases of the planning and environmental approval process in 2011. Point Grey will ultimately realise approximately 3,080 home sites within a Masterplanned waterfront community. Point Grey is planned to include a regional marina facility, a neighbourhood centre, and combine with recreational and lifestyle opportunities well suited to its outstanding natural setting on the Peel and Harvey Estuary, and the direct access to the Indian Ocean.

## PORT BOUVARD LIMITED AND ITS CONTROLLED ENTITIES

### Directors' Report

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During the reporting period the Company successfully accomplished a \$60.2m capital raising which secured \$32.2m to fund the first stage and initial external infrastructure for Point Grey.

Subject to the final approvals outlined below, construction work is planned to commence during the 2011 calendar year.

#### *Planning approvals*

Urban zoning for the site at Point Grey was achieved in April 2009. Outline Development Plan and Town Planning Scheme approvals have been approved by the local council and approval by the Western Australia Planning Commission is expected in the first half of 2011. Subdivision approval for stages 1 – 3 (or first 350 lots) is expected also within the first half of 2011.

#### *Environmental approvals*

Environmental approval for the land component is in place and further amendments to the management conditions to reflect the best management practices are now being finalised. The assessment for the marina is subject to a public environmental review with advertising commencing in February 2011. The outcome of the review is expected in mid-2011.

### **Bandy Creek, Esperance**

It is anticipated the 17 hectares of strategically located land immediately adjacent to the existing marina will yield up to 217 canal lots. Developed lots are expected to be brought to market in the 2014 financial year.

### **Non-core Assets**

During the reporting period the Company, as part of its capital management strategy, settled both the Dawesville and Melros sites. These sites were sold for \$4.95m and \$4m respectively (inclusive of GST).

As part of its non-current asset land holding, the Company holds land which it considers non-core which has a combined book value at 31 December 2010 of \$8.2m.

### **ROUNDING**

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

### **AUDITOR'S INDEPENDENCE DECLARATION**

The Auditor's Independence Declaration under section 307C of the Corporations Act 2001 is set out on page 15 for the half-year ended 31 December 2010.

Signed in accordance with a resolution of the directors.



**Lee Verios**

**Chairman**

25 February 2011

Perth

Western Australia

**PORT BOUVARD LIMITED AND ITS CONTROLLED ENTITIES**

**Consolidated Statement of Comprehensive Income  
For the Half-Year Ended 31 December 2010**

	Note	Consolidated	
		31 December 2010 \$'000	31 December 2009 \$'000
<b>Revenue from continuing operations</b>			
Sale of goods		61,121	10,188
Rendering of services		4	4
Rental revenue		58	68
Finance revenue		383	22
<b>Revenue</b>		<b>61,566</b>	<b>10,282</b>
Other income		252	293
Cost of sales		(43,058)	(7,312)
Commissions and discounts		(3,045)	(1,452)
Employee benefits expense		(1,345)	(990)
Share based payments expense	5	(10)	(78)
Advertising and marketing		(1,493)	(257)
Depreciation and amortisation		(18)	(21)
Finance costs		(1,315)	(149)
Rates and taxes		(502)	(266)
Repairs and maintenance		(104)	(168)
Consultants		(51)	(238)
Legal fees		(351)	(214)
Rental expenses		(98)	(87)
Other expenses		(1,195)	(863)
Write down of loan receivable from joint venture		-	(1,400)
Bad debts expense		-	(733)
Share of net profit / (loss) of joint venture		-	137
Write (down) / back investment in joint venture		-	(137)
Fair value write down	1(b)	-	(16,458)
<b>Profit / (loss) before income tax</b>		<b>9,233</b>	<b>(1,874)</b>
Income tax (expense) / benefit		(2,779)	6,006
<b>Profit / (loss) after tax from continuing operations attributable to members of Port Bouvard Limited for the half-year</b>		<b>6,454</b>	<b>(14,105)</b>
<b>Total Comprehensive profit / (loss) attributable to members of Port Bouvard Limited for the half-year</b>		<b>6,454</b>	<b>(14,105)</b>
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:</b>			
- Basic earnings / (loss) per share		1.10¢	(10.78¢)
- Diluted earnings (loss) per share		1.10¢	(11.46¢)
<b>Earnings per share for profit (loss) attributable to the ordinary equity holders of the company:</b>			
- Basic earnings / (loss) per share		1.10¢	(10.78¢)
- Diluted earnings (loss) per share		1.10¢	(11.46¢)

