Berkklee Limited

ABN: 80 004 661 205

Half-Year Financial Report
For The Period Ended
31 December 2006

Directors' Report

Your directors submit their report for the half-year ended 31 December 2006.

DIRECTORS

The names of the company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Andrew Osborne Hay OBE (Non-executive Chairman)
Edward John van Berkel (Managing Director)
Colin Stubbs
Egon Wolfgang Vetter

REVIEW AND RESULTS OF OPERATIONS

The consolidated entity recorded revenue from ordinary activities of $7.30 million for the half-year ended 31 December 2006 compared with $6.79 million for the previous corresponding period, an increase of 7.6%. After an income tax expense of $100,000, profit from ordinary activities after income tax was $230,000 compared to $209,000 for the corresponding half year.

Consolidated sales revenue was $7.15 million, a 7.4% increase on the $6.66 million recorded for the half ended 31 December 2005.

The segment in which the Undacar Division operates, the replacement exhaust market, remains fiercely competitive.

By resolution subsequent to half-year end, the directors have declared an interim dividend of 1.0 cent per share (previous interim dividend: 1.0 cent), which is fully franked at 30% and payable on 30 April 2007. Dividends are accounted for in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets.*

The company will be operating in a largely unchanged commercial environment in the second half of 2006 / 2007.

Directors' Report (Continued)

Auditor's Independence Declaration

A copy of the auditor's independence declaration in relation to the review for the half year is provided with this report (refer page 13).

ROUNDING

The amounts contained in the half-year 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.

Signed in accordance with a resolution of the directors.

A O Hay

A. O. Hay
Director
Ballarat, 27 February 2007

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Condensed Consolidated Income Statement

Half-Year Ended 31 December 2006

		Consolidated	
	Note	**2006 $'000**	**2005 $'000**
Revenues from continuing operations	2	7,304	6,786
Expenses from continuing operations	2	6,974	6,501
Profit before income tax expense		330	285
Income tax expense		100	76
Profit from continuing operations		230	209
Net profit attributable to members of Berklee Limited		230	209
Basic earnings per share (cents per share)		1.6¢	1.5¢
Diluted earnings per share (cents per share)		1.6¢	1.5¢

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Condensed Consolidated Balance Sheet

Half-Year Ended 31 December 2006

	Note	Consolidated As at 31 Dec 2006 $'000	As at 30 June 2006 $'000
Current assets			
Cash and cash equivalents	6	452	388
Trade receivables		2,438	2,169
Inventories		4,547	5,035
Current tax assets		-	20
Other current assets		225	148
Total current assets		7,662	7,760
Non-current assets			
Property, plant and equipment		7,364	7,585
Deferred tax assets		334	383
Total non-current assets		7,698	7,968
Total assets		15,360	15,728
Current liabilities			
Trade and other payables		1,536	1,607
Short term borrowings		350	493
Current tax payable		3	-
Provisions		454	464
Total current liabilities		2,343	2,564
Non-current liabilities			
Long term borrowings		1,426	1,528
Provisions		23	17
Total non-current liabilities		1,449	1,545
Total liabilities		3,792	4,109
Net assets		11,568	11,619
Equity			
Contributed equity		8,700	8,700
Reserves		698	698
Retained earnings		2,170	2,221
Total equity		11,568	11,619

Berklee Limited
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Condensed Consolidated Statement Of Changes In Equity

Half-Year Ended 31 December 2006 **Consolidated**

	Note	As at 31 Dec 2006 $'000	As at 31 Dec 2005 $'000
Total equity at the beginning of the half-year		11,619	11,549
Profit for the half-year		230	209
Dividends provided for or paid	3	(281)	-
Total equity at the end of the half-year		11,568	11,758

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Condensed Consolidated Cash Flow Statement

Half-Year Ended 31 December 2006 — **Consolidated**

	2006 $'000 Inflows (Outflows)	2005 $'000 Inflows (Outflows)
Cash flows from operating activities		
Receipts from customers (Inclusive of GST)	7,755	7,308
Payments to suppliers and employees (Inclusive of GST)	(6,981)	(7,144)
Interest received	10	4
Finance costs	(83)	(119)
Income taxes paid	(29)	(300)
Net cash provided by / (used in) operating activities	672	(251)
Cash flows from investing activities		
Payment for property, plant and equipment	(82)	(93)
Proceeds from sale of property, plant and equipment	-	4
Net cash used in investing activities	(82)	(89)
Cash flows from financing activities		
Dividends paid	(281)	-
Proceeds from borrowings	-	-
Repayment of borrowings	(245)	(238)
Net cash provided by / (used in) financing activities	(526)	(238)
Net increase / (decrease) in cash and cash equivalents	64	(578)
Cash and cash equivalents at the beginning of the financial year	388	11
Cash and cash equivalents at the end of the financial period (note 6)	452	(567)

Berklee Limited
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Notes to the Half-Year Financial Statements

Half-Year Ended 31 December 2006

1. Summary of significant accounting policies

This general purpose financial report for the interim half year reporting period ended 31 December 2006 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any public announcements made by Berklee Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Policies have been consistently applied to all periods presented, unless otherwise stated.