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

**PORT BOUVARD LIMITED AND ITS CONTROLLED ENTITIES**

**Consolidated Statement of Financial Position  
As At 31 December 2010**

	Note	Consolidated	
		31 December 2010 \$'000	30 June 2010 \$'000
<b>Current Assets</b>			
Cash and cash equivalents		35,018	47,490
Trade and other receivables		813	4,470
Inventories		53,312	65,799
Other assets		556	1,260
<b>Current Assets</b>		<b>89,699</b>	<b>119,019</b>
Non-current assets classified as held-for-sale		-	19,064
<b>Total Current Assets</b>		<b>89,699</b>	<b>138,083</b>
<b>Non-Current Assets</b>			
Inventories		135,110	143,166
Property, plant and equipment		460	96
Deferred tax assets		23,048	29,922
<b>Total Non-Current Assets</b>		<b>158,618</b>	<b>173,184</b>
<b>TOTAL ASSETS</b>		<b>248,317</b>	<b>311,267</b>
<b>Current Liabilities</b>			
Trade and other payables		7,188	20,078
Borrowings		75,995	105,000
Other provisions		-	93
<b>Total Current Liabilities</b>		<b>83,183</b>	<b>125,171</b>
<b>Non-Current Liabilities</b>			
Other payables		3,961	3,872
Borrowings		-	33,836
Deferred tax liabilities		4,556	8,870
Provisions		147	18
<b>Total Non-Current Liabilities</b>		<b>8,664</b>	<b>46,596</b>
<b>TOTAL LIABILITIES</b>		<b>91,847</b>	<b>171,767</b>
<b>NET ASSETS</b>		<b>156,470</b>	<b>139,500</b>
<b>EQUITY</b>			
Contributed equity	7	198,989	188,483
Share – based payments reserve		339	556
Accumulated losses		(42,858)	(49,539)
<b>TOTAL EQUITY</b>		<b>156,470</b>	<b>139,500</b>

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

**PORT BOUVARD LIMITED AND ITS CONTROLLED ENTITIES**

**Consolidated Statement of Changes in Equity  
For the Half-Year Ended 31 December 2010**

		Attributable to owners of Port Bouvard Limited			
		Contributed equity	Share based payment reserve	Accumulated losses	Total
Consolidated	Note	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2009</b>		<b>141,974</b>	<b>619</b>	<b>(23,921)</b>	<b>118,672</b>
Loss for the half-year		-	-	(14,105)	<b>(14,105)</b>
<b>Total comprehensive income for the period</b>		-	-	<b>(14,105)</b>	<b>(14,105)</b>
Transactions with owners in their capacity as owners:					
Share - based payments transactions		-	78	-	<b>78</b>
<b>Balance at 31 December 2009</b>		<b>141,974</b>	<b>697</b>	<b>(38,026)</b>	<b>104,645</b>
<b>Balance at 1 July 2010</b>		<b>188,483</b>	<b>556</b>	<b>(49,539)</b>	<b>139,500</b>
Profit for the half-year		-	-	6,454	<b>6,454</b>
<b>Total comprehensive income for the period</b>		-	-	<b>6,454</b>	<b>6,454</b>
Transactions with owners in their capacity as owners:					
Contributions of equity net of transaction costs		10,506	-	-	<b>10,506</b>
Share - based payments transactions		-	(217)	227	<b>10</b>
<b>Balance at 31 December 2010</b>		<b>198,989</b>	<b>339</b>	<b>(42,858)</b>	<b>156,470</b>

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

**PORT BOUVARD LIMITED AND ITS CONTROLLED ENTITIES**

**Consolidated Statement of Cash Flows  
For the Half-Year Ended 31 December 2010**

	Note	Consolidated	
		31 December 2010 \$'000	31 December 2009 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		74,543	12,425
Payments to suppliers and employees		(30,227)	(37,805)
Interest received		383	22
Interest and other costs paid		(3,394)	(4,174)
Income tax paid / (received)		-	158
<b>Net cash flows from / (used in) operating activities</b>		<b>41,305</b>	<b>(29,374)</b>
<b>Cash flows from investing activities</b>			
Proceeds on disposal of property, plant and equipment		2	-
Payments for property, plant and equipment		(386)	(20)
Repayment of loan by joint venture		-	2,200
<b>Net cash flows (used in) /provided from investing activities</b>		<b>(384)</b>	<b>2,180</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		38,643	38,845
Repayment of borrowings		(101,484)	(13,017)
Proceeds from issue of shares		11,016	
Transaction costs on issue of shares		(1,568)	(13,017)
<b>Net cash flows (used in) /provided from financing activities</b>		<b>(53,393)</b>	<b>25,828</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(12,472)</b>	<b>(1,366)</b>
Cash and cash equivalents at beginning of the half-year		47,490	2,562
<b>Cash and cash equivalents at the end of the half-year</b>		<b>35,018</b>	<b>1,196</b>

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

# PORT BOUVARD LIMITED AND ITS CONTROLLED ENTITIES

## Explanatory Notes to the Financial Statements For the Half-Year Ended 31 December 2010

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### 1. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation

The half-year consolidated financial statements are a general purpose financial statement prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134 *Interim Financial Reporting*.

The financial statements are presented in Australian dollars, which is the functional and presentation currency of Port Bouvard Limited, 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.

It is recommended that these financial statements be read in conjunction with the annual financial statements for the year ended 30 June 2010 and any public announcements made by Port Bouvard Limited and its controlled entities during the half-year in accordance with the continuous disclosure requirements arising under the Corporations Act 2001.

The half-year financial statements do not include full disclosures of the type normally included in annual financial statements.

#### (b) Reporting basis and conventions

The half-year financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-financial assets. As a result, the Consolidated Group may use the fair value or value in use basis of accounting for non-financial assets. More detail on the fair value and value in use basis of accounting adopted by the Consolidated Group is provided below.

##### *Net realisable value write-down of non-financial assets*

The Consolidated Group assesses net realisable value of all non-financial assets at each reporting date in accordance with AASB102 *Inventories* to ensure that values reported represent the lower of cost or net realisable value for inventories. The assessment considers conditions specific to the Consolidated Group and in particular to the non-financial assets concerned. The results of the assessment may give rise to write-downs of non-financial assets. The Consolidated Group considers net realisable value to be the net amount it will realise from sale of the fully developed or constructed asset, less the costs of development or construction, and less the estimated costs necessary to make the sale, in the ordinary course of business. The Consolidated Group reports in its financial statements the lower of carrying cost and net realisable value.

In determining net realisable value the Consolidated Group uses the most reliable information available at the time the assessment is made. The Consolidated Group uses value in use measurement techniques, that is, calculation of the present value of future cash flows expected to be derived from the asset. The Consolidated Group's value in use calculations to support the estimated net realisable value at 31 December 2010 incorporated a number of key estimates and assumptions:

- A pre-tax discount rate of 25% (2009: 25%);
- Sales prices and construction costs are estimated at levels current at the date of calculation, then indexed / escalated at rates estimated by management to be reflective of future economic conditions. Estimates of escalation rates at 31 December 2010, for both sales and costs were in the range of 3% (2009: 3%) to 6% (2009: 6%); and
- Assumptions in respect of the timing of approvals from government agencies at all levels, in order for projects to proceed.

At 31 December 2010 the assessment of net realisable value of the Consolidated Group's assets using the value in use basis was made and there were no assets in need of write down in value (2009: nil).

## PORT BOUVARD LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory Notes to the Financial Statements For the Half-Year Ended 31 December 2010

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#### *Write-down of non-financial assets*

When value in use measurement techniques (mentioned above) are not the most reliable when determining value of an asset, the Consolidated Group defers to a net realisable value assessment based on fair value assessment. Additionally, the Consolidated Group assesses the fair value of all non-financial assets that it expects to dispose of outside the ordinary course of business at each reporting date.

Fair value reflects the amount which could be exchanged between the Consolidated Group and knowledgeable willing buyers in the marketplace. In order to determine fair value, the Consolidated Group engages independent professional valuation firms specialising in the property industry or from bank valuations.

At 31 December 2010 the assessment of fair value of the Consolidated Group's assets did not require asset values to be written down (2009: \$16,458,394).

#### **(c) Significant accounting judgements**

##### *Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

#### **(d) Going concern**

The Consolidated Group has banking facilities with St George Bank Ltd which contain a combination of short term permanent reduction milestones and expiration dates.