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Berklee Limited
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Notes continued

Half-Year Ended 31 December 2006	**Consolidated**	
	2006	**2005**
	$'000	**$'000**

2. PROFIT FROM CONTINUING OPERATIONS

Specific Items

Profit from ordinary activities before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:

(i) Revenues from continuing operations		
Revenue from sale of goods	7,155	6,664
Other revenue	149	122
Total revenues from continuing operations	7,304	6,786
(ii) Expenses		
Changes in inventories of finished goods and work in progress	369	(179)
Raw materials and consumables used	2,567	2,448
Depreciation and amortisation expenses	302	307
Borrowing costs expense	83	119
Salaries and employee benefits expense	2,279	2,434
Freight expense	479	534
Operating lease rental expense	269	268
Audit fee	30	25
Sales and marketing expense	114	115
Insurance expense	72	74
Other expenses from ordinary activities	410	356
Total expenses from continuing operations	6,974	6,501

Berklee Limited
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Notes continued

Half-Year Ended 31 December 2006	**Consolidated**	
	2006 $'000	**2005 $'000**
3. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES		
(a) Dividends paid during the half-year		
Fully franked final (2.00¢ per share)(2005:0.00¢)	281	-
(b) Dividends proposed and not recognised as a liability		
Fully franked interim (2006:1.00¢)(2005:1.00¢)	141	141

4. SUBSEQUENT EVENTS

By resolution subsequent to half-year end the directors have declared an interim dividend of 1.0 cent per share (previous interim: 1.00¢), which is fully franked at 30% and payable on 30 April 2007. Dividends are accounted for in accordance with AASB 137.

5. CONTINGENT ASSETS AND LIABILITIES

Since the last annual reporting date, there has been no material change of any contingent liabilities or contingent assets.

6. NOTES TO THE STATEMENT OF CASH FLOWS

	As at 31 Dec 2006 $'000	**As at 31 Dec 2005 $'000**
(a) Reconciliation of Cash		
Cash at the end of the period as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:		
Cash is made up of:		
Cash	452	172
Bank overdraft	-	(739)
	452	(567)

Berklee Limited
ABN: 80 004 661 205

Notes continued

Half-Year Ended 31 December 2006

7. FINANCIAL REPORTING BY SEGMENTS

(a) Business Segments

The economic entity operates predominantly in the automotive exhaust system component market.

(b) Geographical Segments

The economic entity operates exclusively in Australia.

8. LAND AND BUILDINGS

Land and buildings are valued at cost in the half year financial report.

In July 2006, the company obtained an independent valuation of all freehold land and buildings. The market value at July 2006 of the company's land and buildings totalled $8,070,000 based on vacant possession. The Directors therefore consider the fair value of the net assets of the company to be over $15 million, or in excess of $1 per issued share.

Directors' Declaration

The directors declare that:

1. The financial statements and notes set out on pages 4 to 11, are in accordance with the Corporations Act 2001 and;

   (a) comply with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date;

2. 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 the resolution of the Board of Directors.

On behalf of the Board

A.O.Hay

A. O. Hay, Director
Ballarat, 27 February 2007

RSM Bird Cameron Partners
Chartered Accountants

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AUDITOR'S INDEPENDENCE DECLARATION

As lead audit partner for the review of the financial report of Berklee Limited for the half-year ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

i. the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

ii. any applicable code of professional conduct in relation to the review.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants

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R B MIANO
Partner

27 February, 2007
Melbourne

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Major Offices in: Perth, Sydney, Melbourne, Adelaide and Canberra
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INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF

BERKLEE LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Berklee Limited ("the consolidated entity") which comprises the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, accompanying notes to the financial statements and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 an Interim 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 2006 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 Berklee Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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Auditor's Responsibility (Cont.)

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 followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Berklee 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 2006 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*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants

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R B MIANO
Partner

Melbourne
27 February 2007