The Consolidated Group is required to reduce its Oceanique Apartment construction facility in two further repayment tranches: to reduce permanently the total amount owing by a further amount so that the total amount owing is not more than \$26 million, by no later than 30 June 2011; and such that the total amount owing is paid in full by 31 October 2011. The ability of the Consolidated Group to reduce its facility to these values is dependent on it successfully settling contracts of Oceanique Apartments. There are a number of contracts on hand from two previous sales campaigns which the Consolidated Group is attempting to settle. The Consolidated Group continues to actively market Oceanique.

Under current arrangements, the Consolidated Group is also required to repay both the Land Acquisition Facility and Working Capital Facility on or before 31 December 2011.

The Consolidated Group had cash and cash equivalents of \$35.0 million at the end of the reporting period (at 30 June 2010: \$47.5 million).

The Consolidated Group is currently in discussion with its lender in respect to varying or extending its facilities. In the event that the Consolidated Group isn't able to vary the facility's terms or have them extended, it may have to fund a possible shortfall or source financing from alternative means.

After considering all current relevant and reliable information, the Directors are of the view that there are reasonable grounds the Group will be able to pay its debts as and when they fall due. On this basis, the Group's financial statements have been prepared on a going concern basis.

The Directors have formed this view after considering the following factors:

- Current market conditions, potential asset sales and value of sales;
- The Group's net assets of \$156.5m;
- Its long-term relationship with its lender;
- Alternative sources of funding; and
- The assumptions used to form the Consolidated Group's financial forecasts.

The half-year financial statements of the Consolidated Group do not include any provision or adjustment relating to the recoverability or classification of recorded asset or liability amounts. Such adjustments may be necessary should the Consolidated Group not be able to continue as a going concern.

## PORT BOUVARD LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory Notes to the Financial Statements For the Half-Year Ended 31 December 2010

#### 2. DIVIDENDS

No dividends have been declared for the period.

#### 3. SEGMENT INFORMATION

##### (a) General information

In accordance AASB 8 *Operating Segments*, the Consolidated Group assessed for the half-year reporting period ended 31 December 2010 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 Directors of the Consolidated 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 Chief Operating Decision Maker, identified as the Board of Directors, to make decisions about resource allocation to that business and assess its performance.

##### (b) Segment information provided to the Board of Directors

	Property Development	
	31 December 2010	31 December 2009
	\$'000	\$'000 <sup>(3)</sup>
Total segment revenue from external customers <sup>(1)</sup>	61,121	10,188
<b>Revenue from external customers</b>	<b>61,121</b>	<b>10,188</b>
<b>Net profit (loss) after income tax <sup>(2)</sup></b>	<b>6,454</b>	<b>(14,105)</b>
	<b>31 December 2010</b>	<b>30 June 2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Assets and liabilities:</b>		
Segment assets	248,317	311,267
Segment liabilities	91,847	171,767
<b>Net assets</b>	<b>156,470</b>	<b>139,500</b>

##### (1) Revenue

The revenue from external customers reported to the Board of Directors is consistent with what has been reported in the statements of 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.

##### (2) Net profit (loss) after tax

The Chief Operating Decision Maker assesses the performance of the operating segment based on net profit (loss) after income tax.

##### (3) Net profit (loss) after tax for the period ended 31 December 2009

Please refer to the annual financial statements for the year ended 30 June 2010 note 26 (ii) with respect to the change in segment information used by the Chief Operating Decision Maker when assessing performance of the operating segment.

## PORT BOUVARD LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory Notes to the Financial Statements For the Half-Year Ended 31 December 2010

#### 4. CONTINGENCIES

	Consolidated	
	31 December 2010 \$'000	30 June 2010 \$'000
<b>Contingent liabilities</b>		
Details and estimates of maximum amounts of contingent liabilities are as follows:		
<i>Guarantees</i>		
The Consolidated Group has provided guarantees in respect of certain undertakings of the Port Bouvard Project, in favour of:		
The City of Mandurah	1,051	1,074
Department of Planning and Infrastructure	50	50
	<b>1,101</b>	<b>1,124</b>

#### 5. SHARE BASED PAYMENTS

On 30 July 2007 the Board approved the Port Bouvard Limited Employee Option Plan ("Plan") that entitles key management personnel to purchase shares in the entity. There were no new Options issued under the Plan during the half-year ending 31 December 2010 (2009: Nil).

Set out below is a summary of Options under the Plan.

Grant date	Expiry date	Exercise price (\$)	Balance at start of the year (number)	Granted during the period (number)	Exercised during the period (number)	Forfeited during the period (number)	Balance at end of the period (number)	Vested and exercisable at end of the period (number)
22 August 2007	21 August 2012	2.05	1,150,000	-	-	(500,000)	650,000	650,000
9 December 2008	8 December 2013	0.19	2,083,333	-	-	(833,333)	1,250,000	1,250,000
			<b>3,233,334</b>	<b>-</b>	<b>-</b>	<b>(1,333,333)</b>	<b>1,900,000</b>	<b>1,900,000</b>

## PORT BOUVARD LIMITED AND ITS CONTROLLED ENTITIES

### Explanatory Notes to the Financial Statements For the Half-Year Ended 31 December 2010

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#### 6. RELATED PARTY TRANSACTIONS

Arrangements with related parties continue to be in place. For details on these arrangements refer to the 30 June 2010 Annual Financial Statements. Additional information in respect of related party transactions is below.

*Contract for purchase of built form product – Mr SJ Wroth*

Mr SL Wroth, being a step-son of Director Mr RJ Neumann, has a part beneficial interest in a contract to purchase a built form product (Oceanique apartment) from a subsidiary of the Consolidated Group. The contract is on normal commercial terms and conditions. Settlement in respect of an Oceanique apartment is scheduled to occur in shortly.

#### 7. CONTRIBUTED EQUITY

Date	Details	Number of shares		Value of shares	
		Movement	Balance	Movement \$	Balance \$
1 July 2010	Opening balance		<u>509,132,196</u>		<u>188,483,212</u>
20 July 2010	Rights issue to retail Investors		84,736,099	11,015,693	199,498,905
20 July 2010	Transaction costs		-	(728,193)	198,770,712
31 December 2010	Deferred tax on transaction costs		-	218,458	<u>198,989,170</u>
<b>Balance at 31 December 2010</b>			<b><u>593,868,295</u></b>		<b><u>198,989,170</u></b>
1 July 2009	Opening balance		<u>130,791,372</u>		<u>141,973,996</u>
<b>Balance at 31 December 2009</b>			<b><u>130,791,372</u></b>		<b><u>141,934,996</u></b>

#### 8. EVENTS OCCURRING AFTER REPORTING DATE

Since the end of the reporting period the Group has settled an Oceanique apartment and settlement proceeds have been used to reduce debt on the Oceanique facility in accordance with the terms of the facility.

Additionally, the Group has temporarily transferred an amount of cash and cash equivalents to offset debt on the Land Acquisition Facility.

## PORT BOUVARD LIMITED AND ITS CONTROLLED ENTITIES

### Directors' Declaration

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The directors declare that:

1. the financial statements and notes of the Consolidated Group set out on pages 5 to 13 are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations;
  - (b) give a true and fair view of the Consolidated Group's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
2. in the directors' opinion, and subject to note 1 (d), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



**Lee Verios**

**Chairman**

25 February 2011

Perth

Western Australia

25 February 2011

The Directors  
Port Bouvard Limited  
Level 2, Port Bouvard House  
129 Melville Parade  
COMO, WA 6152

Dear Sirs,

DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF  
PORT BOUVARD LIMITED

As lead auditor of Port Bouvard Limited for the year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Port Bouvard Limited and the entities it controlled during the year.



Brad McVeigh  
Director



BDO Audit (WA) Pty Ltd  
Perth, Western Australia

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF PORT BOUVARD LIMITED

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Port Bouvard Limited, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

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

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Port Bouvard Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Port Bouvard Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

## Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

## Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 1 in the financial report which indicates that the company has entered into financing arrangements whereby it is required to reduce its Oceanique Apartment construction facility in two repayment tranches: by \$35m on or before 30 June 2011; and by a further \$26m on or before 31 October 2011. The ability of the Consolidated Group to reduce its facility by these values is dependent on it successfully settling contracts for the sale of Oceanique Apartments or arranging alternate funding facilities. This condition, along with other matters set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial reports.

BDO Audit (WA) Pty Ltd



Brad McVeigh  
Director

Dated this 25<sup>th</sup> day of February 2011  
Perth, Western Australia